*Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*(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, 2019

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, 2019. This announcement, containing the full text of the 2019 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, 2019 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 2019 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 27, 2020

*As at the date of this announcement, the Board of Directors comprises Mr. PAN Xinjun and Mr. JIN Wenzhong as executive Directors; Mr. LIU Wei, Mr. WU Junhao, Mr. LI Xiang, Ms. XIA Jinghan, Mr. XU Jianguo and Mr. CHEN Xiaobo as non-executive Directors; and Mr. XU Guoxiang, Mr. TAO Xiuming, Mr. WEI Anning, Mr. XU Zhiming and Mr. JIN Qinglu as independent non-executive Directors.*

# Important Notice

I. The Board, the Supervisory Committee 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.

II. All the Directors attended the Board meetings.

III. The 2019 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 Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu respectively, who each issued a standard unqualified audit report to the Company. Unless otherwise stated, all data included in this report are denominated in RMB.

IV. Mr. Pan Xinjun, Chairman of the Company, Mr. Zhang Jianhui, the accounting chief, and Mr. You Wenjie, the 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.

V. The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period has been reviewed by the Board

The profit distribution proposal of the Company for 2019: Based on the total share capital of 6,993,655,803 Shares (A Shares and H Shares) as at the end of 2019, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares will be distributed by the Company 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 RMB1,049,048,370.45.

VI. Risk alerts regarding forward-looking statements

Forward-looking statements, including future plans and development strategies, may be contained in this report. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Neither the Company nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information. Investors are advised to pay attention to such investment risks involved and not place undue reliance on forward-looking statements.

VII. 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.

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

# Important Notice

IX. Material risk warnings

The business of the Company is highly dependent on economic and market conditions in the PRC 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 operation, business performance, financial conditions and development 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 the Company's ability to raise funds to develop its business; the Company may not be able to effectively implement its business plans and strategies.

In addition to the extensive competition in the securities industry in the PRC, the Company also faces great impact 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. If the Company fails to effectively compete, the business operation, financial conditions, business performance and development prospects of the Company would be materially and adversely affected.

The Company relies on bond issuances, banks and other external financing channels to fund the majority portion of its business operation. The financial conditions, liquidity and business operations of the Company will be adversely affected in the event that the Company is not able to service or repay its debts 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; rendering the Company lacking in flexibility planning the business or reacting to business changes; 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 financing cost; making the Company more vulnerable to a downturn in its business or the overall economy; subjecting the Company to the risk of being forced to refinance 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 Operation for details.

X. 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 version shall prevail.

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

# Chairman's Statement

Dear Shareholders:

Looking back on 2019, amid nationwide celebrations for the 70th anniversary since the foundation of the new China, domestic economy and society continued the healthy development momentum and the capital market advanced towards deepening reform and opening up, while the Company recorded stable progress in various tasks with a significant increase in operating results. In 2019, the Company secured revenue and other income of RMB24.35 billion and net profit attributable to shareholders of the listed company of RMB2.435 billion. As of the end of 2019, the Company maintained total assets and net assets of RMB262.971 billion and RMB54.011 billion, representing an increase of 15.91% and 3.33%, respectively from the end of previous year.

Success comes from painstaking efforts. During the year, we stood united with aggression and persistence to press forward with our six strategic tasks and enhance our core competitiveness. In the context of the deepening supply-side reform and pursuit of quality economic development, the Company consolidated its advantageous business, including asset management, fund management, proprietary trading and equity investment with active management capacity dominating the market, continuously boosted its basic business, such as wealth management, investment banking and international business to achieve enhanced customer service capacity from all aspects; strengthened empowerment and integration of financial technology with business to promote financial product innovation and financial service level through establishing digital platform; deepened the integration of industrial and financial capital and improved synergy within the Group to make remarkable achievements in external strategic cooperation and internal business collaboration; and practically implemented the principle of "Party building and corporate culture serve as the productivity", to reinforce the sense of accomplishment, sense of belonging and sense of felicity of employees as well as the cohesion, execution and creativity of the Company and our "Happy Home" theme practice activity was appraised as "Shanghai State-owned Enterprise Party Building Brand (上海國企黨建品牌)".

Companies that proactively shoulder social responsibilities boast most competitiveness and vitality. During the year, we rooted ourselves in Shanghai to facilitate the pace of Shanghai to be an international financial center and achieved innovative breakthroughs in the registration mechanism of the Sci-Tech Innovation Board and the integration of Yangtze River Delta. We offered services across the nation to provide quality comprehensive financial services to the real economy and social wealth management, and establish our unique brand in financial risk prevention and precise poverty alleviation. We extended our footprints to the world through resource investment in Hong Kong, establishment of new futures branches in Singapore and assisting the domestic enterprise "Wanhua Chemical" with the largest cross-border merger and acquisition projects across central and eastern Europe done by domestic enterprises, thus contributing to the "Belt and Road" initiative.

# Chairman's Statement

Looking into 2020, a well-off society in an all-round manner as anticipated by the Party and the nation will be realized and the Company's three-year strategic planning will also be completed. We have been committed to our mission with an unchanged mind. In the new year, confronted with opportunities and challenges brought about by acceleration in the overall reform and opening up in the capital market, we will adhere to the leadership of the Party, enhance Party building and tap on the core competitive edges of excellent Party building and corporate culture, striving to build a modern investment bank with first-class core competitiveness in China and comprehensive financial services for customers, to obtain material and spiritual returns for shareholders, employees and society, and to make positive contributions to the construction of a "standardized, transparent, open, dynamic and resilient" capital market and the "compliant, honest, professional and stable" industry culture.

**Pan Xinjun**
*Secretary of the CPC Party Committee and Chairman of DFZQ*

# CONTENTS


Page

6 Section I Definitions

9 Section II Company Profile and Key Financial Indicators

29 Section III Summary of the Company's Business

37 Section IV Report of the Board

105 Section V Significant Events

151 Section VI Changes in Ordinary Shares and Information on Shareholders

163 Section VII Preference Shares

164 Section VIII Directors, Supervisors, Senior Management and Staff

201 Section IX Corporate Governance

245 Section X Corporate Bonds

255 Section XI Documents Available for Inspection

256 Section XII Information Disclosures of Securities Company

258 Appendix I: Organizational Structure of DFZQ

259 Appendix II: Information on Securities Branches of the Company

270 Appendix III: Information on Futures Branches of the Company

272 Appendix IV: Information Disclosure Index

283 Independent Auditor's Report

289 Consolidated Statement of Profit or Loss

290 Consolidated Statement of Profit or Loss and Other Comprehensive Income

291 Consolidated Statement of Financial Position

293 Consolidated Statement of Changes in Equity

294 Consolidated Statement of Cash Flows

298 Notes to the Consolidated Financial Statements

# 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 DFZQ |
| "Board" or "Board of Directors" | the board of directors of DFZQ |
| "CDB" | China Development Bank (國家開發銀行) |
| "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 |
| "ChinaBond" | China Central Depository and Clearing Co., Ltd. (中央國債登記結算有限責任公司) |
| "Citi Orient" | Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a controlling subsidiary of the Company |
| "Citigroup Asia" | Citigroup Global Markets Asia Limited |
| "Company" or "the Company" or "Parent Company" or "DFZQ" | 東方證券股份有限公司 |
| "Company Law" | the Company Law of the People's Republic of China |
| "Corporate Governance Code" | the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules |
| "CSDCC" | China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) |
| "CSRC" | the China Securities Regulatory Commission |
| "Director(s)" | the director(s) of DFZQ |
| "GDP" | gross domestic product |

# Section I Definitions

| | |
|---|---|
| "Group" or "the Group" or "We" | DFZQ and its subsidiaries |
| "H Share(s)" | the overseas listed foreign 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 |
| "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 |
| "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) |
| "Orient Finance Holdings" | 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 Futures" | Orient Futures Co., Ltd (上海東證期貨有限公司), 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 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 |
| "Orient Securities International" | Orient Securities International Financial Group Co., Ltd. (東證國際金融集團有限公司), a wholly-owned subsidiary of Orient Finance Holdings |
| "Reporting Period" | January 1, 2019 to December 31, 2019 |
| "RMB, RMB'000, RMB'0000, RMB million, RMB100 million" | Renminbi Yuan, Renminbi'000, Renminbi'0000, Renminbi million, Renminbi 100 million (unless otherwise specified) |

# Section I Definitions

| | |
|---|---|
| "Securities Law" | the Securities Law of the People's Republic of China |
| "SFC" | Hong Kong Securities and Futures Commission |
| "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 (申能(集團)有限公司) |
| "Shenzhen Stock Exchange" | the Shenzhen Stock Exchange |
| "SSE" | the Shanghai Stock Exchange |
| "SSE Composite Index" | Shanghai Stock Exchange Composite Index |
| "Supervisor(s)" | the supervisor(s) of DFZQ |
| "Supervisory Committee" | the supervisory committee of DFZQ |
| "SZSE Component Index" | Shenzhen Stock Exchange Component Index |

# 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 | Wang Rufu, Leung Wing Han Sharon |

### Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

| | As at the end of this Reporting Period | As at the end of last year |
|---|---|---|
| Registered capital | 6,993,655,803.00 | 6,993,655,803.00 |
| Net capital | 40,108,215,816.68 | 40,235,401,281.79 |

### Business scope of the Company

Securities brokerage; margin financing and securities lending; securities investment advisory; financial advisory related to securities trading and securities investing activities; proprietary trading of securities; proxy sale of securities investment funds; intermediary introduction business for futures companies; proxy sale of financial products; securities underwriting (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing products governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)); stock options market-making business and custodian business for securities investment funds.【For items subject to approval pursuant to laws, its operations could only be commenced upon approval by relevant authorities】

# 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 and futures business | CSRC (No.: 913100001322947763) |
| 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 | 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 | CSDCC (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) |

| No. | Name of business qualification | Approval authority and approval number |
|---|---|---|
| 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) |
| 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)<br>SSE (Shang Zheng Hui Zi [2012] No. 167)<br>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) |

| No. | Name of business qualification | Approval authority and approval number |
|---|---|---|
| 31 | Permit to operate securities and futures business | CSRC (No.: 913100001321109141) |
| 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) |
| 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)<br>SSE (Shang Zheng Hui [2013] No. 77) |
| 37 | Qualification for collateralized stock repurchase business | Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 60) |
| 38 | Qualification for conducting securities pledge registration agency business | CSDCC (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 brokerage business of marketable securities in foreign currencies | Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15) |
| 43 | License of Securities Business in Foreign Currency | State Administration of Foreign Exchange (SC201102) |
| 44 | 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) |
| 45 | 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]) |
| 46 | Type 6 Licence – Advising on corporate finance | Securities and Futures Commission of Hong Kong (CE No. BDN128) |
| 47 | Permit to conduct Shanghai-Hong Kong Stock Connect business | SSE (Shang Zheng Han [2014] No. 626) |

| No. | Name of business qualification | Approval authority and approval number |
|---|---|---|
| 48 | Qualification for pilot OTC market business | Securities Association of China (Zhong Zheng Xie Han [2014] No. 632) |
| 49 | Qualification for pilot proprietary business of gold spot contract | CSRC (Huang Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876) |
| 50 | Pilot online securities business | Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3)) |
| 51 | 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) |
| 52 | 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) |
| 53 | Qualification for conducting transfer and deposit service of clients' deposits | China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11)<br>China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67) |
| 54 | Qualification for stock and options market making business | CSRC (Zheng Jian Xu Ke [2015] No. 163) |
| 55 | 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) |
| 56 | Qualification for sales of securities investment fund | Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61) |
| 57 | Qualification for company conducting pilot market making business for quotation system | China Securities Internet System Co., Ltd. |
| 58 | Permit to operate securities and futures 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.: 913100007178330852) |
| 59 | Qualification for funds sales business | CSRC (No.: 000000519) |
| 60 | Contractor of service in relation to private equity fund business | Asset Management Association of China |

| No. | Name of business qualification | Approval authority and approval number |
|---|---|---|
| 61 | Qualification for issue of short-term financing bills | CSRC (Ji Gou Bu Han [2015] No. 3337) |
| 62 | License of Money Lenders | Eastern Magistrates' Courts of Hong Kong (No. 0048/2016) |
| 63 | Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect | Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326) |
| 64 | Qualification for inter-bank Gold Price Asking Transactions | Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81) |
| 65 | Qualification of stock options transaction participants of SSE | SSE (Shang Zheng Han [2017] No. 165) |
| 66 | Authorization for pledge-type dealer-quoted repurchase transactions of Shenzhen Stock Exchange | Shenzhen Stock Exchange (Shen Zheng Hui [2017] No. 371) |
| 67 | Qualification for primary market makers of SSE 50ETF Options | SSE (Shang Zheng Han [2018] No. 430) |
| 68 | Qualification of the custodian business for securities investment funds | CSRC (Zheng Jian Xu Ke [2018] No. 1686) |
| 69 | Qualification for conducting securities underwriting business (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing instruments governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)) | Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2019] No. 8) |
| 70 | Qualification for primary market makers of SSE listed funds business | SSE (Shang Zheng Han [2019] No. 101) |
| 71 | Qualification for credit derivatives business (inter-bank market credit risk relieving instruments, stock exchange market credit risk relieving instruments and other credit derivatives selling business approved by regulatory authorities) | CSRC (Ji Gou Bu Han [2019] No. 463) |
| 72 | Qualification for market making business of treasure bond futures | CSRC (Ji Gou Bu Han [2019] No. 1023) |
| 73 | Standard pilot for Internet investment account | Securities Association of China (Zhong Zheng Xie Han [2019] No.185) |
| 74 | Authorisation for trading of stock option business on Shenzhen Stock Exchange | Shenzhen Stock Exchange (Shen Zheng Hui [2019] No. 470) |

| No. | Name of business qualification | Approval authority and approval number |
|---|---|---|
| 75 | Qualification for commodity options market making business | CSRC (Ji Gou Bu Han [2019] No. 3058) |
| 76 | Qualification for stock index options market making business | CSRC (Ji Gou Bu Han [2019] No. 3067) |
| 77 | Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on Shenzhen Stock Exchange | Shenzhen Stock Exchange (Shen Zheng Hui [2019] No. 483) |
| 78 | Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on SSE | SSE (Shang Zheng Han [2019] No. 2300) |
| 79 | Operation Qualification of Settlement and Sale of Foreign Exchange Business | State Administration of Foreign Exchange (Hui Fu [2020] No. 10) |

In addition, the Company is a member of the Securities Association of China, SSE, Shenzhen Stock Exchange, National Debt Association of China and Shanghai Gold Exchange. It is also a clearing participant of CSDCC and a member of the Asset Management Association of China.

# Section II Company Profile and Key Financial Indicators

## II. CONTACT PERSONS AND CONTACT METHODS

| | Secretary to the Board | Representative of securities affairs |
|---|---|---|
| Name | Wang Rufu | Li Tingting |
| Correspondence address | 11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC | 11/F, No. 119 South Zhongshan Road, Huangpu District, 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 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Postal code of registered address | 200010 |
| Business address | Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC, 3-6/F, 12/F, 13/F, 22/F, 25-27/F, 29/F, 32/F, 36/F and 38/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Postal code of business address | 200010 |
| Place of business in Hong Kong | 28-29/F, No. 100 Queen's Road Central, Central, Hong Kong |
| Company website | http://www.dfzq.com.cn |
| E-mail | ir@orientsec.com.cn |

## IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

| | |
|---|---|
| Name of media designated by the Company for information disclosure | China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily |
| Website designated by the CSRC for publication of annual reports | http://www.sse.com.cn |
| Website designated by the Hong Kong Stock Exchange for publication of annual reports | http://www.hkexnews.hk |
| Place where the annual reports of the Company are available | 11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC |

# Section II Company Profile and Key Financial Indicators

## V. BRIEF INFORMATION ON SHARES OF THE COMPANY

| Class 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, the Orient Securities Limited Liability Company (東方證券有限責任公司, hereinafter referred to 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 license 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 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, 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 RMB1.0 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 RMB2,139,791,800.00. On October 8, 2003, the Company obtained an updated business license 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 RMB2,139,791,800.00 to RMB3,079,853,836.00.

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 RMB3,079,853,836.00 to RMB3,293,833,016.00.

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 RMB3,293,833,016.00 to RMB4,281,742,921.00.

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 RMB4,281,742,921.00 to RMB5,281,742,921.00.

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 proposed 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 billion 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 H Shares under the IPO and 87,000,000 H Shares to be sold by the selling shareholders, which in total amounted to 957,000,000 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 in total 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 increased from RMB5,281,742,921.00 to RMB6,215,452,011.00.

In December 2017, as approved by the document (Zheng Jian Xu Ke [2017] No. 1940) issued by the CSRC, the Company completed the non-public issuance of 778,203,792 A Shares. Upon the completion of such non-public issuance, the registered capital of the Company increased from RMB6,215,452,011.00 to RMB6,993,655,803.00.

## (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, office of discipline inspection, human resources management department, planning finance management department, capital management department, operation management department, system research and development department, system operation department, administration department, wealth management business department, fixed income business department, securities investment business department, securities research institute, securities financing business department, financial derivatives business department, OTC business department, custodian business department and internet financial 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 major investee companies include Orient 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) Orient Futures Co., Ltd*

| | |
|---|---|
| Address: | 14/F, Shanghai Futures Building, No. 500 Pudian Road, China (Shanghai) Pilot Free Trade Zone |
| Date of incorporation: | December 8, 1995 |
| Registered capital: | RMB2.3 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 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Date of incorporation: | February 8, 2010 |
| Registered capital: | RMB4 billion |
| Percentage of shareholding: | 100% |
| Legal representative: | Jin Wenzhong |
| Tel: | +86-021-63325888 |

*(3) Orient Finance Holdings (Hong Kong) Limited*

| | |
|---|---|
| Address: | 28-29/F, No. 100 Queen's Road Central, Central, Hong Kong |
| Date of incorporation: | February 17, 2010 |
| Registered capital: | HKD2.2 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 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Date of incorporation: | June 8, 2010 |
| Registered capital: | RMB0.3 billion |
| Percentage of shareholding: | 100% |
| Legal representative: | Pan Xinjun |
| Tel: | +86-021-63325888 |

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

| | |
|---|---|
| Address: | 12/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Date of incorporation: | November 19, 2012 |
| Registered capital: | RMB5 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 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Date 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 number of the securities branches of the Company amounted to 168. (Please refer to "Appendix II" to this report for details)

### (iv) Number and distribution of other branches

During the Reporting Period, Orient Futures, a wholly-owned subsidiary of the Company, established two futures branches. As at the end of the Reporting Period, the total number of the futures branches of the Company amounted to 33, including 3 in each of Shanghai City and Hangzhou City, Zhejiang Province, 2 in each of Beijing City and Ningbo City, Zhejiang Province, and 1 in each of Chongqing City, Tianjin City, Shenzhen City, Guangdong Province, Guangzhou City, Guangdong Province, Shantou City, Guangdong Province, Shenyang City, Liaoning Province, Dalian City, Liaoning Province, Zhengzhou City, Henan Province, Changsha City, Hunan Province, Suzhou City, Jiangsu Province, Wuxi City, Jiangsu Province Changzhou City, Jiangsu Province, Nantong City, Jiangsu Province, Taiyuan City, Shanxi Province, Jinan City, Shandong Province, Qingdao City, Shandong Province, Dongying City, Shandong Province, Chengdu City, Sichuan Province, Xi'an City, Shaanxi Province, Xiamen City, Fujian Province, Quanzhou City, Fujian Province, Harbin City, Heilongjiang Province and Nanning City, Guangxi Zhuang Autonomous Region. (Please refer to "Appendix III" to this report for details)

## VII. OTHER RELEVANT INFORMATION

| | | |
|---|---|---|
| Domestic accounting firm appointed by the Company | Name | Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所（特殊普通合夥）) |
| | Office address | 30/F, No. 222 East Yan'an Road, Huangpu District, Shanghai, the PRC |
| | Name of the signing accountants | Shi Man, Pan Zhuyun |
| 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 Hingfai |
| Chief Risk Officer and Chief Compliance Officer | 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 | |
| A Share Registrar | Shanghai Branch of CSDCC | |
| 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

Currency: RMB

| Key accounting data | 2019 | 2018 | Change over the previous year (%) | 2017 |
|---|---|---|---|---|
| **Operating results ('000)** | | | | |
| Total revenue and other income | **24,350,521** | 15,701,948 | 55.08 | 16,679,385 |
| Profit before income tax | **2,854,531** | 1,331,305 | 114.42 | 4,388,513 |
| Profit for the year – attributable to Shareholders of the Company | **2,435,080** | 1,231,013 | 97.81 | 3,553,626 |
| Net cash from/(used in) operating activities | **2,347,279** | 2,290,157 | 2.49 | (6,812,997) |
| Other comprehensive income, net of income tax | **490,324** | (295,615) | N/A | (1,122,988) |
| **Earnings per share** (RMB/share) | | | | |
| Basic earnings per share | **0.35** | 0.18 | 94.44 | 0.57 |
| Diluted earnings per share | **N/A** | N/A | N/A | N/A |
| **Indicator of profitability** | | | | |
| Weighted average returns on net assets (%) | **4.61** | 2.37 | Increased by 2.24 percentage points | 8.62 |

# Section II Company Profile and Key Financial Indicators

Currency: RMB

| | As at the end of 2019 | As at the end of 2018 | Change as at the end of this Reporting Period over the end of previous year (%) | As at the end of 2017 |
|---|---|---|---|---|
| **Indicators of scale ('000)** | | | | |
| Total assets | **262,971,442** | 226,869,673 | 15.91 | 231,859,988 |
| Total liabilities | **208,959,805** | 174,597,221 | 19.68 | 178,358,513 |
| Account payables to brokerage clients | **40,179,178** | 32,059,065 | 25.33 | 28,219,521 |
| Equity attributable to Shareholders of the Company | **53,965,516** | 51,739,478 | 4.30 | 52,985,502 |
| **Total share capital** ('000) | **6,993,656** | 6,993,656 | 0.00 | 6,993,656 |
| **Net assets per share attributable to Shareholders of the Company** (RMB/share) | **7.72** | 7.40 | 4.32 | 7.58 |
| Gearing ratio (%) | **75.75** | 73.17 | increased by 2.58 percentage points | 73.69 |

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

## (ii) Key accounting data and key financial indicators for the recent five years

### 1. *Profit*

Unit: million Currency: RMB

| Items | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Total revenue and other income | **24,351** | 15,702 | 16,679 | 12,242 | 20,459 |
| Total expenses | **22,087** | 15,035 | 12,768 | 9,828 | 11,396 |
| Share of results of associates | **591** | 664 | 477 | 399 | 436 |
| Profit before income tax | **2,855** | 1,331 | 4,389 | 2,813 | 9,499 |
| Profit for the year – attributable to Shareholders of the Company | **2,435** | 1,231 | 3,554 | 2,314 | 7,325 |

### 2. *Assets*

Unit: million Currency: RMB

| Items | As at the end of 2019 | As at the end of 2018 | As at the end of 2017 | As at the end of 2016 | As at the end of 2015 |
|---|---|---|---|---|---|
| Share capital | **6,994** | 6,994 | 6,994 | 6,215 | 5,282 |
| Total equity | **54,012** | 52,272 | 53,501 | 40,938 | 35,376 |
| Equity attributable to Shareholders of the Company | **53,966** | 51,739 | 52,986 | 40,483 | 34,958 |
| Total liabilities | **208,960** | 174,597 | 178,359 | 171,473 | 172,522 |
| Account payables to brokerage clients | **40,179** | 32,059 | 28,220 | 35,652 | 43,193 |
| Total assets | **262,971** | 226,870 | 231,860 | 212,411 | 207,898 |

### 3. *Key financial indicators*

| Items | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Basic earnings per share (RMB/share) | **0.35** | 0.18 | 0.57 | 0.41 | 1.46 |
| Diluted earnings per share (RMB/share) | **N/A** | N/A | N/A | 0.41 | N/A |
| Weighted average returns on net assets (%) | **4.61** | 2.37 | 8.62 | 6.25 | 25.11 |
| Gearing ratio (%) | **75.75** | 73.17 | 73.69 | 76.76 | 78.52 |
| Net assets per share attributable to Shareholders of the Company (RMB/share) | **7.72** | 7.40 | 7.58 | 6.51 | 6.62 |

### (iii) Net capital and risk control indicators of the Parent Company

Unit: '000 Currency: RMB

| Items | As at the end of 2019 | As at the end of 2018 |
|---|---|---|
| Net capital | **40,108,216** | 40,235,401 |
| Net assets | **50,586,896** | 48,292,941 |
| Risk coverage rate (%) | **265.40** | 289.74 |
| Capital gearing ratio (%) | **13.04** | 16.31 |
| Liquidity coverage ratio (%) | **295.21** | 290.43 |
| Net stable funding ratio (%) | **134.55** | 151.97 |
| Net capital/net assets (%) | **79.29** | 83.32 |
| Net capital/liabilities (%) | **26.61** | 31.86 |
| Net assets/liabilities (%) | **33.57** | 38.24 |
| Proprietary equity-based securities and its derivatives/net capital (%) | **30.03** | 22.18 |
| Proprietary non-equity securities and its derivatives/net capital (%) | **291.38** | 254.41 |

*Note:* All data above have been calculated based on the financial information prepared in accordance with the CASBE.

## IX. DIFFERENCES BETWEEN IFRS AND CASBE

Net profits for January to December 2019 and January to December 2018, and net assets as at December 31, 2019 and December 31, 2018 as stated in the consolidated financial statements of the Group prepared in accordance with CASBE are consistent with those prepared in accordance with IFRS.

## X. ITEMS MEASURED AT FAIR VALUE

Unit: '000 Currency: RMB

| Items | Opening balance | Closing balance | Current changes | Effects on current profits |
|---|---|---|---|---|
| 1. Financial assets at fair value through profit or loss | 52,035,347 | **66,901,093** | 14,865,746 | 3,950,063 |
| 2. Derivative financial instruments | (587,319) | **(2,034,273)** | (1,446,954) | (345,944) |
| 3. Debt instruments at fair value through other comprehensive income | 62,209,436 | **64,895,563** | 2,686,127 | 2,717,619 |
| 4. Equity instruments at fair value through other comprehensive income | 9,316,262 | **10,832,873** | 1,516,611 | 541,865 |
| 5. Financial liabilities at fair value through profit or loss | 6,834,381 | **12,630,961** | 5,796,580 | (451,194) |

*Note:* The effect on current profit includes: (1) investment income and net interest income acquired through holding and disposing of above-mentioned projects; (2) impairment loss from debt instruments at fair value through other comprehensive income. 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 PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY, OPERATING MODELS AND INDUSTRIAL CONDITIONS DURING THE REPORTING PERIOD

The Company is a comprehensive securities company established under the CSRC's approval, which provides all-round, one-stop financial services covering securities, futures, asset management, investment banking, investment consultancy and securities research. After years of development, the Company has established a leading position in its competitive business sectors such as proprietary investment, asset management and securities research.

The Company primarily engages in the following five business sectors 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 business, fixed income investment and trading business, financial derivatives trading 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, the Company actively expands FICC business.

  - The Company conducts financial derivatives trading business by flexibly utilizing derivatives and quantitative trading strategies to obtain absolute income with low risk exposure.

  - The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include equity investment, special assets investment etc..

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

- **Investment Management**

  The Company provides its clients with asset management scheme, publicly offered securities investment funds products and private equity investment funds management.

  - 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, single asset management, specialized asset management and publicly offered securities investment funds.

- 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 equity investment fund management business through Orient Securities Capital Investment, a wholly-owned subsidiary of the Company.

- **Brokerage and Securities Financing**

The Company conducts securities brokerage business and futures brokerage business, and provides its clients with such services as margin financing and securities lending business, collateralized stock repurchase business, OTC trading and custodian business.

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

- The Company conducts futures brokerage business through Orient Futures, a wholly-owned subsidiary of the Company, as well as a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai International Energy Exchange and a full clearing member of China Financial Futures Exchange, who provides the clients with commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and distribution of funds 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 and sell securities (securities lending transaction).

- 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 provides OTC financial products and also provides transfer, market making quotation and other services to its clients.

- The custodian business of the Company mainly includes providing asset custody and fund services to private equity investment funds, publicly offered funds and various asset management institutions.

# Section III Summary of the Company's Business

- **Investment Banking**

  The Company carries out investment banking business mainly through its fixed income business headquarters and Citi Orient, a subsidiary.

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

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

  - The Company provides financial advisory services in areas such as mergers and 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 the management of headquarters financing business and liquidity reserves.

  - The Company conducts internationalization business through Orient Finance Holdings, a wholly-owned subsidiary of the Company, with its business place in Hong Kong. Orient Finance Holdings conducts brokerage business, asset management business, investment banking business and margin financing and securities lending business regulated by the SFC in accordance with the SFO through Orient Securities International, its wholly-owned subsidiary and various licensed companies.

In 2019, continued domestic economy the downward trend amid Sino-US trade disputes throughout the year and various uncertainties both at home and abroad in the capital market led to significant volatilities during the year. During the Reporting Period, the securities industry realized operating income of RMB360.483 billion, increasing by 35.37% compared to the same period of last year. Net profit reached RMB123.095 billion, increasing by 84.77% compared to the same period of last year. In terms of operating income, the securities industry realized a net income of RMB78.763 billion (including seat rental income) from the securities agency business, increasing by 26.34% year-on-year. Net income from securities underwriting and sponsoring business was RMB37.744 billion, and net income from financial consulting business was RMB10.521 billion, increasing by 46.03% and -5.64% respectively year-on-year. Income from securities investment (including changes in fair value) was RMB122.16 billion, increasing by 52.65% year-on-year. Net income from asset management business was RMB27.516 billion, increasing by 0.06% year-on-year. Net interest income was RMB46.366 billion, increasing by 115.81% year-on-year. In terms of the capital scale, capital strength of the securities industry improved steadily. As of the end of the Reporting Period, the total assets of the securities industry were RMB7.26 trillion and the net assets were RMB2.02 trillion increasing by 15.97% and 6.88%, respectively from the beginning of the year.

During the Reporting Period, the Company's overall strength and industry position remained stable with sound financial position. The investment management business continued to maintain its leading position in the industry, with outstanding performance in securities sales and trading business, fruitful results in private equity investment funds, and steady progress in the development of investment banking and brokerage and securities finance business. The Company strictly abided by the bottom line of risk control and was rated a Grade A and Class A company among securities companies, and has been rated a Grade A and Class AA or Class A company among securities companies for 11 consecutive years.

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

Please refer to "Section IV, II, (iii) Analysis on principal components of consolidated statement of financial position" to this report for details.

In particular: offshore assets amounted to RMB17.487 billion, accounting for 6.65% of the total assets.

## III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core competitiveness of the Company lies in talents, business, innovation, risk control and party building culture.

### (i) Professional and Stable Personnel with an Ever-evolving Talent Mechanism

Talents are the most important and valuable resources for securities companies. Over the years, the Company not only possesses a professional and stable talent team, but also boasts an ever-evolving talent mechanism.

First of all, the Company owns a united, enterprising, stable and inclusive senior management team. Serving the Company for an average of more than 16 years, the senior management team of the Company has experienced complicated and changing market tests. Long-term exposure to the capital market has enabled the Company's senior management team to get a deep understanding of market rules as well as profound insight and rich management experience in the financial and securities industries. Being united, enterprising, pragmatic, professional, courageous, stable and harmonious, the Company's senior management team has provided a strong guarantee for the Company's long-term sustainable development. Secondly, the Company has a professional and stable business team. The Company's business teams have accumulated rich experience through the years of market struggle, which has helped them improve their professional ability, achieve remarkable results and form business brands. In 2019, the Company has more than 5,700 employees, 36% of whom hold master's degree or above and 65% of whom are under 35. The Company's workforce is highly qualified, young and professional.

The Company's talent mechanism keeps pace with the times. First of all, the Company attaches great importance to talent echelon construction. The Company has formulated and continuously improved its talent development plan and expanded the talent growth channels and enriched the talent reserve through the "Orient Elite (東方菁英)" plan and other means. Secondly, the Company strengthens the construction of human resources system. In 2019, the Company set up and revised a number of talent and performance management systems to improve the talent, performance and compensation management systems, aiming to realize an ever-revolving talent mechanism. Thirdly, the Company values the market-oriented mechanism of talents. Staff salaries are subject to market-oriented benchmarking, division-oriented reform is deepened in wealth management and employees hold the shares of China Universal.

### (ii) Time Tested Advantageous Business with Increasingly Consolidated Market Position

The Company attaches great importance to the fostering of investment and research capacity. After years of intensive cultivation, the Company has established brand effect and competitive advantages in investment fields such as securities investment, fixed income, asset management, publicly offered funds, privately offered funds, etc. The securities investment and asset management business adheres to the concept of value investment and has achieved excellent long-term and medium-term performance. The "Dong Fang Hong (東方紅)" brand enjoys a sound reputation in the market. China Universal has exhibited excellent investment performance and leading innovation capacity, wining several Shanghai Financial Innovation Achievement Awards (上海市金融創新成果). Fixed income business achieved stable investment income, bond underwriting and issuance capacity has formed a good reputation and operation results of private fund business has long been in the forefront of the industry.

In 2019, the market position of the Company's dominant business was maintained and improved. The yield of Orient Securities Asset Management kept its leading position in the industry and ranked first in equity fund performance in the past three to five years; The Company's major categories of assets achieved stable returns, and the yield on its stock portfolio has increased significantly compared with 2018. Income of proprietary bonds remained stable, FICC and other businesses were expanded, and the proportion of income from intermediary business increased substantially. China Universal achieved a management scale of more than RMB700 billion, maintaining its position as the largest fund company in Shanghai in terms of publicly raised assets under management. Further consolidation and promotion of the Company's advantageous business resulted not only from the Company's long-term efforts, but also constituted an integral part of the Company's core competitiveness.

### (iii) Outstanding Innovation Capacity to Explore Development Potential

The Company places great emphasis on giving full play to the important role of innovation in the development of the Company, enrolls "adhering to the innovation-driven principle" as one of the four major principles of the Company's strategic planning, regards "the proportion of innovative business" as an significant part of its strategic objective, and designates special departments to take the lead in promoting the development of the Group's innovative business. After years of accumulation, the Company's innovation mechanism has been continuously improved, the innovation culture has been promoted and inherited, the innovation capacity has been effectively enhanced, and various innovation activities have been steadily carried out. At present, the qualification for innovative business is basically complete, forming a first-mover advantage and brand effect. Innovative products with an influence in the industry have been launched for several times, which has played an important role in optimizing the Company's revenue structure and profit sources and enhancing the Company's comprehensive financial service capability.

In 2019, the Company's various innovations continued to advance and its qualifications for innovative business increased. The Company was the first to obtain the qualification of Shanghai and Shenzhen 300ETF option primary market maker on China Financial Futures Exchange (CFFEX), SSE and Shenzhen Stock Exchange and the qualification of gold option market maker on Shanghai Futures Exchange. Certain innovative projects achieved remarkable results, such as the active product innovation of China Universal and the introduction of the Yangtze River Delta Integrated ETF Fund with raised proceeds of RMB8 billion, seeking to serve the national strategy and the new tasks of Shanghai. There were also several award-winning innovations, such as the "Automated Market-making and Risk Management System in the Inter-bank Bond Market (銀行間債券市場自動化做市和風險管理系統)" which won the second prize for 2018 Shanghai Financial Innovation Achievements (2018年上海金融創新成果二等獎). In the selection of "2019 International Outstanding Cases in Industrial Finance (2019年度產業金融國際優秀案例)" organized by the Asian Association for Financial Cooperation and co-sponsored by the Securities Association of China, the Far East Leasing (Bond Connect) asset-backed notes project with the Company as the lead underwriter won the second prize for outstanding cases of high-quality development in the financial services manufacturing industry. Five projects of the Company were also selected as typical cases of "finance serving the real economy" organized by the Shanghai State-owned Assets Supervision and Administration Commission.

### (iv) Standardized Governance Structure and Effective Compliance and Risk Control

The Company has established a standardized governance structure in accordance with the requirements of the modern enterprise system and relevant regulations of the state, and also attaches great importance to giving full play to the leading core role of the Company's party committee in corporate governance. In 2019, the Board, the Supervisory Committee, and the management team performed their respective duties diligently to ensure that they were not neglect of duty nor overstepped, thus safeguarding effective corporate governance and standardized operation. At the China Capital Market Summit sponsored by the Interface Financial Association, the Company won the "Best Corporate Governance Listed Company (最佳公司治理上市公司)" award for China's listed companies in 2019.

Adhering to the concept of compliance creating value, the Company promotes the construction of compliance and risk management culture, closely follows up the regulations and regulatory requirements, continuously improves the comprehensive risk management system, implements the integration of compliance management, risk management and internal control, values the application of financial technology in compliance and risk management, focuses on promoting compliance and risk management of subsidiaries, strengthens the penetration of compliance and risk management in front-line business, and strengthens the management of audit projects and audit quality control. The Company has also made great efforts to promote the construction of the "four-responsibility coordination (四責協同)" mechanism, to implement the responsibility system for the construction of a clean and honest government and the new requirements of the CSRC for clean and honest employment, and to thoroughly implement the spirit of the eight regulations of the state. Through the multi-leveled and multi-pronged risk management and control measures, the Company has maintained the A rating of securities dealers for 11 consecutive years, thereby ensuring the smooth operation of the Company's business.

### (v) To Consolidate our Foundation with Party Building and Enhance Cohesion with Culture

The Company attaches great importance to the construction of party building and corporate culture, and effectively integrates the requirements of industry culture construction with the strategic task of "party building and corporate culture are productive forces" implemented by the Company with solid progress and innovative exploration.

The Company regards party building as the "root" and "soul" of corporate development. It has always adhered to the leadership of the party, strengthened the leadership of the party, effectively played the leadership role of the party committee, and insisted that the effective integration of excellent party building, corporate culture and market-oriented mechanism is one of the core competitiveness of the Company's rapid development in recent years. In 2019, the Company carried out party construction commemoration and "Remain true to our original aspiration and keep our mission firmly in mind" in-depth theme educational activities, to fully implement the responsibility of strictly managing the party and strength ideological and political construction, organizational construction, team construction, discipline construction and cultural construction. The Company focused on the development of party construction and promoted the development of party construction, thus providing a strong political guarantee and organizational guarantee for promoting the innovation, transformation and development of the Company. At the Shanghai state-owned enterprise party building brand conference held by the party committee of Shanghai Municipal State-owned Assets Supervision and Administration Commission, the "Happy Home" theme practice activity held by the party committee of the Company was appraised as "Shanghai State-owned Enterprise Party Building Brand (上海國企黨建品牌)".

The Company has persistently adhered to the industry culture concept of "compliance, honesty, professionalism and stability" and has continuously built a people-oriented "home" culture. In recent years, the Company has transformed intangible cultural concepts into tangible work carriers, meticulously creating a batch of exquisite project products such as oriental culture afternoon tea, oriental culture heroes association, staff culture arts festival, etc. It has also created the "Happy Orient" App through innovative organizational forms and technical means to improve the efficiency and coverage of cultural publicity. The construction of the Company's corporate culture has persisted for a long time and played an active role in the innovation and transformation of the Company. The Company was awarded the Forbes "2019 Best Employer in the World (2019全球最佳僱主)". The Company is riding on the construction of the industry culture to thoroughly implement and learn the speech spirit of chairman Yi Huiman at the mobilization meeting on the construction of the securities fund industry culture, and formulate and implement the work plan of "Construction of the Securities Fund Industry Culture and Prevention of Moral Risks", to further tap into the cultural advantages accumulated by the Company over the years, and promote the further development of the Company's corporate culture construction.

# Section IV Report of the Board

## I. DISCUSSION AND ANALYSIS OF OPERATION

In 2019, due to the slowdown of global economic growth and the constant international trade conflicts, the manufacturing industry and the trade environment have been exposed to higher uncertainties. Driven by the interest rate cut of the United States, many overseas central banks shifted to adopt the loose monetary policy. Facing a complicated external environment, China continued to promote macro-regulation through implementing a proactive fiscal policy and a prudent monetary policy, enlarging opening-up of the national economy and capital markets and further improving the financial sector's capability to serve the real economy so as to enhance the vitality and resilience of the national economy. In 2019, China's GDP increased by 6.1% year-on-year, achieving sustainable and quality economic growth with growth rate ranking top in the world. The multiple changes in the internal and external environment have also resulted in the significant fluctuation in the securities market. In particular, the A-share market showed an overall N-pattern trend in 2019 with the SSE Composite Index rising by 22.30%, the SZSE Component Index rising by 44.08% and the average daily trading volume of the SSE and SZSE stocks reaching RMB519.981 billion, representing a year-on-year increase of 40.94%. The bond market showed volatility with the yield of 10-year treasury bonds falling 9bp to around 3.13%, and the ChinaBond indicators rose 1.10% throughout the year.

The Company adhered to the keynote of "risk prevention and growth stabilization", held fast to the bottom line of compliance risk control, fully mobilized the enthusiasm and creativity of all management and employees, comprehensively promoted the Company's six strategic tasks, strived to enhance the Company's comprehensive competitiveness and steadily increased the Company's asset scale to maintain a stable position in the industry.

During the Reporting Period, the Company actively grasped the market opportunity, achieved outstanding performance in proprietary investment, and actively pursued exploration and innovation. It was selected as one of the first batch of bond futures market makers of CFFEX and was approved by SAFE to carry out foreign exchange settlement and sale business. It was one of the only seven approved securities dealers at present. The Company's wealth management business focused on the diversified needs of customers, improved product design and configuration capabilities, and achieved double growth in product sales and ownership. The management scale of Orient Securities Asset Management was steadily improved, the scale of publicly-offered funds increased significantly and in the past three to five years, the absolute income of its equity funds ranked first in the industry and the annual operating income ranked second in the industry. Citi Orient focused on the demand for high-quality development of the real economy, insisted on serving the real economy, provided comprehensive financial services to corporate customers, and actively built investment banks throughout the industrial chain. Orient Finance Holdings completed the organizational restructuring. The Group's overseas business showed a trend of diverse expansion and comprehensive development, RQDII channels were newly added for overseas investment in fixed income business, Orient Securities Asset Management obtained QDII qualification and Orient Futures set up new subsidiaries in Singapore.

During the Reporting Period, the Company did not encounter any major risks or violations, and has been rated a Grade A and Class AA or Class A company among securities companies for 11 consecutive years. The Company continued to improve corporate governance, strictly regulated information disclosure, strengthened strategic tracking, optimized strategic analysis, and effectively implemented the six strategic tasks. The Company vigorously promoted the integration and coordination of the Group's resources in various fields and made great progress in external strategic cooperation and internal business coordination. The Company increased investment in its independent research and development application, and adhered to the concept of integrated development with respect to financial science and technology to facilitate business management. At the same time, the Company set up a financial innovation research institute to integrate the Group's technical resources; entered into strategic cooperation agreements with Microsoft to jointly develop "Oriental Brain AI". Party building and corporate culture will deepen concept of productivity and the Company again won Forbes' "2019 Best Employer in the World", further enhancing its public image and brand value.

## II. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

As of the end of 2019, total assets of the Group reached RMB262.971 billion and equity attributable to owners of the Company amounted to RMB53.966 billion. In 2019, the Group realized revenue and other income of RMB24.351 billion, representing an increase of 55.08%, net profit attributable to owners of the Company of RMB2.435 billion, representing an increase of 97.81% and weighted average returns on net assets of 4.61%, representing a year-on-year increase of 2.24 percentage points.

The Company achieved revenue and other income of RMB24.351 billion, of which securities sales and trading business realized RMB4.702 billion, taking up 18.47% of the total; investment management business realized RMB2.454 billion, taking up 9.64% of the total; brokerage and securities financing business realized RMB13.944 billion, taking up 54.80% of the total; investment banking business realized RMB1.063 billion, taking up 4.18% of the total and headquarters and others realized RMB3.286 billion, taking up 12.91% of the total. (Calculation of segment operating income, segment expenditure and relevant proportions have not taken account of any consolidation and offsetting factor; the same approach is adopted below):

## (i) Statement of the Principal Businesses of the Group and Its Analysis

Unit: '000 Currency: RMB

| Segment of the principal businesses | | | | | | |
|---|---|---|---|---|---|---|
| Segment | Segment revenue and other income | Segment expenditure | Profit margin (%) | Change in segment revenue and other income over previous year (%) | Change in segment expenditure over previous year (%) | Change in profit margin over previous year (%) |
| Securities sales and trading | 4,701,620 | 1,939,141 | 58.23 | 356.53 | 1.80 | Increased by 135.84 percentage points |
| Investment management | 2,454,212 | 1,348,064 | 68.20 | -34.40 | -10.52 | Decreased by 6.74 percentage points |
| Brokerage and securities financing | 13,944,248 | 12,550,982 | 9.98 | 68.84 | 105.50 | Decreased by 16.06 percentage points |
| Investment banking | 1,062,829 | 671,332 | 36.84 | -14.12 | -4.47 | Decreased by 6.38 percentage points |
| Headquarters and others | 3,286,410 | 5,658,891 | -72.19 | 64.15 | 14.80 | Increased by 74.02 percentage points |

### *1. Securities Sales and Trading*

The Company conducts securities sales and trading business with its own funds, including proprietary trading (equity investment and trading, fixed income investment and trading, financial derivatives trading business), innovative investment and securities research services. During the Reporting Period, the securities sales and trading business segment realized segment revenue and other income of RMB4.702 billion, accounting for 18.47% of the total income.

*Proprietary trading*

During the Reporting Period, China economy was in the critical period of shifting growth gear and overcoming difficulties in transformation. Affected by the multiple factors in the domestic and overseas market, the A share market showed an overall N-pattern trend with significant fluctuations. During the Reporting Period, the inflation was under periodic pressure, the monetary policy maintained stable, the interest rate debt remained volatile throughout the year and the credit interest spread narrowed substantially with the ten-year treasury bonds yield declining by 9bp to near 3.13% and the yield of ten-year bonds issued by the CDB dropping by 6bp to near 3.58%. In addition, the ChinaBond Aggregate Full Price Index rose by 1.10%.

The following table sets forth the balance of the Group's proprietary trading business by asset class

| (in RMB million) | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Stocks | **6,948.16** | 3,451.98 |
| Funds | **2,553.75** | 3,041.08 |
| Bonds | **87,906.29** | 77,591.00 |
| Others[(Note)] | **933.75** | 1,866.90 |
| Total | **98,341.95** | 85,950.96 |

*Note:* Primarily include investment in asset management schemes and wealth management products using our own funds.

In terms of equity investment business, by upholding the value investment philosophy, the Company capitalized on the advantages of conventional investment research to explore the investment value of individual stocks and strike a balance between β risk and α gains, thereby maximizing the utilization efficiency of funds. Under the strict dynamic tracking and loss prevention mechanism, the Company was well positioned to secure remarkable absolute yields and a significant year-on-year increase. Meanwhile, the Company actively expanded into overseas markets and conducted quantitative strategy research to lay a solid foundation for further exploring the diversified investments, increasing the source of income and reducing the impact of unilateral market fluctuations on the investment portfolios. In the future, the Company will continue to make more efforts in investment research, increase returns based on strict control on risks, and seize opportunities of equity investment in the domestic and overseas markets.

In terms of NEEQ business, during the Reporting Period, the Company proactively reduced holding to recoup funds by continuously optimizing the portfolio of stocks holding, promoted the IPO progress of high-quality enterprises and further improved the quality of market-making business. It was proposed at the Central Economic Work Conference at the end of 2019 that the NEEQ reform would be steadily pushed forward, and various related work has also been fully carried forward, creating favorable conditions for the subsequent development of the Company's NEEQ business. In the future, the Company will actively conduct research on a series of new policies such as the Selective Tier (精選層) of the NEEQ while enhancing and consolidating its investment research capabilities, and strive to grasp and capitalize on opportunities arising from market transformation to improve investment returns.

In terms of securities investment, during the Reporting Period, the Company implemented strict control on credit risk and effectively kept align with the market rhythm and actively optimized the position structure, continuously playing an active role in the market. In particular, the Company recorded a 14.97% year-on-year increase in the volume of spot transaction of bonds in the inter-bank market; a 3.72% year-on-year increase in the total volume of bond settlement in the inter-bank market; and a 368.76% year-on-year increase in the trading value of treasury bond futures in 2019.

In terms of market-making business, in 2019, the inter-bank market-making transactions of the Company continued to rank among the top three trial market makers and top three among securities firms in Bond Connect in terms of comprehensive rating and the Company obtained the qualification as the first batch market makers approved by the CFFEX for treasury bond futures. In the meanwhile, the Company strictly managed the credit risk, strengthened the prior risk control and access management of credit debt investment and continuously tracked and evaluated the bonds held. The Company actively explored new profit models based on conventional advantages by attaching importance to financial technology applications, further expanding into quantitative, market making and cross-border businesses and increasing overseas investment through QDII, RQDII and other channels, which has achieved good results. During the Reporting Period, the Company obtained the "Top 100 Settlement – Excellent Proprietary Institution Prize" by China Central Depository and Clearing Co., Ltd., the China Foreign Exchange Trading Center and National Inter-bank Funding Center "Core Exchange", "Outstanding Bond Market Trader", "Outstanding Derivatives Market Trader", "Contribution Award for Opening Up", "Innovation Award for Trading Mechanism – xbond", "Innovation Award for Automated Trading" and "Best Technology Award", the "Outstanding Market Maker for Financial Debt" by the CDB and the "Outstanding Market Maker of ADB" by the Agricultural Development Bank of China and other awards. In the future, the Company will adjust the allocation of bonds, optimize the position structure, effectively implement credit risk management, improve the quantitative strategy system, and strengthen integration of finance and technology.

In terms of the commodity and foreign exchange business, the Company carried out various proprietary trading businesses including arbitrage, trend, gold ETF market making, hedging, lending and options in a number of exchange markets. During the Reporting Period, the overall scale of the business was steadily ranked in the forefront of securities companies. Furthermore, the Company constantly improved the trading strategies for different products and explored new business models to offer the first income certificate linked to agricultural products index and SSE Bond Index in the market. The Company became the first security firm in the Shanghai Gold Exchange to receive the title of "Outstanding Member in Finance Category" and gained various awards such as the "Best Member in Innovative Business". During the Reporting Period, the Company was recognized by the regulatory authorities regarding its foreign exchange preparation and obtained the operation qualification of settlement and sale of foreign exchange business in January 2020. In future, based on consolidating the existing businesses, the Company will further expand its business portfolio, scope and investment scale and study foreign exchange strategies based on hedging transactions, so as to gradually increase its yields.

In terms of the derivatives business, during the Reporting Period, the Company's derivatives sales and trading business represented by fundamental quantitative trade and OTC derivatives achieved healthy operation with significantly reduced yield fluctuation. Through system optimization and strategy improvement, the trading capability of the intelligent trading business represented by high-frequency market making and quantitative investment was gradually enhanced with yield being substantially increased year-on-year. The Company actively participated in the exchange market-making business, and obtained the qualification for market makers of SSE CSI 300 ETF Options, SZSE CSI 300 ETF Options, CFFEX CSI 300 Index Options, SSE listed funds, SFEX silver futures, No. 20 rubber futures, gold options and ZCE cotton yarn futures. During the Reporting Period, the Company was awarded the "2019 Golden Prize for Market-making Business", the "2018 Excellent Market-makers" and "2018 Outstanding Performance Award in Market-making Business" by Shanghai Futures Exchange. In the future, the Company will remain focused on the OTC derivatives business, quantitative trading and market-making business, and enhance trading capability and promote the development of diversified and profitable businesses by fully taking advantages of technology so as to serve the real economy.

*Innovative investment*

The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company.

During the Reporting Period, Orient Securities Innovation Investment steadily promoted the acquisition and disposal of special assets to consolidate business strength. During the Reporting Period, it invested in 12 new special asset projects with a total investment of RMB2.25 billion. As of the end of the Reporting Period, Orient Securities Innovation Investment had 62 existing projects with an investment scale of RMB3.876 billion. In 2019, the SSE launched the Science and Technology Innovation Board (the "Sci-Tech Innovation Board"), and piloted the co-investment system by related subsidiaries of the trial sponsors. As the alternative investment subsidiary established by DFZQ according to laws, Orient Securities Innovation Investment increased its registered capital to enhance capital strength and proactively participated in the strategic placement on the Sci-Tech Innovation Board through continuously strengthening collaboration with the Parent Company.

In the future, Orient Securities Innovation Investment will continue to steadily push forward the development of equity investment and co-investment in respect of the Sci-Tech Innovation Board, and effectively make investment layout on the premise of stringent control on project quality so as to improve profitability.

*Securities research*

The Company's securities research business strikes a balance between external commissions and internal services, and the Company has been steadily and persistently improving its business layout.

With respect to external commissions, the Company deeply cultivated the public offering market and strived to increase market share while actively exploring non-public offering customers. During the Reporting Period, the research institute achieved a commission income of RMB320 million, of which RMB289 million were the commission income from publicly offered funds research (including special proceeds account, social security fund and annuity seats), representing a market share of 2.94%. The Company was granted a rising ranking by core publicly offered fund clients in terms of research. At the same time, the research institute secured 5 new fund clients, 8 new bank clients and 39 new private equity fund clients, fully covering the newly established wealth management subsidiaries of banks.

With respect to synergy within the Group, the securities research business carried out transformation actively to assist the Group to realize the provision of integrated financial services. The Company also explored the way of serving enterprise clients utilizing its core research capability, so as to provide service of high value to a broader industry capital.

As of the end of the Reporting Period, the Company's securities research business comprised of 74 employees with qualification as researchers, 58 employees with qualification as analysts and 27 employees with qualification as investment consultants, with a total of 1,798 research reports issued. The securities research institutes earnestly conducted in-depth study of fundamentals and actively constructed the Sci-Tech Innovation Board research system. Besides, the Company created and constantly deepened strategic research to develop new competitive edge in the relevant areas.

During the Reporting Period, the Company was honored the title of "Best Analyst Team" and "Best Sales Team" in the mainland China in the "Institutional Investors • Caixin Capital Market Analyst Accomplishment Award" selection in 2019; the title of "New Fortune Best Sales Service Team" in the 17th New Fortune Best Analyst selection; the title of "Research Institution with Fastest Progress " in the 13th "Seller Analyst Crystal Ball Award" selection; the title of "2019 Best Industry Analysis Team" in nine industries in the "2019 China Securities Industry Analyst Golden Bull Award Objective Quantification Ranking" selection; and a number of teams of the Company ranked among the top five teams in the first "Sina Gold Kirin Best Analyst" selection. In the future, the Company will continue to strengthen its core competitiveness by enhancing the ability to acquire external commissions. Meanwhile, the Company will focus on research and actively bring into full play the synergy of the Group to provide comprehensive financial services to various clients.

### 2. *Investment Management*

The Company provided clients with asset management schemes, securities firms' publicly offered fund products for equity investment and private equity investment business. During the Reporting Period, the investment management business realized segment revenue and other income of RMB2.454 billion, accounting for 9.64% of the total income.

*Asset management*

The Company mainly engages in asset management business through Orient Securities Asset Management, a wholly-owned subsidiary of the Company.

During the Reporting Period, with the implementation rules of the new regulations on asset management being further improved, the measures of breaking "rigid payment", standardizing fund pool model and restricting channel business has achieved initial results. The importance of cultural building of the securities and fund industry was raised by the regulatory authorities to a new high level and stricter regulatory requirement on the development of the industry was implemented. The successive establishment of wealth management subsidiaries of banks has further reshaped the new ecological pattern of the industry and the asset management business of securities firms entered into the era of public offering. Facing the opportunities and challenges of the external environment where building core competitiveness is the key to break through, Orient Securities Asset Management continuously enhanced its professional investment research and customer service capability by insisting on the philosophy of customer first and long-term development so as to create long-term and stable investment returns for asset holders.

As at the end of the Reporting Period, the entrusted assets under management of Orient Securities Asset Management reached RMB222.879 billion, of which the discretionary management assets accounted for 99.26%, far above the average level of asset management business of securities firm. In 2019, Orient Securities Asset Management ranked second in the industry in terms of the net income from entrusted asset management business (source: Securities Association of China). In terms of investment yields, from 2005 to the end of the Reporting Period, the average annualized return of the discretionary management equity products of Orient Securities Asset Management was 19.96% while the average annualized return of CSI 300 Index was 11.06% for the same period. The absolute yields of the equity funds of Orient Securities Asset Management in recent three years and five years was 68.91% and 133.82% respectively, both ranking first in the industry; the absolute yields of its fixed income funds in recent three years was 19.06%, ranking 4th in the industry (source: Financial Products Research Center under the Research Institute of Haitong Securities); and the medium and long-term performance of such funds maintained a leading edge.

The following table sets forth the scale of assets under management (AUM) of the Company by product type:

| (in RMB million) | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Collective asset management scheme | **48,466.07** | 42,406.07 |
| Single asset management scheme | **35,045.61** | 59,257.90 |
| Specialized asset management scheme | **15,955.69** | 12,839.58 |
| Publicly offered funds issued by securities dealer | **123,411.98** | 85,640.15 |
| Total | **222,879.35** | 200,143.70 |

The following table sets forth the scale of AUM classified by discretionary management products and non-discretionary management products:

| (in RMB million, except for percentage) | As at December 31, 2019 AUM | As at December 31, 2019 Percentage | As at December 31, 2018 AUM | As at December 31, 2018 Percentage |
|---|---|---|---|---|
| Discretionary management products | **221,231.40** | **99.26%** | 197,141.55 | 98.50% |
| Non-discretionary management products | **1,647.95** | **0.74%** | 3,002.15 | 1.50% |
| Total | **222,879.35** | **100.00%** | 200,143.70 | 100.00% |

During the Reporting Period, Orient Securities Asset Management won 36 various awards including the "Fund Management Company Award for Stock Investment Return" under the 16th "Golden Funds" award granted by Shanghai Securities News, "2019 Junding Award for Wealth Management Securities Firms in China", "2019 Junding Award for Equity Investment Team in China" and the 14th "Star Fund Award for Fund Industry in China" granted by Securities Times, and the 16th "Golden Bull Fund Award" granted by China Securities Journal.

As the bellwether in the asset management industry, by always focusing on the fundamentals of the asset management industry, Orient Securities Asset Management will constantly consolidate and enhance the discretionary equity and fixed-income asset management businesses, take full advantage of its core business strength to maintain a leading position in terms of medium and long-term performance. Through further adhering to customer-oriented development philosophy, it will establish specialized service system to pay more attention to accompany customers along their customer journey. Core competitiveness will be built in more businesses through accelerating the layout in the business areas including index funds and pension target funds, and increasing the product lines and providing diversified solutions to customers. The "Dong Fang Hong" brand will be further strengthened to enable the brand to create a unique impression in the minds of the customers.

*Fund management through China Universal*

The Company mainly engages in fund management business through China Universal, an associate in which the Company is the largest shareholder with 35.412% equity interest.

In terms of business expansion, China Universal adhered to compliance operation and achieved stable development. As of the end of the Reporting Period, the management scale of public offering funds reached RMB519.4 billion, representing an increase of 12% from the beginning of the year, and RMB289.5 billion after excluding the monetary fund and short-term wealth management bonds, representing an increase of 65% from the beginning of the year, ranking fifth in the industry. Among them, the management scale of domestic active stock funds ranked first in the industry[1], and the scale of new public offering funds ranked first in 2019[2]. Special account business grew steadily, and cooperation with strategic customers such as banks, insurance companies and wealth management subsidiaries continued to deepen. The pension business developed rapidly, further improving the pension fund product line. International business continued to expand, accelerating distribution in terms of organization, talents and foreign cooperation. The e-commerce business actively optimized the platform functions and further improved the customer experience.

1 Source: Galaxy Securities Fund Research Center, "Domestic Active Stock Fund", a branch of "Domestic Active Stock Business Unit" of Galaxy Securities Fund Research Center.

2 Source: WIND.

In terms of investment performance, China Universal maintained excellent in mid to long-term investment performance. As of the end of 2019, China Universal's stock funds ranked the highest among all fund managers in the same period in terms of the past 5-year and 10-year arithmetic average stock investment active management return rate[3].

During the Reporting Period, China Universal was honored the title of Shanghai Civilized Unit for 2017-2018 (19th session), and received many industry honors such as the "Golden Fund" TOP Fund Company by Shanghai Securities News, "Star Fund Company with Five-Year Continuous Return" by China Fund Daily and Securities Times and "Jinding Award • Best Equity Team Award" by National Business Daily. China Universal's Value Selection and China Universal's Consumption Industry both won the Five-Year Open Hybrid Continuous Superior Golden Bull Fund by China Securities Journal. At the same time, China Universal's Value Selection also won the Morningstar (China) Fund Nomination Award for 2019; China Universal's Growth Focus won the Gold Fund • Partial Share Mixed Fund Award (10 Years) by Shanghai Securities News; and "China Universal • Tianfu Pension" was listed on the China Smart Investment Consultation (Wealth Management) Pioneer List in 2019 by Securities Times.

In the future, China Universal will constantly adhere to the value of "customer first" and the business philosophy of "all for the long term", continuously consolidate its four core capabilities of investment management, risk management, product innovation and customer service, and devote itself to building China's most recognized asset management brand.

[3] Among the top ten fund companies, China Universal's arithmetic average stock investment active management yield ranked first in the past five years and ten years. ① The past five years refer to 2015/1/1-2019/12/31, "Top Ten Fund Companies" refer to the list of fund companies in terms of public fund management scale (excluding monetary fund and short-term wealth management debts) published by Galaxy Securities, as of 2019/12/31. Source: Galaxy Securities Fund Research Center. ② The past ten years refer to 2010/1/1-2019/12/31. In order to ensure the comparability of performance, there are 60 fund managers who meet the standards in this interval. Source: Galaxy Securities Fund Research Center. ③ The evaluation is defined according to the "Evaluation of Active Management Capacity of Stock Investment" system of Galaxy Securities Fund Evaluation Center, including standard stock funds (Class A), stock biased funds (60%-95% of the upper and lower limits of stocks, Class A), common biased funds (Class A), flexible allocation funds (30%-80% of the upper and lower limits of stock, Class A), flexible allocation funds (0%-95% of the upper and lower limit of stocks+60%-100% of the benchmark stock ratio, Class A), and the stock ratio value in the performance comparison benchmark in the latter three categories shall be greater than or equal to 60%, and the calculation method shall be the arithmetic average method. This evaluation only evaluates the past performance of the fund and fund managers, does not judge the investment value of the fund, and does not constitute investment suggestions. Fund operation in the nation experienced a short period and cannot reflect all stages of the development of the stock market. The past performance of funds managed by fund managers does not constitute the performance of fund performance. The funds are exposed to risks, so investment should be cautious.

*Private equity investment*

The Company mainly engages in private equity investment fund business through Orient Securities Capital Investment, a wholly-owned subsidiary of the Company.

The private equity investment fund business of Orient Securities Capital Investment mainly covers various types of services such as equity investment, M&A and restructuring, cross-border investment and financial advisory services related to equity investment, and mainly generates income by collecting management fees and/or obtaining performance fee according to the contractual covenants and performance of funds.

As at the end of the Reporting Period, Orient Securities Capital Investment managed 43 funds with a scale of RMB11.861 billion. The total number of investment projects of Orient Securities Capital Investment and funds managed by it reached 165 with an accumulated investment of RMB24.81 billion. Among which, 35 projects have achieved investment exit, a total of 130 projects were under investment involving an investment amount of approximately RMB9.272 billion, and five projects were in the pipeline.

Orient Securities Capital Investment has a diversified investment portfolio, involving industries such as big consumption, big health, big entertainment, big finance, and high-end equipment manufacturing. In recent years, many of its investment projects successfully underwent IPO. During the Reporting Period, five investment targets applying for listing on the Sci-Tech Innovation Board completed listing or obtained approval from the listing committee of the Sci-Tech Innovation Board and are pending listing. Meanwhile, Orient Securities Capital Investment's cross-border M&A business enjoys a leading position among private fund subsidiaries of securities firms. In recent years, Orient Securities Capital Investment has led the merger and acquisition of five large overseas projects and invested in several Silicon Valley projects, and realized the global layout in certain fields such as new economy, high-end manufacturing and chip AI.

In the future, by focusing on consolidating existing large-scale M&A investment and pre-IPO investment, Orient Securities Capital Investment will also actively explore strategic emerging industries, and pay close attention to the development of the Sci-Tech Innovation Board, overseas asset management and early investment business to further enrich the business chain and provide better financial services to serve the real economy.

### 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 and collateralized stock repurchase. During the Reporting Period, the brokerage and securities financing business achieved segment revenue and other income of RMB13.944 billion, accounting for 54.80% of the total income.

*Securities brokerage*

During the Reporting Period, affected by the upward trend amid volatility in the stock market, the trading activity in the market significantly increased with the trading volume of SSE and SZSE stocks and funds increased by 35.85% year-on-year amongst declining commission rate and continued competition landscape. Financial technology and wealth management became the core competitiveness of the brokerage business of the industry.

The brokerage business of the Company mainly relies on the Wealth Management Business Department and the subordinated branches. During the Reporting Period, the business recorded a stable and progressive development with its overall layout being further improved. As of the end of the Reporting Period, the Company had a total of 168 securities branches, covering 81 cities in 31 provinces and autonomous regions and municipalities directly under the central government. According to the Securities Association's monthly data, from January to December 2019, the market share of net income from securities brokerage business of the Company was 1.46%, ranking 20th in the industry, remaining unchanged as that of the same period last year. By steadily reinforcing the basic business, the new general fund accounts increased by 141.06% year-on-year, the new margin financing and securities lending accounts increased by 177.48% year-on-year, and the new customers who opened the Sci-Tech Innovation Board accounts amounted to 64.1 thousand. As of the end of the Reporting Period, the Company had 1.5365 million clients with total custodian assets of RMB551.362 billion, of which, there were 8,072 high net worth clients, with a total custodian assets of RMB427.904 billion at the end of the period, accounting for 77.61% of the total assets of the Company's clients, up from the same period last year.

The product design and allocation ability of the Company has been rapidly enhanced, and the wealth management influence and channel competitiveness was greatly enhanced. During the Reporting Period, the sales of non-cash products amounted to RMB20.202 billion, representing a year-on-year increase of 17.91%. In particular, the sales of the Tianfu Yuexiang Fund (添富悦享基金), which was tailor-made through cooperation with China Universal reached RMB885 million. The sales of multiple products ranked first among the national-wide channels of securities firms and the sales and holdings of our equity products ranked top in the industry.

The following table sets forth the type and amount of all the financial products the Group distributed during the periods indicated, including over-the-counter (OTC) products:

| (in RMB million) | January-December 2019 | January-December 2018 |
|---|---|---|
| Publicly offered funds | **104,840.55** | 100,429.08 |
| Collective asset management products | **86.46** | 900.00 |
| Trust schemes | **3,115.94** | 1,134.32 |
| Private equity investment fund products | **422.27** | 578.30 |
| Other financial products | **25,403.42** | 17,793.53 |
| Total | **133,868.64** | 120,835.23 |

Remarkable results were achieved in institutional client development. During the Reporting Period, the Company successfully won the bid in the securities brokerage service provider selection project of the private banking department of the Industrial and Commercial Bank of China, becoming its only newly selected core securities brokerage service provider, and was selected for the first time as a securities trading service agency of BOCOM Wealth Management Co. Ltd, one of the financial subsidiaries of the five major state-owned banks. The Company innovatively launched its first publicly offered fund which adopts the securities firm settlement model. The Company has managed to secure major WFOE customers, established a strategic cooperation relationship with Singapore Fudun Company (新加坡富敦公司) and successfully launched its first WFOE product. Meanwhile, the seed funds business effectively introduced external assets to realize full coverage of leading quantitative private placement and drive the increase in stock trading volume.

The Company attaches importance to investor education. During the Reporting Period, the Company's Internet Investor Education Base was granted the tile of "National-level Securities and Futures Investor Education Base" by the CSRC, and has obtained the "Excellent" rating in the assessment conducted in the areas governed by the Shanghai Bureau of the CSRC for two consecutive years. The investment education work regarding the Sci-Tech Innovation Board was granted the title of the "Excellent Member for Sci-Tech Innovation Board Investor Education" by the SSE.

The Company's wealth management brand influence continues to enhance. During the Reporting Period, the Company won the "Junding Award for Excellent Wealth Management Agency in China", "Junding Award for Retail Securities Broker in China", "Junding Award for Securities Brokerage Business Service Brand in China" and "Junding Award for Securities Investment Advisory Team in China" granted by Securities Times, the title of "Securities Firm with Strongest Comprehensive Wealth Management Capabilities" by National Business Daily (《每日經濟新聞》) and "China Securities Company Outstanding Wealth Management Award" by Finance World (《金融界》).

In the future, the Company will strengthen the building of wealth management talent group, continue to deepen the transformation of wealth management business, promote synergy within the Group and increase the operating income of comprehensive financial services with risk compliance as the bottom line.

*Internet Finance*

During the Reporting Period, the Company achieved phased results in promoting digital transformation by applying big data. By establishing a customer-oriented "Oriental Winners" APP, the Company pushed forward the development of technology-empowered business, supported the transformation of wealth management, and steadily increased customer satisfaction. The pilot Internet wealth management accounts were launched and 7x24 hours services for account opening were available to attract wealth management customers. A full-scale wealth management mall was set up to realize the online investment of publicly offered funds, privately offered funds, trusts and asset management products. The Company continued to put efforts on the "Orient Tianji (東方天璣)" intelligent service system through launching diversified unique services such as the "Tianji Talk (天璣説)" and adopting the integrated online and offline digital service model in practice. The "Orient Kezan (東方客贊)" WeChat Shop Mini Program was also launched to create a professional service platform based on WeChat ecology. With user-oriented thinking, the Company proactively served its internal users by providing efficient tools for business development and management, and has broken through the last mile to the technology empowerment and opened a new model of technology-empowered business.

As at the end of the Reporting Period, the Company had more than 440,000 active brokerage clients on the Internet and mobile phone platforms with trading volume of stocks and funds amounting to RMB2.64 trillion. The number of customers trading through the Internet and mobile phone terminals accounted for 96.60% of the Company's stock and fund brokerage customers, and the number of new online accounts accounted for 98.13% of the total number of accounts opened during the same period. The volume of stock and fund brokerage transactions through the Internet and mobile phone platforms accounted for 90.49% of the total volume of stock and fund brokerage transactions of the Company during the period.

During the Reporting Period, "Orient Winners APP" was honored the titles such as "Top Ten Securities Firm APPs Recognized by Investors", "Excellent Operation Team", "Outstanding Marketing Innovation" and "Best Poster" in the "2019 Securities Firms in China • Outstanding APP of Securities Firms" selection organized by Securities Times, and the "Best Digital Wealth Management App" and "Best Innovative Marketing Activities Award" in the "2019 APPs of Securities Firms" selection organized by Sina Finance.

In the future, the Company will continue to apply finance technology to promote the digital transformation so as to further assist the business departments to improve effectiveness and efficiency with technology applications.

*Futures brokerage*

The Company engages in futures brokerage business through Orient Futures, a wholly-owned subsidiary of the Company.

Orient Futures insists on the operating strategy of parallel development of multiple business lines including the wealth management, mobile finance, financial product sales, asset management, institutional business, international business, and risk management business. During the Reporting Period, Jinan Branch and Wuxi Branch were newly established. As at the end of the Reporting Period, Orient Futures had 33 branches and 120 securities intermediary business (IB) outlets. By taking full advantages of research and technology, Orient Futures recorded a year-on-year increase of 73% in newly opened accounts, in which, the number of newly opened accounts from institutional clients were 1,039, representing a year-on-year increase of 103.73%, and the scale of customer interests amounted to RMB22.551 billion as at the end of the year, with the market share in terms of trading volume ranking first in the industry. In 2019, the Singapore subsidiary formally commenced operation and obtained the Capital Market License from the Monetary Authority of Singapore to carry out on-site derivatives, over-the-counter derivatives and foreign exchange contracts for the purpose of leveraged foreign exchange trading, and in future, it will become a crucial gateway of the international business of Orient Futures. In the meanwhile, Orient Futures also attached importance to synergy within the Group in the aspects such as research, technology, institution referral and investment banking, so as to create operating income for various departments of the Group.

Orient Runhe, a wholly-owned subsidiary of Orient Futures, is engaged in risk management business, and facilitates enterprises manage price risks through warehouse receipt services, basic trade and OTC options in futures and spot markets. In particular, the income and costs generated from spot trade are included in the income statement. During the Reporting Period, Orient Runhe obtained qualifications for market making in a total of 17 types of futures and options with the year-on-year increase of spot income of futures and spot business exceeding 140%.

During the Reporting Period, Orient Futures received a number of honors awarded by major futures exchanges. In the future, by following the guideline of promoting the derivatives development with financial technology, Orient Futures will build the two core competitive advantages of research and technology by leveraging financial technologies such as big data, cloud computing, artificial intelligence and block-chain, and move forward towards becoming a first-class derivative service provider by adopting the market-oriented, internationalized and collectivized development approach.

*Securities financing*

In terms of the margin financing and securities lending business, during the Reporting Period, factors such as the market recovery and favorable policies have driven the development of margin financing and securities lending business. As of the end of the Reporting Period, the balance of margin financing and securities lending of the SSE and the SZSE totaled RMB1,019.285 billion, breaking the trillion mark for the first time since April 2018. The Company's balance of margin financing and securities lending was RMB12.853 billion, representing a substantial increase of over 30% compared with the end of previous year, in which, the balance of securities lending increased by more than 180%, becoming a new engine for business growth. The overall guarantee maintenance ratio of the Company's margin financing and securities lending business has always remained higher than the market average level. Since the start of the business, no judicial compensation, major risk accidents or violations have occurred, and its risk management ability has stood the test of the market.

In terms of the collateralized stock business, since February 2018, the balance of collateralized stock repurchase financing in the whole market has been declining. According to statistics from the Securities Association of China, as of the end of the Reporting Period, the scale of collateralized stock with proprietary funds in the whole market amounted to RMB431.146 billion, a decrease of 30.25% from the end of previous year. During the Reporting Period, the Company continued to strengthen the management of existing collateralized stock projects, and increased efforts to cut down scale and manage risks by focusing on "risk control and scale reduction". As of the end of the Reporting Period, the balance of the collateralized stock business of the Company was RMB20.694 billion, including contribution with self-owned funds of RMB19.694 billion, a decrease of nearly RMB5 billion from the same period of previous year and a contraction of more than 40% from its historical peak, with the scale being effectively reduced.

The Company will actively conduct research on market changes and strengthen its prediction of the market trend to adjust its development strategy in a timely manner. The Company will also consolidate the development of businesses in which Company has advantages, enhance brand competitiveness, further strengthen the level of risk management, and maintain the overall stable development of the businesses.

*Other business*

In terms of the OTC business, during the Reporting Period, based on the philosophy of perfecting existing business, integrating related business and exploring innovative business", the Company constantly sought for business opportunities and breakthroughs for its OTC business. In particular, the Company made steady progress in the OTC business through carefully implementing product selection and recommendation, stimulated the vitality of OTC transactions, continuously enhanced the functions of the platform, and promoted the business synergy within the Group to provide support for the Company's wealth management business. The OTC business operation of the Company was in the front class of the industry. During the Reporting Period, the cumulative scale of the Company's OTC business was RMB39.883 billion, of which the issuance sales (including subscription and application) was RMB28.881 billion, recording a year-on-year increase of nearly 50%, also above industry average. Meanwhile, during the Reporting Period, the "Private Fund Products Platform Service Team" of the Company's OTC business won the "Achievement Award for 2018 Shanghai Financial Staff Contribution Competition" (2018年度上海金融職工立功競賽建功獎). In the future, the Company will further optimize the OTC platform services, strengthen product development and introduction, stimulate the vitality of transactions and fully implement the group-wide synergy strategy.

In terms of the custody business, during the Reporting Period, the Company continued to strengthen its development of custody and fund service capability by introducing the first custody product for publicly offered funds and establishing comprehensive product lines to achieve full coverage of custody products of securities firms. The Company built a cross-department integrated online service system, which enabled the intelligence and integration level of customer services to be further improved and stand at the forefront of the industry. As of the end of the Reporting Period, the scale, number of products and number of customers of the business increased by 40.37%, 29.37% and 26.19% respectively from the beginning of the year, and the development of the business has leaped onto a new level. During the Reporting Period, the Company was awarded the title of "Best Securities Firm for Private Equity Service" by Time Weekly, the "Best Innovative Cooperation Agency" by the PE Association of Shanghai in 2018, and the "Best Securities Firm for Intelligent Custody Service" for 2019 in the China Financial Innovation Ranking of the CBN (第一財經). In the future, the Company will continue to improve the building of the "Intelligent Custody" service system to provide customers with more integrated, comprehensive and quality services.

### 4. *Investment Banking*

The Company mainly engages in investment banking business through Citi Orient, a subsidiary of the Company, and the Fixed Income Business Department. The principal businesses of Citi Orient are stocks and corporate bonds underwriting and sponsoring, enterprise bonds and asset-backed securities underwriting, financial advisory services relating to M&A and restructuring, listing on NEEQ and enterprise reform. The Fixed Income Business Department is principally engaged in underwriting services for treasury bonds and financial bonds. During the Reporting Period, investment banking business realized segment revenue and other income of RMB1.063 billion, accounting for 4.18% of the total income.

*Stock underwriting*

In 2019, the primary equity market ushered in the official opening of the Sci-Tech Innovation Board, with the overall financing scale recording a slight increase year-on-year. During the Reporting Period, 203 IPOs were completed in the whole market, raising a total of RMB253.248 billion, up 83.8% from 2018. The scale of refinancing fund raising increased slightly year-on-year, with private placement slowing down due to the sluggish market environment, while the scale of convertible bonds doubled. In 2019, 106 convertible bonds were completed, raising RMB247.781 billion, up 131.3% year-on-year, accounting for 20.7% of the refinancing scale.

Facing the rapidly changing market and policy environment, Citi Orient actively grasped the market opportunities and developed steadily in various businesses. During the Reporting Period, Citi Orient completed 11 equity financing projects with the underwriting amount as lead underwriter of RMB10.878 billion, up 52.7% year-on-year. Confronted with the new market situation, Citi Orient actively prepared for the Sci-Tech Innovation Board, with good business preparations and project pipelines, and increased its synergy with other business sectors of the Group in the fields of customers, business and other resources. During the Reporting Period, one company was listed on the Sci-Tech Innovation Board.

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

| (in RMB million) | January-December 2019 | January-December 2018 |
|---|---|---|
| **IPO:** | | |
| Number of issuance | **3** | 3 |
| Amount underwritten as lead underwriter | **1,584.48** | 1,884.32 |
| **Secondary offering:** | | |
| Number of issuance | **8** | 5 |
| Amount underwritten as lead underwriter | **9,293.07** | 5,241.16 |
| **Total:** | | |
| Number of issuance | **11** | 8 |
| Amount underwritten as lead underwriter | **10,877.55** | 7,125.48 |

*Bond underwriting*

In 2019, the bond market maintained a volatile trend, while the credit spread showed a trend of continuous unilateral compression. Bonds issued by various institutions reached a new high, but the growth rate slowed down, while the net financing volume in the overall credit bond market continued to increase. During the Reporting Period, the total amount of bond financing in the whole market was RMB45.11 trillion, of which the total amount of credit bonds raised was RMB14.81 trillion, up 29% year-on-year (according to Wind).

During the Reporting Period, there were 129 bond underwriting projects in which the Company acted as the lead underwriter, with a total leading underwriting amount of RMB87.578 billion. In particular, Citi Orient completed 73 leading underwriting projects with a underwriting amount of RMB60.297 billion. During the Reporting Period, Citi Orient, in collaboration with subsidiaries of the Company in Hong Kong, issued several US dollar bonds, successfully opening up the process of contracting and issuing US dollar bonds in Mainland China and Hong Kong.

The sales of interest rate bonds remained in the forefront of the industry, with book-entry bonds, CDB financial bonds and Agricultural Development Bank financial bonds all ranking in the top 2 in the industry and local bonds underwriting ranking among top three in the industry. During the Reporting Period, the Company's treasury underwriting ranked 14th in the group and 2nd in securities dealers in the first three quarters; the CDB debt underwriting syndicate ranked 8th in the group and 2nd in securities dealers; and the Agricultural Development Bank bond issuing underwriting syndicate ranked 5th and 2nd in securities dealers. During the Reporting Period, the Company was awarded the "Excellent Underwriting Institution Award", the "Best Contributing Institution of Local Debt Non-bank Underwriters", and the "Excellent Underwriting Institution of China Debt Green Bond Index Sample Bonds" by China Central Depository & Clearing Co., Ltd., the "2019 Outstanding Underwriter in the Inter-bank Market of Financial Debts" and the "2019 Outstanding Underwriter in the Market of Financial Debt Exchange" by CDB and the "Outstanding Interest Rate Debt Underwriting Institution Award" by the Shenzhen Stock Exchange.

The table below sets forth the breakdown of bonds underwritten by the Company as lead underwriter:

| (in RMB million) | January-December 2019 | January-December 2018 |
|---|---|---|
| Corporate bonds: | | |
| Number of underwriting as lead underwriter | **44** | 22 |
| Amount underwritten as lead underwriter | **35,271** | 31,786 |
| Corporate bonds: | | |
| Number of underwriting as lead underwriter | **15** | 8 |
| Amount underwritten as lead underwriter | **9,400** | 7,900 |
| Financial bonds: | | |
| Number of underwriting as lead underwriter | **23** | 20 |
| Amount underwritten as lead underwriter | **13,710** | 22,330 |
| Asset-backed securities: | | |
| Number of underwriting as lead underwriter | **14** | 6 |
| Amount underwritten as lead underwriter | **14,745** | 15,362 |
| Debt financing instruments of non-financial enterprises: | | |
| Number of underwriting as lead underwriter | **33** | 32 |
| Amount underwritten as lead underwriter | **14,452** | 17,694 |
| Total: | | |
| Number of underwriting as lead underwriter | **129** | 88 |
| Amount underwritten as lead underwriter | **87,578** | 95,072 |

*Financial advisory services*

During the Reporting Period, Citi Orient completed three mergers and acquisition projects, of which two projects (Naer Stock and Huafeng Anlun) were approved after administrative review, with an approval rate of 100% and acted as a financial consultant for cross-border acquisition of one listed company (Jiuzhou Pharmaceutical) with the total transaction amount of RMB12.88 billion. Among them, Naer Stock Project was the fourth merger and reorganization project in the market that applies the "small and rapid" audit standard and has been approved by the Merger and Reorganization Committee and it was also the first merger and reorganization project that applies this standard of the Company.

Recently, the CSRC launched the NEEQ reform policy, allowing companies listed on the innovation level to conduct public offering and enter into the selection level. As of the end of the Reporting Period, there are a total of eight listed companies in the innovation level supervised by Citi Orient, and approximately five companies meet the conditions of the selection level (only financial indicators), accounting for a higher proportion than the market average. In the future, Citi Orient will actively grasp policy opportunities, tap business space and try its best to achieve better performance contributions.

During the Reporting Period, Citi Orient won honors such as the "2019 China Financial Advisor Junding Award" and the "2019 China New Investment Bank Junding Award" by the Securities Journal, the "2019 IPO Review Approval Rate Pioneer Investment Bank" and the "2019 Best Merger and Reorganization Project (Wanhua Chemical)" by the International Financial News and the "2019 China Jinding Award Best Financial Advisor" by the National Business Daily.

In future, based on strictly implementing compliance and risk control requirements, the Company will actively grasp policy opportunities, expand customer base, strengthen the promotion of various projects, and enhance the market influence of the Company's investment banking business. At the same time, the Company will focus on the market development trend of new economy and physical science and technology, strengthen the internal cooperation of the Company, emphasize the business linkage of primary market and market research, and cultivate the professional capacity to serve new customers.

### 5. *Headquarters and Others*

Headquarters and others business of the Company mainly include the headquarters' treasury business and overseas business. During the Reporting Period, the headquarters and others business realized segment revenue and other income of RMB3.286 billion, accounting for 12.91% of the total income.

*Treasury business and others*

Treasury business is aimed to enhance the comprehensive capital management of the Company, mainly including liquidity risk management, liabilities management and liquidity reserve management.

During the Reporting Period, the Company continuously improved its liquidity risk management capability by continuously improving its liquidity risk management system, strengthening fine management of financing and optimizing the structure of reserve assets to achieve an effective unity of capital safety, liquidity and profitability. As at the end of the Reporting Period, the liquidity coverage ratio and net stable funding ratio of the Parent Company were 295.21% and 134.55%, respectively, leaving much space from the regulatory alert level.

In the future, the Company will continue to improve the liquidity management system, constantly optimize the internal funds transfer pricing and give full play to the leading role of internal funds transfer pricing to businesses and rationally guide the effective allocation of resources. The Company will steadily promote the centralized management of its debt financing instruments and accurately seize the window period for debt issuance to further reduce the financial expenditure. Furthermore, the Company will strive to improve the synergy within the Group and continuously enhance the comprehensive management capabilities related to on- and off-balance sheet, local and foreign currency and domestic and foreign funds.

*Overseas business*

The Company engages in overseas business through Orient Finance Holdings and Orient Securities International, wholly-owned subsidiaries of the Company, and their subsidiaries.

During the Reporting Period, Orient Finance Holdings and Orient Securities International completed the adjustment of the Group's organizational structure in Hong Kong, set up a new platform for international development of "management platform + business platform + professional subsidiaries", and carried out securities brokerage, futures brokerage, asset management, investment banking, margin financing and securities trading and other businesses through the licensed wholly-owned subsidiaries of SFC. As an overseas business operation platform of the Group, Orient Securities International has overcome the adverse effects of the turbulent environment of the international financial market in 2019 and the complex regional situation since the second half of the year, and the annual operating income and net profit indicators are expected to rank among the top of Chinese securities firms in Hong Kong, respectively. Its market competitiveness has been significantly enhanced with overall operating performance constantly improved.

During the Reporting Period, the fixed income business in which Orient Securities International has advantages realized investment income of HKD430 million throughout the year; the revenue from bond underwriting business increased by approximately 20% year-on-year, and the cumulative number of underwriting projects increased by 88% year-on-year; the underwriting amount of high-yield G3 bonds ranked third among the Chinese securities firms in Hong Kong. The volume of asset management business reached approximately HKD9.5 billion, a year-on-year increase of 72.7%. Leveraging active cooperation with Orient Securities Asset Management, three private equity fund products, being Dong Fang Hong Global Choice-Vision No. 1 Fund (東方紅全球睿選一遠見1號基金), Dong Fang Hong-CISFH Global Steady Income Fund (東方紅一中投中財全球穩健收益基金) and Yinhai Income Fund (銀海收益基金), were newly established during the year, and the equity fund products of Dong Fang Hong Mingye Series were launched to leverage the advantages of the "Dong Fang Hong" brand to further expand overseas markets.

During the Reporting Period, Orient Securities International took the second place in Hong Kong for the "Best Investment Institution of G3 Bonds in Asia" selection organized by the "The Asset (《財資》)", the authoritative magazine in Asia for the third consecutive year. At the same time, the asset management subsidiary of Orient Securities International was granted the honor of "Three-year Overseas Golden Bull Private Equity Fund Management Company (Bond Strategy)" in the third Overseas Fund Golden Bull Award selection. It was well recognized by the industry peers for its excellent performance and investment research on asset management.

In the future, Orient Securities International will, based on the implementation of overall risk management, gradually improve income structure as a whole to enhance stability, including expanding the scale of asset management by strengthening its buyer advantage, developing institutional trading business to promote the transformation of wealth management, fostering bond financing business, enhancing sales and service capabilities, reinforcing the internal collaboration with members of the Group, advocating innovation thinking and focusing on corporate brand building, so as to lay a solid foundation for organic growth and innovative breakthroughs.

## (ii) Major items in consolidated statement of profit or loss

### *1. Revenue and other income*

During the Reporting Period, the Group realized revenue and other income of RMB24.351 billion, up by RMB8.649 billion or 55.08% over the same period of last year. The change in revenue and other income was mainly attributable to: a substantial increase in revenue from the securities investment business, wealth management business and international business of the Company; and an increase in revenue from the bulk commodity business of subsidiaries. Details were as follows:

Commission and fee income amounted to RMB5.051 billion, accounting for 20.74% of the total and representing a decrease of 6.79%, which was primarily attributable to a decrease in fee income from the Company's custody asset management business.

Interest income amounted to RMB6.086 billion, accounting for 24.99% of the total and representing a decrease of 4.52%, which was primarily attributable a decrease in interest income from share pledge repurchase business.

Net investment gains amounted to RMB3.76 billion, accounting for 15.44% of the total and representing a year-on-year increase of RMB3.762 billion, which was primarily attributable an increase in gains from disposal and fair value change of financial assets at fair value through profit or loss.

Other revenue and income amounted to RMB9.454 billion, accounting for 38.83% of the total and representing an increase of 141.69%, which was primarily attributable an increase in revenue from sales of bulk commodity business of subsidiaries.

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

Unit: '000 Currency: RMB

| Items | 2019 Amount | 2019 Proportion | 2018 Amount | 2018 Proportion | Changes Amount | Changes Proportion |
|---|---|---|---|---|---|---|
| Commission and fee income | **5,050,674** | **20.74%** | 5,418,316 | 34.51% | (367,642) | -6.79% |
| Interest income | **6,086,095** | **24.99%** | 6,374,389 | 40.59% | (288,294) | -4.52% |
| Net investment gains | **3,760,362** | **15.44%** | (2,107) | -0.01% | 3,762,469 | N/A |
| Other income and gains | **9,453,390** | **38.83%** | 3,911,350 | 24.91% | 5,542,040 | 141.69% |
| Total revenue and other income | **24,350,521** | **100.00%** | 15,701,948 | 100.00% | 8,648,573 | 55.08% |

### 2. *Total expenses*

During the Reporting Period, total expenses of the Group reached RMB22.087 billion, up by RMB7.052 billion or 46.91% year-on-year, which was mainly attributable to increase in sales cost of bulk commodities trading conducted by subsidiaries. Details were as follows:

Staff costs were RMB3.655 billion, up by 29.10%, which was mainly attributable to the increase in accrued salary expenses related to business income.

Interest expenses were RMB5.195 billion, down by 5.60%, which was mainly attributable to the decline in interest expense as a result of the decrease in bonds sold under repurchase agreement and bonds payables.

Commission and fee expenses were RMB535 million, up by 24.61%, which was mainly attributable to an increase in fee expenses from agency securities sales business.

Depreciation and amortization expenses were RMB555 million, up by 167.98%. According to the new lease standard, there was depreciation of the right-of-use assets during the Reporting Period, resulting in an increase in depreciation and amortization expenses.

Other expenses, including operation expense, and tax and surcharges, were totally RMB11.103 billion, up by 87.97%, which was mainly attributable to increase in sales cost of bulk commodities trading conducted by subsidiaries.

Impairment losses were RMB1.044 billion, representing an increase of 564.78%, which was mainly attributable to an increase in expected credit impairment loss accrued for stock pledge repurchase business.

The components of total expenses of the Group during the Reporting Period are set out as follows:

Unit: '000 Currency: RMB

| Items | 2019 | 2018 | Changes Amount | Changes Percentage |
|---|---|---|---|---|
| Staff costs | **3,654,584** | 2,830,844 | 823,740 | 29.10% |
| Interest expenses | **5,195,473** | 5,503,768 | (308,295) | -5.60% |
| Commission and fee expenses | **535,011** | 429,342 | 105,669 | 24.61% |
| Depreciation and amortization | **554,535** | 206,931 | 347,604 | 167.98% |
| Other expenses | **11,102,999** | 5,906,908 | 5,196,091 | 87.97% |
| Impairment losses | **1,044,458** | 157,114 | 887,344 | 564.78% |
| Total | **22,087,060** | 15,034,907 | 7,052,153 | 46.91% |

### 3. *Research and development investment*

Unit: '000 Currency: RMB

| | |
|---|---|
| Expenses of research and development investment of current period | 221,219 |
| Capitalized research and development investment of current period | 72,616 |
| Total research and development investment | 293,835 |
| Percentage of research and development investment of operating income (%) | 1.54 |
| Number of research and development staff | 188 |
| Percentage of staff of research and development of total number of staff of the Company (%) | 3.26 |
| Percentage of capitalized research and development investment (%) | 24.71 |

### 4. *Contribution to social welfare*

In 2019, the Group invested a total of RMB35.4486 million in charitable donations and other public welfare activities.

### *5. Cash flow*

During the Reporting Period, the Company recorded RMB7.691 billion net increase in cash and cash equivalents, including:

(1) Net cash from operating activities amounted to RMB2.347 billion, which was mainly attributable to:

i. RMB8.12 billion of net cash inflow was attributable to increase in account payables to brokerage clients;

ii. RMB5.458 billion of net cash inflow was attributable to increase in financial liabilities at fair value through profit or loss and derivative financial liabilities;

iii. RMB4.363 billion of net cash inflow was attributable to profit before income tax;

iv. RMB8.246 billion of net cash outflow was attributable to increase in financial assets at fair value through profit or loss and derivative financial assets;

v. RMB8.232 billion of net cash outflow was attributable to increase in restricted or cash held on behalf of clients and clearing settlement funds.

(2) Net cash used in investment activities was RMB4.725 billion, which was primarily attributable to net cash outflow of RMB8.461 billion as a result of investments and disposal of financial investments.

(3) Net cash from financing activities amounted to RMB10.069 billion, which was mainly attributable to net cash inflow of RMB14.659 billion as a result of issuance, borrowing and repayment of bonds, short-term financing bills payables and borrowings.

### (iii) Analysis on principal components of consolidated statement of financial position

#### 1. *Overview of consolidated statement of financial position*

As at the end of the Reporting Period, the Group achieved total assets of RMB262.971 billion, total liabilities of RMB208.96 billion and total equity of RMB54.012 billion. Analysis on items of consolidated statement of financial position is set out below:

Unit: '000 Currency: RMB

| Items | As of the end of 2019 | Proportion | As of the end of 2018 | Proportion | Changes Amount | Changes Proportion |
|---|---|---|---|---|---|---|
| **Total assets** | **262,971,442** | | 226,869,673 | | 36,101,769 | 15.91% |
| Cash and bank balances | **48,940,834** | **18.61%** | 36,764,639 | 16.21% | 12,176,195 | 33.12% |
| Clearing settlement funds | **13,243,654** | **5.04%** | 9,354,272 | 4.12% | 3,889,382 | 41.58% |
| Deposits with exchanges and non-bank financial institutions | **1,642,894** | **0.62%** | 1,025,365 | 0.45% | 617,529 | 60.23% |
| Derivative financial assets | **609,102** | **0.23%** | 318,490 | 0.14% | 290,612 | 91.25% |
| Advance to financing customers | **13,214,262** | **5.02%** | 10,276,755 | 4.53% | 2,937,507 | 28.58% |
| Account receivables | **1,019,920** | **0.39%** | 668,408 | 0.29% | 351,512 | 52.59% |
| Financial assets held under resale agreements | **24,206,542** | **9.21%** | 28,168,584 | 12.42% | (3,962,042) | -14.07% |
| Financial assets at fair value through profit or loss | **66,901,093** | **25.45%** | 52,035,347 | 22.94% | 14,865,746 | 28.57% |
| Debt instruments at fair value through other comprehensive income | **64,895,563** | **24.68%** | 62,209,436 | 27.42% | 2,686,127 | 4.32% |
| Equity instruments at fair value through other comprehensive income | **10,832,873** | **4.12%** | 9,316,262 | 4.11% | 1,516,611 | 16.28% |
| Debt instruments at amortized cost | **7,193,554** | **2.74%** | 7,912,596 | 3.49% | (719,042) | -9.09% |
| Deferred tax assets | **760,995** | **0.29%** | 895,832 | 0.39% | (134,837) | -15.05% |
| Investments in associates | **4,453,754** | **1.69%** | 4,015,263 | 1.77% | 438,491 | 10.92% |
| Right-of-use assets | **1,002,749** | **0.38%** | – | 0.00% | 1,002,749 | N/A |
| Investment property | **30,071** | **0.01%** | – | 0.00% | 30,071 | N/A |
| Properties and equipment | **2,189,204** | **0.83%** | 2,237,568 | 0.99% | (48,364) | -2.16% |
| Other intangible assets | **168,519** | **0.06%** | 132,340 | 0.06% | 36,179 | 27.34% |
| Goodwill | **32,135** | **0.01%** | 32,135 | 0.01% | – | 0.00% |
| Other account receivables, other receivables and prepayments | **1,633,724** | **0.62%** | 1,506,381 | 0.66% | 127,343 | 8.45% |

Unit: '000 Currency: RMB

| Items | As of the end of 2019 | Proportion | As of the end of 2018 | Proportion | Changes Amount | Changes Proportion |
|---|---|---|---|---|---|---|
| **Total liabilities** | **208,959,805** | | 174,597,221 | | 34,362,584 | 19.68% |
| Due to banks and other financial institutions | **6,384,659** | **3.06%** | 11,027,067 | 6.32% | (4,642,408) | -42.10% |
| Short-term financing bills payables | **16,113,200** | **7.71%** | 12,411,606 | 7.11% | 3,701,594 | 29.82% |
| Account payables to brokerage clients | **40,179,178** | **19.23%** | 32,059,065 | 18.36% | 8,120,113 | 25.33% |
| Financial assets sold under repurchase agreements | **57,478,063** | **27.50%** | 49,415,677 | 28.30% | 8,062,386 | 16.32% |
| Financial liabilities at fair value through profit or loss | **12,630,961** | **6.04%** | 6,834,381 | 3.91% | 5,796,580 | 84.81% |
| Derivative financial liabilities | **2,643,375** | **1.27%** | 905,809 | 0.52% | 1,737,566 | 191.82% |
| Contractual liabilities | **208,114** | **0.10%** | 134,897 | 0.08% | 73,217 | 54.28% |
| Current tax liabilities | **161,569** | **0.08%** | 371,510 | 0.21% | (209,941) | -56.51% |
| Accrued staff cost | **1,601,086** | **0.77%** | 1,249,289 | 0.72% | 351,797 | 28.16% |
| Borrowings | **640,154** | **0.31%** | 1,653,162 | 0.95% | (1,013,008) | -61.28% |
| Lease liabilities | **995,005** | **0.48%** | – | 0.00% | 995,005 | N/A |
| Bond payables | **67,309,199** | **32.20%** | 57,048,968 | 32.67% | 10,260,231 | 17.98% |
| Deferred tax liabilities | **19,031** | **0.01%** | – | 0.00% | 19,031 | N/A |
| Other account payables, other payables and accruals | **2,596,211** | **1.24%** | 1,485,790 | 0.85% | 1,110,421 | 74.74% |
| **Total equity** | **54,011,637** | | 52,272,452 | | 1,739,185 | 3.33% |

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

### 2. *Assets*

As at the end of the Reporting Period, the Group's total assets reached RMB262.971 billion, an increase of RMB36.102 billion or 15.91% from the end of last year, which was mainly attributable to an increase in bank balances and financial investments. In the Group's assets, currencies, clearing settlement funds, deposits with exchanges and non-bank financial institutions amounted to RMB63.827 billion, an increase of RMB16.683 billion from the end of last year, accounting for 24.27% of total assets. Financial investment and derivative financial assets amounted to RMB150.432 billion, an increase of RMB18.640 billion from the end of last year, accounting for 57.22% of total assets. Funds lent, financial assets held under resale agreements and account receivables amounted to RMB38.441 billion, a decrease of RMB673 million from the end of last year, accounting for 14.62% of total assets. Long-term equity investment, fixed assets and others amounted to RMB10.271 billion, an increase of RMB1.451 billion from the end of last year, accounting for 3.89% of total assets. During the Reporting Period, the Company maintained stable asset scale with rational structure and sufficient liquidity.

### 3. *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities reached RMB208.96 billion, an increase of RMB34.363 billion or 19.68% from the end of last year. The gearing ratio, net of account payables to brokerage clients and funds payable to securities issuers, was 75.75%, an increase of 2.58 percentage points from the end of last year. In the Group's liabilities, borrowings, short-term financing bills payables, funds due to banks and other financial institutions, bond payables and financial assets sold under repurchase agreements amounted to RMB147.926 billion, an increase of RMB16.37 billion from the end of last year, accounting for 70.78% of total liabilities. Financial liabilities held for trading and derivative financial liabilities amounted to RMB15.274 billion, an increase of RMB7.534 billion from the end of last year, accounting for 7.31% of total liabilities. Account payables to brokerage clients amounted to RMB40.179 billion, an increase of RMB8.12 billion from the end of last year, accounting for 19.23% of total liabilities. Accrued staff cost, current tax liabilities, contractual liabilities and others amounted to RMB5.581 billion, an increase of RMB2.339 billion from the end of previous year, accounting for 2.68% of total liabilities.

### 4. *Borrowings and bond financing*

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB90.447 billion. Set out below is the breakdown of borrowings and bond financing of the Company as at the end of the Reporting Period:

Unit: '000 Currency: RMB

| Items | As of the end of 2019 | As of the end of 2018 |
|---|---|---|
| Bond payables | **67,309,199** | 57,048,968 |
| Borrowings | **640,154** | 1,653,162 |
| Short-term financing bills payables | **16,113,200** | 12,411,606 |
| Due to banks and other financial institutions | **6,384,659** | 11,027,067 |
| Total | **90,447,212** | 82,140,803 |

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 40, 41, 47 and 49 to the consolidated financial statements herein.

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 with the end of last year, the Group added four entities into its scope of consolidation, which included one subsidiary newly consolidated by Orient Securities Capital Investment and three structured entities newly consolidated by Orient Futures.

2. As compared with the end of last year, the Group excluded 11 entities from its scope of consolidation, which included closure of 5 subsidiaries by Orient Securities Capital Investment; closure of one subsidiary by Orient Securities Innovation Investment; closure of four structured entities by the parent company, and closure of one structured entity by Orient Finance Holdings.

### (v) Analysis on industrial operations

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

*(1) Capital increase in subsidiaries*

- In March 2019, the Company contributed additional capital of RMB300 million to Orient Futures and completed the industrial and commercial registration in relation to the change of registered capital of Orient Futures to RMB2.3 billion. This capital increase has been considered and approved at the president working meeting of the Company.

- In June 2019, the 12th meeting of the Company's fourth session of the Board deliberated and passed the "Resolution in relation to Capital Increase in Shanghai Orient Securities Innovation Investment Co., Ltd.". It was agreed that the Company would contribute additional capital of RMB2 billion to Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and authorized the Company's management to determine the scale and timing of capital increase by batches within the above limit based on the Company's capital situation, and to handle capital increase procedures and other related matters. According to the above-mentioned resolution, the Company will subscribe the increased capital of RMB2 billion, and the scale and timing of the capital contribution by batches will be determined according to the Company's capital situation. Orient Securities Innovation Investment has completed the industrial and commercial registration of change of registered capital from RMB3 billion to RMB5 billion and has obtained the Business License renewed by Shanghai Market Supervision and Administration Bureau.

- In August 2019, the Company contributed additional capital of HKD100 million to Orient Finance Holdings and the paid-in capital of Orient Finance Holdings was increased from HKD2.1 billion to HKD2.2 billion. This capital increase has been considered and approved at the 25th meeting of the Company's second session of the Board and the president working meeting of the Company.

*(2) New securities branches established by the Company*

According to the Reply from Shanghai Bureau of the CSRC on Approving DFZQ to Set Up 11 Securities Branches (Hu Zheng Jian Xu Ke [2019] No. 119), the Company was approved to establish one securities branch in each of the 11 cities including Datong City, Jincheng City, Yuncheng City of Shanxi Province, Jinan City, Dongying City, Qingdao City of Shandong Province, Hangzhou City, Wenzhou City of Zhejiang Province, Baoding City, Langfang City of Hebei Province, and Suzhou City of Jiangsu Province, of which the establishment model of the information system is Type B. The business scope of the abovementioned branches would be securities brokerage; margin financing and securities lending; securities investment consultancy; financial advisory services in relation to securities transactions and securities investment activities; agency sale of securities investment funds; agency sale of financial products.

As at the end of the Reporting Period, the Company did not complete the establishment of the aforementioned 11 securities branches.

*(3) Relocation of the Company's securities branches*

- DFZQ Shenzhen Jintian Road Securities Branch was relocated within the same city. The branch was relocated from the 15th floor of Subway Building, No. 1016 Fuzhong 1st Road, Futian District, Shenzhen City, Guangdong Province, the PRC to Units 01 and 02 on the 17th floor of Dinghe Building, No. 100 Fuhua 3rd Road, Futian District, Shenzhen City, Guangdong Province, the PRC. The name of the branch remains unchanged.

- DFZQ Changchun Tongzhi Street Securities Branch was relocated within the same city. The branch was relocated from 4/F of Tonghui Building, No. 2222 Tongzhi Street, Changchun City, Jilin Province, the PRC to Rooms 705, 707-712 7/F Torch Building, No. 2400 Tongzhi Street, Chaoyang District, Changchun City, Jilin Province, the PRC. The name of the branch remains unchanged.

- DFZQ Hangzhou Tiyuchang Road Securities Branch was relocated within the same city. The branch was relocated from No. 286 Tiyuchang Road, Hangzhou City, Zhejiang Province, the PRC to No. 185 Wuxing Road, Jianggan District, Hangzhou City, Zhejiang Province, the PRC (2/F of Minsheng Financial Center). The name of the branch was changed to DFZQ Hangzhou Wuxing Road Securities Branch.

- DFZQ Linyi Jiefang East Road Securities Branch was relocated within the same city. The branch was relocated from No. 105-108, Block A, Yinqiao Jinju Commercial Building, Hedong District, Linyi City, Shandong Province, the PRC to No. 94-2 and Room 402, Building 6, Xuyang City Scenic Street Shops, Tongda Road, Lanshan District, Linyi City, Shandong Province, the PRC. The name of the branch was changed to DFZQ Linyi Tongda Road Securities Branch.

- DFZQ Shanghai Hongkou District Feihong Road Securities Branch was relocated within the same city. The branch was relocated from No. 35 Feihong Road, Hongkou District, Shanghai, the PRC to No. 307 Haining Road, Hongkou District, Shanghai, the PRC (Room C, 1/F, 12/F). The name of the branch was changed to DFZQ Shanghai Hongkou District Haining Road Securities Branch.

- DFZQ Jinan Jingqi Road Securities Branch was relocated within the same city. The branch was relocated from 2/F, No. 319 Jingqi Road, Jinan City, Shandong Province, the PRC to Rooms 108 and 1302-1307, Licheng Finance Building, No. 7 Building, Xinyuanxin Center, No. 3 Huaxin Road, Licheng District, Jinan City, Shandong Province, the PRC. The name of the business department was changed to DFZQ Jinan Huaxin Road Securities Branch.

- DFZQ Hohhot Xinhua Street Securities Branch was relocated within the same city. The branch was relocated from Room 1202, International Financial Tower, No. 18 Xinhua East Street, Hohhot, Inner Mongolia Autonomous Region, the PRC to Room 102, 1/F, Tianyi Tower Commercial Building, Wulanchabu East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC. The name of the branch was changed to DFZQ Hohhot Wulanchabu East Street Securities Branch.

- DFZQ Deyang Changjiang West Road Securities Branch was relocated within the same city. The branch was relocated from 2/F (left to the elevator), No. 88 Changjiang West Road, Jingyang District, Deyang City, Sichuan Province, the PRC to No. 10-12 Section 1 Lushan South Road, Jingyang District, Deyang City, Sichuan Province, the PRC. The name of the branch was changed to DFZQ Deyang Lushan South Road Securities Branch.

- DFZQ Shanghai Yangpu District Changyang Road Securities Branch was relocated within the same city. The branch was relocated from 2/F and 4/F, Block 72, No. 1080 Changyang Road, Yangpu District, Shanghai, the PRC to 2/F, No. 318 Yangshupu Road, Yangpu District, Shanghai, the PRC. The name of the branch was changed to DFZQ Shanghai Yangpu District Yangshupu Road Securities Branch.

### 2. *Specific explanation on account standardization*

In strict compliance with the relevant requirements on account management by the CSRC and China Securities Depository and Clearing Corporation Limited, the Company further optimized its long-term account management mechanism, and made further clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which had been put in separated reserve category. During the Reporting Period, the Company has totally cleaned up 36 unqualified capital accounts, 22 unqualified securities accounts; 1,367 activated and 170,798 newly added small-amount-dormant capital accounts, 1,287 activated and 275,906 newly added small-amount-dormant securities accounts; 24 activated dormant capital accounts without risk management, and 21 dormant securities accounts without risk management, all of which have been put in separated reserve category.

As at the end of the Reporting Period, the Company had 2,032,764 capital accounts and 3,361,713 securities accounts, of which 1,536,470 and 2,781,276 were qualified capital accounts and qualified securities accounts respectively, 10,312 and 1,225 were unqualified capital accounts and unqualified securities accounts respectively, 452,311 and 564,791 were small-amount-dormant capital accounts and small-amount-dormant securities accounts respectively, and 33,671 and 14,421 were dormant capital accounts without risk management and dormant securities accounts without risk management.

### 3. *Development of innovative business and its risk control*

#### (1) *Analysis on development of innovative business*

The Company has always attached much importance to innovative business and considers it as an critical path to achieve strategic planning. During the Reporting Period, the Company further developed its innovative business and has achieved satisfactory results, mainly reflected as follows:

1) The proportion of the Company's innovative business in total operating income has been kept high. After years of cultivation, the innovative business has developed new revenue sources and profit drivers for the Company. During the Reporting Period, the revenue generated from the innovative business of the Company accounted for 36.2% of the total revenue, and continuously met the requirement of the strategic planning, providing strong support for the Company's performance growth during the year.

2) The Company has established its brand mileage in respect of certain innovative business and has made innovative breakthroughs in other areas. In 2019, the Company remained at the forefront of the industry in terms of fee income from asset management. The Company also achieved innovative breakthroughs in the new tasks of Registration-based IPO System of the Sci-Tech Innovation Board and the integration of the Yangtze River Delta while consolidating its presence in Shanghai to build Shanghai into an international financial center. In term of international business, apart from investing increased resources in Hong Kong, the Company also set up a new futures operating entity in Singapore and helped Wanhua Chemical to complete the largest cross-border M&A project for domestic companies in the Central and Eastern Europe, contributing to the development of the "Belt and Road" initiative.

3) The Company continued to obtain awards for its innovative business. In 2019, the Company received various major awards in the industry for its bond market making, asset securitization and intelligent customer service projects, which not only brings honor to the Company but also represents the industry recognition for the Company's innovative achievements.

*(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 kept up with business innovation and placed emphasis on strengthening business risk verification mainly by adopting the following measures:

1) In terms of organizational structure, the Risk Management Department strengthened the communications with the business departments, kept track of and monitored innovative business, and also actively conducted risk identification and assessment. To prevent business risk jointly with various departments, the Company's business department, branches and subsidiaries served as the first defense line, the risk management function departments served as the second defense line, and the risk supervision and management departments served as the third defense line.

2) In terms of management procedures, the Company further improved the synchronous risk management system of innovative business, and closely kept up with the compliance and risk management of its innovative business. The Company also established a new 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 option pricing, hedging strategies and testing results for products including income certificates of OTC options and embedded options. The Company also constantly improved the stress testing mechanism so as to ensure the smooth development of complicated financial derivatives business.

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

5) In terms of system building, the Company considered innovative business in building an overall risk management system. The Company steadily conducted its innovative business with risk exposures being measurable, controllable and tolerable.

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

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

Based on the regulatory requirements and for the purpose of its own risk management, the Company has established a sound mechanism for monitoring, pre-warning and reporting mechanism of risk control indicators to effectively ensure the business operation with risk exposures being measurable, controllable and tolerable. During the Reporting Period, the Company has further optimized its risk control indicators mechanism by updating the dynamic monitoring system. The monitoring system could enable the accurate measurement, dynamic monitoring and automated pre-warning of risk control indicators. Based on changes in market, business development, technology and regulatory environment, the Company constantly made adjustment to and improvement on the system with a view to synchronously 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 the positions has been allocated with explicit works and clear duties. With the monitoring system for various businesses and the dynamic monitoring mechanism for risk control indicators as its working platform, the Company has conducted dynamic monitoring and pre-warning on unusual changes and triggering issues of relevant risk control indicators, prepared risk management reports on a regular and irregular basis and kept track of the rectifications of the risks involved.

*(2) Capital replenishment mechanism*

Based on the risk control requirements of regulatory authorities and its own risk tolerance, the Company has established the capital replenishment mechanism to make dynamic adjustments to the scale and structure of various business sectors, while replenishing or increasing net capital according to its business development as and when appropriate.

The Company formulates plans in respect of allocation of assets and liabilities as well as risk appetite and limitation at the beginning of each year, and the relevant functional departments such as the Risk Management Department is responsible for the monitoring and reporting of risk control indicators. Once any risk control indicator reaches the triggering standard, the Company will adopt risk handling measures according to the alert level, including strictly controlling investment products with relatively high risk exposures and capital consumption or its business scale, adjusting structure of financial assets investment, reducing risk exposures with risk hedging instruments and replenishing its net capital in a timely manner through various financing channels including borrowing long-term subordinated bonds and placement.

*(3) Establishment of stress testing mechanism*

The Company has established the stress testing mechanism to ensure its risks are measurable, controllable and tolerable in various stress scenarios, so as to ensure the sustainable operation of the Company. The Company has specified in the rules and regulations that a special or comprehensive stress test is required to be conducted when the risk control indicators such as net capital and liquidity may experience material adverse changes or may approach the triggering level, or when the Company needs to determine the scale of significant business or commence significant innovative business. Furthermore, suggestions on adjustment to business scale based on the analysis of testing result should be provided for the reference of the management when making decisions.

During the Reporting Period, according to the requirements under the Guideline on Stress Testing of Securities Companies (《證券公司壓力測試指引》) issued by the Securities Association of China, based on market environment changes and business development of the Company, it constantly optimized the stress testing mechanism in terms of organizational guarantee, system establishment and system support. The Company carried out a number of comprehensive and special stress tests throughout the year to enhance its response capacity as to extreme situations and events. The comprehensive stress test was targeted at risk control indicators and overall financial indicators including but not limited to net capital and liquidity, and the targets of the special stress test varied depending on the purposes of the test.

*(4) Attainment of risk control indicators during the Reporting Period*

During the Reporting Period, the key risk control indicators related to net capital and liquidity of the Company were kept in continuous compliance with the regulatory standards under the Administrative Measures for the Risk Control Indicators of Securities Companies and its implementation rules with certain margin of safety.

***5. Explanations on financing***

*(1) Financing channels of the Company*

In terms of financing method, the Company's financing channels usually include equity financing and debt financing. In terms of financing term, the Company generally satisfies its short-term capital needs through money lending, bonds repurchase, issue of short-term financing bills, issue of short-term income certificates, short-term financing of usufruct right, and margin and securities refinancing, and satisfies its medium-term and long-term capital needs through issue of or borrowing long-term subordinated bonds, issue of corporate bonds, issue of long-term income certificates, long-term financing of usufruct right and equity financing.

*(2) Analysis on financing capability*

With its proper operation in compliance with laws and regulations, good reputation, strong financing capability and solvency as well as sound cooperation relationship with major financial institutions, the Company is able to obtain financing by various ways as approved by or filed with competent authorities.

During the Reporting Period, the Company has adopted many forms of debt financing, including credit lending, bonds repurchase, income certificates, short-term financing bills, subordinated bonds and corporate bonds. For details of the issuance of various debt financial instruments by the Company, please refer to "Section VI, II, Issuance and Listing of Securities".

*(3) The Company's liabilities structure*

Please refer to "Section IV, II, (iii) Analysis on principal components of consolidated statement of financial position".

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

By adhering to the unified capital management and operation, the Company continuously strengthens the establishment of capital management system through collectivized management of the allocation of funds. Meanwhile, it conducts a layered allocation of liquidity assets based on its realization ability 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 management, the Fund Management Department is responsible for planning, financing, allocation, investment and pricing for its own capital to optimize the efficiency and gains of the Company's capital use on the premise of preventing liquidity risk.

During the Reporting Period, the Company actively broadened short-term and long-term financing channels, strengthened the liabilities management, and enhanced the diversification of internal and external liabilities types, terms, financing market, counterparty and financing collaterals. The Company constantly optimized its debt structure and term to meet the capital needs of daily operations and reduce financing costs. The Company attached much importance to maintaining sound cooperation relationship with its financing counterparties including major commercial banks, and had in place abundant bank facilities with strong short-term and middle-to-long term financing capability.

The Company further strengthened monitoring liquidity risk, and improved liquidity indicator system in terms of risk exposure, leverage ratio, capital and scale so as to increase the effectiveness of daily monitoring. The Company put emphasis on strengthening intraday liquidity risk management to guarantee sufficient intraday liquidity position and meet the payment and settlement requirements under normal and stress scenarios. During the Reporting Period, the Company maintained sufficient liquidity assets reserves and continuously complied with relevant requirements regarding liquidity risk regulatory indicators.

## (vi) Analysis on investments

### 1. *Overall analysis on external equity investments*

As at the end of the Reporting Period, investment in associates of the Group amounted to RMB4.454 billion, representing an increase of RMB438 million, or 10.92%, from the end of last year. During the Reporting Period, net investment increased by RMB322 million, cash dividend or profit declared by associates amounted to RMB466 million, change in investment gains and other income recognized under the equity method amounted to RMB583 million. For details of investment in subsidiaries, please refer to Note 37 to the consolidated financial statements herein.

#### *(1) Material equity investments*

Unit: '000 Currency: RMB

| Name of targets 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 during the Reporting Period |
|---|---|---|---|---|
| China Universal Asset Management Company Limited | 35.412% | 2,066,502 | 443,763 | 1,952 |

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

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

#### *(2) Significant non-equity investments*

During the Reporting Period, the Company had no significant non-equity investments.

*(3) Financial assets at fair value*

Unit: '000 Currency: RMB

| Items | Investment cost as at the end of the year | Book value as at the end of the year | Net amount purchased or sold during the year | Change in fair value during the year | Investment income during the year |
|---|---|---|---|---|---|
| 1. Financial assets at fair value through profit or loss | 65,689,169 | 66,901,093 | 13,361,927 | 1,387,529 | 3,950,063 |
| 2. Debt instruments at fair value through other comprehensive income | 62,921,911 | 64,895,563 | 2,028,914 | 539,552 | 65,572 |
| 3. Equity instruments at fair value through other comprehensive income | 11,099,847 | 10,832,873 | 1,166,654 | 349,957 | 541,865 |
| 4. Derivative financial instruments | (2,480,337) | (2,034,273) | (1,459,215) | (26,980) | (345,945) |

## (vii) Material assets and equity disposal

During the Reporting Period, the Company had no material disposal of assets and equity.

## (viii) Analysis on major subsidiaries and associates

1. Orient Futures Co., Ltd, with a registered capital of RMB2.3 billion, is 100% owned by the Company. As at December 31, 2019, total assets of Orient Futures amounted to RMB26,664,955.7 thousand, and its net assets amounted to RMB3,160,907.4 thousand. In 2019, its operating income and net profit amounted to RMB9,948,254.1 thousand and RMB121,334.6 thousand, respectively.

   Its principal businesses are commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sales.

2. Orient Securities Capital Investment Co., Ltd., with a registered capital of RMB4.0 billion is 100% owned by the Company. As at December 31, 2019, total assets of Orient Securities Capital Investment amounted to RMB4,868,755.4 thousand, and its net assets amounted to RMB4,701,990.2 thousand. In 2019, its operating income and net profit amounted to RMB488,264.1 thousand and RMB224,969.4 thousand, respectively.

   Its principal businesses are establishment of direct investment funds, equity investments of enterprises, or investment of other funds related to equity investment, the provision of financial advisory services to clients in respect of equity investment and other businesses permitted by the CSRC.

3. Shanghai Orient Securities Asset Management Co., Ltd., with a registered capital of RMB0.3 billion is 100% owned by the Company. As at December 31, 2019, total assets of Orient Securities Asset Management amounted to RMB3,160,783.4 thousand, and its net assets amounted to RMB2,053,835.4 thousand. In 2019, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB1,944,660.1 thousand, RMB776,205.9 thousand and RMB600,703.7 thousand, respectively.

   Its principal businesses are securities asset management and management of publicly offered securities investment funds.

4. Citi Orient Securities Co., Ltd. has a registered capital of RMB0.8 billion and its 66.67% equity interests are held by the Company. As at December 31, 2019, total assets of Citi Orient amounted to RMB1,998,944.8 thousand, and its net assets amounted to RMB1,471,680.9 thousand. In 2019, its operating income and net profit amounted to RMB668,176.0 thousand and RMB44,929.2 thousand, respectively.

   Its principal businesses are securities underwriting and sponsorship business (other than government bonds such as treasury bonds and local government bonds, financial bonds of policy banks, financing products governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)); other businesses permitted by the CSRC.

5. Shanghai Orient Securities Innovation Investment Co., Ltd. has a registered capital of RMB5.0 billion and was 100% owned by the Company. As at December 31, 2019, total assets of Orient Securities Innovation Investment amounted to RMB5,654,657.8 thousand, and its net assets amounted to RMB5,026,538.0 thousand. In 2019, its operating income and net loss amounted to RMB-120,815.2 thousand and RMB161,005.4 thousand, respectively.

   Its principal businesses are venture capital, financial products investment, investment management and investment consultancy.

6. Orient Finance Holdings (Hong Kong) Limited has a registered capital of HKD2.2 billion and was 100% owned by the Company. As at December 31, 2019, total assets of Orient Finance Holdings amounted to HKD19,066,912.3 thousand, and its net assets amounted to HKD1,693,650.8 thousand. In 2019, its operating income and net profit amounted to HKD573,307.8 thousand and HKD241,492.6 thousand, respectively.

   Its principal businesses are investment holding, and operation of securities brokerage business, futures brokerage business, asset management business, investment banking and margin financing business as regulated by the SFC pursuant to SFO through establishment of various subsidiaries and licensed sub-subsidiaries.

7. China Universal Asset Management Company Limited has a registered capital of RMB132,724.224 thousand and its 35.412% equity interests is held by the Company. As at December 31, 2019, total assets of China Universal amounted to RMB8,085,625.2 thousand, and its net assets amounted to RMB5,977,942.4 thousand. In 2019, its operating income amounted to RMB4,078,048.2 thousand, of which the income from principal businesses was RMB3,966,612.5 thousand, the profit from principal businesses and net profit was RMB1,664,841.5 thousand and RMB1,248,692.8 thousand, respectively.

   Its principal businesses are fund raising, fund sales, asset management and other businesses permitted by the CSRC.

### (ix) Structured Entities Controlled by the Company

For the structured entities with subsidiaries acting as managers, by considering total variable returns from such structured entities attributable to the companies within the consolidation scope, the risk exposures and other factors, the Company has incorporated 16 structured entities into the consolidation scope.

During the year, three structured entities were newly incorporated into the consolidation scope and five structured entities were excluded due to loss of control or liquidation caused by due liquidation and changes in shareholding or other reasons.

Details of structured entities incorporated into the consolidation scope during the period:

Unit: '000 Currency: RMB

| Items | December 31, 2019 or the year of 2019 |
|---|---|
| Total assets | 8,270,927 |
| Total liabilities | 2,194,322 |
| Total net assets | 6,076,606 |
| Operating income | 310,493 |
| Net profit | 262,217 |

The accounting data of the above-mentioned structured entities are based on the CASBE.

## (x) Capital raising

### 1. *Use of proceeds from the non-public issuance of A Shares*

As approved by the "Reply on Approval for the Non-public Issuance of Shares by Orient Securities Company Limited (Zheng Jian Xu Ke [2017] No. 1940)" (《關於核准東方證券股份有限公司非公開發行股票的批覆》(證監許可[2017]1940號)) issued by the CSRC, the Company completed the non-public issuance of A Shares, which were RMB denominated ordinary shares, in December 2017, under which the Company actually issued 778,203,792 A Shares, which were RMB denominated ordinary shares, with the issuance price of RMB14.21 per share. The total proceeds raised from the said issuance amounted to RMB11,058,275,884.32, and the proceeds from the same was RMB10,988,790,614.35 after deducting the underwriting expense relating to the non-public issuance of RMB69,485,269.97. The aforesaid proceeds from such non-public issuance of A Shares were all deposited with the special proceeds account opened by the Company on December 27, 2017, for which, Deloitte Touche Tohmatsu CPA LLP has reviewed and verified with issuance of the capital verification report numbered as De Shi Bao (Yan) Zi (17) No. 00593. After deducting the issuance expenses of RMB101,095,545.51 from the said total proceeds, the actual net proceeds was RMB10,957,180,338.81.

As undertaken in the reply with respect to the feedback on the review of application documents for the non-public issuance of A Shares by the Company, the proceeds raised will primarily be utilized in the following aspects:

(1) No more than RMB2.5 billion will be utilized for supporting brokerage and securities financing business development;

(2) No more than RMB3.0 billion will be utilized for investing in securities sales and trading business development;

(3) No more than RMB2.0 billion will be utilized for improving investment management service capacity;

(4) No more than RMB2.0 billion will be utilized for expanding innovative business investment;

(5) No more than RMB2.3 billion will be utilized for advancing collectivized development strategy of the Company;

(6) No more than RMB0.2 billion will be utilized for working capital and other general corporate purposes.

As at the end of the Reporting Period, RMB2.5 billion was utilized by the Company for developing brokerage and securities financing business; RMB3 billion for investing in securities sales and trading business development; RMB1.25 billion for improving investment management service capacity; RMB2 billion for expanding innovative business investment; RMB2.043 billion for advancing collectivized development strategy of the Company; RMB0.2 billion for working capital and other general corporate purposes and the proceeds from the non-public issuance of A Shares cumulatively utilized by the Company amounted to RMB10.993 billion (including interests thereof). The raised funds have been used up and the bank account has been closed.

*2. Use of proceeds from the offering of 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 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 HKD8.15 per share with a nominal value of RMB1 each, the total proceeds from this offering amounted to HKD8,370,702,000.00 which shall be paid in cash in Hong Kong dollars. After deduction of the transaction expense and other related expenses of HKD145,045,025.30 in aggregate, the remaining HKD8,225,656,974.70 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 HKD 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 HKD7,417,133,357.56 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 details relating to utilization of the proceeds from the offering of H Shares by the Company are set out below: HKD2.56 billion was used to further develop the Company's brokerage and securities financing business, HKD2.225 billion for developing the Company's foreign operation, HKD1.097 billion for expansion of the Company's investment management business, HKD0.732 billion for developing our securities sales and trading business, HKD0.134 billion for capital expenditure, and HKD0.401 billion for working capital and others. The Company utilized a cumulative of HKD7.15 billion of proceeds raised through H shares. Save for the above use of funds, approximately HKD0.244 billion (including the interests and exchange gains or losses thereof) of the proceeds remains unused. The Company will use the remaining proceeds for capital expenditure in line with the disclosure in the prospectus and the Company's development strategy and actual requirements. (The exchange rate of utilized raised funds through issuance of H shares denominated in Renminbi has been calculated according to the actual exchange settlement rate, while the exchange rate of unutilized raised funds through issuance of H shares denominated in Renminbi has been calculated according to the final exchange rate.)

As at the end of the Reporting Period, there was no change in the above planned use of the proceeds as compared to that as disclosed in the Company's prospectus, related announcements and circulars. The Company will arrange utilization of such proceeds in due course based on the actual operation needs to maximize the shareholders' interests.

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

### (i) Industrial layout and trend

***Continued differentiation in the industry***

The industry pattern is getting more and more differentiated. The external reasons for the differentiation are the regulatory policies of "supports only being offered to the excellence but eliminating inferiority", such as classification and rating, new rules for OTC options, CDR sponsors and cross-border business approval and the selection of systemically important financial institutions, and the internal reasons include the large-scale securities firms' strong strength in comprehensive capability, business development and risk control as well as their relatively balanced business. From the perspective of the industry's revenue and profit distribution in recent years, the revenue proportion of the top ten securities firms in the industry has continued to increase. This Matthew effect has become more apparent in the investment banking business, especially in the Sci-Tech Innovation Board. With the increased opening up of the securities industry and the further advancement of supply-side reforms in the financial sector, the state attaches greater importance to building securities companies with "aircraft carrier size" through investing more resources in large securities firms. Therefore, it is expected that the industry's differentiation will be further intensified.

***Comprehensive development***

With the rapid development of the high technology, especially the information technology, direct financing will be taken as a priority for financing, and the capital market will face a great opportunity for growth. Meanwhile, clients also request more diversified, differentiated and meticulous financial services. The securities companies will propel business integration in terms of operations, products, channels, supporting service systems and etc., aiming to transform into comprehensive financial services providers with complete business and service lines. Sticking to the goal of satisfying client's demand for comprehensive financial services, each of the Group's business systems and subsidiaries will be engaged in specialized operation, while the Group will facilitate its strategic resources allocation and strengthen the collaboration among the various business segments of the Group, with the trend of the Parent Company and its subsidiaries being under "collective management" and business collaboration becoming more obvious.

*Scale-based operation*

The securities industry is also a typical capital-intensive industry. Capital strength is one of the important indicators of the comprehensive competitiveness of a company. According to the ranking of China's securities firms, the profitability is roughly in proportional to the scale of capital. In recent years, the securities industry is transforming from a channel intermediary model with feature of light capital to a capital intermediary model featured with feature of heavy capital. The layout of business outlets and business expansion also requires the support of capital strength. Capital strength has become a key factor facilitating the growth of core business of securities companies to achieve scale of economy and enhance profitability. Therefore, scale expansion is an important path for securities firms to realize high quality development. In recent years, a number of securities companies have implemented scale expansion through increasing equity capital, strengthening debt financing, conducting M&A (such as the acquisition of Guangzhou Securities by CITIC Securities), or increasing outlet layout, etc. It is expected that this expansion momentum will continue in the future.

*Differentiated competition*

Based on advantages in different resources, the securities companies implement the competitive strategy of developing differentiated strength and build brands with their own features. Leveraging on comprehensive financial platforms, considerable scale of economy and stronger ability of resources integration, leading securities firms possess competitive edge in satisfying clients' diversified needs, securing high-end clients and implementing M&A of industry peers. Small and medium securities firms aim at target clients and focus on the professional privileged businesses, or further cultivate certain regions by utilizing their advantages of locations, or develop competitive advantages in business segments.

*Empowered with financial technology*

A new round of technological revolution represented by the Internet, big data and artificial intelligence is unfolding around the world. Only if the securities company keep pace with the technological development of the era and conforms to the general trend of financial technology, can it gain the development opportunity and the bargaining power. At present, by applying financial technology, the securities companies are propelling the innovation of financial products and services to provide investors with personalized and tailor-made products and services. In recent years, China's securities firms have continuously increased their investment in science and technology with more financial technology personnel being recruited. The regulatory authorities also consider financial technology as a scoring item through implementing classification and rating. It is foreseeable that securities firms will attach more importance to financial technology.

*Accelerated internationalization*

The opening up of China's capital market is accelerating, and the upper limit on the shareholding of foreign investors in domestic securities firms is relaxed. The CSRC will also remove all restrictions on the shareholding of foreign investors in securities firms in 2020. While embracing the "coming in" of foreign investors, domestic securities firms are also speeding up their "going global" action given the increasingly strong demand of domestic investors for cross-border asset allocation and global wealth management as well as the rising participation in China's capital market by foreign investors. It has become an industry consensus to place emphasis on and invest more resources in internationalization business.

### (ii) The Company's development strategy

In 2018, the Company issued and implemented the strategic plan for 2018-2020, with 2020 being the last year for the implementation of this round of strategic plan. In line with this round of strategic plan, the Company is committed to "providing quality integrated financial services to the real economy and social wealth management, creating a happy life for staff and providing both material and spiritual returns to shareholders, employees and society", bears a core vision of "becoming a modern investment bank with first class core competitiveness in China that provides integrated financial services for customers" and adheres to the core values of "Customer First, People Oriented, Professionalism Based and Innovation Centered", striving to achieve the new round of strategic development goals.

The goals of 2018-2020 strategic plan of the Company is to strive for ranking top ten in the industry in terms of all major operating indicators and top five in terms of some leading businesses and innovative businesses on an ongoing basis through insisting upon the general direction of progress amid stability and improvement in both quality and efficiency, with a view to become the leader in the market-oriented system innovation conducted by Shenergy Group as well as a pioneer in the construction of Shanghai into an international financial center.

Focusing on the above strategic objectives, the Company will follow the four strategic principles of being driven by customers, talents, capital and innovation. Sticking to the previous strategic plan path, the Company will implement the overall strategy of "top-level design + four beams and eight pillars + six major tasks" in this planning period, namely: (top-level design) customer-oriented, enhancing synergy within the Group, promoting digital transformation and strengthening integrated financial services; (four beams and eight pillars) advancing business development amid stability, improving management quality and efficiency, reinforcing cohesion through party building and ensuring long-term development with compliance and risk control; (six major tasks) consolidating the development of advantageous business, enhancing the competitiveness of basic businesses, promoting the application of financial technology, deepening the integration of industry and finance, boosting synergy within the Group and practicing the ideology of "Party building and corporate culture is productivity."

### (iii) Business plan

The year of 2020 will draw an end to the Company's three-year strategic plan, and it also marks the crucial year for promotion of comprehensive reform. In 2020, the Company will continue to adhere to the business strategy of "steady growth, risk control and reform promotion". It will continue to promote mechanism reform, deepen talent strategy, implement comprehensive risk management and leverage financial technology empowerment as new momentum to activate the development of the Company, enhance the transformation and upgrading of various business sectors and management systems, and improve the performance level of the Company.

The Company will focus on the following tasks: take concerted efforts and resolutely win the battle against epidemic prevention and control; comprehensively build a solid line of defense for risk management; rationally balance the allocation of assets and liabilities with forward-looking layout; replay its natural role to serve the real economy along the whole industrial chain; serve the institutions finance with all business lines through overall planning and coordination; integrate science and technology to build a buyer's wealth management system; prepare for adversity in prosperity and consolidate the dominant position in asset management; empower business management with intelligence genes by financial technology; expand overseas strategic potential through internal and external integration; deepen the talent strategy of management system via mechanism reform and facilitate quality and efficiency improvement in business management with cultural guidance.

### (iv) Potential risks (including the implementation of overall risk management and compliance risk control and information technology investment)

#### *1. Major risks of the Company and countermeasures*

The risks to which the Company is exposed to in its operations are mainly market risk, credit risk, liquidity risk, operational risk, money laundering and terrorism financing risk and reputational risk. Specifically, such risks and respective countermeasures are as follows:

*(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 risks which the Company is exposed to 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 coordinating the overall market risk management of the Company.

The Company adopts daily mark-to-market, concentration analysis and quantitative risk model to manage scale, leverage, risk exposure, establishes 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.

The Company closely follows the macro-economic indicators and trend and significant economic policies and development. The Company also evaluates the potential systematic risk of investment as may be caused by changes of macro-economic factors, and adjusts its investment strategies based on regular monitoring of market risk indicators. The Company establishes decision-making, implementation and accountability systems relating to material issues and develops contingency plans for different predictable extreme situations, under which material issues will be categorized and managed according to the level of seriousness.

① Securities assets price risk

The equity proprietary business which the Company has traditional advantages has a large investment scale. Given the profitability and risks of the business are highly associated with market sentiment, market risks of the Company are mainly concentrated in the business.

In 2019, the domestic macro economy faced severe challenges, and counter-cyclical adjustment policies were used to hedge against downward pressure. Although the China-U.S. trade frictions are on-going, the overall progress was positive. Overseas share markets have generally risen. Against this background, the SSE Composite Index closed at 3,050.12 points as at the end of the year, an increase of 22.30% compared with 2,493.90 points in the same period of the previous year, and the SZSE Component Index rose by 44.08%.

To monitor the impact of market changes on the value of equity securities, the Company keeps a daily track of changes in trading positions, make appropriate adjustment to trading positions through implementing diversified investment strategies, and conduct hedging through stock index futures, stock options and other equity derivatives so as to control the market risk exposure. In the meantime, the Company strengthens control over investment concentration risk through diversified investment in the industries and individual stocks.

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

② Interest rate risk

The Company's assets which are exposed to interest rate risk mainly include business with relatively low risk such as bond investment and monetary deposits.

In 2019, with the loose monetary policies launched by major global economies and measures adopted by the People's Bank Of China such as lowering the required reserve ratio and adjusting LPR formation mechanisms to maintain reasonable and sufficient liquidity, the bond yield curve obviously moved downwards, while the debt market showed an overall uptrend. The Company had a moderate increase in position holding of debt and the debts accounting for 82% of the market value of the total position held by the Company are related to those with a term of 0 to 5 years. The weighted average term of debt portfolio decreased to 3.26 years from 3.7 years as at the end of previous year. As at the end of the Reporting Period, the basic point value was RMB31.22 million, representing a slight increase from the end of previous year.

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

③ Foreign exchange risk

In 2019, global economic growth slowed down and Sino-US trade disputes lingered on, leading to an increase in foreign exchange fluctuations, and the exchange rate of US dollar against Renminbi broke the threshold of 1:7. The Company's overseas business expanded, the size of foreign currency bonds increased, and the overall exchange rate risk gradually appeared.

The Company strengthened its research on the foreign exchange market, tracked changes in overseas asset prices, monitored exchange rate risk exposure, and effectively managed exchange rate risk through reasonable use of exchange rate derivatives for hedging and mitigation.

④ Value-at-Risk

Value-at-Risk ("VaR") refers to the potential loss of the investment portfolio arising from future movement in market price under certain confidence level. The Company adopts a VaR with a confidence level of 95% and a holding period of one day to measure the market risk condition of its financial products investment portfolio. In 2019, due to market environment and allocation of trading positions, the VaR of the Company's equity portfolios fluctuated to certain extent. At the end of the Reporting Period, the overall 95% VaR of the Company's market risk was RMB88 million.

*(2) Credit risk*

Credit risk mainly refers to the probability of loss the Company would suffer because of the failure of debtor or counterparty to perform the contractual obligations or the deterioration of their credit quality. The first is direct credit risk, i.e. the risk arising from failure of issuer to perform contractual obligations; the second is counterparty risk, i.e. the risk arising from a breach of contract by the counterparty and financier in a derivatives transaction or securities financing transaction; the third is settlement risk, i.e. the risk arising from a breach of contract during the settlement and delivery of a transaction, in short, the Company performs its delivery obligation, however the counterparty breaches the contract.

Centering on net capital management and risk tolerance, the Company implements overall management on risk control indicators relating to scale, counterparty and risk exposure according to specific level and module, and implements refined management on credit risk exposure from the perspective of product type, model and hedging to effectively control credit risk.

The Company has established its respective credit risk management system with regard to bonds issuer, counterparties and financing clients from the perspective of business practices. The Company has enhanced evaluation of qualities and risk and implemented credit risk management through means including contract review and monitoring of transaction and public sentiment. The Company pays great attention to possible non-compliance in the transaction and developed contingency plans for risks. In bond investment and counterparty transactions associated with credit risk, the Company has enhanced analysis on the fundamentals of bonds issuer and counterparties, and established the corporate internal scoring system for credit risk, and realized internal rating, united credit management, collective management of investment, defaulting clients management, stress tests, early warning, risk reporting and other functions through the credit risk management system, thus strengthening its credit risk management and enhancing credit risk management. In derivative transactions, the Company has set the margin deposit ratio for counterparty and rule restrictions on the transaction, controlled the counterparty's credit risk exposure through daily mark-to-market, margin calls, forced closure of positions and other means. In securities financial business, the Company has established mechanisms of credit rating assessment for clients, credit facilities management, collateral management and supervisory reporting, and handled potential risks through dynamic exit mechanism.

*(3) Liquidity risk*

According to the regulatory requirements including the Guideline on Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) and for the purpose of its own risk management, the Company continuously refines the liquidity risk management system and internal management system and has dedicated personnel responsible for dynamic monitoring, pre-warning, analysis and reporting of the Company's liquidity risk. During the Reporting Period, the Company further improved the liquidity risk management system and realized the effective identification, measurement, monitoring and control of liquidity risk through information system. At the beginning of each year, the Company carefully determines the qualitative principles and quantitative indicators of liquidity risk appetite, and has established irregular adjustment mechanism to implement limit management of liquidity risk and conduct monitoring and reporting of compliance with limits. The Company conducts regular liquidity stress testing and emergency exercise; meanwhile, it submits the indicators including liquidity coverage ratio and net stable funding rate pursuant to the regulatory requirements on a daily basis, with a view to make 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.

*(4) Operational risk*

Operational risk refers to risk of losses which may be caused by weakness or problem existing in internal procedure, staff and information technology systems as well as by external events.

The Company has established operational risk management system covering the wholly-owned subsidiaries and controlling subsidiaries. With careful review on the operational procedure based on its internal control procedure, the Company has identified operational risks in the procedure and categorized risks according to its management needs. Based on the impacts from and the possibilities of risks, the Company has established an operational risk assessment model to analyze, measure and rank the identified operational risk, so as to identify the risks that need special attention and prioritized control. By establishing key risk indicators monitoring system, the Company has realized quantified monitoring management of key operational risks. The Company has realized internal operational risk reporting and industry operational risk events collection and management with the operational risk losses reporting mechanism. In addition, the Company has completed the development of operational risk management system and realized the identification, evaluation, monitoring, measurement and reporting of operational risk.

During the Reporting Period, the Company further strengthened the reporting management of operational risk and improved the operational risk events collection management mechanism.

*(5) Money laundering and terrorism financing risk*

The Company has always adhered to the work principle of taking risk prevention as its first priority, and strictly adopted relevant measures to control the risks of money laundering and terrorism financing in accordance with anti-money laundering laws and regulations. According to the recently issued Guidelines for Management of Money Laundering and Terrorism financing risk of Corporate Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》), which sets out specific requirements for management of money laundering, terrorism financing and proliferation financing risks, the Company has newly developed or revised the anti-money laundering work system and has built a relatively well-established anti-money laundering internal control system, which consists of one policy at the board of directors level, five policies at corporate level and various anti-money laundering work or operational manuals. The Company has defined the money laundering risk management responsibilities of the board of directors, board of supervisors and different business departments, and has established an anti-money laundering organization framework consisting of the corporate anti-money laundering leading group, the corporate anti-money laundering working group and the anti-money laundering working group at business divisions. During the Reporting Period, the Company diligently fulfilled its anti-money laundering duties by strictly enforcing anti-money laundering laws and regulations. In particular, the Company actively organized and carried out various tasks of anti-money laundering, such as customer ID identification, customer risk classification, suspicious transaction reports, advertising and trainings on anti-money laundering, and carried out money laundering risk assessment through identification of beneficiary and further evaluating and optimizing suspicious transaction monitoring models and systems. Various anti-money laundering work were carried out in an orderly manner.

*(6) Reputational risk*

Reputational risk mainly refers to the risk of a negative evaluation of the Company's reputation which may be caused by the Company's operations, management and other actions or external events.

During the Reporting Period, the Company did not encounter any material events that had an impact on the reputation of the Company, certain sensitive events had been addressed efficiently and appropriately and therefore no reputational risk event incurred. The Company primarily manages its reputational risk by the following means: 1. formulating the Public Sentiment Management Emergency Plan of DFZQ based on the review and revision of the Administrative Measures on Reputational Risk of DFZQ; 2. strictly implementing the Administrative Measures on Reputational Risk, whereby each department, branch and subsidiary shall report to the reputational risk governing body and the reputational risk functional body once it is aware of any reputational risk or potential reputational risk, so as to guard against and address reputational risks in an active and effective manner; 3. further strengthening supervision on public sentiment by conducting all-around and all-day monitoring on major search engines, about 300 mainstream media, over 1,000 mainstream financial and local websites, more than 1,500 mainstream financial Weibo accounts, nearly 300 mainstream financial WeChat public accounts and over ten overseas media, as well as the establishment of monthly monitoring report on public sentiment and monthly brief report on reputational risk of the Company, with a view to getting informed of the public sentiment of the Company and laying a solid foundation for effectively preventing reputational risk; 4. strictly complying with the Administrative Measures on Advertising and Visual Design, whereby the publicity materials shall be carefully reviewed and approved by the Office, Risk Management Department, Compliance and Legal Administration Department and the Board of Directors Office before preparation, so as to avoid reputational risk.

### *2. Overall implementation of risk management*

The Company has always upheld the risk management concept of "compliance by all staff and risk control-oriented", and strives to realize the organic integration and convergence among risk management, compliance management and internal control. The Company has built comprehensive and endogenous comprehensive risk management system and internal control system, which cover the whole process of decision-making, implementation, supervision and feedback and effectively ensure that the Company's overall risk is measurable, controllable and tolerable.

The Company has established a clear and rational risk management organizational structure. The Company has set up the strict and effective comprehensive risk management featured with "three defenses" consisting of various business departments, branches and subsidiaries, relevant functional management departments and risk supervision and management departments, which clarifies the division of responsibilities among the Board, the Supervisor Committee, management and various subsidiaries and functional departments to ensure the effective operation of the risk management system.

The Company attaches great importance to the construction of risk management system. Based on the "Basic System of Comprehensive Risk Management of DFZQ", the Company has formulated special risk management systems regarding market risk, credit risk, liquidity risk, operational risk and reputational risk, and defines risk management requirements for various business systems and ensures the specific implementation of various risk management requirements through the formulation of operational specifications and rules. At the same time, in order to scientifically guide and rationally allocate resources, the Company prepares plans for asset and liability allocation and risk limit according to market conditions, corporate strategy and industry development on an annual basis, and implements dynamic adjustment mechanism to cater for the Company's business development.

The Company has established risk management mechanisms for risk identification and assessment, risk monitoring and measurement, risk analysis and response, and adopts a combination of qualitative and quantitative risk measurement methods to enhance the professional management capabilities of various risks. Through the establishment of risk management cockpit, comprehensive risk management system, risk management indicator dynamic management system and various special risk management information systems, the Company has further promoted the practical application of information technology in risk management. The Company implements the multi-perspective risk review mechanism based on comprehensive risk management through strict approval of new businesses and new products and dynamic monitoring on risks of all key processes in daily business operations. The Company also dynamically monitors and evaluates various types of risks and tolerance during it business operation through sensitivity analysis and stress testing. The Company strengthens risk response mechanism construction and risk defense through multiple channels with a focus on pre-judgment of risk response and handling, so as to effectively control various risks. Smooth risk information communication mechanism is established to ensure timely, accurate and complete information transmission and feedback.

The Company strengthens the coordination between the risk management culture and corporate culture as well as party style and integrity construction, and consolidates the risk management awareness of all employees of the Company through multiple approaches to improve the level of risk management. The Company continuously enhances the training and recruitment of risk management personnel to keep the number of risk management personnel meeting regulatory requirements. The Company adheres to the organic integration of risk management with performance appraisal and accountability mechanism to effectively ensure that the Company's various business developments comply with regulatory requirements.

*3. Investment in compliance risk control and information technology*

The Company attaches great importance to the construction of compliance risk management information system, and has established a proactive and effective comprehensive risk management system. The Company continuously improves the compliance risk system to constantly enhance the compliance risk management level, and has built a group-wide compliance and risk management system to ensure compliance of business operations. The Company's compliance risk control investment mainly includes the procurement and development expenditures of compliance risk control related systems, the daily operation expenses of the compliance risk control department, and the compliance risk control staff investment. During the Reporting Period, the total compliance control investments was RMB168,143.1 thousand.

The Company invests significant resources to enhance the Company's information technology to offer safe, stable and personalized services and to provide strong support for the Company's business development. The Company's information technology investment (based on the information system construction investment indicators of securities companies) mainly includes: IT investment, depreciation and amortization expenses of fixed assets and intangible assets, IT daily operating expenses, computer room rental or depreciation expenses, IT line leasing, IT independent R&D expenses and IT staff investment. During the Reporting Period, the Company's IT investment totaled RMB585,407.3 thousand.

## (v) Others

*1. Directors, Supervisors and senior management of the Company*

For details of the composition, changes and biographies of the Directors, Supervisors and senior management of the Company during the Reporting Period, please refer to "Section VIII, Directors, Supervisors, Senior Management and Staff" of this report.

*2. 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.

*3. Sufficient public float*

As at the latest practicable date prior to the printing of this annual 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 public float requirement under the Rule 8.08 of the Hong Kong Listing Rules.

### 4. *Directors' interests in the business competing with the Company*

Mr. Chen Bin, a non-executive Director of the Company, was a non-executive director of Haitong Securities Co., Ltd. (listed on SSE under the stock of 600837 and on the Hong Kong Stock Exchange under the stock code of 6837) from December 2014 to March 2020. 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, agency sale of securities investment fund 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.

### 5. *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).

### 6. *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.

### 7. *Share option scheme*

The Company did not set any share option scheme.

### 8. *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 small and medium enterprises 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 2019, revenue attributable to the five largest clients of the Company accounted for not exceeding 5% of the Group's total revenue.

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

### 9. *Relationship with employees, customers and suppliers and persons who are materially related*

For the details of the remuneration and training plans of employees of the Company, please refer to "Section VIII, Directors, Supervisors, Senior Management and Staff" of this report. For the relationships between the Company and its major customers and suppliers, please refer to "Section IV, III, (v), 8. Major clients and suppliers" of this report.

### 10. *Proposal on profit distribution*

For the proposal on profit distribution, please refer to "Section V, I. Proposal on Profit Distribution for Ordinary Shares or on Transfer of Capital Reserve Fund into Share Capital" of this report.

### 11. *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 acquisition of the shares of a listed company from the public offering and the secondary 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 by a securities investment fund from a listed company, individual income tax thereof is levied in accordance with the requirements of Cai Shui [2012] No. 85.

For Qualified Foreign Institutional Investors ("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. If the QFII shareholder intends to claim the preferential treatment as stipulated in tax treaties (arrangements) for his dividend and bonus incomes, application for tax refund can be submitted to the competent tax authority after obtaining such dividends and bonuses in accordance with the regulations.

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) in the Hong Kong market from investing in A Shares listed on the SSE, the implementation of differentiated tax policies based on period of shareholding 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 competent 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, the excess tax amounts withheld 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, and those enterprise investors shall report and pay the relevant tax themselves. Meanwhile, for the dividends and bonus incomes obtained by Mainland resident enterprises from holding relevant H shares for consecutive 12 months, the enterprise income taxes shall be exempted according to laws.

Pursuant to the provisions under the Notice on the Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No. 127) issued by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC, for dividends received by domestic individual investors from investing in H shares listed on Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on their behalf. For dividends received by domestic securities investment funds from investing in shares listed on Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors; and for domestic corporate investors, the company of such H shares shall not withhold and pay the income tax on their behalf and the domestic corporate investors shall report and pay the relevant tax themselves.

Shareholders of the Company are recommended to consult their taxation advisors regarding tax implications arising from their holding and disposal of shares of the Company in the PRC, Hong Kong and other countries (regions).

### 12. *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).

### 13. *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.

### 14. *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.

### 15. *Equity-linked agreement*

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

### 16. *Issuance of equity, stock and bond*

For the issuance of equity, stock and bond by the Company as of December 31, 2019, please refer to "Section VI, I. Changes in Share Capital of Ordinary Shares" and "Section VI, II. Issuance and Listing of Securities", "Section VII, Preference Shares" and "Section X, Corporate Bonds" of this report.

### 17. *Environmental policies and performance of the Company*

For the Company's environmental policies and performance, please refer to "Section V, XVII. Actively Fulfilling Social Responsibilities" of this report.

### 18. *Compliance with relevant laws and regulations*

For the Company's compliance with relevant laws and regulations which have great impact on the Company, please refer to "Section IX, Corporate Governance" of this report.

*19. Review of annual results*

The Audit Committee of the Board of the Company has reviewed the audited annual financial statements and annual report of the Company for the year ended December 31, 2019, and did not raise any objection to the accounting policies and practices adopted by the Company.

*20. Subsequent events*

Other than those disclosed in this report, the Company had no other material events subsequent to the financial year-end date and up to the date of this report.

## IV. THE SITUATION THAT THE COMPANY FAILED TO DISCLOSE INFORMATION ACCORDING TO THE STANDARDS DUE TO SPECIAL REASONS, E.G. NON-APPLICABILITY TO THE STANDARDS OR STATE SECRETS AND TRADE SECRETS AND THE DESCRIPTION OF RELEVANT REASONS

During the Reporting Period, there was no non-disclosure by the Company due to non-applicability to the standards or special reasons.

# 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 245 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 shareholders' proportions of shareholding in the Company. 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, 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 2018 was accomplished on July 10, 2019. On the basis of the total share capital of 6,993,655,803 shares of the Company, cash dividends of RMB1.00 (tax inclusive) per ten shares were distributed, and the cash dividends distributed amounted to RMB699,365,580.30.

### (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)

Unit: Yuan Currency: RMB

| Year of distribution | Amount of bonus shares per ten shares | Amount of dividends per ten shares (tax inclusive) | Number of shares transferred per ten shares | Amount of cash dividends (tax inclusive) | Net profit for the year attributable to the shareholders of ordinary shares of the listed company in the consolidated statements during the year of distribution | Percentage of net profit for the year attributable to the shareholders of ordinary shares of the listed company in the consolidate statements (%) |
|---|---|---|---|---|---|---|
| 2019 | | 1.50 | | 1,049,048,370.45 | 2,435,079,764.10 | 43.08 |
| 2018 | | 1.00 | | 699,365,580.30 | 1,231,013,208.91 | 56.81 |
| 2017 | | 2.00 | | 1,398,731,160.60 | 3,553,626,384.73 | 39.36 |

# Section V Significant Events

As audited, the net profit attributable to the owners of the Parent Company in 2019 consolidated statements of the Group was RMB2,435,079,764.10 and the net profit of the Parent Company in 2019 was RMB2,402,072,996.16.

According to the Company Law, the Securities Law, the Financial Rules for Financial Enterprises, the Regulatory Guidelines for Listed Companies No.3 – Cash Dividends of Listed Companies of the China Securities Regulatory Commission, the Guidelines for Cash Dividends of Listed Companies of the Shanghai Stock Exchange, and the Articles of Association of the Company, and based on the actual needs of the Company's business development, the Company has proposed the following profit distribution plan for 2019:

The distributable profit of the Company for 2019 was RMB5,751,408,911.34, which is calculated by retained profits of RMB4,054,427,381.34 of the Company as the beginning of 2019, plus net profit achieved by the Company in 2019 of RMB2,402,072,996.16, minus cash dividend of RMB699,365,580.30 for 2018, minus retained profit transferred out from disposal of specified equity instruments held not for sale of RMB5,725,885.86. Based on the net profit realized by the Parent Company in 2019, the Company withdrew 10% statutory surplus reserve fund, 5% discretionary surplus reserve fund, 11% general risk reserve fund and 15% transaction risk reserve fund, totaling RMB984,849,928.43. After deducting the above withdrawal, the distributable profit of the Parent Company at the end of 2019 was RMB4,766,558,982.91.

Taking into consideration the long-term development of the Company and the interests of investors, the Company has proposed the following profit distribution plan for 2019:

1. Ways of cash dividend distribution for 2019 profit of the Company: based on the total share capital of 6,993,655,803 shares as at December 31, 2019, a cash dividend of RMB1.50 (tax inclusive) for every 10 shares will be distributed to A shareholders and H shareholders who are registered on the date of cash distribution in 2019, with a total cash dividend of RMB1,049,048,370.45, accounting for 43.08% of the net profit attributable to the Parent Company in the 2019 consolidated statements.

2. Cash dividend will be denominated and distributed in RMB and paid in RMB to A shareholders and paid in HK dollars to H shareholders. The actual amount of distribution in HK dollars will be converted into HK dollars based on the average benchmark exchange rate published by the People's Bank of China five working days prior to the date of 2019 annual general meeting.

Cash dividends will be distributed within two months after the date of the 2019 annual general meeting, following the approval of the profit distribution proposal for 2019 at such annual general meeting.

The Company will announce, in due course, the date of convening the 2019 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 shareholders of ordinary shares 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

During the Reporting Period, there was no such case that the Company recorded profit and the Parent Company recorded positive retained profits for distribution to shareholders of ordinary shares but no proposal for profit distribution for ordinary shares in cash was proposed.

## 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 | Follow up plan for failure to perform timely |
|---|---|---|---|---|---|---|---|---|
| Undertakings in relation to IPO of A Shares | To solve the problem of business competition | Shenergy Group | Shenergy Group has issued the Commitment Letter of Avoiding Business 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 A 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 | Follow up plan for failure to perform timely |
|---|---|---|---|---|---|---|---|---|
| Undertakings in relation to refinancing | Shares subject to lock-up | Shenergy Group | Shenergy Group undertook that, during the 48 months from the listing and trading of such increased 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 or cause the Company to repurchase such shares. | Within 48 months from the non-public issuance and listing of A Shares of the Company | Yes | Yes | / | / |
| Undertakings in relation to refinancing | Shares subject to lock-up | Shanghai Haiyan Investment | Shanghai Haiyan Investment undertook that, during the 36 months from the listing and trading of such increased 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 or cause the Company to repurchase such shares. | Within 36 months from the non-public issuance and listing of A Shares of the Company | 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.

### (iii) Fulfillment of results undertakings and its impact on impairment test of goodwill

During the Reporting Period, the Company did not make undertakings on its results.

# 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

During the Reporting Period, there were no explanations on "non-standard audit report" of accounting firm of the Company.

## 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

According to the requirements of the Circular (Cai Kuai (2018) No. 35), the Company applied the new lease standard beginning from January 1, 2019. On the application date of the new lease standard, the Company adopted the method of "the present value discounted at the lessee's incremental borrowing rate on the initial application date to measure the lease liabilities; an amount equivalent to the lease liabilities and with necessary adjustments made according to the prepaid lease payments to measure the right-of-use assets" for accounting treatment. Please refer to Note 2 to the consolidated financial statements for the specific impact of the lease standards.

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

During the Reporting Period, there did not exist correction of any material accounting error.

### (iii) Communication with the previous accounting firm

During the Reporting Period, the Company did not communicate with its previous accounting firm.

### (iv) Other explanations

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

## VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: '0000 Currency: RMB

| | Currently engaged |
|---|---|
| Name of the domestic accounting firm | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| Remuneration of the domestic accounting firm | 119 |
| Term of the audit services provided by the domestic accounting firm (year) | 3 |
| Name of the overseas accounting firm | Deloitte Touche Tohmatsu |
| Remuneration of the overseas accounting firm | 119 |
| Term of the audit services provided by the overseas accounting firm (year) | 4 |

| | Name | Remuneration |
|---|---|---|
| Accounting firm engaged for internal control audit | Deloitte Touche Tohmatsu Certified Public Accountants LLP | 42 |

### Explanations on appointment and dismissal of accounting firms

During the Reporting Period, as approved upon consideration at the Company's 2018 annual general meeting, the Company re-appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its domestic auditor for 2019, who was responsible for provision of relevant domestic audit services in accordance with CASBE for a term of one year, with annual auditing fees for finance and special supervision report of RMB1.19 million. The Company also re-appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its internal control auditor for 2019, with internal control auditing fees of RMB0.42 million. The Company re-appointed Deloitte Touche Tohmatsu as the Company's overseas auditor for 2019 for a term of one year, who was responsible for provision of relevant audit and review services in accordance with IFRS, with annual auditing fees of RMB1.19 million and interim reviewing fees of RMB0.50 million. Deloitte Touche Tohmatsu Certified Public Accountants LLP provides auditing services to subsidiaries of the Group, and the auditing fees in total amounted to RMB0.7314 million.

# Section V Significant Events

During the Reporting Period, The Company did not change its accounting firm, nor did the Board disagreed with the opinion of the audit committee on the selection and appointment of external auditors.

| Accounting firm appointed by the Company in the past three years | 2019 | 2018 | 2017 |
|---|---|---|---|
| Name of domestic accounting firm | Deloitte Touche Tohmatsu Certified Public Accountants LLP | Deloitte Touche Tohmatsu Certified Public Accountants LLP | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| Name of overseas accounting firm | Deloitte Touche Tohmatsu | Deloitte Touche Tohmatsu | Deloitte Touche Tohmatsu |

## 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 LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company was not involved in any material litigation or arbitration that involves claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's net assets as audited in the latest financial statements, which shall be disclosed in accordance with the requirements under the SSE Listing Rules. The Company did not have matters commonly questioned by media during the Reporting Period.

The major litigations and arbitrations (representing more than 90% of the total litigation and arbitration of the Company) in which the Company is involved are as follows:

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| DFZQ | Dalian Changfu Ruihua Group Co., Ltd. (大連長富瑞華集團有限公司) | Litigation | Dalian Changfu Ruihua Group Co., Ltd. ("Changfu Ruihua") conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Dalian Holdings (大連控股)" (600747) held by it in June 2014. The above-mentioned transaction has been in default. | Principal of RMB800 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | The application for enforcement was accepted in June 2017, and Liaoning High Court made a ruling in July 2017, designating Dalian Intermediate Court as the jurisdiction of the case. In January 2018, Dalian Intermediate Court obtained the right to dispose of the collateralized securities from the first court. After that, the case entered the judicial auction procedure in August 2019. During the judicial evaluation process, the collateralized securities were delisted from the market in December 2019, and there were third-party creditors who applied for bankruptcy of the debtor, which was accepted by Dalian Intermediate Court as designated by Liaoning High Court. Both the bankruptcy applicant and the debtor raised objections to the judicial auction regarding this case and requested to suspend the execution. At present, the case is subject to further ruling by the court. |

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| DFZQ | Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (上海郁泰登碩投資中心(有限合夥)) and Shanghai Fuxing Industrial Group Co., Ltd. (上海阜興實業集團有限公司), the guarantor | Litigation | Shanghai Yutai Dengshuo Investment Center (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Jianrui Woneng (堅瑞沃能)" (300116) held by it in September 2016 and Shanghai Fuxing Industrial Group Co., Ltd. provided the unconditional, irrevocable and joint guarantee. The above-mentioned transaction has been in default. | Principal of RMB170 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In August 2018, the case was filed with enforcement procedure in Shanghai No.2 Intermediate People's Court and the first freeze on collateralized securities was completed in September of the same year. In September 2019, the case entered the implementation phase. At present, certain collateralized shares were disposed of through judicial entrustment in secondary market, and certain implementation funds of RMB35.30 million were recovered. After the remaining collateralized shares were auctioned off by judicial auction in January 2020, the court has now made a ruling on debt repayment with shares, and the procedures for debt repayment with shares have been completed |
| DFZQ | Beijing Honggao Zhongtai Investment Co., Ltd. (北京弘高中太投資有限公司) | Litigation | Beijing Honggao Zhongtai Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Honggao Innovation (弘高創意)" (002504) held by it in April 2016. The above-mentioned transaction has been in default. | Principal of RMB110 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | The Company sued in August 2018 and obtained the first-instance judgment in November, where the court supported all the litigation requests. Now the judgment has come into effect and has entered into the enforcement procedure. At present, the Company is pushing for compulsory enforcement measures against the main property (i.e. collateralized shares) in this case. |

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| DFZQ | Wenzhou (Shanghai) Industry Co., Ltd. (閏舟(上海)實業有限公司), Fujian Tongfu Industry Co., Ltd. (福建同孚實業有限公司) | Litigation | Wenzhou (Shanghai) Industry Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Guanfu Limited (冠福股份)" (002102) held by it in May 2017 and Fujian Tongfu Industry Co., Ltd. provided the unconditional, irrevocable and joint guarantee. The above-mentioned transaction has been in default. | Principal of RMB405 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In July 2019, the case was put on file with enforcement procedure by the Shanghai Financial Court. At present, the Company is pushing for compulsory enforcement measures against the main property (i.e. collateralized shares) in this case. |
| DFZQ | Lin Wenhong and his spouse | Litigation | Lin Wenhong conducted the share collateralized repurchase transaction with the Company by way of the circulating shares of "Guanfu Limited (冠福股份)" (002102) held by him in March 2014. The above-mentioned transaction has been in default. | Principal of RMB50.91 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In July 2019, the Company filed a lawsuit with Shanghai Financial Court and completed the litigation preservation. The formal hearing was held on January 9, 2020. At present, it is subject to judgment of first instance. |

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| DFZQ | Lin Wenzhi, his spouse and Fujian Tongfu Industry Co., Ltd., the guarantor of the third tranche of transaction | Litigation | Lin Wenzhi conducted three tranches of share collateralized repurchase transactions with the Company by the circulating shares of "Guanfu Limited (冠福股份)" (002102) held by him since September 2014 and Fujian Tongfu Industry Co., Ltd. provided the unconditional, irrevocable and joint guarantee for one of the transactions. The above-mentioned transaction has been in default. | Principal of RMB126.87 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In July 2019, the three transactions were jointly sued by the Company to the Shanghai Financial Court and litigation preservation was completed. The Shanghai Financial Court planned to split the above three transactions into two cases and formally hold a hearing on January 9, 2020 on the transaction case involving a principal of RMB90.87 million, which is currently in the first instance pending judgment. The remaining principal of creditor's rights of RMB36 million was transferred to Huangpu District Court of Shanghai for trial. |
| DFZQ | Beijing Wutong Yuxiang Investment Co., Ltd. (北京市梧桐翔宇投資有限公司) | Litigation | Beijing Wutong Yuxiang Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Deao Freight (德奥通航)" (002260) held by it in August 2016. The above-mentioned transaction has been in default. | Principal of RMB123.6708 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | The lawsuit was filed in July 2019 and is currently in the first instance pending trial. |
| DFZQ | Lin Wenchang | Litigation | Lin Wenchang conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Guanfu Limited (冠福股份)" (002102) held by him in June 2016. The above-mentioned transaction has been in default. | Principal of RMB283.1 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In September 2019, Quanzhou Intermediate Court formally accepted the case and completed the enforcement preservation. At present, the Company is pushing to take compulsory enforcement measures against the main property (i.e. collateralized shares) in this case. |

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| DFZQ | Zhang Qingwen | Litigation | Zhang Qingwen conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Bangxun Technology (邦訊技術)" (300312) held by him in December 2015. The above-mentioned transaction has been in default. | Principal of RMB185.8101 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | The case was filed with enforcement procedure by the court in October 2019. At present, the Company is pushing for compulsory enforcement measures against the main property (i.e. collateralized shares) in this case. Therefore, certain debts were paid off through judicial deduction of funds from the bank account and provident fund account of the executed person. |
| DFZQ | Dai Furong | Litigation | Dai Furong conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Bangxun Technology (邦訊技術)" (300312) held by her in September 2015. The above-mentioned transaction has been in default. | Principal of RMB150 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | It is divided into two judicial cases:<br>Among them, the lawsuit case was formally filed in September 2019, but the defendant filed a jurisdictional objection, which was rejected by Huangpu Court, and the defendant appealed to Shanghai Financial Court. The Company is currently waiting for the ruling result of the Shanghai Financial Court on the jurisdictional objection.<br>The enforcement case was filed with enforcement procedure in Beijing No. 1 Intermediate Court in October 2019. At present, the Company is pushing for compulsory enforcement measures against the main property (i.e. collateralized shares) in this case. Therefore, certain debts were paid off through judicial deduction of funds from the debtor's provident fund account. |

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| DFZQ | Xu Leilei | Litigation | Xu Leilei conducted the share collateralized repurchase transaction with the Company by the shares of "Huangshi Group (皇氏集團)" (002329) held by her in November 2016. The above-mentioned transaction has been in default. | Principal of RMB119.0308 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In October 2019, the case was put on file with enforcement procedure in Beijing No. 3 Intermediate Court. In December, the execution settlement agreement was reached with the executed party. However, due to the defendant's failure to repay the loan, the Company applied for resumption of enforcement procedure in January 2020. At present, the Company is pushing for enforcement measures against the main property (i.e. collateralized shares) in this case. |
| DFZQ | Huang Xiuzhen, Wang Wenqi, Jia Xiaoyu, the legal successors of Jia Quanchen and the transaction guarantors, Jia Xiaoyu and Wang Jingjing | Litigation | Jia Quanchen (deceased) conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Qingdao Zhongcheng (青島中程)" (300208) held by him in September 2016 and Jia Xiaoyu and Wang Jingjing provided the unconditional, irrevocable and joint guarantee for the transaction. Jia Quanchen deceased before the maturity date and failed to buy back the shares due, which constituted a breach of contract and the collateralized shares were frozen by the judiciary. Therefore, the Company claimed creditor's rights from its property heirs Wang wenqi, Jia xiaoyu and the guarantor. | Principal of RMB115 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | The lawsuit was filed at the end of October 2019 and is currently in the first instance pending trial. |

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| DFZQ | Beijing Dongfang Junsheng Investment Co., Ltd. (北京東方君盛投資有限公司) and its guarantors Feng Biao, Gao Zhonglin and their spouses | Litigation | Beijing Dongfang Junsheng Investment Co., Ltd. ("Dongfang Junsheng") conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Hainan Yedao (海南椰島)" (600238) held by it in September 2017 and Feng Biao and Gao Zhonglin provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default. | Principal of RMB425 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In November 2019, the case was filed and the litigation preservation was completed. At present, the case is in the first instance pending trial. |
| DFZQ | Shenzhen Laohuhui Asset Management Co., Ltd. (深圳市老虎匯資產管理有限公司) and the guarantor Feng Biao and his spouse | Litigation | Shenzhen Laohuhui Asset Management Co., Ltd. ("Laohuhui") conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Jiaying Pharmacy (嘉應製藥)" (002198) held by it in February 2017 and Feng Biao, the de facto controller, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default. | Principal of RMB470 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In November 2019, the case was filed and the litigation preservation was completed. At present, the case is in the first instance pending trial. |

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|---|---|---|---|---|---|
| Dongqi Investment | 50 cinema management companies under SMI Cinema Chain | Arbitration | The creditor's right of Shanghai Dongqi Investment Management Co., Ltd. ("Dongqi Investment") towards 50 cinema management companies under SMI Cinema Chain in the principal of RMB648 million and the accrued interests. The above-mentioned transaction has been in default. | Principal of RMB648 million and the accrued interests are payable but unpaid | In May 2019, Dongqi Investment filed for arbitration with the Shanghai International Arbitration Center and received the Notice of Acceptance of Case Filing from the center in the same month. Property preservation for the debtor has been completed. |

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

(i) In May 2019, Citi Orient, a controlling subsidiary of the Company received the Regulatory Decision of the Hubei Bureau of the CSRC to Issue the Warning Notice to Citi Orient Securities Co., Ltd., Ding Ning and Wang Chenggang [2019] No. 15 (《關於對東方花旗證券有限責任公司、丁凝、王成鋼採取出具警示函監管措施的決定》[2019]15號) (the "Warning Notice"). Hubei Bureau of the CSRC conducted a special investigation on the due diligence of "2017 Social Responsibility Corporate Bonds (poverty alleviation)" of Yichang Changle Investment Group Ltd. ("Changle Investment") undertaken by Citi Orient. Upon investigation, the following issues within Citi Orient were identified:

First, it did not maintain reasonable suspicions as required under Article 3 of the Guidelines for Due Diligence in Corporate Bonds Underwriting (《公司債券承銷業務盡職調查指引》) and did not conduct due diligence on whether the 48 official documents and contracts issued by Wufeng County government and other units were issued retrospectively. It failed to identify the retrospective issuance, and further failed to find the adjustment of the financial statements of the previous years by Changle Investment based on the documents and contracts issued retroactively.

Second, it did not maintain reasonable doubts as required under Article 3 of the Guidelines for Due Diligence in Corporate Bonds Underwriting and did not conduct due diligence on whether the 5 official documents issued by Wufeng County government were issued retrospectively. It failed to find the retrospective issuance of official documents by Wufeng County government and the non-distribution of related subsidy funds, and further failed to uncover the insufficient basis for Changle Investment to recognize non-operating income.

The above-mentioned acts were found in violation of the provisions of Article 7 of the Measures for the Issuance and Administration of Corporate Bonds (《公司債券發行與管理辦法》). According to the provisions of Article 58 of the Measures for the Issuance and Administration of Corporate Bonds, Hubei Bureau of the CSRC decided to take administrative supervision and administration measures in way of issuing warning notice to Citi Orient and the project leaders, Ding Ning and Wang Chenggang. At the same time, Citi Orient is required to earnestly rectify the above issues, strengthen the study of relevant laws and regulations on securities and futures, diligently perform due diligence, and submit a written rectification report to Hubei Bureau of the CSRC before May 30, 2019.

Upon receiving the warning notice, Citi Orient attached great importance to it and requested relevant departments to implement corrective measures in accordance with relevant laws and regulations and the provisions and requirements of the Company's internal management system. The rectification is reported as follows:

1. *To further strengthen the implementation of due diligence*

   The Company will strengthen the study of laws and regulations by its employees such as the Company Law, the Securities Law, the Measures for the Issuance and Administration of Corporate Bonds and the Guidelines for Due Diligence in Corporate Bonds Underwriting, enhance the enforcement and quality control of due diligence, reinforce the verification of the impact of documents signed by the government on the authenticity of the issuer's financial statements, ensure the authenticity, accuracy and integrity of the financial data of the issuer of bonds, and resolutely eliminate similar situations.

2. *Refining and perfecting relevant rules and regulations*

   The Company further refined its internal governance documents related to the bond business, such as the Due Diligence Investigation System for Bond Underwriting Business and the Guidance on the Due Diligence Investigation of Important Matters of Corporate Bond Projects, so as to facilitate project executives to understand and consult the specific contents and work processes, and effectively implement due diligence procedures in accordance with the relevant systems.

3. *Coordinating the issuer to prepay the bonds*

   Yichang Changle Investment Group Limited (宜昌長樂投資集團有限公司) held a meeting of bondholders on March 4, 2019 to review the prepayment of all outstanding principal and accrued interest of S17 Changle Bonds. The prepayment proposal was passed unanimously at the meeting. On March 15, 2019, the early payment process of S17 Changle Bonds was completed. During the duration of S17 Changle Bonds, the bond interest was paid on time, causing no loss to bondholders and no harm to the society.

(ii) On December 12, 2019, the Company received the Decision on Taking Corrective Measures Against 東方證券股份有限公司 [2019] No. 53 (《關於對東方證券股份有限公司採取責令改正措施的決定》[2019]53號) (the "Decision"). Upon investigation, the following issues regarding the Company were identified:

First, there is no strict distinction between compliance duties and risk control duties. The Compliance Department establishes a risk manager post to assume the risk management duties of the wealth management business department, OTC business department and custody business department.

Second, compliance personnel of certain branches do not have at least 3 years of relevant working experience.

Third, the salaries of certain compliance personnel are lower than the average level of peers.

Fourth, the on-site compliance inspection of subsidiaries is insufficient, and only once in the past three years.

Fifth, the problems identified in the compliance effectiveness evaluation were not fully addressed, and certain problems have not yet been remedied.

The above situation violates Articles 21, 23, 24, 28 and 31 of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) and Articles 18 and 22 of the Guidelines for the Implementation of Compliance Management of Securities Companies (《證券公司合規管理實施指引》).

In accordance with the provisions of Article 32 of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies, the CSRC decided to take administrative supervision measures to order the Company to make corrections, and required the Company to submit a rectification report to the Shanghai Bureau of the CSRC within three months from the date of receipt of the decision.

The Company attached great importance to it and carefully studied and implemented the rectification for the problems listed in the Decision. The rectification is as follows:

*I. Strictly distinguishing compliance and risk control duties*

First, the work responsibilities of the compliance legal management headquarters and the risk management headquarters should be further differentiated. The compliance legal management headquarters should be responsible for the review and management of compliance matters in all business departments and subsidiaries, while the risk management headquarters should be responsible for the review and management of risk management matters in all business departments and subsidiaries.

Second, compliance managers and risk managers of various departments and subsidiaries are designated separately in the compliance legal management headquarters and the risk management headquarters. The "compliance manager" is responsible for the corresponding compliance management matters, the "risk manager" is responsible for the corresponding risk management matters. The "compliance manager" and the "risk manager" have specific responsibilities with clear boundaries, and there is no overlapping in the performance of duties.

*II. Equipping branches with qualified compliance management personnel*

First, strengthen the staffing of compliance management personnel in the branches. As of the Reporting Period, 168 branches of the Company have been staffed with compliance management personnel with more than 3 years of work experience in relevant fields in accordance with regulations.

Second, improve the qualification examination requirements for personnel on duty in compliance positions to ensure that the personnel on duty also have at least 3 years of work experience in relevant fields.

*III. Improving the Company's compliance management personnel salary guarantee*

First, the Company has added a review link in the salary incentive accounting process to further enhance the independence of the compliance and risk control commissioner's salary to ensure that such situations will not happen again.

Second, further strengthen the implementation and operation of the Company's compensation incentive system related to compliance management, ensure strict implementation of the requirements of the "Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies" and provide adequate auxiliary support and guarantee for compliance personnel to perform their duties.

*IV. Revising the system and formulating plans to strengthen compliance on-site inspection*

First, revise the "Measures for Compliance Inspection" and draw up a compliance inspection plan for 2020. The compliance inspection of the Company is divided into comprehensive inspection and special inspection. In terms of comprehensive inspection, the Company conducts a comprehensive inspection of all business departments, wholly-owned and controlled subsidiaries at least once a year. In addition, several management departments and branches may be selected each year for comprehensive inspection. Special inspections shall be conducted as required in accordance with Article 15 of the Implementation Guidelines for Compliance Management of Securities Companies.

Second, strengthen the linkage inspection mechanism of compliance, risk control and auditing. In particular, in the comprehensive inspection of all business departments, subsidiaries and branches, it is proposed that the compliance manager of the compliance department, the risk manager of the risk department and the relevant auditors of the audit department shall determine their respective inspection priorities, formulate inspection working papers and jointly implement on-site inspection through sufficient advance linkage and communication.

***V. Improving the rectification of problems identified in effectiveness compliance assessment***

The Company has planned, urged and established an inter-departmental linkage mechanism to actively promote the implementation of the rectification. Save for few exceptions, the problems found in the 2017 compliance management effectiveness assessment have been rectified. The major problems that have not been rectified are as follows:

(1) Orient Securities Capital Investment and Orient Securities Innovation Investment shall be further standardized and rectified in accordance with relevant regulations such as "Management Standards for Alternative Investment Subsidiaries of Securities Companies" and "Management Standards for Private Investment Fund Subsidiaries of Securities Companies".

Rectification: According to the Rectification Plan for Subsidiaries of DFZQ submitted by the Company, the above matters have not yet reached the deadline for rectification. Currently, the two subsidiaries are steadily advancing the rectification work according to the rectification plan.

(2) The problem that "some information systems used by the headquarters have not yet been incorporated into the centralized authorization management system of the operation management headquarters" has not yet been rectified.

Rectification: At present, there are still some information systems developed earlier in the Company that have not been integrated into unified management because they do not meet the handover standard technically. The major departments in the system shall manage their respective application systems. Relevant departments of the Company have formulated system renovation plans and timetable to promote the system renovation. At the same time, through the system, the Company has made it clear that the system's major departments are the authority management department before the system is handed over, formulated the authority management measures, and incorporated them into the supervision and inspection scope of the compliance management department to ensure the full coverage of authority management.

In response to the problems found in the 2018 compliance management effectiveness evaluation, all relevant departments have also formulated rectification measures and timetables. The Company has strictly required relevant departments and subsidiaries to take rectification measures to ensure that the rectification is completed on schedule and timely report on the progress of rectification. Currently, the completion rate of rectification has exceeded 90%.

In addition, the Company has newly established a compliance management effectiveness evaluation team, which is headed by the Company's Chairman. As the permanent body for evaluating the effectiveness of compliance management, the evaluation team will further ensure the implementation of the rectification for evaluating the effectiveness of compliance management. The Company will incorporate the assessment and rectification of various departments and subsidiaries into the scope of performance appraisal and accountability to improve the effectiveness of rectification.

(iii) The Company has no controlling shareholders or de facto controllers. Except as disclosed above, during the Reporting Period, none of the Company and its directors, supervisors or senior management had been investigated by competent authorities, and no compulsory measures had been imposed on them by the judicial organs or discipline inspection departments, nor had they been handed over to the judicial organs or been investigated for criminal liability, or was subject to investigation as a case or administrative punishment, or banned from access to the market by the CSRC, identified as an inappropriate candidate, punished by other administrative departments, or publicly condemned by stock exchanges. None of the Company's Directors, Supervisors or senior management had violated relevant regulations with regard to trading of the shares of the Company.

## XII. EXPLANATIONS ON CREDIT WORTHINESS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

The Company's largest shareholder is Shenergy Group. During the Reporting Period, the Company maintained excellent creditworthiness and there were no cases such as non-performance of an effective court judgment or any large obligation or liability remaining unpaid passed their maturity date.

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

During the Reporting Period, the Company did not implement any share incentive scheme, employee incentive scheme or other employee incentive measures.

# Section V Significant Events

## XIV. MATERIAL RELATED-PARTY TRANSACTIONS/NON-EXEMPTED RELATED-PARTY TRANSACTIONS

### (i) Related-party/connected transactions related to daily operation

During the Reporting Period, the Group had no significant related party transactions and there were no non-operating related credits and debts.

#### *1.1 Continuing Related-party/Connected Transactions between the Group and Shenergy Group and its related companies*

Reference is made to the announcement of the Company dated June 3, 2019 in relation to the continuing connected transactions. As at the date of this report, Shenergy Group holds approximately 25.27% of the issued share capital of the Company. According to Rule 14A.07(1) of the Hong Kong Listing Rules, Shenergy Group and its related companies are connected persons of the Company. During the Reporting Period, the Company carried out related/connected transactions in strict compliance with the "Resolution on Estimation for the Company's 2019 Daily Related Transactions" considered and approved at the 2018 annual general meeting, the relevant related/connected transaction as agreed in the "Resolution on the Signing of the Connected Transaction Framework Agreement with Shenergy (Group) Company Limited" considered and approved at the 4th meeting of the fourth session of the Board and the "Resolution on the Signing of the Supplemental Connected Transaction Framework Agreement with Shenergy (Group) Company Limited" considered and approved at the 12th meeting of the fourth session of the Board. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party/ connected person | Projected amount | Actual amount |
|---|---|---|---|---|---|
| Securities and financial products services | Fee and commission income | The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf and other services. | Shenergy Group and its related companies | 12,000.00 | 49.47 |
| | Underwriting fee income | The Company charges securities underwriting fees for providing securities underwriting services to them. | | | 331.08 |
| | Interest expense on the margins of clients | The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services. | | 2,200.00 | 15.55 |
| Securities and financial products transactions | Bond transactions | Spot bond, securities repurchase and interest swap transactions in the inter-bank market by the Company. | | 230,000.00 | 42,000.00 |
| Purchase of goods and receiving of services | Business and management fee | The Company receives its services such as property management, gas and electric supply. | | 5,000.00 | 1,491.66 |

*Note:* In 2019, the related-party/connected transactions between the Company and Shenergy Group and its related companies accounted for a small proportion of the Company's similar transactions.

### 1.2 *Related party transactions between the Group and other related parties*

During the Reporting Period, the Company carried out connected transactions in strict compliance with the annual transaction amount caps stipulated in the "Proposal on Estimation for the Company's 2019 Daily Related Transactions" reviewed and approved at the 2018 annual general meeting. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party | Projected amount | Actual amount |
|---|---|---|---|---|---|
| Securities and financial products services | Fee and commission income | The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf, financial advisory and other services. | Great Wall Fund Management Co., Ltd. | Subject to the actual amount due to unpredictable transaction volume. | 270.73 |
| | | | Orient International Group Shanghai Investment Limited | | 9.00 |
| | | | Shanghai Construction Group Co., Ltd. | | 1.10 |
| | | | Related/connected natural person | | 0.98 |
| | Underwriting fee income | The Company charges securities underwriting fees for providing securities underwriting services. | Zhejiang Energy Group Co., Ltd. | Subject to the actual amount due to unpredictability of volume of underwriting securities. | 12.50 |
| | | | Shanghai Xinhua Distribution Group Co., Ltd. | | 9.00 |
| | Interest income | The Company holds the bonds issued by them and earns interest income for the corresponding period. | China Pacific Property Insurance Co., Ltd. | Subject to the actual amount due to unpredictability of size and term of bonds. | 563.73 |
| | | | Shanghai Xinhua Distribution Group Co., Ltd. | | 448.27 |

Unit: '0000 Currency: RMB

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party | Projected amount | Actual amount |
|---|---|---|---|---|---|
| Securities and financial products services | Investment income | The Company obtained investment income from purchasing securities, funds, insurance and other products issued by the them. | Shanghai Construction Group Co., Ltd. | Subject to the actual amount due to unpredictability of size and yields of securities and other products. | 777.84 |
| | | | Haitong Securities Co., Ltd. | | 339.89 |
| | | | Great Wall Fund Management Co., Ltd. | | 11.87 |
| | | | China Pacific Insurance (Group) Co., Ltd. | | 0.10 |
| | Interest expense on clients' deposits | The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services. | Shanghai Construction Group Co., Ltd. | Subject to the actual amount due to unpredictability of the amount of funds of the clients. | 2.29 |
| | | | Orient International Group Shanghai Investment Limited | | 0.54 |
| | | | Shanghai Shangbao Asset Management Co., Ltd. | | 0.14 |
| | | | Shanghai ICY Capital Co., Ltd. | | 0.09 |
| | | | Shanghai DFZQ Xindeyizhang Public Welfare Foundation | | 0.05 |
| | | | Huangpu District Federation of Trade Unions | | 0.02 |
| | | | China Pacific Property Insurance Co., Ltd. | | 0.01 |
| | | | Related/connected natural person | | 0.82 |
| Securities and financial products services | Financial advisory business expenses | The Company pays consultancy fees for receiving financial advice and other services from them. | Harvest Capital Management Co., Ltd. | Subject to the actual amount due to unpredictability of transaction and the volume. | 217.66 |
| | | | Citigroup Global Markets Asia Limited | | 6.00 |
| | Insurance expenditure | The Company purchases liability insurances for directors, supervisors, and senior management. | China Pacific Property Insurance Co., Ltd. | Subject to the actual amount due to unpredictability of insurance type, time and amount. | 44.14 |

Unit: '0000 Currency: RMB

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party | Projected amount | Actual amount |
|---|---|---|---|---|---|
| Trading in securities and financial products | Derivative financial assets | The Company conducts OTC options and other derivatives transaction. | Harvest Capital Management Co., Ltd. | Subject to the actual amount due to number and size of transactions. | 107.81 |
| | | | China Pacific Property Insurance Co., Ltd. | | 8.82 |
| | Securities transactions | The Company subscribes for the stocks, securities, funds and products issued by related parties. | Shanghai Construction Group Co., Ltd. | Subject to the actual amount due to unpredictability of transaction and the volume. | 16,066.10 |
| | | | Shanghai Xinhua Distribution Group Co., Ltd. | | 14,000.00 |
| | | | Haitong Securities Co., Ltd. | | 10,523.59 |
| | | | China Pacific Property Insurance Co., Ltd. | | 10,000.00 |
| | | | Great Wall Fund Management Co., Ltd. | | 8,459.75 |
| | | | China Greatwall Technology Group Co., Ltd. | | 27.16 |
| | | | China Pacific Insurance (Group) Co., Ltd. | | 22.12 |
| | | | Jiangsu Financial Leasing Co., Ltd. | | 4.80 |
| | | | Yantai Zhangyu Grape Wine Co., Ltd. | | 4.19 |
| | | | Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | | 2.39 |

*Notes:*

(1) The inter-group transaction and the transactions with their parent companies of the subsidiaries who have a control relationship and are incorporated in the Company's consolidated financial statements were offset.

(2) In 2019, the related transactions between the Company and other related parties accounted for a small proportion of the Company's similar transactions.

(3) The related/connected natural persons include: natural persons who directly or indirectly hold more than 5% of the shares of the listed company; directors, supervisors and senior management of the Company; close family members of the above-mentioned persons. All the applicable percentage ratios for aforesaid transaction calculated fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions therefore will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### *1.3 Transaction categories and pricing policies for related-party/connected transactions*

The Group expects to conduct transactions with securities/financial products and intermediary services with related/connected parties, specific transaction categories and pricing policies are as follows:

#### *1.3.1 Securities and Financial Products Services*

Securities and financial products services include but not limited to, the following services: securities, futures brokerage; rental trading seats; sales of securities and financial products; securities financing business; custodian asset management; investment consultancy; securities underwriting; financial advisor; and asset custody services.

The pricing principles for securities and financial products services are determined by the parties in accordance with the relevant applicable laws and regulations with reference to the prevailing market rates. In particular:

1) Securities and Futures Brokerage Services – The commission rate for these services is generally transparent and standardized and determined after fair negotiations with reference to the prevailing market rates of similar securities or futures industries; fees (as the case may be) will be determined by reference to, among other things, the brokerage transaction fees, interest rates and commissions of the independent third party customers in the market and the total amount of the expected broker transaction. For futures brokerage, each unilateral commission is different depending on (i) the type of futures contract; (ii) the futures exchange where the trading is conducted; and (iii) whether the trading is conducted in Hong Kong during the day or night. For brokerage related services, the fees (as the case may be) will be determined with reference to the expected cost;

2) Sales of Securities and Financial Products Services – Factors determining service fees include market prices, industry practices and total sales of financial products with reference to the level of fees charged by the Group for sales of products of similar types and nature;

3) Custodian Asset Management Services – The market rates of these services are generally transparent in the market and determined after fair negotiations with reference to factors such as current market rates, the number of products sold on behalf of customers or the size of the custodian assets and the complexity of providing designated services;

4) Investment Advisory Services – These service fees are based on the current market charge levels of similar types and sizes of transactions, which are determined by the relevant business units after fair negotiations with reference to the service costs of the parties;

5) Securities Underwriting Services – The market for securities underwriting services is highly competitive, and market commissions are generally transparent and standardized. The underwriting commission was determined after fair negotiations and considering a number of factors, including current market conditions, size of the proposed offering, recent general market commission rates with similar nature and size, and rates charged by the Group to independent third parties. The securities underwriting market is highly competitive, and the underwriting commission rate is generally transparent and standardized, and may be determined based on market pricing by the Group;

6) Financial Advisory Services – Factors determining the financial advisory fees and other service fees include the nature and size of the transaction and the prevailing market conditions. Investment banking service charges are generally transparent in the market and may be determined based on market pricing by the Group;

7) Asset Custody Services – These service fees are determined by fair negotiations with reference to the current market charge levels for transactions of similar type and size.

*1.3.2 Securities and Financial Products Transactions*

Securities and financial products trading include but not limited to, the following transactions: transactions under resale agreements or under repurchase agreements with the related/connected parties in the interbank market; proprietary bond transactions in the interbank market with the related/connected parties; income rights transfer transaction with the related/connected parties; subscription of bonds, funds, wealth management products or trust plans issued by the related/connected parties; and related/connected parties' subscription of bonds, funds, wealth management products issued by the Group.

The rates of various securities and financial products tradings are fairly transparent and standardized throughout the market. Commissions and fees charged for related product transactions shall be determined by reference to the prevailing market rate or after fair negotiations based on market rates generally applicable to independent counterparties for similar products or types of transactions. On-exchange tradings in securities and financial products are conducted at market prices or market rates prevailingly applicable to such type of securities and financial products; off-exchange and other tradings in securities and financial products are conducted after arm's length negotiations by both parties at market prices or market rates prevailingly applicable to such type of securities and financial products; if there is no market price prevailingly applicable to such type of securities and financial products, the price or rate of the trading shall be subject to the price or rate determined by the parties in accordance with the fair market trading principle. For example, if trading is conducted in the inter-bank bond market and China Exchange Bond Market, the quotation is provided based on the prices of the inter-bank bond market and China Exchange Bond Market respectively; if trading is conducted on the stock exchange, the trading is conducted at current market price on the relevant stock exchange; for inter financial institutions lending, the trading is conducted at the current interest rate quoted by the interbank lending market. The pricing of such tradings is subject to strict supervision by the PRC and is subject to applicable laws and regulations of the PRC.

If the securities and financial products launched by related/connected parties are subscribed by the Group, and the securities and financial products launched by the Group are subscribed by the related/connected parties, the subscription price is the same as the one at which other investors conduct subscription. The subscription price is determined by the financial institution that launches the securities and financial products after considering general conditions of the invested assets/business.

*1.3.3 Purchasing goods and receiving services*

Purchasing goods and receiving services include acceptance of services within the scope of the Shenergy Group and its contacts, including but not limited to the following transactions: supporting services such as procurement of gas, natural gas, gas stoves, gas appliances, gas kitchen equipment, gas acceptance distribution, gas engineering planning, design and construction.

The pricing principle of purchased goods and services is determined on normal commercial terms after arm's length negotiation pursuant to the applicable laws and regulations, with reference to the prevailing market price during the ordinary course of business of each party. The Group and Shenergy Group and its liaison have agreed in principle on the pricing mechanism and will determine the price by the following ways: (i) if there are government pricing guidelines, at the government's indicative price; or (ii) in the absence of any currently applicable government pricing guidelines, then adopting the government indicative price previously issued by the government agency as the basic price, and the basic price is adjusted by reference to the purchase or service cost of Shenergy Group and its associates; the above-mentioned item (ii) shall be a fair and reasonable price after the above adjustment.

### *1.4 Internal control measures for related-party/connected transactions (including continuing connected transactions)*

1) The terms of the proposed securities and financial products services, securities and financial products trading, and purchasing goods and receiving services (including pricing terms) shall be similar to those provided by the independent third parties and shall be subject to same internal selection, approval and monitoring procedures and pricing policies applicable to independent third parties.

2) Before confirming the pricing of transactions with the related/connected parties, the Group will refer to the pricing of similar transactions or the offer of products or services to two or more independent third parties at the same time to determine whether the pricing and terms of relevant transactions are fair and reasonable and not less favorable than those quoted by independent third parties (or not better than that provided by independent third party) (as the case may be). In the event that the above-mentioned pricing quoted from or by an independent third party for a particular transaction, relevant related/connected transactions shall be considered independently and approved by the investment decision-making group of the relevant business to ensure that the pricing is fair and reasonable to the Group.

3) When providing or selling the same batch of securities or financial products to customers (including related/connected parties and independent third parties), the Group will propose the same pricing terms to all customers and will not offer preferential terms to related/connected customers.

4) Prior to the price determination, pricing advice and supplementary materials for continuing connected transactions will be submitted to the relevant internal authorities for approval. The relevant internal department will conduct qualification review and due diligence to assess whether the pricing of a particular transaction is in compliance with the Group's relevant policies and procedures and whether the price is fair and reasonable and will grant approval where appropriate. The internal audit department and the finance department are responsible for reviewing whether the continuing connected transactions comply with the above pricing policies and monitor the payment of such transactions.

5) Any documents and records for related/connected transactions must be properly kept and maintained properly.

6) The Company has established internal guidelines in accordance with Hong Kong Listing Rules and has established an approval process for related/connected transactions.

The Company's independent non-executive Directors and auditors will review the Company's continuing related-party/connected transactions annually. The Board (including independent non-executive Directors) has confirmed that the terms of the abovementioned transactions are fair and reasonable and are based on general business terms or better in the daily business of the Group and are in the interests of the Company and the shareholders as a whole. The auditor of the Company has reviewed abovementioned continuing connected transactions and issued a letter to the Board to confirm: (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

### (ii) Related-party/connected transactions incurred as a result of acquisition or disposal of assets or equity interests

*1) Acquisition of the 33.33% equity interests in Citi Orient by the Company*

References are made to the announcements of the Company dated December 16, 2018, January 8, 2019, May 30, 2019 and December 3, 2019, in relation to the acquisition of partial equity interests in Citi Orient.

The Resolution relating to the Acquisition of Part of Equity Interests of Citi Orient Securities Co., Ltd. and the Related-party/Connected Transaction was considered and approved at the eighth meeting of the fourth session of the Board held on January 8, 2019, pursuant to which, it is agreed that the Company to acquire the entire 33.33% equity interests of Citi Orient held by Citigroup Asia at a transaction price of the audited net assets of Citi Orient as at December 31, 2018 multiplied by the capital contribution of Citigroup Asia, and the management of the Company is authorized to deal with the specific matters related to the equity transfer afterwards, including but not limited to entering into the equity transfer agreement and terminating the joint venture agreement and other relevant legal documents as well as the completion of regulatory approval, payment and delivery, change to industrial and commercial registration and the name change of Citi Orient. Upon completion of the transaction, Citi Orient will become a wholly-owned subsidiary of the Company.

As Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it, Citigroup Asia holds 33.33% equity interests of Citi Orient and accordingly is a substantial shareholder of Citi Orient. Pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules, Citigroup Asia is a connected person of the Company at the subsidiary level. According to Rule 14A.101 of the Hong Kong Listing Rules, as (1) Citigroup Asia is a connected person of the Company at the subsidiary level; (2) the Board has approved the acquisition; and (3) the Directors (including the independent non-executive Directors) are of the view that the terms of the acquisition are fair and reasonable, on normal commercial terms or better for the Company and has been entered into in the ordinary and usual course of business of the Company, and the acquisition is in the interests of the Company and its Shareholders as a whole, accordingly, the acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. On March 18, 2019, KPMG Huazhen LLP issued the audit report on Citi Orient for 2018 (KPMG Huazhen Shen Zi No. 1900283), pursuant to which, as of December 31, 2018, Citi Orient realized total assets of RMB1,828.3253 million, net assets of RMB1,426.7517 million, operating income of RMB802.7355 million, gross profit of RMB179.1234 million and net profit of RMB131.8051 million for 2018.

The Company and Citi Orient hired Shanghai Zhonghua Assets Appraisal Company Limited ("Zhonghua Appraisal"), an asset appraisal institution with qualifications of securities and futures business, to evaluate the entire equity interest of Citi Orient's shareholders involved in the 33.33% of the equity interest of Citi Orient held by Citigroup Asia proposed to be acquired by the Company on December 31, 2018 (the Valuation Reference Date). On March 29, 2019, Zhonghua Appraisal issued the Hu Zhong Ping Bao Zi [2019] No. 0133 Assets Appraisal Report. After the appraisal, the value of the entire equity interest of the shareholders of Citi Orient on the Valuation Reference Date was RMB1,432.7685 million. The above appraisal has completed the state-owned asset appraisal filing procedure.

On May 30, 2019, the Company and Citigroup Asia entered into the Equity Transfer Agreement of 33.33% of the Equity Interest in the Registered Capital of Citi Orient (the "Transfer Agreement"). It is agreed in the Transfer Agreement that Citigroup Asia shall transfer its entire 33.33% equity interests of Citi Orient to the Company at a price of RMB475,583,890.59 (calculated according to the audited net assets of Citi Orient which amounted to RMB1,426.7517 million as of December 31, 2018, multiplied by 33.33% of the equity proportion). The Company should pay the transaction consideration in one lump sum in US dollars in accordance with the requirements of the Transfer Agreement. Since the valuation reference date of the equity interest was December 31, 2018, the date of transfer of all economic interests and liabilities in relation to the equity interest to the transferee should be January 1, 2019 (the "Economic Interests Transfer Date"). From the Economic Interests Transfer Date to the date of delivery, increase or decrease in the value of the equity interest due to the Citi Orient's business activities should be entitled and borne by the transferee. The Equity Transfer Agreement shall take effect when duly signed by both parties. Delivery of the equity transfer shall meet various conditions precedents as stipulated in the Transfer Agreement, including but not limited to the approval of securities regulatory authorities.

Meanwhile, the Company, Citi Orient, Citigroup Inc. and Citigroup Asia entered into the Termination Agreement to regulate the termination of the shareholders' agreements, the articles of association and relevant documents of Citi Orient. From the date of transfer, the Company, Citigroup Inc. and Citigroup Asia agreed to terminate the shareholder agreement and the articles of association entered into on June 1, 2011 in relation to the establishment of Citi Orient; the Company, Citigroup Asia and Citigroup Inc. agreed to terminate the strategic cooperation framework agreement entered into on June 1, 2011; the Company and Citigroup Asia agreed to terminate the business support and cooperation agreement entered into on June 6, 2012; Citigroup Inc., the Company, Citi Orient and Citigroup Asia agreed to terminate the license contracts entered into on August 27, 2012 in relation to trademarks and licensing names, except for those terms which are expressly stipulated in the shareholders' agreement, the articles of association or the relevant documents of Citi Orient to continue to be valid after termination of the relevant agreements.

In December 2019, the Company received the Letter of No Objection to the Change of Shareholders of Citi Orient Securities Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2019] No. 465) (《關於東方花旗證券有限公股東變更的無異議函》(滬證監機構字[2019]465號)) from the Shanghai Bureau of the CSRC, pursuant to which, the Shanghai Bureau of the CSRC in principle holds no objection to the acquisition of 33.3% equity interests in Citi Orient Securities Co., Ltd. by the Company.

As of the end of the Reporting Period, the abovementioned transaction is subject to the review/approval from the competent departments and the completion of equity transfer and relevant matters. The Company will disclose the progress thereof in a timely manner.

*2) Transfer of the 45% equity interests by Orient Securities Capital Investment in Shanghai ICY Capital Co., Ltd.*

The 16th meeting of the fourth session of the Board was held on December 13, 2019, at which the Resolution Regarding the Related Party Transaction of Transfer of the Equity Interests in Shanghai ICY Capital Co., Ltd. Held by Orient Securities Capital Investment (《關於東證資本轉讓所持上海誠毅投資管理有限公司股權的關聯交易的議案》) was considered and approved. It was approved that, for the purpose of satisfying the regulatory requirements for private equity fund subsidiaries, Orient Securities Capital Investment shall transfer the 45% equity interests held by it in Shanghai ICY Capital Co., Ltd. to Shanghai Shenergy ICY Equity Investment Co., Ltd., a wholly-owned subsidiary of Shenergy (Group) Company Limited, at the valuation price of RMB24,074,127.92 and authorize the operating management of the Company to determine and enter into the agreements and other legal documents relating to the related party transaction, handle the transfer approval, assessment and filing required for the related party transaction, and handle the transfer procedures related to property delivery, industrial and commercial change, etc..

As Orient Securities Capital Investment is a wholly-owned subsidiary of the Company, and Shenergy Group holds approximately 25.27% of the issued share capital of the Company. According to Rule 14A.07(1)(4) of the Hong Kong Listing Rules, Shanghai ICY Capital Co., Ltd. is a connected person of the Company. As all the applicable percentage ratios calculated under Chapter 14A of the Hong Kong Listing Rules for aforesaid transaction fall below 0.1%, under Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions therefore will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company confirmed that the abovementioned transaction complies with the requirements under the Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, during the Reporting Period, the Company had no other 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 59 to the consolidated financial statements. Saved as disclosed above, the related transactions did not constitute the connected transactions required to be disclosed under the Chapter 14A of the Hong Kong Listing Rules.

# Section V Significant Events

## XV. MATERIAL CONTRACTS AND PERFORMANCE

### (i) Custody, contracting and leasing matters

During the Reporting Period, the Company had no material custody, contracting or leasing matters.

### (ii) Guarantees

Unit: 100 million Currency: RMB

| | |
|---|---|
| **External guarantees of the Company (excluding guarantees to its 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 | 40.81 |
| Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B) | 102.42 |
| **Total amount of guarantees provided by the Company (including those provided for subsidiaries)** | |
| Total amount of guarantees (A+B) | 102.42 |
| Percentage of total guarantees over net assets of the Company (%) | 18.98 |
| 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) | 75.91 |
| Amount of total guarantees exceeding 50% of net assets (E) | |
| Total amount of above three types of guarantees (C+D+E) | 75.91 |
| Explanations on outstanding guarantees subject to joint liabilities | |
| Explanations on guarantees | During the Reporting Period, the Company and its wholly-owned subsidiary provided guarantee on financing activities of its subsidiaries of RMB1.430 billion and non-financing guarantee of RMB2.651 billion. |

*Note:* The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB1:6.9762 as at the end of December 2019; and the amount of guarantees denominated in HKD was converted at the spot exchange rate of HKD/RMB1:0.89578 as at the end of December 2019.

### (iii) Other material contracts

During the Reporting Period, the Company had no other material contract or transactions that should be disclosed but not disclosed.

## XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

During the Reporting Period, there did not exist description of other significant events of the Company.

## VII. ACTIVELY FULFILLING SOCIAL RESPONSIBILITIES

### (i) Poverty alleviation of the listed company

#### *1. Precise poverty alleviation plan*

*(1) Basic policies and overall objectives*

To actively respond to the national call and the guideline of securities industry, and to implement the spirit of related documents, the Company took forward precise poverty alleviation works. During the Reporting Period, the Company continued to participate in the "One Company to One County" and "One Company Helping One County" initiative proactively and actively responded to the "Double-hundred" village-enterprise pair-up poverty alleviation practice of Shanghai, making efforts in precise poverty alleviation. The Company fulfilled its social responsibility in fighting poverty in different aspects including industry, education, financing, welfare, consumption and others. In the future, the Company will continue to get well prepared for various precise poverty alleviation programs, to ensure "giving practical help to fight poverty and helping those really living in poverty" and combat the war of fighting poverty on schedule.

*(2) Main Strategies*

1) Giving full play to the resource endowment of poor counties and supporting industries based on local conditions

On the basis of full on-the-spot investigation and understanding of the characteristic resources of each poverty-stricken county, the Company provides industrial assistance according to local conditions. At present, the Company takes Hubei Wufeng, Inner Mongolia Morin Dawa Daur Autonomous Banner ("Morin Banner") and other places as the subject of key projects, focuses on helping the local development of tea, Guniang fruits and other characteristic industries, actively explores the establishment of a long-term anti-poverty mechanism, and steadily advances pair-up counties to get them out of poverty through rippling effect selectively.

2) Insisting on giving priority to poverty alleviation through industry support, and promoting poor counties to realize the function of "Blood Generation" through consumption channels

In various poverty alleviation programs, the Company focuses on the industrial poverty alleviation model that can achieve sustainable development for poor counties, which has achieved initial results. The Company continues to focus on industrial poverty alleviation, and through the integration of the Group's resources and Internet resources, including joint efforts with well-known e-commerce websites and well-known enterprises in specialty industries, to promote the development of local specialty industries in poor counties hands in hands, aiming to realize the "Blood Generation" function for poor counties in the long run.

3) Prioritizing knowledge support and providing talent guarantee for poor areas

The Company adheres to the work idea of "prioritizing knowledge support" in poverty alleviation work, and continues to provide poverty-stricken counties with knowledge support and transportation of relevant talents through various methods such as educational poverty alleviation, financial knowledge lectures, and vocational skills training, aiming at helping poor counties to continue to maintain stable and healthy development after being lifted out of poverty.

4) Making full use of the advantages of financial enterprise and innovating a new model of precise poverty alleviation

The Company continues to give full play to the advantages of financial enterprise, and assists many poor counties to reduce the risk of agricultural product price fluctuations through "insurance + futures" poverty alleviation, etc., and fully integrates and uses relevant resources to innovate the precise poverty alleviation model, aiming to provide more relevant and replicable cases for precise poverty alleviation.

5) Strengthening the process management of poverty alleviation projects and promoting the smooth implementation of precise poverty alleviation

The Company sets up an internal group for poverty alleviation to establish the key tasks of precise poverty alleviation each year, and through the daily work contact mechanism with paired poverty alleviation counties, field visits and investigations, and post-event and post-feedback mechanisms, to better manage the poverty alleviation project process and ensure smooth implementation of poverty alleviation to make sure the implementation of poverty alleviation projects.

*2. Summary of precise poverty alleviation during the year*

Under the guidance and initiative of the CSRC and the China Securities Association, the Company actively responded to the national call and industry guidelines and made solid progress in the precise poverty alleviation work. By the end of the Reporting Period, the Company and its subsidiaries had signed twinning assistance agreements with 18 national poverty-stricken counties, including Morin Banner in Inner Mongolia, Tongyu County in Jilin Province, Jingle County in Shanxi Province, Muchuan County in Sichuan Province, Wufeng County in Hubei Province, Yanchi County in Ningxia Province, Yanchang County in Shaanxi Province, Qin'an County in Gansu Province, Jinggu County in Yunnan Province, Lancang County in Yunnan Province, Menglian County in Yunnan Province, Nankang City in Jiangxi Province, Funing County in Yunnan Province, Suibin County in Heilongjiang Province, Maigaiti in Xinjiang Province, Tongbai County in Henan Province, Lindian County in Heilongjiang Province, and Xichou County in Yunnan Province.

During the Reporting Period, the Company invested a total of RMB21.2337 million (including material cost) in poverty alleviation projects and carried out 40 poverty alleviation projects, including 6 industrial poverty alleviation projects with an investment of RMB7.6685 million; 10 financial poverty alleviation projects with an investment of RMB8.5580 million; 8 educational poverty alleviation projects with an investment of RMB1.7492 million; 3 consumption poverty alleviation projects with an investment of RMB0.3085 million and 13 public welfare poverty alleviation projects with an investment of RMB2.9495 million.

In addition, the Company gave full play to its financial expertise and actively served the financing of poor areas and the national green development strategy. During the Reporting Period, the Company helped poor areas raise RMB25.740 billion through various financing methods. In particular, Citi Orient, a subsidiary of the Company, mainly underwrote the private issue of corporate bonds by Guizhou Anshun Xixiu District Urban Investment Development Co., Ltd., helping it to actually raise RMB960 million. The Company's fixed income business headquarters underwrote a total of RMB24.780 billion of bonds issued by the Agricultural Development Bank of China for precise poverty alleviation and other purposes.

*(1) Continuing to Implement the Poverty Alleviation Project of Hubei Wufeng Characteristic Tea Industry*

In September 2017, the Company signed a precise poverty alleviation pair-up agreement with the People's Government of Wufeng Tujia Autonomous County in Hubei Province. After on-site researches, the Company found that two thirds of the population in the county are engaged in the tea industry. The development of the tea industry is of vital importance to the local poverty alleviation. Therefore, the Company implemented the "Dongfanghong Yi Black Tea" industrial poverty alleviation project in 2018 and achieved sound results. During the Reporting Period, in order to further promote the development of Wufeng tea industry, the Company continued to carry out poverty alleviation work in the local characteristic tea industry, and continued to implement the "Dongfanghong Selected Mingqian Spring Tea" and "Dongfanghong Yi Black Tea" projects.

During the Reporting Period, the Company focused on the local Mingqianspring tea and once again joined hands with Benlai Life and Shanghai Tea Leaf Co., Ltd. (上海茶葉有限公司) (the holder of the established famous tea brand of "Wang Yu Tai") to launch the Hubei Wufeng "Dongfanghong Selected MingqianSpring Tea" industrial poverty alleviation project. The Company appointed a professional illustration designer, based on the local unique rare animals and plant elements of Wufeng, to design a unique outer package for the tea. While expanding the popularity of the tea, the Company further promoted the local customs and practices of Wufeng and won wide acclaim.

In addition, during the Reporting Period, the Company continued to leverage the influence of its asset management "Dongfanghong" brand to promote the "Dongfanghong Yi Black Tea" industry poverty alleviation project, and incorporated elements of Wufeng's local Wanli ancient tea ceremony, animal and plant ecology, poverty alleviation process, etc. to create a "1,001 leaves" brand-new black tea product. Through brand building, the Company continued to help local tea products establish lasting market competitiveness and premium capacity.

*(2) Actively Carrying out Village-Enterprise Pair-up Assistance in Funing County of Yunnan Province*

In the second half of 2018, the Company actively responded to the call of Shanghai's "Double-hundred" village-enterprise pair-up precise poverty alleviation to provide assistance to Funing County of Yunnan Province, and signed a village-enterprise pair-up agreement with Pingmeng Village, Gula Township, Funing County. During the Reporting Period, the Company continued to carry out a number of precise poverty alleviation work in Funing County according to the relevant contents of the agreement and overall planning through infrastructure construction, industry support and consumption poverty alleviation.

During the Reporting Period, the Company funded the construction of 2 roads into the village and 1 road hardening project in Pingmeng Village of Gula Township, with hardening mileage exceeding 3 kilometers, which greatly facilitated travel of local villagers. At the same time, the Company started funding of a new road hardening project. In addition, the Company also donated funds to implement LED street lamp lighting project and honey and oil tea industry assistance project for Pingmeng Village, to further improve the appearance of the village and promote the economic development in the village.

In addition, the Company also donated funds to carry out a sugar "insurance + futures" financial poverty alleviation project in Funing County to help local sugarcane farmers cope with the risk of price fluctuations, carried out consumption poverty alleviation based on local features, and actively purchased Funing local oil tea and other characteristic agricultural products. A team of experts from Orient Futures, a wholly-owned subsidiary of the Company, went to Funing County to carry out financial knowledge training on sugar "insurance + futures", donate farm implements to poor farmers in Pingmeng village to encourage them to get rich through labor.

*(3) Steadily Promoting the "Orient Guniang" Industrial Poverty Alleviation in Morin Banner, Inner Mongolia*

Since 2017, in Morin Banner of Inner Mongolia, one of the poor counties to be helped, the Company took Guniang fruits industry, the featured industry of the county, as the essential industry for the poverty alleviation works, and successfully delivered the brand "Orient Guniang". During the Reporting Period, the Company continued to promote the upgrading of the local industrial chain and successfully implemented the "Orient Guniang" industrial poverty alleviation project in Morin Banner, Inner Mongolia.

During the Reporting Period, the Company completed the implementation of the "Orient Guniang" industrial project for the third year in a row. The storage and transfer base built by the Company was officially put into use, effectively optimizing fruit collection, storage and airing of local Guniang fruits, directly improving the product quality and facilitating the sale of local fruit farmers. The Company designed the overall plan for the promotion and dissemination of Guniang fruits in Morin Banner, and further improved the popularity of the product by developing personified images. The Company organized the photography team of well-known portal websites to go to the local area for field shooting, and to make original documentaries with the theme of "3 years of change", so as to further help the local area to expand the popularity of products. We improved the cooperation mechanism with Benlai Life, made use of the advantages of the Group and e-commerce channels, and increased the promotion and sales of Guniang products to benefit more poor local farmers.

*(4) Constant Progress in Numerous Education Poverty Alleviation Projects*

The Company achieved substantial progress in the education poverty alleviation works in Morin Banner, Inner Mongolia during the Reporting Period. Through student application and other methods as approved by schools and local poverty alleviation authorities, the Company was enabled to determine the specific number of students who needed assistance. Continuous assistance was made by the Company for this project. The poverty alleviation funds were granted precisely to the families of the students recorded for help, making sure the high school students under this project could finish their school successfully. During the Reporting Period, a total of 224 students suffering poverty in the No. 1 Middle School of Ni Er Ji, Morin Banner, Inner Mongolia were benefited from the Company involving an aggregate of capital donation of RMB0.6387 million.

Since March 2017, the Company has successively carried out six of poverty assistance programs in No. 1 Middle School of Ni Er Ji in Morin Banner, benefiting more than 580 impoverished students, with total amount of aid exceeding RMB1.8 million. The Company's donation has laid a solid economic foundation for helping poor students realize their dreams and provided strong backing for the growth of poor students. The senior students from Ni Er Ji No. 1 Middle School, who were previously aided by the Company, achieved excellent results in the college entrance examination from 2017 to 2019.

### 3. *Results of precise poverty alleviation*

Unit: '0000 Currency: RMB

| Indicator | | | Amount and Progress |
|---|---|---|---|
| I. | Overall condition | | |
| | Among which: | | |
| | 1. Capital | | 2,120.75 |
| | 2. Discount of materials | | 2.62 |
| | 3. Number of beneficiaries in recorded poor family (person) | | 312 |
| II. | Contribution to segments | | |
| | 1. Poverty alleviation by industrial development | | |
| | Including: | | |
| | 1.1 Types of industrial poverty alleviation project | ☑ Agriculture and forestry<br>☐ Tourism<br>☑ E-commerce<br>☐ Assets income<br>☐ Science and technology<br>☑ Others | |
| | 1.2 Number of industrial poverty alleviation projects (unit) | | 6 |
| | 1.3 Contribution to industrial poverty alleviation projects | | 766.85 |
| | 1.4 Number of beneficiaries in recorded poor family (person) | | |
| | 2. Poverty alleviation through transferring employment | | |
| | Including: | | |
| | 2.1 Contribution to trainings on vocational skills | | |
| | 2.2 Number of people attended trainings on vocational skills (person/time) | | |
| | 2.3 Number of poverty-stricken people in recorded poor family who achieved employment (person) | | 193 |

Unit: '0000 Currency: RMB

| Indicator | Amount and Progress |
|---|---|
| 3. Poverty alleviation by relocation | |
| Including: | |
| 3.1 Number of beneficiaries under employment from relocated families (person) | |
| 4. Poverty alleviation by education | |
| Including: | |
| 4.1 Contribution to subsidize students in poverty | 63.87 |
| 4.2 Number of students in poverty being subsidized (person) | 224 |
| 4.3 Contribution to improve education resources in poverty areas | 100 |
| 5. Poverty alleviation by healthcare | |
| Including: | |
| 5.1 Contribution to medical and healthcare resources in poverty-stricken areas | |
| 6. Poverty alleviation by ecological conservation | |
| Including: | |
| 6.1 Project name | ☑ Development of ecological conservation and construction<br>☑ Establishment of compensation method for ecological conservation<br>☐ Setting up positions for ecological public welfare<br>☐ Others |
| 6.2 Amount of contribution | |
| 7. Protection for the most impoverished people | |
| Including: | |
| 7.1 Amount contributed to help the three left-behind groups | |
| 7.2 Number of people of the three left-behind groups helped (person) | |
| 7.3 Amount contributed to help poor people with disabilities | |
| 7.4 Number of poor people with disabilities helped (person) | |

Unit: ’0000 Currency: RMB

| Indicator | | | Amount and Progress |
|---|---|---|---|
| 8. | Poverty alleviation in the society | | |
| | Including: | | |
| | 8.1 | Amount contributed to poverty alleviation in the east and west parts of the country | |
| | 8.2 | Amount contributed to targeted poverty alleviation work | |
| | 8.3 | Poverty alleviation public welfare fund | |
| 9. | Other projects | | |
| | Including: | | |
| | 9.1 | Number of projects (unit) | 26 |
| | 9.2 | Amount of contribution | 1,181.60 |
| | 9.3 | Number of beneficiaries in recorded poor family (person) | |
| | 9.4 | Description for other projects | Including fighting poverty in financing, consumption and welfare |

III. Awards obtained (details and class)

In October 2019, the Company was enrolled as the “Top 100 Green Development Pioneers” at the ESG Information Disclosure Evaluation Conference of Chinese Listed Companies, and ranked first among 96 high-value financial enterprises;

In November 2019, the Company won the 2019 “Precise Poverty Alleviation Award” on the Value List of Yicai.com and the Company won the “2019 Poverty Alleviation Enterprise Award” issued by the People’s Daily’s “International Financial News” and the “Most Socially Responsible Listed Company Award” in the 9th China Listed Company Reputation List of “National Business Daily”;

In December 2019, the Company was named the “Best Securities Company for Responsible Investment (責任投資最佳證券公司)” at the award ceremony of 2019 China enterprise ESG “Golden Responsibility Award” of Sina Finance.

*4. Subsequent precise poverty alleviation plan*

*(1) Solidly Promoting Poverty Alleviation Projects in Various Industries from Different Aspects*

Since pairing up with several poverty-stricken counties, the Company has carried out a number of industrial poverty alleviation projects according to local conditions and taking its resources into consideration, including the Orient Guniang Project in Moqi Banner, Inner Mongolia, Dongfanghong Yi Black Tea Project in Wufeng, Hubei, Tan Sheep Breeding Project in Yanchi, Ningxia, etc., and has achieved sound poverty alleviation results. In the future, the Company will continue to focus on industrial poverty alleviation, push forward the key industrial poverty alleviation projects that have been carried out in several poor counties in a solid way to ensure that the goal of promoting the sustainable development of local industries can be truly achieved, and at the same time replicate the project experience to benefit more poor households in various industries in different poor counties, so as to help combat the battle against poverty.

*(2) Continuously Promoting Poverty Alleviation Projects through Education*

The Company will continue to carry out education poverty alleviation projects in various poor counties based on the actual situation with the focus on assisting poor students, and ensure that the poverty alleviation funds will be accurately distributed to the registered families of poor students, so as to help poor students successfully complete their studies and address their concerns. In addition, the Company also plans to continue to invest funds in primary school infrastructure renovation, stationery and other material donations and other projects.

*(3) Actively Practicing the "Double-hundred" Pair-up Assistance*

In 2018, the Company actively responded to the call of the Shanghai State-owned Assets Supervision and Administration Commission ("SASAC") for "enterprise-village pair-up" to help Pingmeng Village, Gula Township, Funing County, Wenshan Prefecture, Yunnan Province. The Company will continue to focus on "three mobilizations and two transformations", namely, mobilizing people, goods, industries and transforming ideas and the appearance of villages, sparing no effort to solve the urgent and difficult problems that the local poor people care about and ensure that the precise poverty alleviation achieves the expected results, so as to help Funing County get out of poverty as soon as practicable.

*(4) Continuing to Accomplish Various Public Welfare Poverty Alleviation Projects*

According to the on-the-spot investigation and the actual demand in poor counties, the Company and its subsidiaries carried out various public welfare poverty alleviation projects, including building infrastructure, donating office materials and learning and living goods for primary school students, etc., effectively improving and enriching the Company's precise poverty alleviation work. In the future, the Company will continue to strengthen its daily communication with poor counties, get a thorough understanding of their actual needs, and make use of the strength of its Xindeyizhang Public Welfare Foundation to continue to accomplish various public welfare poverty alleviation projects.

*(5) Strengthening Personnel Training in Poor Areas and Enhancing Financial Support*

To improve the existing conditions of outdated development concept and lack of professional skill in poverty regions, the Company plans to engage experts according to the needs of industrial poverty alleviation work to provide professional skill training and guidance for the farmers there. Meanwhile, the Company will continue to strengthen the financing support for counties, including but not limited to financial service relating to IPO, bonds underwriting and issuance, financing through NEEQ, issuing financial instruments after listing, market-makers and etc. According to the needs of the poverty-stricken counties, the Company will provide popular education of financial knowledge to the locals, and provide consultancy in relation to the financing of governments and enterprises and trainings about the operation of capital market.

### (ii) Performance of social responsibilities

For details relating to the Company's environmental policies and performance, our 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 2019 Environment, Social and Governance Report disclosed on the website of SSE (http://www.sse.com.cn), the website of Hong Kong Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.dfzq.com.cn) on March 27, 2020.

### (iii) Explanations on environmental protection

The industry that the Company engages in is financial securities industry, with main business scope covering: 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 (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing products governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)); stock and options market making business and securities investment fund custodian business. Under the background of low-carbon economy, the Company has always advocated and carried out the concept of "green office, low-carbon life", explored energy-saving, environmental protection and efficient management mode, and implemented the concept of green environmental protection in the Company's management process.

The Company attaches great importance to social responsibility, actively promotes energy conservation and environmental protection, implements paperless office, establishes and uses OA office system, conducts business approval through electronic circulation, encourages paper reuse and use of teleconferencing systems for online communication to reduce the number of on-site meetings and carbon emissions from travel. In 2019, the Company continued to promote the green transformation of the data center and the application of energy-saving and emission-reduction technologies. The Company built the data center on South Zhongshan Road, and continuously innovated and tried energy-saving measures to improve the energy utilization rate and reduce its negative impact on the environment.

During the Reporting Period, the Company was not punished for violating environmental laws and regulations.

## 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*

During the Reporting Period, there was no change in the total number of ordinary shares and shareholding structure of the Company.

*2. Explanations on changes in ordinary shares*

During the Reporting Period, there was no change in the Company's ordinary shares.

*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*

During the Reporting Period, there was no change in the Company's ordinary shares.

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

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

### (ii) Changes in restricted shares

During the Reporting Period, there was no change in the Company's restricted shares.

## II. ISSUANCE AND LISTING OF SECURITIES

### (i) Issuance of securities as at the end of the Reporting Period

Currency: RMB (unless otherwise specified)

| Type of shares and their derivative securities | Issuing date | Issuing price (or interest rate) | Number of shares (or amount) issued | Date of listing | Number of shares (or amount) permitted to be listed for trading | Date of termination of the trading |
|---|---|---|---|---|---|---|
| Ordinary shares | | | | | | |
| A Shares | 2015-03-11 | RMB10.03 | 1 billion shares | 2015-03-23 | 1 billion shares | |
| H Shares | 2016-06-22 | HKD8.15 | 0.957 billion shares | 2016-07-08 | 0.957 billion shares | |
| H Shares (over-allotment) | 2016-07-28 | HKD8.15 | 0.07 billion shares | 2016-08-03 | 0.07 billion shares | |
| A Shares (non-public issuance) | 2017-12-28 | RMB14.21 | 0.778 billion shares | 2017-12-29 | 0.778 billion shares | |
| Convertible corporate bonds, detachable convertible bonds, corporate bonds | | | | | | |
| Bonds of securities companies | 2014-8-26 | 6.00% | 6 billion | 2014-9-23 | 6 billion | 2019-8-26 |
| Bonds of securities companies | 2015-11-26 | 3.90% | 12 billion | 2015-12-18 | 12 billion | 2020-11-26 |
| Bonds of securities companies | 2017-6-9 | 5.30% | 4 billion | 2017-7-19 | 4 billion | 2020-6-9 |
| Bonds of securities companies | 2017-6-9 | 5.50% | 1 billion | 2017-7-19 | 1 billion | 2022-6-9 |
| Bonds of securities companies | 2017-8-3 | 4.98% | 4 billion | 2017-8-15 | 4 billion | 2027-8-3 |
| Bonds of securities companies | 2018-4-13 | 4.83% | 8 billion | 2018-5-4 | 8 billion | 2019-4-13 |
| Bonds of securities companies | 2019-11-25 | 3.50% | 4.9 billion | 2019-11-28 | 4.9 billion | 2022-11-25 |
| Subordinated bonds | 2016-11-14 | 3.45% | 4 billion | 2016-11-25 | 4 billion | 2021-11-14 |
| Subordinated bonds | 2017-4-26 | 4.90% | 1.5 billion | 2017-5-11 | 1.5 billion | 2020-4-26 |
| Subordinated bonds | 2017-4-26 | 5.10% | 1.5 billion | 2017-5-11 | 1.5 billion | 2022-4-26 |
| Subordinated bonds | 2017-5-15 | 5.15% | 1.5 billion | 2017-5-31 | 1.5 billion | 2020-5-15 |
| Subordinated bonds | 2017-5-15 | 5.35% | 1.5 billion | 2017-5-31 | 1.5 billion | 2022-5-15 |
| Subordinated bonds | 2018-7-12 | 5.18% | 6.4 billion | 2018-7-20 | 6.4 billion | 2020-7-12 |
| Subordinated bonds | 2019-3-19 | 4.20% | 6 billion | 2019-3-26 | 6 billion | 2022-3-19 |
| Subordinated bonds | 2019-6-14 | 4.20% | 4 billion | 2019-6-20 | 4 billion | 2022-6-14 |
| Short-term financing bonds | 2019-4-23 | 2.99% | 4 billion | 2019-4-24 | 4 billion | 2019-7-23 |
| Short-term financing bonds | 2019-7-19 | 2.75% | 3 billion | 2019-7-22 | 3 billion | 2019-10-18 |
| Short-term financing bonds | 2019-9-6 | 2.88% | 4 billion | 2019-9-9 | 4 billion | 2019-12-5 |
| Short-term financing bonds | 2019-10-25 | 3.02% | 4 billion | 2019-10-28 | 4 billion | 2020-1-22 |
| Short-term financing bonds | 2019-12-3 | 3.07% | 2.5 billion | 2019-12-4 | 2.5 billion | 2020-3-2 |

Currency: RMB (unless otherwise specified)

| Type of shares and their derivative securities | Issuing date | Issuing price (or interest rate) | Number of shares (or amount) issued | Date of listing | Number of shares (or amount) permitted to be listed for trading | Date of termination of the trading |
|---|---|---|---|---|---|---|
| USD bonds | 2017-11-30 | 3.625% | USD0.5 billion | 2017-12-1 | USD0.5 billion | 2022-11-30 |
| USD bonds | 2018-3-22 | 3.625% | USD0.25 billion | 2018-7-23 | USD0.25 billion | 2022-11-30 |
| USD bonds | 2019-8-20 | 6M LIBOR +1.25% | USD0.3 billion | 2019-8-21 | USD0.3 billion | 2022-8-20 |
| USD bonds | 2019-9-18 | 4.03% | USD0.16 billion | – | N/A | 2020-9-15 |
| Euro bonds | 2018-8-16 | 1.61% | EUR0.0625 billion | – | N/A | 2019-8-14 |
| Euro bonds | 2018-9-14 | 1.61% | EUR0.0624 billion | – | N/A | 2019-8-14 |
| Euro bonds | 2019-8-20 | 0.625% | EUR0.2 billion | 2019-8-21 | EUR0.2 billion | 2022-8-20 |
| Singapore dollar bonds | 2019-9-27 | 2.90% | SGD0.2 billion | 2019-9-30 | SGD0.2 billion | 2022-9-27 |

Explanations on the issuance of securities during the Reporting Period (respectively on securities of different interest rate):

*1. Domestic debt financing instruments*

On February 13, 2017, the Proposal on General Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 25th meeting of the third session of the Board of the Company, and at the first extraordinary general meeting for 2017 of the Company convened on April 14, 2017. The outstanding balance of the domestic debt financing instruments in aggregate did not exceed 200% of the audited net assets (Parent Company) of the previous year and the authorization period will expire on April 14, 2020.

The Company applied to the SSE and received the Letter of No Objection on Listing and Transfer of Subordinated Bonds under Private Placement of Orient Securities Company Limited (Shang Zheng Han [2019] No. 306)(《關於對東方證券股份有限公司非公開發行次級債券掛牌轉讓無異議的函》(上證函[2019]306號)). The letter approved the Company to privately issue subordinated bonds with a total amount not exceeding RMB25.5 billion to qualified institutional investors, which can be listed and transferred on the SSE upon issuance. The above quota expired in February 2020.

On March 19, 2019, the Company successfully issued the non-public subordinated bonds (first tranche) of DFZQ in 2019, with the actual issue size of RMB6 billion, a term of 3 years, and the coupon rate of 4.20%.

On June 14, 2019, the Company successfully issued the non-public subordinated bonds (second tranche) of DFZQ in 2019, with the actual issue size of RMB4 billion, a term of 3 years, and the coupon rate of 4.20%.

The Company applied to the People's Bank of China and received the Notice of the People's Bank of China on Approving the Maximum Outstanding Balance of Short-term Financing Bonds of 東方證券股份有限公司 (Yin Fa [2019] No. 50) (《中國人民銀行關於核定東方證券股份有限公司短期融資券最高待償還餘額的通知》(銀發[2019]50號)), pursuant to which, the People's Bank of China determined that the maximum balance of the outstanding short-term financing bonds of the Company was RMB16.7 billion, which shall remain effective from the publication date of such notice within the above balance, the Company may decide upon the issuance size of each tranche of short-term financing bonds at its sole discretion.

On April 23, 2019, the Company successfully issued the short-term financing bonds (first tranche) of DFZQ in 2019, with the actual issue size of RMB4 billion, a term of 91 days, and the final coupon rate of 2.99%.

On July 19, 2019, the Company successfully issued the short-term financing bonds (second tranche) of DFZQ in 2019, with the actual issue size of RMB3 billion, a term of 91 days, and the final coupon rate of 2.75%.

On September 6, 2019, the Company successfully issued the short-term financing bonds (third tranche) of DFZQ in 2019, with the actual issue size of RMB4 billion, a term of 90 days, and the final coupon rate of 2.88%.

On October 25, 2019, the Company successfully issued the short-term financing bonds (fourth tranche) of DFZQ in 2019, with the actual issue size of RMB4 billion, a term of 89 days, and the final coupon rate of 3.02%.

On December 3, 2019, the Company successfully issued the short-term financing bonds (fifth tranche) of DFZQ in 2019, with the actual issue size of RMB2.5 billion, a term of 90 days, and the final coupon rate of 3.07%.

The Company applied to the CSRC and received the Reply on Approving Orient Securities Company Limited to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2019] No. 900) (《關於核准東方證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2019]900號)), which approved the Company to publicly issue corporate bonds of no more than RMB4.9 billion to qualified investors and such quota shall expire in May 2021.

On November 25, 2019, the Company completed the public issuance of corporate bonds (first tranche) of DFZQ in 2019, with the actual issue size of RMB4.9 billion, a term of 3 years and the final coupon rate of 3.50%.

*2. Overseas debt financing instruments*

On March 28, 2019, the Proposal on General Mandate to Issue Domestic Overseas Debt Financing Instruments by the Company was considered and approved at the 10th meeting of the fourth session of the Board of the Company, and at the annual general meeting for 2018 of the Company convened on May 28, 2019, authorizing the Company or its wholly-owned overseas subsidiaries or the direct or indirect wholly-owned offshore subsidiaries established overseas by the Company to serve as the issuer of overseas debt financing instruments, and to issue overseas debt financing instruments in one or more tranches, publicly or privately, with a total outstanding balance of not more than RMB20 billion after issuance. The authorization shall be valid until May 28, 2022.

On August 20, 2019, the Company completed the issuance of two tranches of foreign currency bonds, including USD0.3 billion floating rate bonds due on August 20, 2022, with a floating interest rate of 6M LIBOR+1.25%; and EUR0.2 billion fixed-rate bonds with maturity date on August 20, 2022 and a coupon rate of 0.625%.

On September 18, 2019, Orient ZhiHui Limited, an overseas wholly-owned subsidiary indirectly held by the Company, completed the non-public issuance of USD160 million bonds with maturity date on September 15, 2020 and a coupon rate of 4.03%. Orient Finance Holdings (Hong Kong) Limited, as the guarantor, provided the full amount principal and interest guarantee.

On September 27, 2019, the Company completed the issuance of SGD0.2 billion notes with maturity date on September 27, 2022 and a coupon rate of 2.9%. The notes was drawn according to the Company's medium-term note plan of USD2.5 billion.

## (ii) Changes in total number of ordinary shares and shareholding structure of the Company and the Company's assets and liabilities structure

During the Reporting Period, there was no change in the Company's total number of ordinary shares. As at the end of the Reporting Period, the total number of ordinary shares of the Company was 6,993,655,803 shares, of which 5,966,575,803 shares were A Shares and 1,027,080,000 shares were H Shares.

For details of changes in the Company's assets and liabilities structure, please refer to "Section IV, II, (iii) Analysis on principal components of consolidated statement of financial position" in this report.

## (iii) Information on shares held by existing internal employees

During the Reporting Period, no shares were 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) | 143,232 |
| Total number of holders of ordinary shares as at the end of the month preceding the month when the annual report was disclosed (accounts) | 138,407 |

### (ii) 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(s)

| | Shareholdings of the top ten shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of shareholder (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 | Pledged or frozen Status of shares | Pledged or frozen Number of shares | Nature of shareholders |
| Shenergy (Group) Company Limited | – | 1,767,522,422 | 25.27 | 230,000,000 | Nil | – | State-owned legal person |
| HKSCC Nominees Limited | 400 | 1,026,967,580 | 14.68 | – | Nil | – | Off-shore legal person |
| Shanghai Haiyan Investment Management Company Limited | – | 345,486,596 | 4.94 | 59,215,263 | Nil | – | State-owned legal person |
| Shanghai United Media Group | -1,274,400 | 241,742,906 | 3.46 | – | Nil | – | State-owned legal person |
| China Securities Finance Corporation Limited | – | 209,110,425 | 2.99 | – | Nil | – | Unknown |
| Zheneng Capital Holdings Limited (浙能資本控股有限公司) | – | 208,700,000 | 2.98 | – | Nil | – | State-owned legal person |
| Shanghai Electric (Group) Corporation | -9,679,999 | 184,393,859 | 2.64 | – | Nil | – | State-owned legal person |
| China Post Group Corporation | – | 178,743,236 | 2.56 | – | 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) | -10,532,201 | 138,661,386 | 1.98 | – | Nil | – | Domestic non-state owned legal person |
| Shanghai Construction Group Co., Ltd. | – | 133,523,008 | 1.91 | – | Nil | – | State-owned legal person |

# Section VI Changes in Ordinary Shares and Information on Shareholders

Unit: share(s)

| Shareholdings of the top ten shareholders of non-restricted shares | | | |
|---|---|---|---|
| | Number of circulating non-restricted shares held | Type and number of shares | |
| Name of shareholder | | Type | Type Number |
| Shenergy (Group) Company Limited | 1,537,522,422 | RMB ordinary shares | 1,537,522,422 |
| HKSCC Nominees Limited | 1,026,967,580 | Overseas listed foreign shares | 1,026,967,580 |
| Shanghai Haiyan Investment Management Company Limited | 286,271,333 | RMB ordinary shares | 286,271,333 |
| Shanghai United Media Group | 241,742,906 | RMB ordinary shares | 241,742,906 |
| China Securities Finance Corporation Limited | 209,110,425 | RMB ordinary shares | 209,110,425 |
| Zheneng Capital Holdings Limited | 208,700,000 | RMB ordinary shares | 208,700,000 |
| Shanghai Electric (Group) Corporation | 184,393,859 | RMB ordinary shares | 184,393,859 |
| China Post Group Corporation | 178,743,236 | RMB ordinary shares | 178,743,236 |
| Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | 138,661,386 | RMB ordinary shares | 138,661,386 |
| Shanghai Construction Group Co., Ltd. | 133,523,008 | RMB ordinary shares | 133,523,008 |
| Related party relationship or parties acting in concert among above shareholders | N/A | | |

### *Shareholdings of the top ten shareholders of restricted shares and restrictions*

Unit: share

| | | | Listing and trading of restricted shares | | |
|---|---|---|---|---|---|
| | | Number of | | Number of shares | |
| No. | Name of restricted shareholders | restricted shares held | Time for listing and trading | newly added for listing and trading | Restriction |
| 1 | Shenergy (Group) Company Limited | 230,000,000 | December 28, 2021 | – | Lock-up period of 48 months |
| 2 | Shanghai Haiyan Investment Management Company Limited | 59,215,263 | December 28, 2020 | – | Lock-up period of 36 months |
| Related party relationship or parties acting in concert among above shareholders | | N/A | | | |

*Notes:*

1. Among the shareholders of H Shares of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.

2. In the above table, the shares held by HKSCC 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 CSDCC.

### (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 top ten shareholders of the Company due to the placement of new shares.

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

As at December 31, 2019, to the best knowledge of the Company and its Directors, having made all reasonable enquiries, 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 shareholder | Type of share | Nature of interests | Number of shares (Note 1) | Approximate percentage of total share capital of relevant class in issue of the Company (%) (Note 2) | Approximate percentage of total share capital in issue of the Company (%) (Note 2) |
|---|---|---|---|---|---|
| Shenergy (Group) Company Limited | A Share | Beneficial owner | 1,767,522,422(L) | 29.62 | 25.27 |
| China National Tobacco Corporation (Note 3) | A Share | Interests in controlled corporation | 345,486,596(L) | 5.79 | 4.94 |
| Shanghai Tobacco (Group) Company (Note 3) | A Share | Interests in controlled corporation | 345,486,596(L) | 5.79 | 4.94 |
| Shanghai Haiyan Investment Management Company Limited (Note 3) | A Share | Beneficial owner | 345,486,596(L) | 5.79 | 4.94 |
| Zhu Lijia (Note 4) | H Share | Interests in controlled corporation | 94,940,800(L) | 9.24 | 1.36 |
| Sun Hongyan (Note 4) | H Share | Interests in controlled corporation | 94,940,800(L) | 9.24 | 1.36 |
| Hung Jia Finance Limited (Note 4) | H Share | Interests in controlled corporation | 94,940,800(L) | 9.24 | 1.36 |
| Kaiser Century Investments Limited (Note 4) | H Share | Beneficial owner | 94,940,800(L) | 9.24 | 1.36 |
| Raise Sino Investments Limited (Note 5) | H Share | Beneficial owner | 113,737,200(L) | 11.07 | 1.63 |
| Bank of Communications Co., Ltd. (Note 6) | H Share | Interests in controlled corporation | 93,991,600(L) | 9.15 | 1.34 |
| Bank of Communications (Nominee) Company Limited (Note 6) | H Share | Interests in controlled corporation | 93,991,600(L) | 9.15 | 1.34 |
| BOCOM International Asset Management Limited (Note 6) | H Share | Interests in controlled corporation | 93,991,600(L) | 9.15 | 1.34 |
| BOCOM International Holdings Company Limited (Note 6) | H Share | Interests in controlled corporation | 93,991,600(L) | 9.15 | 1.34 |
| BOCOM International Global Investment Limited (Note 6) | H Share | Beneficial owner | 93,991,600(L) | 9.15 | 1.34 |

*Notes:*

1. (L) represents the long position.

2. As at December 31, 2019, the Company has issued 6,993,655,803 shares in total, including 5,966,575,803 A Shares and 1,027,080,000 H Shares.

3. Shanghai Haiyan Investment Management Company Limited is wholly owned by Shanghai Tobacco (Group) Co., Ltd., which in turn is wholly owned by China National Tobacco Corporation. Therefore, each of China National Tobacco Corporation and Shanghai Tobacco (Group) Co., Ltd. is deemed to be interested in the shares of the Company held by Shanghai Haiyan Investment Management Company Limited under the SFO.

4. 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.

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

6. 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, each of Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited, BOCOM International Holdings Company Limited and BOCOM International Asset Management Limited is 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, 2019, none of the other substantial shareholders or other parties has 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, 2019, 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 or 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 25.27%. H Shares held by HKSCC Nominees Limited were H Shares owned 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 25.27%. The Company had no de facto controller.

### (iii) Other information of controlling shareholder and de factor controller

As at the end of the Reporting Period, the Company had no controlling shareholder or de facto controller.

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

Unit: 100 million Currency: RMB

| 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 | Huang Dinan | 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 and management in real estate and hi-tech industries, industrial investment, as well as 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 of the Reporting Period, Shenergy Group held 25.27% of shares of the Company.
2. The shares held by HKSCC Nominees Limited were owned by non-registered holders of H Shares.

## VI. EXPLANATION ON THE RESTRICTION OF SHAREHOLDING REDUCTION

During the Reporting Period, the Company had 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 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 Preference Shares

During the Reporting Period, the Company did not have any matters relating to preference 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(s)

| 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 | CPC Party committee secretary | Male | 1961 | 2018-12-20 | / | 0 | 0 | 0 | Nil | 478.35 | No |
| | Executive Director | | | 2018-03-06 | 2021-03-05 | | | | | | |
| | Chairman | | | 2018-03-09 | 2021-03-05 | | | | | | |
| Jin Wenzhong | Deputy Party committee secretary | Male | 1964 | 2018-12-20 | / | 0 | 0 | 0 | Nil | 478.35 | No |
| | Executive Director | | | 2018-03-06 | 2021-03-05 | | | | | | |
| | President | | | 2018-03-29 | 2021-03-05 | | | | | | |
| Liu Wei | Non-executive Director | Male | 1973 | 2018-03-14 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| Wu Junhao | Non-executive Director | Male | 1965 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| Chen Bin | Non-executive Director | Male | 1981 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | No |
| Li Xiang | Non-executive Director | Male | 1971 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| Xia Jinghan | Non-executive Director | Female | 1969 | 2018-03-12 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| Xu Jianguo | Non-executive Director | Male | 1964 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | No |
| Du Weihua | Employee representative Director | Male | 1964 | 2018-03-06 | 2020-02-14 | 0 | 0 | 0 | Nil | 447.20 | No |
| | Deputy Party committee secretary | | | 2020-01-10 | / | | | | | | |
| | Vice chairman of Supervisory Committee | | | 2020-02-19 | 2021-03-05 | | | | | | |
| | Employee representative Supervisor | | | 2020-02-14 | 2021-03-05 | | | | | | |
| Xu Guoxiang | Independent non-executive Director | Male | 1960 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 16.00 | No |
| Tao Xiuming | Independent non-executive Director | Male | 1964 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 16.00 | No |
| Wei Anning | Independent non-executive Director | Male | 1963 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 16.00 | No |
| Xu Zhiming | Independent non-executive Director | Male | 1961 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 16.00 | No |
| Jin Qinglu | Independent non-executive Director | Male | 1972 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 19.00 | No |
| Zhang Qian | Supervisor | Male | 1974 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| | Chairman of Supervisory Committee | | | 2018-05-23 | 2021-03-05 | | | | | | |
| Li Bin | Deputy Party committee secretary | Male | 1959 | 2018-12-20 | / | 0 | 0 | 0 | Nil | 447.20 | No |
| | Vice chairman of Supervisory Committee | | | 2018-03-09 | 2020-02-14 | | | | | | |
| | Employee representative Supervisor | | | 2018-03-06 | 2020-02-14 | | | | | | |

Unit: share(s)

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Huang Laifang | Supervisor | Female | 1969 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | No |
| Tong Jie | Supervisor | Female | 1968 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| Liu Wenbin | Supervisor | Male | 1975 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| Yin Keding | Supervisor | Male | 1964 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | Yes |
| Wu Zhengkui | Supervisor | Male | 1974 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 0 | No |
| Zhou Wenwu | Employee representative Supervisor | Male | 1961 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 253.62 | No |
| Yao Yuan | Employee representative Supervisor | Male | 1973 | 2018-03-06 | 2021-03-05 | 0 | 0 | 0 | Nil | 290.12 | No |
| Yang Yucheng | Vice president | Male | 1965 | 2018-03-29 | 2021-03-05 | 0 | 0 | 0 | Nil | 421.78 | No |
| Shu Hong | Vice president | Male | 1967 | 2018-03-29 | 2021-03-05 | 0 | 0 | 0 | Nil | 447.20 | No |
| Zhang Jianhui | Vice president | Male | 1968 | 2018-03-29 | 2021-03-05 | 0 | 0 | 0 | Nil | 447.20 | No |
| | Financial controller | | | 2018-03-29 | 2021-03-05 | | | | | | |
| Yang Bin | Chief risk officer | Male | 1972 | 2018-03-29 | 2021-03-05 | 0 | 0 | 0 | Nil | 472.97 | No |
| | Compliance officer | | | 2018-03-29 | 2021-03-05 | | | | | | |
| Xu Haining | Assistant to the president | Female | 1970 | 2018-11-22 | 2021-03-05 | 0 | 0 | 0 | Nil | 506.50 | No |
| Lu Weiming | Assistant to the president | Male | 1971 | 2018-11-22 | 2021-03-05 | 0 | 0 | 0 | Nil | 603.50 | No |
| Wang Rufu | Secretary to the Board | Male | 1973 | 2018-03-29 | 2021-03-05 | 0 | 0 | 0 | Nil | 253.65 | No |
| Total | / | / | / | / | / | 0 | 0 | 0 | / | 5,633.64 | / |

*Note:*

1. Remunerations of the Company's internal Directors, Supervisors and senior management received from the Company during the Reporting Period include salary in 2019 and 2018 annual performance bonus as well as the portion required to be granted in 2019 out of incentives for the term from 2016 to 2018.

2. During the Reporting Period, the Company's Directors, Supervisors and senior management did not hold the Company's shares and options, and the Company did not implement any share incentive scheme.

3. At the 15th meeting of the fourth session of the Board held on October 30, 2019, the Resolution Regarding the Change of the Joint Company Secretary was considered and approved, pursuant to which, Mr. Yang Yucheng, a vice president of the Company, resigned from the concurrent role of joint company secretary and Mr. Wang Rufu, the secretary to the Board was appointed as the joint company secretary, who officially took office in November 4, 2019 after obtaining the relevant qualification waiver from the Hong Kong Stock Exchange.

4. The Company received the resignation letter from Mr. Du Weihua, an employee representative Director and a vice president of the Company on February 14, 2020, which shall take effect upon the receipt of the resignation letter by the Board. Mr. Du Weihua was elected as an employee representative Supervisor at the 7th joint meeting of the third session of the employee congress held on February 14, 2020 and the vice chairman of the Supervisory Committee at the 12th meeting of the fourth session of the Supervisory Committee by virtue of the Resolution Regarding the Election of the Vice Chairman of the Supervisory Committee held on February 19, 2020.

5. Mr. Chen Xiaobo was elected as the employee representative Director at the 7th joint meeting of the third session of the employee congress held on February 14, 2020 and officially took office on March 5, 2020. At the 18th meeting of the fourth session of the Board held on March 27, 2020, the Resolution Regarding the Election of Members to the Special Committees under the Board was considered and approved, pursuant to which, Mr. Chen Xiaobo was elected as a member to the Strategic Development Committee of the Board.

6. At the 18th meeting of the fourth session of the Board held on March 27, 2020, the Resolution Regarding the Election of the Non-executive Director and the Resolution Regarding the Election of Members to the Special Committees under the Board were considered and approved, pursuant to which, Mr. Zhou Donghui was elected as a non-executive Director and member of the Remuneration and Nomination Committee, who shall officially take office after being approved at the general meeting of the Company.

| Name | Primary working experience |
|---|---|
| | Executive Directors (2) |
| Pan Xinjun | Mr. Pan Xinjun, born in 1961, a member of CPC, holds a master's degree in business administration and is a senior economist. Currently, he is the secretary of CPC party committee, executive Director and chairman of the Company, the chairman of Citi Orient Securities Co., Ltd. and 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 trade union, deputy director, president and the secretary of CPC party committee of the sub-branch 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 DFZQ from January 2003 to January 2010, the secretary of CPC party committee, chairman and general manager of DFZQ from January 2010 to September 2010. Mr. Pan has been appointed as the secretary of CPC party committee, executive director and the chairman of the Board of the Company since September 2010. |
| Jin Wenzhong | Mr. Jin Wenzhong, born in 1964, a member of CPC, holds a master's degree in economics. Currently, he is the deputy secretary of CPC party committee, executive Director and president of the Company, the chairman of Shanghai Orient Securities Capital Investment Co., Ltd., the chairman of Orient Futures Co., Ltd, a director of Shanghai Orient Securities Innovation Investment Co., Ltd., and a director of Shanghai Orient Securities Asset Management Co., Ltd. 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, a member of the CPC party committee and the deputy general manager of DFZQ from December 1997 to September 2010 and the general manager of the securities investment business department from March 2016 to March 2017. Mr. Jin has been serving as the deputy CPC party committee secretary, executive director, and president of the Company since September 2010. |

| Name | Primary working experience |
|---|---|
| | Non-executive Directors (7) |
| Liu Wei | Mr. Liu Wei, born in 1973, a CPC party member, holds a master's degree in law. Currently, he is a non-executive Director of the Company, the manager of human resource department of Shenergy (Group) Company Limited. Mr. Liu served as a clerk of the Enforcement Division (section officer), a clerk of the Economic Division, then an assistant judge of the Economic Division, and an assistant judge of the Office (deputy section head level) of People's Court of Huangpu District from July 1996 to December 2001, an assistant judge of the Office (deputy section head level), an assistant judge of the Office (section head level), the deputy section chief of the General Section of the Office, the director of the President's Office of the Office, a judge (deputy division head level), and the deputy director of the Office of Higher People's Court of Shanghai Municipality from December 2001 to May 2013, the deputy director of the Office of Organization Department, the deputy director and investigator of General Official Division of Municipal Committee from May 2013 to September 2017. Mr. Liu has been serving as the manager of human resource department of Shenergy (Group) Company Limited since September 2017. |
| Wu Junhao | Mr. Wu Junhao, born in 1965, a member of CPC, holds a master's degree in management and is an economist. 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 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 Financial Lease Co., Ltd., and the chairman of the supervisory committee of Shanghai Shenergy ICY Equity Investment Co., Ltd. Mr. Wu served as the executive deputy general manager of Shanghai New Resource Investment Consulting Co., Ltd. and the deputy general manager of Shanghai Pericom Investment Company. He also served as the deputy director of Shanghai Shenergy Asset Management Co., Ltd. from September 2003 to January 2006, and the deputy director, director and senior manager of the asset management department, and the deputy manager (in charge of affairs) of the financial management department in Shenergy (Group) Company Limited from January 2006 to April 2011. Mr. Wu has been serving as the manager of financial management department in Shenergy (Group) Company Limited since April 2011. |

| Name | Primary working experience |
|---|---|
| Chen Bin | Mr. Chen Bin, born in 1981, a member of CPC, holds a master's degree in economics. Currently, he is a non-executive Director of the Company and the deputy general manager of Shanghai Tobacco Group Pudong Tobacco Sugar & Wine Co., Ltd. (上海煙草集團浦東煙草糖酒有限公司). Mr. Chen served as an officer of investment management department of Shanghai Tobacco (Group) Company from July 2003 to January 2010, an assistant to section chief, section chief, and the assistant to director of investment management department of Shanghai Tobacco (Group) Company (now renamed as Shanghai Tobacco Group Co., Ltd.) from January 2010 to October 2016, and the assistant to general manager of Shanghai Haiyan Investment Management Company Limited from April 2014 to February 2017. Mr. Chen has been the deputy general manager of Shanghai Haiyan Investment Management Company Limited from February 2017 to July 2019. He has been the deputy general manager of Shanghai Tobacco Group Pudong Tobacco Sugar & Wine Co., Ltd. since July 2019. |

| Name | Primary working experience |
|---|---|
| Li Xiang | Mr. Li Xiang, born in 1971, a member of CPC, holds a bachelor's degree. Currently, he is a non-executive Director of the Company, a member of CPC party committee and the deputy general manager of Shanghai United Media Group, the secretary of CPC party committee and a director of Shanghai Xinhua Publishing Group Limited, the secretary of CPC party committee and a director of Shanghai XinHua Media Co., Ltd., a director of Shanghai Call Center 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 Read Information Technology Co., Ltd., a director of Shanghai Oriental Press 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), and a director of Shanghai Dong Jie Advertising Media Co., Ltd., the chairman of the board of directors and legal representative of Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司), the executive director and legal representative of Shanghai Xinrong Asset Management Co., Ltd. (上海新融資產管理有限公司), the executive director and legal representative of Shanghai Xinhua Finance Investment Co., Ltd. (上海新華金融投資管理有限公司), the executive director and legal representative of Shanghai Xinhua Media Communication Center Co., Ltd. (上海新華傳媒交流中心有限公司), the executive director and legal representative of Shanghai Xinrong Cultural & Industrial Service Co., Ltd. (上海新融文化產業服務有限公司), the executive director and legal representative of Shanghai Yicheng Property Co., Ltd. (上海怡成房產有限公司), the chairman of the board of directors and legal representative of Shanghai Jiefang Real Estate Co., Ltd. (上海解放置業有限公司), and a director of China City Internet Television Company Limited (華夏城視網絡電視股份有限公司). Mr. Li served as a journalist, a deputy director, and the director of the Column Division of the Economy Department of Shanghai Wen Hui Daily from July 1995 to January 2008, the deputy director and director of the economic management department of Wenhui-Xinmin United Press Group from January 2008 to October 2013, a director of Shanghai Wenxin Investment Co., Ltd. from May 2010 to January 2016, a director of Shanghai Xinmin Media Co., Ltd. from February 2010 to January 2016, a director of Shanghai Wenhui-Xinmin Industrial Co., Ltd. from November 2010 to September 2016, a director of China Universal Asset Management Company Limited from April 2015 to November 2016, the director of the operation management office of Shanghai United Media Group from October 2013 to May 2017, and the secretary of CPC party committee and president of Shanghai XinHua Media Co., Ltd. from June 2017 to October 2017, a director of Interface (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司) from July 2014 to December 2017, an executive director and legal representative of Shanghai Wenxin Economic Development Co., Ltd. (上海文新經濟發展有限公司) from April 2010 to November 2018, a director of Shanghai Chenxin Cultural Media Co., Ltd. (上海晨昕文化傳媒有限公司) from January 2016 to January 2019, a director of Shanghai Wenhui Xinmin Institute of Continuing Education (上海市文匯新民進修學院) from July 2018 to July 2019 and has been a member of CPC party committee and the deputy general manager of Shanghai United Media Group since November 2017. |

| Name | Primary working experience |
|---|---|
| Xia Jinghan | Ms. Xia Jinghan, born in 1969, a member of CPC party, holds a master's degree in economics. Currently, she is a non-executive Director of the Company, the secretary of CPC party committee and the chairman of Zheneng Capital Holdings Limited (浙能資本控股有限公司), the general counsel of Zhejiang Energy Group Co., Ltd., the chairman of Zhejiang Zheneng Assets Operation and Management Co., Ltd. (浙江浙能資產經營管理有限公司), an executive director of Zheneng Equity Investment Fund Management Co., Ltd. (浙能股權投資基金管理有限公司) and the chairman of Zhejiang Zheneng Carbon Assets Management Co., Ltd. (浙江浙能碳資產管理有限公司). She was successively a member, a deputy section officer, a section officer, and the deputy head of the finance section of Zhejiang Provincial Development and Planning Commission from August 1990 to June 2003, a member of CPC party committee, the deputy general manager and secretary of the board of directors of Zhejiang Southeast Electric Power Company Limited (浙江東南發電股份有限公司) from June 2003 to September 2010, and the director of the strategic research and legal affairs department of Zhejiang Energy Group Co., Ltd. from February 2010 to December 2016. Ms. Xia has been serving as the general counsel of Zhejiang Energy Group Co., Ltd. since April 2014, and the secretary of CPC party committee and the chairman of Zheneng Capital Holdings Limited since November 2016. |
| Xu Jianguo | Mr. Xu Jianguo, born in 1964, a member of CPC, holds a master's degree in accountancy. Currently, he is a non-executive Director of the Company, a supervisor, the head of financial budget department and the director of the comprehensive management department of Shanghai Electric (Group) Corporation, Ltd., a head of supervisory committee 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 Haitong Securities Co., Ltd. and a director of Shanghai Micro Electronics Equipment Group Co., Ltd.. Mr. Xu served in Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, served 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, the deputy head of the financial budget department of Shanghai Electric (Group) Corporation from December 2009 to April 2013 and the supervisor of Shanghai Electric (Group) Corporation from August 2018 to September 2019. Mr. Xu has been serving as the head of the financial budget department of Shanghai Electric (Group) Corporation since April 2013 and has been serving as the director of the comprehensive management department of Shanghai Electric (Group) Corporation since August 2018 and the director of Shanghai Electric Group Hong Kong Limited since September 2019. |

| Name | Primary working experience |
|---|---|
| Chen Xiaobo | Mr. Chen Xiaobo, born in 1973, a member of CPC, holds a bachelor's degree in international economics. Currently, he is an employee representative Director and director of the Party Committee Office of the Company. He served as a clerk in the Trust and Securities Department of Shanghai Pudong Development Bank from July 1995 to March 1998, the secretary and assistant to the director in the office of the Company from March 1998 to November 2003, the deputy director of the Company's Party Committee Office (formerly the party-mass work department) from November 2003 to March 2012, the director of the Company's Party Committee Office from March 2012 and the employee representative Director of the Company since March 2020. |
| | Independent Non-executive Directors (5) |
| Xu Guoxiang | Mr. Xu Guoxiang, born in 1960, is a member of CPC, a doctor in economics and a professor. 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, a chair professor of the School of Statistics and Management of Shanghai University of Finance and Economics, an independent director of Luzhou Laojiao Co., Ltd., a supervisor of Dazhong Transportation (Group) Co., Ltd., and a supervisor of Shanghai Xintonglian Packaging 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 the 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 member of CPC, holds a master's doctorate degree in law. Currently, he is an independent non-executive Director of the Company, a founding partner and the management committee director of Beijing JunZeJun Law Offices, 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 and Tianping Law Firm 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 of Beijing JunZeJun Law Offices since July 1995. |

| Name | Primary working experience |
|---|---|
| Wei Anning | Mr. Wei Anning, born in 1963, holds a doctorate in economics. Currently, he is an independent non-executive Director of the Company, the executive director and the general manager of Shanghai Guwang Investment Management Limited, an independent director of Hwabao WP Fund Management Co., Ltd., chairman of the board of directors and the executive committee of DaChan Food (Asia) Limited, the executive director of Ningxia Guwang Investment Management Limited, an executive director of Ningbo Guwang Investment Management Limited, a director of Yantai Changyu Pioneer Wine Company Limited, a director of Jiangsu Financial Leasing Co., Ltd. and an independent director of Jiahe Foods Industry Co., Ltd.. Mr. Wei 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 a director of agriculture, food, industry and commerce of Rabo bank in Northeastern Asia from February 1998 to January 2003, 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 the executive director and the general manager of Shanghai Guwang Investment Management Limited since September 2010. |
| Xu Zhiming | Mr. Xu Zhiming, born in 1961, holds a doctorate in economics. Currently, he is an independent non-executive Director of the Company, 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 United States 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. |

| Name | Primary working experience |
|---|---|
| Jin Qinglu | Mr. Jin Qinglu, born in 1972, a member of CPC, holds a doctorate in accountancy and is a professor. Currently, he is an independent non-executive Director of the Company, the dean of the School of Accountancy and a doctoral supervisor of Shanghai University of Finance and Economics, and an independent director of Shanghai Emperor Of Cleaning Hi-tech Co., Ltd. Mr. Jin served as an assistant professor in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to June 2011, then a vice professor in the School of Accountancy of Shanghai University of Finance and Economics from July 2011 to June 2012. Mr. Jin has been a professor in the School of Accountancy of Shanghai University of Finance and Economics since July 2012, the vice dean of the School of Accountancy and the Institute of Accounting and Finance of Shanghai University of Finance and Economics from February 2014 to November 2018, the vice dean of the School of Accountancy of Shanghai University of Finance and Economics from April 2015 to November 2018, the director of the Collaborative Innovation Center for Accounting Reform and Development of Shanghai University of Finance and Economics from January 2016 to November 2018 and the dean of the School of Accountancy of Shanghai University of Finance and Economics since November 2018. |
| Supervisors (9) | |
| Zhang Qian | Mr. Zhang Qian, born in 1974, a member of CPC, holds a master's degree in business administration, and is an economist. Currently, he is a non-employee Supervisor and chairman of the Supervisory Committee of the Company and deputy general manager of Shenergy (Group) Company Limited, the chairman of Shanghai Jiulian Group Co., Ltd., a director of Chengdu Xinshen Venture Capital Co., Ltd., the chairman of Shanghai Shenergy Service Co., Ltd. and the chairman of Shanghai Shenxin Environmental Protection Industry 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 October 2004 to January 2006, the deputy head of the preparatory team of Shenergy Group Finance Co., Ltd. from January 2006 to February 2007, the deputy general manager of Shenergy Group Finance Co., Ltd. from February 2007 to August 2009, as well as the secretary of the CPC party branch and the general manager of Shenergy Group Finance Co., Ltd. from August 2009 to July 2016, during which period, Mr. Zhang has been serving as deputy general manager of Shenergy (Group) Company Limited since September 2015. |

| Name | Primary working experience |
|---|---|
| Du Weihua | Mr. Du Weihua, born in 1964, is a CPC party member and holds a master's degree in economics and is an associate professor. Currently, he is the Deputy Party committee secretary, the secretary of the discipline inspection commission, vice chairman of the Supervisory Committee, an employee representative Supervisory and chairman of the work union 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, general manager of the operation and management department, and the general manager of human resources management department of the Company from June 1998 to May 2017, an assistant to the president and employee representative Supervisor of the Company from January 2012 to August 2015. He served as vice president of the Company from August 2015 to February 2020, an employee representative Director from March 2018 to February 2020, the Deputy Party committee secretary and the secretary of the discipline inspection commission of the Company since January 2020 and vice chairman of the Supervisory Committee and an employee representative Supervisor since February 2020. |

| Name | Primary working experience |
|---|---|
| Huang Laifang | Ms. Huang Laifang, born in 1969, holds a master's degree in business administration and is a senior economist. Currently, she is a Supervisor who is not employee representative of the Company, a CPC Party committee member, the deputy general manager, the president of the labour union of Shanghai branch of China Post Group Corporation, and the curator of Shanghai Post Office Museum, a director of Trending Industrial Limited, and a deputy general manager of Shanghai Post Office under 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 of Baoshan District Post Bureau of Shanghai Post Company from November 2010 to March 2012, director and the party committee secretary of Baoshan District Post Bureau of Shanghai Post Company from March 2012 to April 2013, manager of marketing department of Shanghai Post Company, director and the party committee secretary of Baoshan District Post Bureau of Shanghai Post Company from April 2013 to September 2013, manager of marketing department of Shanghai Post Company and director of Baoshan District Post Bureau of Shanghai Post Company from September 2013 to April 2014, general manager of marketing department of Shanghai Post Company and general manager of Baoshan District Branch of Shanghai Post Company from April 2014 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 (participated in the autumn 2015 training course for young cadres of the CPC China Post Party School from October 2015 to January 2016). Ms. Huang is a member of the CPC party committee and has been serving as the vice general manager of the Shanghai branch of China Post Group Corporation since February 2016, the president (concurrent) of the labour union of the Shanghai branch of China Post Group Corporation since June 2016, the curator (concurrent) of the Post Office Museum of the Shanghai branch of China Post Group Corporation since September 2016, and the deputy general manager (concurrent) of Shanghai Post Office under China Post Group Corporation since September 2018 and the chairman (concurrent) of Shanghai Jieshida Postal Service Company since January 2019. |

| Name | Primary working experience |
|---|---|
| Tong Jie | Ms. Tong Jie, born in 1968, holds a bachelor's degree in financial accounting. Currently, she is a non-employee Supervisor of the Company, chief financial officer of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. She served as the audit supervisor of China First Tractor Engineering Machinery Group Co., Ltd. (中國第一拖拉機工程機械集團有限公司) from December 1988 to December 2001, the internal audit supervisor, vice manager of the financial department, vice manager of the capital operation department, and manager of the financial department of Zhongbang Group Limited from December 2001 to December 2008, the senior audit manager of Xuhui Group Co., Ltd. from December 2008 to August 2009 and the external task supervisor of the Managing Centre of Director and Supervisor under the State-owned Assets Supervision and Administration Commission of Pudong New District of Shanghai (上海市浦東新區國資委董事監事管理中心) from August 2009 to May 2016. She has been the chief financial officer of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. since May 2016. |
| Liu Wenbin | Mr. Liu Wenbin, born in 1975, a member of CPC, holds a master's degree in accounting and is a senior accountant. Currently, he is a Supervisor who is not employee representative of the Company and the financial controller of China Great Wall Technology Group Co., Ltd. Mr. Liu served as the accountant and financial manager of the subsidiaries of Great Wall Information Industry Co., Ltd. from June 2000 to September 2006, and the financial department deputy director, financial department director, deputy chief accountant and the chief financial officer of the Great Wall Information Industry Co., Ltd. from October 2006 to January 2017. Mr. Liu has been the chief financial officer of China Great Wall Technology Group Co., Ltd. since February 2017. |
| Yin Keding | Mr. Yin Keding, born in 1964, a member of CPC, holds a bachelor's degree in Economics and is a senior accountant. Currently, he is a Supervisor who is not employee representative 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 the chief accountant of Shanghai Construction Group Co., Ltd. since December 2012. |

| Name | Primary working experience |
|---|---|
| Wu Zhengkui | Mr. Wu Zhengkui, born in 1974, a member of CPC, holds a master's degree in accounting and is an accountant. Currently, he is a Supervisor who is not employee representative of the Company, the deputy general manager of the financial department of Greenland Holding Group Company Limited, a director of Greenland Energy Group Co., Ltd., a supervisor of Greenland Financial Investment Holding Group Co., Ltd., a director of Shanghai Yunfeng (Group) Co., Ltd., a director of Jiangsu Construction Engineering Group Co., Ltd., the vice chairman of Henan Greenland Zhongyuan Real Estate Development Co., Ltd., a director of Shanghai Xinlv Fuxing City Development Co., Ltd., a supervisor of Shanghai Xinhua Financial Investment Co., Ltd., a supervisor of Shanghai Xinhua Media Exchange Center Co., Ltd., a supervisor of Shanghai Greenland Equity Investment Management Co., Ltd., a director of Nanjing Guozi Greenland Financial Center Co., Ltd., a supervisor of Shanghai Greenland Shengfan City Investment Asset Management Co., Ltd., a supervisor of Greenland Holding Group (Shanghai) International Investment Co., Ltd., a supervisor of Greenland Innovation Investment Co., Ltd., a supervisor of Shanghai Greenland Financing Guarantee Co., Ltd., a supervisor of Shanghai Greenland Group (Kunshan) Materials Co., Ltd., a director of Jiaoda Greenland Technology Innovation Co., Ltd., a director of Greenland Silk Road Transportation Investment Co., Ltd., financial director of Shanghai Xinhua Publishing (Group) Co., Ltd., a director of Tianjin Construction Group (Holding) Co., Ltd., a supervisor of Shanghai Greenland Transportation Investment Co., Ltd., a supervisor of Greenland City Investment Group Co., Ltd., an executive director of Greenland Hong Kong Holdings Limited and a supervisor of Jinzhou Bank Co., Ltd.. Mr. Wu served as a staff of Jiangsu Tianneng Group from September 1998 to December 1999, an accountant of Kunshan Southern Chemical Plant from January 2000 to February 2001, and the manager of financial department of Shanghai Greenland Construction Engineering Co., Ltd. from January 2002 to December 2003. Mr. Wu has been the manager of financial department, the assistant to general manager and the deputy general manager of the financial department of Greenland Holding Group Company Limited since January 2004. |

| Name | Primary working experience |
|---|---|
| Zhou Wenwu | Mr. Zhou Wenwu, born in 1961, a member of CPC, is a holder of a bachelor's degree in Economics. Currently, he is an employee representative Supervisor, the director of union office, 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 from June 1988 to September 1992. He served as the sub-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 DFZQ from November 2000 to December 2014. Mr. Zhou has been serving as the vice chairman of the trade union of the Company since November 2014, as the deputy director of retirement management committee since February 2015 and as the vice chairman of Huangpu District Federation of Trade Unions (黃浦區總工會) since April 2016. |
| Yao Yuan | Mr. Yao Yuan, born in 1973, a member of CPC, is a holder of a bachelor's degree in accounting and a certified public accountant. Currently, he is an employee representative Supervisor, general manager of the compliance and legal management department and the risk management department of the Company, a supervisor of Orient Futures Co., Ltd, a supervisor of Shanghai Orient Securities Capital Investment Co., Ltd and a director of Orient Securities International Financial Group Limited. 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 DFZQ from March 1998 to December 2014. Mr. Yao has been serving as the deputy general manager of the Compliance and Legal Management Department (in charge of affairs) of the Company from December 2014 to March 2017, 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 Members (7) |
| Yang Yucheng | Mr. Yang Yucheng, born in 1965, a member of CPC, 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 2001, 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 the Company 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 and the joint company secretary from April 2018 to November 2019. Mr. Yang has been serving as the vice president of the Company since July 2009. |
| Shu Hong | Mr. Shu Hong, born in 1967, a member of CPC, is a holder of a master's degree in business administration and an engineer. Currently, he is a vice president and chief information officer of the Company, chief information officer of Citi Orient Securities Co., Ltd. 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 the Company 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 the Company from December 2001 to April 2014. Mr. Shu has been serving as vice president of the Company since April 2014 and serving concurrently as the chief information officer of the Company since June 2019. |

| Name | Primary working experience |
|---|---|
| Zhang Jianhui | Mr. Zhang Jianhui, born in 1968, a member of CPC, 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 of the Company and chief financial officer of the Company, the chairman of Shanghai Orient Securities Innovation Investment Co., Ltd., chairman of Orient Securities International Financial Group Limited, 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., and a supervisor of Shanghai ICY New Energy Venture Capital Investment 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 the Company from July 2003 to June 2015. Mr. Zhang has been serving as the chief financial officer of the Company since May 2014 and served as general manager of the general office of financial planning of the Company from June 2015 to August 2019. Mr. Zhang has been serving as the vice president of the Company since July 2015. |
| Yang Bin | Mr. Yang Bin, born in 1972, a member of CPC, is a holder of a master's degree in economics. Currently, he is the chief risk officer and chief compliance officer of the Company, the general manager of audit department, a director of Orient Futures Co., Ltd, a director of Orient Finance Holdings (Hong Kong) Limited, a director of Citi Orient Securities Co., Ltd., a director of Shanghai Orient Securities Asset Management Co., Ltd. and a supervisor of Great Wall Fund Management Co., Ltd. Mr. Yang 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, as chief compliance officer of the Company since July 2015 and as the general manager of audit department since August 2017. |

| Name | Primary working experience |
|---|---|
| Xu Haining | Ms. Xu Haining, born in 1970, holds a doctorate in business administration. Currently, she is the assistant to the president and the general manager of the finance management department of the Company. She served as a member of the finance section and deputy chief of the finance department of Marine Geology Comprehensive Research Brigade of the Ministry of Geology and Mineral Resources (地質礦產部海洋地質綜合研究大隊) from July 1990 to December 1997, the manager of the finance department and deputy chief accountant of Shanghai Haiti Construction Engineering (Group) Co., Ltd. (上海海地建設工程(集團)有限公司) from December 1997 to October 2001, the vice president of China Merchants Holdings Co., Ltd. (通商控股有限公司) from March 2002 to May 2007, the general manager and Chairman of Shanghai Guanghe Investment Co., Ltd. (上海廣和投資有限公司) from May 2007 to December 2008, the deputy general manager of Shanghai HNA Daxinhua Real Estate Co., Ltd. (上海海航大新華置業有限公司) from June 2010 to January 2011, the general manager of Grand China Logistics Holding (Group) Company Limited from January 2011 to August 2011, the general manager of Shanghai Daxinhua Investment Management Co., Ltd. (上海大新華投資管理有限公司) from August 2011 to December 2011, and the director and executive vice president of Shanghai Nine Dragon Co., Ltd. from December 2011 to October 2012. She served as the deputy general manager of the Company's sales and trading department (in charge of affairs) from October 2012 to October 2014, and has been serving as the general manager of the Company's wealth management business department (the former sales and trading department) since October 2014 and the assistant to the president of the Company since September 2017. |
| Lu Weiming | Mr. Lu Weiming, born in 1971, a member of CPC, is a holder of a master's degree in economics. Currently, he is an assistant to the president of the Company and the general manager of the Company's fixed income business department. He served as the salesman and the project manager of business office of the transaction department of Guotai Securities Co., Ltd. from July 1994 to March 1998, the staff and deputy general manager of the securities investment department under the transaction business department of the Company from March 1998 to July 2002, the director of the Company's securities investment business department from August 2002 to June 2003, the assistant to the general manager of the Company's fixed income business department from June 2003 to July 2009, the deputy general manager of the Company's fixed income business department from July 2009 to January 2014, and the deputy general manager (in charge of affairs) of the Company's fixed income business department from January 2014 to October 2014. He has been serving as the general manager of the Company's fixed income business department since October 2014 and an assistant to the president of the Company since September 2017. |

| Name | Primary working experience |
|---|---|
| Wang Rufu | Mr. Wang Rufu, born in 1973, a member of CPC, is a holder of master's degree in engineering and a certified public accountant. Currently, he is the secretary to the Board, the joint company secretary 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 the research institute of the Company 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) from March 2008 to November 2016 and as the secretary to the Board of the Company since November 2016. He has been concurrently serving as the joint company secretary since November 2019. |

| Name | Primary working experience |
|---|---|
| | Resigned Supervisor (1) |
| Li Bin | Mr. Li Bin, born in 1959, a member of CPC, is a holder of a bachelor's degree in economic management. He is an intermediate economist and an intermediate administrative engineer. Currently, he is the director-general of Shanghai Orient Securities Xindeyizhang Foundation (上海東方證券心得益彰基金會). 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 was serving as the deputy party committee secretary and secretary of discipline inspection committee from March 2014 to January 2020, as the vice chairman of the Supervisory Committee of the Company from November 2014 to February 2020, and as the director-general of Shanghai Orient Securities Xindeyizhang Foundation (上海東方證券心得益彰基金會) since April 2015. |

### (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 equity 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 |
|---|---|---|---|---|
| Liu Wei | Shenergy (Group) Company Limited | Manager of human resources department | September 2017 | 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 | July 2019 |
| Li Xiang | Shanghai United Media Group | Member of the CPC Party committee and deputy general manager | November 2017 | Up to now |
| Xia Jinghan | Zheneng Capital Holdings Limited | CPC Party committee secretary and chairman | November 2016 | Up to now |
| Xu Jianguo | Shanghai Electric (Group) Corporation | Chief of financial budget department | April 2013 | Up to now |
| | Shanghai Electric (Group) Corporation | Chief of comprehensive management department | August 2018 | Up to now |
| | Shanghai Electric (Group) Corporation | Supervisor | August 2018 | Up to now |
| Zhang Qian | Shenergy (Group) Company Limited | Deputy general manager | September 2015 | Up to now |
| Huang Laifang | Shanghai Branch of China Post Group Corporation | CPC Party committee member, deputy general manager and President of the trade union | February 2016 | Up to now |
| Tong Jie | 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) | Chief financial officer | May 2016 | Up to now |
| Yin Keding | Shanghai Construction Group Co., Ltd. | Chief accountant | December 2012 | Up to now |
| 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 |
| | Shanghai Orient Securities Asset Management Co., Ltd. | Chairman | March 2018 | Up to now |
| Jin Wenzhong | Shanghai Orient Securities Capital Investment Co., Ltd. | Chairman | March 2012 | Up to now |
| | Orient Futures Co., Ltd | Chairman | December 2014 | Up to now |
| | Shanghai Orient Securities Innovation Co., Ltd. | Director | November 2012 | Up to now |
| | Shanghai Orient Securities Asset Management Co., Ltd. | Director | July 2010 | Up to now |
| 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 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 Financial 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 |
| Chen Bin | Shanghai Tobacco Group Pudong Tobacco Sugar & Wine Co., Ltd. (上海煙草集團浦東煙草糖酒有限公司) | Deputy general manager | July 2019 | Up to now |
| | Haitong Securities Co., Ltd. | Director | December 2014 | March 2020 |
| | Shanghai Tobacco Group Jing 'an Tobacco Sugar & Wine Co., Ltd. (上海煙草集團靜安煙草糖酒有限公司) | Director | September 2016 | December 2019 |
| | Shanghai Tobacco Group Luwan Tobacco Sugar & Wine Co., Ltd. (上海煙草集團盧灣煙草糖酒有限公司) | Director | September 2016 | October 2019 |

| 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 |
|---|---|---|---|---|
| | Shanghai Tobacco Group Railway Tobacco Co., Ltd. (上海煙草集團鐵路煙草有限公司) | Director | November 2016 | December 2019 |
| | Shanghai Tobacco Group Jiading Tobacco Sugar & Wine Co., Ltd. (上海煙草集團嘉定煙草糖酒有限公司) | Director | September 2016 | December 2019 |
| | Shanghai Tobacco Group Putuo Tobacco Sugar & Wine Co., Ltd. (上海煙草集團普陀煙草糖酒有限公司) | Director | September 2016 | December 2019 |
| | Shanghai Tobacco Group Huangpu Tobacco Sugar & Wine Co., Ltd. (上海煙草集團黃浦煙草糖酒有限公司) | Director | September 2016 | November 2019 |
| | Shanghai Tobacco Group Fengxian Tobacco Sugar and Wine Co., Ltd. (上海煙草集團奉賢煙草糖酒有限公司) | Director | September 2016 | December 2019 |
| | Shanghai Tobacco Group Jinshan Tobacco Sugar & Wine Co., Ltd. (上海煙草集團金山煙草糖酒有限公司) | Director | September 2016 | December 2019 |
| | Shanghai Tobacco Group Changning Tobacco Sugar & Wine Co., Ltd. (上海煙草集團長寧煙草糖酒有限公司) | Director | September 2016 | December 2019 |
| | Shanghai Magnolia Tobacco Material Co., Ltd. (上海白玉蘭煙草材料有限公司) | Director | November 2016 | October 2019 |
| | Shanghai Jinding Printing Co., Ltd. (上海金鼎印務有限公司) | Director | October 2016 | September 2019 |
| | Shanghai Haiyan Tobacco Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司) | Director | August 2016 | December 2019 |
| | Hua Huan International Tobacco Co., Ltd. (華環國際煙草有限公司) | Director | July 2017 | December 2019 |
| | Shanghai Tobacco Packaging and Printing Co., Ltd. (上海煙草包裝印刷有限公司) | Director | August 2017 | September 2019 |
| | Shanghai Peony Essence & Spice Co., Ltd. (上海牡丹香精香料有限公司) | Director | December 2017 | December 2019 |

| 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 | Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司) | Director | September 2017 | Up to now |
| | Shanghai Xinhua Media Co., Ltd. | CPC Party committee | June 2017 | Up to now |
| | Shanghai Foreign Information Service Hotline Co., Ltd. (上海對外信息服務熱線有限公司) | Director | July 2009 | Up to now |
| | Shanghai Xinhua Publishing Group Co., Ltd. (上海新華發行集團有限公司) | CPC Party committee, Chairman | May 2014 | Up to now |
| | Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司) | Director | July 2015 | Up to now |
| | Shanghai Newspaper Asset Management Co., Ltd. (上海上報資產管理有限公司) | Director | September 2015 | Up to now |
| | Shanghai Chenxin Culture Media Co., Ltd. (上海晨昕文化傳媒有限公司) | Director | January 2016 | January 2019 |
| | Shanghai Yueke Information Technology Co., Ltd. (上海閱客信息科技有限公司) | Director | May 2016 | Up to now |
| | Shanghai Post Daily Delivery Logistics and 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 Dongjie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司) | Director | June 2016 | Up to now |
| | Shanghai Dongjie Advertising Media Co., Ltd. (上海東方報業有限公司) | Director | July 2016 | Up to now |
| | Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司) | Chairman, legal representative | November 2017 | Up to now |
| | Shanghai Xinrong Asset Management Co., Ltd. (上海新融資產管理有限公司) | Executive director, legal representative | January 2018 | Up to now |
| | Shanghai Xinhua Financial Investment Co., Ltd. (上海新華金融投資有限公司) | Executive director, legal representative | January 2018 | Up to now |
| | Shanghai Xinhua Media Exchange Center Co., Ltd. (上海新華傳媒交流中心有限公司) | Executive director, legal representative | January 2018 | Up to now |
| | Shanghai Xinrong Culture Industry Service Co., Ltd. (上海新融文化產業服務有限公司) | Executive director, legal representative | January 2018 | 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 |
|---|---|---|---|---|
| | Shanghai Yicheng Real Estate Co., Ltd. (上海怡成房產有限公司) | Executive director, legal representative | January 2018 | Up to now |
| | Shanghai Jiefang Real Estate Co., Ltd. (上海解放置業有限公司) | Chairman, legal representative | January 2018 | Up to now |
| | Huaxiacheng TV Network Co., Ltd. (華夏城視網絡電視股份有限公司) | Director | September 2018 | Up to now |
| | Shanghai Wenhui Xinmin Institute Continuing Education College (上海市文匯新民進修學院) | Director | July 2018 | July 2019 |
| Xia Jinghan | Zhejiang Energy Group Co., Ltd. (浙江省能源集團有限公司) | General counsel | April 2014 | Up to now |
| | Zhejiang Zheneng Asset Management Co., Ltd (浙江浙能資產經營管理有限公司) | Chairman | June 2014 | Up to now |
| | Zhejiang Energy Equity Investment Fund Management Co., Ltd. (浙能股權投資基金管理有限公司) | Executive director | June 2017 | Up to now |
| | Zhejiang Zheneng Carbon Asset Management Co., Ltd. (浙江浙能碳資產管理有限公司) | Chairman | July 2017 | Up to now |
| Xu Jianguo | Shanghai Jiyou Machinery Co., Ltd. (上海集優機械股份有限公司) | Chairman of the supervisory committee | May 2016 | June 2019 |
| | Shanghai Life Insurance Company Limited (上海人壽保險股份有限公司) | Director | March 2015 | Up to now |
| | Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) | Director | April 2013 | Up to now |
| | Haitong Securities Co., Ltd. (海通證券股份有限公司) | Director | October 2016 | Up to now |
| | Shanghai Microelectronics Equipment (Group) Co., Ltd. (上海微電子裝備(集團)股份有限公司) | Director | June 2016 | Up to now |
| | Shanghai Haili (Group) Co., Ltd. (上海海立(集團)股份有限公司) | Chairman of the supervisory committee | December 2017 | Up to now |
| | Shanghai Haiya Industry Co., Ltd. (上海亥雅實業有限公司) | Chairman | March 2019 | Up to now |
| | Shanghai Kaihai Industry Co., Ltd. (上海開亥實業有限公司) | Chairman | June 2019 | Up to now |
| | Shanghai Electric Group Hong Kong Limited (上海電氣集團香港有限公司) | Director | September 2019 | 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 |
|---|---|---|---|---|
| Xu Guoxiang | Shanghai University of Finance and Economics Applied Statistics Research Center (上海財經大學應用統計研究中心) | Dean | June 2003 | Up to now |
| | Mass Transit (Group) Co., Ltd. (大眾交通(集團)股份有限公司) | Supervisor | April 2006 | Up to now |
| | Shanghai Xintonglian Packaging Co., Ltd. (上海新通聯包裝股份有限公司) | Supervisor | November 2011 | Up to now |
| | Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司) | Independent director | June 2015 | Up to now |
| Tao Xiuming | Beijing JunZeJun Law Office (北京君澤君律師事務所) | Founding partner | July 1995 | Up to now |
| | Beijing Houjian Investment Co., Ltd. (北京厚健投資有限公司) | Executive director | March 2014 | Up to now |
| | Taikang Asset Management Co., Ltd. (泰康資產管理有限責任公司) | Independent director | August 2014 | Up to now |
| Wei Anning | Shanghai Guwang Investment Management Limited (上海谷旺投資管理有限公司) | Executive director, general manager | September 2010 | Up to now |
| | Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司) | Independent director | September 2015 | Up to now |
| | DaChan Food (Asia) Limited (大成食品(亞洲)有限公司) | Independent director | October 2014 | March 2020 |
| | DaChan Food (Asia) Limited (大成食品(亞洲)有限公司) | Chairman of the board of directors and the executive committee | March 2020 | Up to now |
| | Ningxia Guwang Investment Management Limited (寧夏谷旺投資管理有限公司) | Executive director | May 2014 | Up to now |
| | Yantai Changyu Pioneer Wine Company Limited (煙台張裕葡萄釀酒股份有限公司) | Director | June 2017 | Up to now |
| | Ningbo Guwang Investment Management Limited (寧波谷旺投資管理有限公司) | Executive director | April 2015 | 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 |
|---|---|---|---|---|
| | Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) | Director | November 2017 | Up to now |
| | Ningxia State Farm Group Co., Ltd. (寧夏農墾集團有限公司) | Director | January 2018 | December 2019 |
| | Shaanxi Shiyang Agriculture Co., Ltd. (陝西石羊農業科技股份有限公司) | Director | May 2018 | January 2020 |
| | Jiahe Foods Industry Co., Ltd. (佳禾食品工業股份有限公司) | Independent director | December 2018 | Up to now |
| Xu Zhiming | China Broadband Capital (寬帶資本) | Founding partner | March 2006 | Up to now |
| Jin Qinglu | School of Accountancy of Shanghai University of Finance and Economics | Dean | November 2018 | Up to now |
| | Shanghai Xiba Hi-tech Co., Ltd. (上海洗霸科技股份有限公司) | Independent director | October 2017 | Up to now |
| Zhang Qian | Shanghai Jiulian Group Co., Ltd. (上海久聯集團有限公司) | Chairman | October 2015 | Up to now |
| | Chengdu Xinshen Venture Capital Co., Ltd. (成都市新申創業投資有限公司) | Director | April 2011 | Up to now |
| | Shanghai Shenergy Service Co., Ltd. (上海申能能源服務有限公司) | Chairman | November 2019 | Up to now |
| | Shanghai Shenxin Environmental Protection Industry Co., Ltd. (上海申欣環保實業有限公司) | Chairman | February 2019 | Up to now |
| 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 |
| Huang Laifang | Shanghai Post Office Museum (上海郵政博物館) | Curator | September 2016 | Up to now |
| | Tongming Industrial Co., Ltd (通明實業有限公司) | Director | November 2017 | Up to now |
| | Shanghai branch of China Post Group Corporation (中國郵政集團公司上海市寄遞事業部) | Deputy general manager | September 2018 | Up to now |
| | Shanghai Jieshida Postal Service Company (上海捷時達郵政專遞公司) | Chairman | January 2019 | Up to now |
| Liu Wenbin | China Great Wall Technology Group Co., Ltd. (中國長城科技集團股份有限公司) | Chief financial officer | February 2017 | 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 |
|---|---|---|---|---|
| Yin Keding | Shanghai Pudong CCB Rural Bank Company Limited (上海浦東建信村鎮銀行有限責任公司) | Director | January 2014 | Up to now |
| Wu Zhengkui | Greenland Holding Group Company Limited (綠地控股集團有限公司) | Deputy general manager of the financial department | March 2012 | Up to now |
| | Greenland Energy Group Co., Ltd. (綠地能源集團有限公司) | Director | December 2009 | Up to now |
| | Greenland Financial Investment Holding Group Co., Ltd. (綠地金融投資控股集團有限公司) | Supervisor | April 2011 | Up to now |
| | Shanghai Yunfeng (Group) Co., Ltd. (上海雲峰(集團)有限公司) | Director | January 2008 | Up to now |
| | Jiangsu Construction Engineering Group Co., Ltd. (江蘇省建築工程集團有限公司) | Director | March 2016 | Up to now |
| | Henan Greenland Zhongyuan Real Estate Development Co., Ltd. (河南綠地中原置業發展有限公司) | Vice chairman | August 2006 | Up to now |
| | Shanghai Xinlv Fuxing City Development Co., Ltd. (上海新綠復興城市開發有限公司) | Director | March 2013 | Up to now |
| | Shanghai Xinhua Financial Investment Co., Ltd (上海新華金融投資有限公司) | Supervisor | February 2005 | Up to now |
| | Shanghai Xinhua Media Exchange Center Co., Ltd. (上海新華傳媒交流中心有限公司) | Supervisor | February 2007 | Up to now |
| | Shanghai Greenland Equity Investment Management Co., Ltd. (上海綠地股權投資管理有限公司) | Supervisor | November 2011 | Up to now |
| | Nanjing Guozi Greenland Financial Center Co., Ltd. (南京國資綠地金融中心有限公司) | Director | September 2009 | Up to now |
| | Shanghai Greenland Shengfan City Investment Asset Management Co., Ltd. (上海綠地盛帆城市投資資產管理有限公司) | Supervisor | January 2016 | Up to now |
| | Greenland Holding Group (Shanghai) International Investment Co., Ltd. (綠地控股集團(上海)國際投資有限公司) | Supervisor | January 2014 | Up to now |
| | Greenland Innovation Investment Co., Ltd. (綠地創新投資有限公司) | Supervisor | March 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 |
|---|---|---|---|---|
| | Shanghai Greenland Financing Guarantee Co., Ltd. (上海綠地融資擔保有限公司) | Supervisor | February 2012 | Up to now |
| | Shanghai Greenland Group (Kunshan) Materials Co., Ltd. (上海綠地集團(昆山)材料有限公司) | Supervisor | January 2004 | Up to now |
| | Jiaoda Greenland Technology Innovation Co., Ltd. (交大綠地科技創新有限公司) | Director | September 2017 | Up to now |
| | Greenland Silk Road Transportation Investment Co., Ltd. (綠地絲路交通投資有限公司) | Director | December 2017 | Up to now |
| | Shanghai Xinhua Publishing (Group) Co., Ltd. (上海新華發行集團有限公司) | Chief financial officer | January 2007 | Up to now |
| | Tianjin Construction Group (Holding) Co., Ltd. (天津市建工集團(控股)有限公司) | Director | October 2018 | Up to now |
| | Greenland Transportation Investment Co., Ltd. (上海綠地交通投資有限公司) | Supervisor | January 2016 | Up to now |
| | Greenland City Investment Group Co., Ltd. (綠地城市投資集團有限公司) | Supervisor | January 2016 | Up to now |
| | Greenland Hong Kong Holdings Limited (綠地香港控股有限公司) | Executive director | August 2013 | Up to now |
| | Jinzhou Bank Co., Ltd. (錦州銀行股份有限公司) | Supervisor | October 2019 | Up to now |
| Zhou Wenwu | Huangpu District Federation of Trade Unions (黃浦區總工會) | Vice chairman (concurrent) | April 2016 | Up to now |
| Yao Yuan | Shanghai Orient Securities Capital Investment Co., Ltd. | Supervisor | August 2015 | Up to now |
| | Orient Futures Co., Ltd | Supervisor | March 2016 | Up to now |
| | Orient Securities International Financial Group Limited (東證國際金融集團) | Director | April 2019 | Up to now |
| Yang Yucheng | Orient Finance Holdings (Hong Kong) Limited | Chairman | August 2010 | Up to now |
| | Citi Orient Securities Co., Ltd. | Chairman of supervisory committee | February 2015 | Up to now |
| | Great Wall Fund Management Co., Ltd. | Director | February 2015 | Up to now |
| Shu Hong | Shanghai Qizhong Golf Club Company Limited (上海旗忠高爾夫俱樂部有限公司) | Director | January 2009 | Up to now |
| | Citi Orient Securities Co., Ltd. | Chief information officer | December 2019 | 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 |
|---|---|---|---|---|
| Zhang Jianhui | Shanghai Orient Securities Innovation Investment Co., Ltd. | Chairman | July 2016 | Up to now |
| | 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. (上海誠毅投資管理有限公司) | Supervisor | March 2010 | Up to now |
| | Shanghai ICY New Energy Venture Capital Investment Co., Ltd. (上海誠毅新能源創業投資有限公司) | Supervisor | October 2010 | Up to now |
| | Orient Securities International Financial Group Limited | Chairman | September 2018 | Up to now |
| | China Securities Credit Enhancement Corporation Limited (中證信用增進股份有限公司) | Supervisor | May 2015 | Up to now |
| Yang Bin | 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 Asset Management | Director | March 2018 | Up to now |
| | Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) | Supervisor | February 2018 | Up to now |
| | Orient 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. (上海誠毅新能源創業投資有限公司) | Director | March 2015 | Up to now |
| Li Bin | Shanghai Orient Securities Xindeyizhang Foundation (上海東方證券心得益彰公益基金會) | Director-general | April 2015 | Up to now |
| Employment 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 non-executive Directors (except for employee representative Directors) and Supervisors who are not employee representatives do not receive any remunerations from the Company. The allowances of the Company's independent non-executive Directors are determined by the Board and proposed to the general meeting for consideration and approval. The remuneration of the Company's management at the legal representative (chairman), president and vice president level consists of basic salary, performance compensation and discretion incentive. The basic salary must be reported to the Remuneration and Nomination Committee to the Board for approval. Performance remunerations are linked with the results of their annual performance appraisal and will be implemented by the chairman upon approval by the Remuneration and Nomination Committee to the Board. Discretion incentive is linked with the appraisal results and will be implemented by the chairman upon approval by the Remuneration and Nomination Committee to the Board. The remuneration and performance management of other operational management team members shall be implemented in accordance with the relevant regulations of the Company. |

| | |
|---|---|
| Basis for determining the remunerations of the Directors, Supervisors and senior management | Remunerations of the Company's independent non-executive Directors are determined with reference to that of the listed peers in the same industry; remunerations of the Company's executive Directors, employee representative Supervisors and senior management are based on the remuneration and assessment system of the Company. In order to accelerate the implementation of the market-oriented system, the Company introduces pilot distribution system for remuneration of professional managers. The remuneration structure and standard of the chairman, president, vice president and management members holding positions of vice president are determined in accordance with relevant regulations stipulated in the Company's Implementation Scheme for the Remuneration Distribution System Reform of Professional Managers. |
| 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" for details. |
| Remunerations received in aggregate by all the Directors, Supervisors and senior management at the end of the Reporting Period | RMB56.3364 million |

## IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name | Position | Particulars of changes | Reasons for change |
|---|---|---|---|
| Du Weihua | Employee representative Director, vice president | Resignation | Mr. Du Weihua resigned as an employee representative Director and vice president of the Company in February 2020. |
| Du Weihua | Vice chairman of the Supervisory Committee, employee representative Supervisor | Election | Mr. Du Weihua was elected as the employee representative Supervisor at the Company's 7th joint meeting of the third session of the employee congress held in February 2020 and as the vice chairman of the Supervisory Committee at the 12th meeting of the fourth session of the Supervisory Committee held in February 2020. |
| Chen Xiaobo | Employee representative Director | Election | Mr. Chen Xiaobo was elected as the employee representative Director at the Company's 7th joint meeting of the third session of the employee congress held in February 2020 and officially took office in March 2020. |
| Li Bin | Vice chairman of the Supervisory Committee, employee representative Supervisor | Resignation | Reaching the legal retirement age. |

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

No existing and retiring Directors, Supervisors and senior management of the Company during the Reporting Period were subject to any penalties imposed by relevant securities regulatory authorities due to matters of the Company in the recent three years.

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

### (i) Staff

Unit: person

| | |
|---|---|
| Number of staff employed by the Parent Company | 4,014 |
| Number of staff employed by the major subsidiaries | 1,758 |
| Total number of staff employed | 5,772 |
| Number of retired workers the Parent Company and its major subsidiaries should bear costs for | 0 |

**Professional composition**

| Category of profession | Number of professional composition |
|---|---|
| Management staff | 414 |
| Research staff | 175 |
| Investment bank staff | 427 |
| Brokerage business staff | 3,129 |
| Asset management staff | 258 |
| Investment business staff | 303 |
| Finance staff | 266 |
| IT staff | 425 |
| Other staff | 375 |
| Total | 5,772 |

**Education**

| Level of education | Number |
|---|---|
| Doctor | 83 |
| Master | 1,937 |
| Bachelor | 3,365 |
| Junior college graduate and below | 387 |
| Total | 5,772 |

### (ii) Remuneration policies

The Company emphasizes the recruitment, motivation, training and use of talents, and adopts a salary system based on position salary and performance bonus. The remuneration level is linked to the value of the position, local market rates and performance evaluation results, so as to ensure "give priority to efficiency with due consideration to fairness". Pursuant to the applicable laws and regulations of the PRC, the Company entered into a labor contract with each of its employees to establish an employment relationship. The labor contract contains the provisions relating to a 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 of the PRC, the Company purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing provident fund for its employees. It made contributions to the above social insurance and housing provident fund 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 supplementary pension and medical protection to employees.

### (iii) Training plans

During the Reporting Period, the Company's training focused on the Company's strategic objectives, with the mission of "improving staff skills, endowing potential talents, boosting business development and transmitting core values", increasing investment in all kinds of personnel training and actively implementing various training programs. In 2019, 282 face-to-face internal trainings were organized, involving approximately 17,000 people. The Company recommended employees to attend 422 training courses held by various regulatory departments and professional training institutions, with 585 participants. There were more than 136 online training sessions involving nearly 30,000 visits. The Company continues to pay attention to all kinds of personnel training and completes all kinds of key training programs.

In 2020, the Company will continue to improve its training system at all levels, integrate online and offline learning modes, strengthen curriculum quality control, create high-quality training products, and enhance the effectiveness of training and learning. First, the Company will strengthen customized training products for middle and senior management personnel, branch heads, reserve personnel and other cadres and talents; second, the Company will match the different career development stages of employees, form a series of professional and general skills training courses, and carry out regular configuration and push. Third, the Company will combine the needs of various departments, intensify the development of internal courses, personalize customized training products, innovate training communication forms, and help relevant departments to improve organizational management and performance.

### (iv) Labor outsourcing

Unit: Yuan Currency: RMB

| | |
|---|---|
| Total working hours involved in labor outsourcing | 956,774 hours |
| Total remuneration paid for labor outsourcing | 60,215,670.61 |

## VII. OTHERS

### (i) Client solicitation and client services by the brokers entrusted by the Company

The Company adopts an custodian agency management mode for the management of brokers. As at the end of the Reporting Period, there were 977 brokers in service.

1. By integrating the resources, the Company has established a securities brokers' management platform and built a securities brokers team under the brokers' management system. At the same time, by cultivating the brokers' abilities of marketing services and improving the service to the investors, the Company has achieved effective risk control, which in turn will promote a health and steady development for the Company's brokerage business.

2. The brokers who engage in the activities such as customer solicitations and customer service authorized by the Company shall enter into an agency contract with the Company, for the natural person (other than a corporation), the term of the agency contract is one year.

3. Securities brokers are subject to the management of the Company. Based on compliance management, the securities brokers' management will fully respect the reasonable career development demands and legal interests of the securities brokers.

4. In the course of engaging customer solicitation and customer service, the securities brokers should not only process within the Company's authority, but also should strictly abide by the laws, administrative regulations, the regulations of regulatory agencies and administrative departments, self-discipline rules and professional ethics, and comply with the relevant rules and regulations of the Company.

5. The training for securities brokers: The securities brokers of the Company should carry out the training and study work in accordance with the requirements of the Securities Industry Association. Before carrying out business practice, the brokers should attend training for not less than 60 hours, of which compliance training not less than 20 hours. Furthermore, the brokers should complete the annual follow-up practice training and study work conscientiously, and pass the annual inspection of the association. After completing the learning and examinations of corporate compliance, anti-money laundering and employee practice and information security, the brokers should summarize and file the relevant training records and evaluation results and then report as required. Moreover, the Company should carry out related online function training courses irregularly, involving professional qualifications, marketing management knowledge, product categories and risk control, etc.

# 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, 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 in the PRC 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, the Company further amended and optimized its Articles of Association, Term of Reference of the Audit Committee, Term of Reference of the Remuneration and Nomination Committee and other internal rules and procedures in compliance with the relevant regulatory requirements, which had been considered and approved by the Board and at general meetings of the Company. By formulation of and continuous improvement in the above systems, the Company has witnessed a continuously standardized corporate governance structure, and an increasingly improved corporate governance level.

During the Reporting Period, 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 31 meetings in total, including one general meeting, nine meetings of the Board, six meetings of the Supervisory Committee, four meetings of the Compliance and Risk Management Committee, three meetings of the Remuneration and Nomination Committee and eight 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 prescribed in 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 exist between corporate governance and the requirements of relevant regulations of the CSRC. During the Reporting Period, the Directors have performed the abovementioned corporate governance duties.

## II. BRIEF INTRODUCTIONS TO GENERAL MEETINGS

| Session of the meeting | Date of convening | Reference of the website specified for resolutions disclosure | Disclosure date of resolutions |
|---|---|---|---|
| 2018 annual general meeting | May 28, 2019 | http://www.sse.com.cn<br>http://www.hkexnews.hk | May 28, 2019 |

### Explanations on general meetings

Shareholders are investors of the Company. The Company attaches importance to shareholders' rights. The Articles of Association specifies the rights of shareholders and the way to realize rights. The Company focuses on communication with shareholders in order to enhance shareholders' understanding of the Company and protect shareholders' information right. The Company also values reasonable investment returns and dividend policies for shareholders and protects shareholders' rights to return.

In accordance with the provisions of the Articles of Association, the general meeting of shareholders shall exercise the following powers in accordance with the law: determine the Company's business policy and investment plan; elect and replace directors and supervisors not represented by employee representatives, determine the remuneration of directors and supervisors; review and approve the Company's annual financial budget and final settlement plan; review and approve the Company's profit distribution plan; make resolutions on the Company's increase or decrease of share capital and the issuance of any type of stocks, warrants and other similar securities, the issuance of corporate bonds and the hiring, and dismissal or no longer re-appointment of the accounting firm; consider and approve major related party transactions; amendments to the Articles of Association and so on.

# Section IX Corporate Governance

During the Reporting Period, the Company convened the 2018 annual general meeting at Meeting Room, 4/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC on May 28, 2019, at which 9 ordinary resolutions were considered and approved, including the "Report of the Board of Directors of the Company for the Year 2018", the "Report of the Supervisory Committee of the Company for the Year 2018", the "Final Accounts Report of the Company for the Year 2018", the "Profit Distribution Proposal of the Company for the Year 2018", the "Annual Report of the Company for the Year 2018", the "Proposal Regarding the Proprietary Business Scale of the Company in 2019", the "Proposal Regarding the Engagement of Auditing Firms for the year 2019", the "Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2019" and the "Proposal Regarding the Expected Provision of Guarantees by the Company in 2019" and two special resolutions were considered and approved, being the "Proposal Regarding the General Mandate to Issue Offshore Debt Financing Instruments of the Company" and the "Proposal Regarding the Amendments to the Articles of Association" and the "Company's 2018 Annual Work Report of the Independent Directors" was presented at the meeting. The relevant poll 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) and the Company's website (http://www.dfzq.com.cn) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on May 29, 2019.

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.

According to the requirements of the Articles of Association, as at the end of the Reporting Period, the fourth session of the Board comprises 14 Directors at present. The biographical details of the Directors as at the date of this report are set out in "Section VIII, Directors, Supervisors, Senior Management and Staff" in this report. None of the Directors or the senior management has any relations with each other (including financial, business, kinship or other material or connected relations). The Board is scientifically structured, 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 responsibilities to the shareholders jointly and severally.

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. The five 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

| | | Attendance at the Board meetings | | | | | Attendance at general meetings | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of Director | Independent Director or not | Number of Board meetings requiring attendance during the year | Attendance in person | Attendance via correspondence | Attendance by proxy | Absence | Absent from two consecutive meetings (in person) | Number of require attendance | Number of attendance at general meetings |
| Pan Xinjun | No | 9 | 9 | 6 | 0 | 0 | No | 1 | 1 |
| Jin Wenzhong | No | 9 | 9 | 6 | 0 | 0 | No | 1 | 0 |
| Liu Wei | No | 9 | 9 | 6 | 0 | 0 | No | 1 | 1 |
| Wu Junhao | No | 9 | 8 | 6 | 1 | 0 | No | 1 | 0 |
| Chen Bin | No | 9 | 9 | 6 | 0 | 0 | No | 1 | 0 |
| Li Xiang | No | 9 | 8 | 6 | 1 | 0 | No | 1 | 1 |
| Xia Jinghan | No | 9 | 9 | 6 | 0 | 0 | No | 1 | 0 |
| Xu Jianguo | No | 9 | 9 | 6 | 0 | 0 | No | 1 | 1 |
| Du Weihua | No | 9 | 8 | 6 | 1 | 0 | No | 1 | 0 |
| Xu Guoxiang | Yes | 9 | 9 | 6 | 0 | 0 | No | 1 | 1 |
| Tao Xiuming | Yes | 9 | 9 | 6 | 0 | 0 | No | 1 | 0 |
| Wei Anning | Yes | 9 | 9 | 6 | 0 | 0 | No | 1 | 1 |
| Xu Zhiming | Yes | 9 | 8 | 5 | 0 | 1 | No | 1 | 1 |
| Jin Qinglu | Yes | 9 | 9 | 6 | 0 | 0 | No | 1 | 0 |

***Explanation on absence from two consecutive Board meetings (in person)***

| | |
|---|---|
| Number of Board meetings convened during the year | 9 |
| Of which: Number of meetings held on-site | 3 |
| Number of meetings via correspondence | 6 |
| Number of meetings held both on-site and via correspondence | 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 nine meetings in total, details of which are as follows:

1. On January 8, 2019, the 8th meeting of the fourth session of the Board was held via correspondence, at which the "Resolution in relation to the Related-party/Connected Transaction Regarding the Acquisition of Partial Equity Interests in Citi Orient Securities Co., Ltd." was considered and approved.

2. On February 20, 2019, the 9th meeting of the fourth session of the Board was convened via correspondence, at which the "Resolution in relation to Adjusting the Establishment of the Company's Equity Investment and Trading Headquarters" was considered and approved.

3. On March 28, 2019, the 10th meeting of the fourth session of the Board was held on-site, at which the "Company's 2018 Annual Work Report of the Board", the "Company's 2018 Annual Operational Work Report", the "Company's Final Accounts Report for the Year 2018", the "Company's Profit Distribution Plan for 2018", the "2018 Annual Report of the Company", the "Report on Execution of Risk Control Indicators by the Company in 2018", the "Special Report Regarding the Company's Deposit and Actual Utilization of Proceeds Raised in 2018", the "Proposal on the Company's Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2019", the "Proposal on the Company's Proprietary Scale in 2019", the "Proposal Regarding the General Mandate to Issue Offshore Debt Financing Instruments of the Company", the "Proposal on the Change of Accounting Policies of the Company", the "Proposal on Amendments to the Accounting System of the Company", the "Company's 2018 Annual Risk Management Work Report", the "Company's 2018 Annual Compliance Report", the "Company's 2018 Annual Internal Control Assessment Report", the "Proposal on the Company's 2018 Annual Social Responsibility Report", the "Proposal Regarding the Audit of the Related Transactions of the Company in 2018", the "Proposal Regarding the Projected Daily Related Transactions of the Company in 2019", the "Proposal Regarding the Expected Provision of Guarantees by the Company in 2019", the "Proposal Regarding the Engagement of Auditing Firms for the year 2019", the "Proposal Regarding the Amendments to Certain Articles of the Articles of Association", the "Proposal on Formulating "Measures for the Formulation of Honest Practice in the Company"", the "Proposal on Convening 2018 Annual General Meeting of the Company" were considered and approved. The "Company's 2018 Annual Work Report of the Independent Directors" and the "2018 Report on Performance of Duties of the Audit Committee of the Board of the Company" were presented at the meeting.

4. On April 29, 2019, the 11th meeting of the fourth session of the Board was convened via correspondence, at which the "First Quarterly Report of the Company for the Year 2019", the "2018 Anti-Money Laundering Report of the Company" and the "Special Audit Report on the Company's Anti-Money Laundering Work in 2018" and the "Resolution Regarding the Amendments to the Term of Reference of the Audit Committee of the Company" were considered and approved.

5. On June 3, 2019, the 12th meeting of the fourth session of the Board was convened via correspondence, at which the "Resolution Regarding Capital Increase to Shanghai Orient Securities Innovation Investment Co., Ltd." and the "Resolution of Entering into of the Supplemental Agreement to the Connected Transaction Framework Agreement with Shenergy (Group) Company Limited" were considered and approved.

6. On July 9, 2019, the 13th meeting of the fourth session of the Board was convened via correspondence, at which the "Proposal on Provision for Impairment of Assets" was considered and approved.

7. On August 29, 2019, the 14th meeting of the fourth session of the Board was held on-site, at which the "Interim Report of the Company for the year 2019", "the Report on Execution of Risk Control Indicators of Net Capital by the Company for the First Half of 2019", "Special Report Regarding the Company's Deposit and Actual Utilization of Proceeds Raised In the First Half of 2019", the "Company's 2019 Interim Compliance Report", "the Company's 2019 Interim Risk Management Work Report", the "Proposal on the Establishment of a Compliance Management Effectiveness Evaluation Team of the Company" and the "Resolution Regarding the Amendments to the Term of Reference of the Remuneration and Nomination Committee of the Company" were considered and approved. The "Company's 2019 Half-year Operational Work Report" was presented at the meeting.

8. On October 30, 2019, the 15th meeting of the fourth session of the Board was convened on-site, at which the "Third Quarterly Report of the Company for the Year 2019", the "Proposal on Provision for Individual Credit Impairment" and the "Proposal on Change of Joint Company Secretary" were considered and approved and the "Operating Work Report of the Company for the Third Quarter of 2019" was presented.

9. On December 13, 2019, the 16th meeting of the fourth session of the Board was convened via correspondence, at which the "Proposal Regarding the Provision of Non-financing Guarantees to Certain of its Wholly-owned Subsidiaries by Orient Finance Holdings (Hong Kong) Limited" and the "Resolution Regarding the Related Transaction of Transfer of the Equity Interests in Shanghai ICY Capital Co., Ltd. by Orient Securities Capital Investment" were 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 meeting and general meetings" in this section and "Duties of various special committees and their meetings" for attendances of independent Directors at general meetings, Board meetings and meetings of special committees. The 2019 Annual Work Report of Independent Directors of Orient Securities Company Limited disclosed by the Company on the website of the SSE on March 27, 2020 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 balance 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 businesses 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 Hong Kong Listing Rules) of the Company are served by different individuals to secure independence of their duties, accountabilities and balanced distribution of rights and authorizations. Mr. Pan Xinjun serves as the chairman of the Company and Mr. Jin Wenzhong serves as the president of the Company. The Rules of Procedure for Board Meetings and Work Rules for the President considered and approved 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 and appropriate issues in a timely manner; and ensuring that the Company formulates sound corporate governance practices and procedures and the Board acts in the best interest of the Company and all 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, for details, please refer to the "Section IX, IV, (ii) 3. Remuneration and Nomination Committee". 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. Terms of office of non-executive Directors*

Non-executive Directors of the Company are all elected by the general meetings or employee representative meetings, with terms of office of three years, which are renewable upon re-election and reappointment.

*4. Directors' remunerations*

Please refer to "Section VIII, III. Remunerations of Directors, Supervisors and Senior Management" 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 Board of Directors office of the Company also regularly compiles and delivers Board Brief, 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 Directors | Date | Duration | Organizer | Content | Place of training |
|---|---|---|---|---|---|
| All Directors | January 10, 2019 | / | Hong Kong Stock Exchange | Update on Directors' Responsibilities under Hong Kong Listing Rules | / |
| All Directors | April 29, 2019 | / | The Company | Analysis on the Operation of Securities Companies in the First Quarter of 2019 | / |
| Pan Xinjun, Xia Jinghan, Xu Jianguo | May 15-17, 2019 | Three days | The Hong Kong Institute of Chartered Secretaries | The 49th Joint Member's Lecture on Strengthening Sustainable Professional Development | Yunnan |
| Liu Wei, Wu Junhao, Li Xiang, Xu Jianguo, Xu Zhiming | May 31, 2019 | One day | Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies | The First Training Course for Directors and Supervisors in 2019 in Shanghai Jurisdiction | Shanghai |

| Name of Directors | Date | Duration | Organizer | Content | Place of training |
|---|---|---|---|---|---|
| Pan Xinjun | June 6, 2019 | One day | CSRC, China Association of Listed Companies | The 3rd Seminar for Chairman and General Manager of Listed Companies in 2019 | Shanghai |
| All Directors | June 19, 2019 | / | The Company | Ranking of Operating Performance of Securities Companies in 2018 | / |
| All Directors | July 15, 2019 | / | SFC | Statement on Directors' Conduct and Responsibility in Consideration of Acquisition or Sale Projects | / |
| Jin Wenzhong, Xia Jinghan | September 24, 2019 | One day | Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies | The Second Training Course for Directors and Supervisors in 2019 in Shanghai Jurisdiction | Shanghai |
| All Directors | October 30, 2019 | / | The Company | Analysis on the Operation of Securities Companies in the Third Quarter of 2019 | / |
| Xu Guoxiang | December 12, 2019 | One day | Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies | The Third Training Course for Directors and Supervisors in 2019 in Shanghai Jurisdiction | Shanghai |
| All Directors | December 19, 2019 | / | Hong Kong Stock Exchange | "Summary of Consultation on Guidelines for Environmental, Social and Governance Reports" and the Issuer's Review Report on Disclosure of Environmental, Social and Governance Practices | / |

## 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 of the Board and their members

During the Reporting Period, the fourth session of the Board of the Company sets up four special committees, with members set out as follows:

1. Strategic Development Committee: Pan Xinjun (chairman), Jin Wenzhong, Wu Junhao, Xu Zhiming, Du Weihua;

2. Compliance and Risk Management Committee: Pan Xinjun (chairman), Jin Wenzhong, Li Xiang, Xia Jinghan, Tao Xiuming;

3. Remuneration and Nomination Committee: Wei Anning (chairman), Liu Wei, Chen Bin, Xu Guoxiang, Jin Qinglu;

4. Audit Committee: Jin Qinglu (chairman), Wu Junhao, Xu Jianguo, Xu Guoxiang, Wei Anning.

*Note:* On February 14, 2020, the Board received the written resignation letter from Mr. Du Weihua, an employee representative Director. Due to work adjustment, Mr. Du Weihua resigned as an employee representative Director and member of the Strategic Development Committee of the Board.

On March 27, 2020, the 18th meeting of the fourth session of the Board considered the "Resolution in relation to the Election of Members of the Special Committee under the Board", by which Mr. Zhou Donghui was elected as the member of the Remuneration and Nomination Committee of the fourth session of the Board, and will officially take office from the date he is elected as a non-executive Director at the general meeting; Mr. Chen Xiaobo was elected as the member of the Strategy Development Committee of the fourth session of the Board of the Company.

### (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 the 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, no meeting of the Strategic Development Committee was held.

*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 in 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 Hong Kong Listing Rules 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 four meetings in total, the details of which are as follows:

On January 8, 2019, the 1st meeting of the Compliance and Risk Management Committee of the fourth session of the Board in 2019 was convened, at which the "2018 Compliance Management Effectiveness Evaluation Work Plan of the Company" and the "2018 Comprehensive Risk Management Assessment Work Plan of the Company" were considered and approved.

On March 27, 2019, the 2nd meeting of Compliance and Risk Management Committee of the fourth session of the Board in 2019 was convened, at which the "Report on Execution of Risk Control Indicators by the Company for the Year 2018", the "Proposal on the Company's Allocation of Assets and Liabilities, Business Scale and Risk Control Plan for 2019", the "Proposal on the Company's Proprietary Scale for 2019", the "Risk Management Work Report of the Company for the Year 2018", the "Company's 2018 Annual Compliance Report", the "Report on Effectiveness Assessment of Compliance Management of the Company for the Year 2018" and the "Work Proposal on Assessment of Overall Risk Management of the Company for the Year 2018" were considered and approved, and performance evaluation of the Chief Compliance Officer for the year 2018 was conducted.

On August 29, 2019, the 3rd meeting of Compliance and Risk Management Committee of the fourth session of the Board in 2019 was convened, at which the "Report on Execution of Interim Risk Control Indicators of Net Capital Report by the Company for the First Half of 2019", the "Company's 2019 Interim Compliance Report", the "Company's 2019 Interim Risk Management Work Report" and the "Resolution in relation to the Establishment of the Compliance Effectiveness Assessment Team of the Company" were considered and approved.

On December 13, 2019, the 4th meeting of Compliance and Risk Management Committee of the fourth session of the Board in 2019 was convened, at which the "2019 Compliance Management Effectiveness Evaluation Work Plan of the Company" and the "2019 Comprehensive Risk Management Assessment Work Plan of the Company" were considered and approved.

Attendance of the members of the Compliance and Risk Management Committee of the fourth session of the Board during the Reporting Period:

| Name | Number of actual attendances/ number of attendances as required |
|---|---|
| Pan Xinjun (chairman) | 4/4 |
| Jin Wenzhong | 4/4 |
| Li Xiang | 3/4 |
| Xia Jinghan | 4/4 |
| Tao Xiuming | 4/4 |

### 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 making recommendations regarding any proposed changes to the Board to complement the corporate strategy.

*Board Diversity Policy*

The Remuneration and Nomination Committee is responsible for making and reviewing the Board diversity policy, and the expected goals will be discussed and determined annually to implement the diversity of the Board and recommend the goals to the Board for adoption. When the Remuneration and Nomination Committee is considering the composition of the Board, it shall ensure the balance between executive Directors and non-executive Directors (including independent non-executive Directors) and consider, from multiple aspects, the diversity of the members of the Board, including but not limited to their gender, age, cultural, educational background, and professional experience. During the Reporting Period, the Remuneration and Nominating Committee has considered the Board diversity policy and believes that the current composition of the Board meets the above requirements for diversity.

*Nomination Policy for Directors*

According to the requirements in Article 134 of the Articles of Association, the Board or shareholders individually or jointly holding more than 3% of the shares of the Company are entitled to nominate candidates for non-independent Directors to the shareholders' general meeting; the Board, the Supervisory Committee, or shareholders individually or jointly holding more than 1% of the issued shares of the Company are entitled to nominate candidates for independent Directors to the shareholders' general meeting. Written notice of intention to nominate a candidate for the post of Director and the candidate's agreement to be nominated must be given to the Company seven days prior to the convening of the shareholders' general meeting (such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and end no later than seven days prior to the shareholders' general meeting). The term of the nomination and the acceptance of the nomination shall be no less than seven days.

When the Remuneration and Nomination Committee considers the selection of Directors, president and other senior management, the Remuneration and Nomination Committee shall actively communicate with the relevant departments of the Company, to study the requirements of the Company and produce written reports; the Remuneration and Nomination Committee may search extensively for candidates within the Company, its holding (associate) enterprises and the human resources market; collect all information about the occupation, academic qualifications, titles, detailed working experience and all part time work experience of the shortlisted candidates, and produce written reports; obtain consent from the nominees regarding the nomination, otherwise they shall not be considered as candidates; convene a meeting to conduct a qualification review on the shortlisted candidate(s); submit to the Board its proposal(s) and relevant information on the candidates one to two months prior to the election of new Director(s) and the appointment of new president and senior management; carry out other follow-up work according to the decision and feedback of the Board.

The Remuneration and Nomination Committee reviews and advises on the selection criteria and procedures for Directors and senior management, identify qualified individuals as candidates for Directors and senior management, review their qualifications and making recommendations; make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular, the chairman and the president); assess the independence of independent Directors; study and review 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.

*Appraisal and remuneration management system*

The 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 of executive directors and senior management. The above-mentioned remuneration 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 in 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 president and other member of the senior management; and other matters as authorized by the Board or as stipulated in the Articles of Association.

During the Reporting Period, the Remuneration and Nomination Committee convened three meetings in total, the details of which are as follows:

On March 28, 2019, the 1st meeting of the Remuneration and Nomination Committee of the fourth session of the Board in 2019 was convened, at which the assessment results of the chief risk officer and compliance officer were considered and approved.

On June 6, 2019, the 2nd meeting of the Remuneration and Nomination Committee of the fourth session of the Board in 2019 was convened, at which the "Opinions and Suggestions on Perfecting the Assessment and Compensation Mechanism of the Company's Management" was presented and discussed.

On August 12, 2019, the 3rd meeting of the Remuneration and Nomination Committee of the fourth session of the Board in 2019 was convened, at which the "Proposal on the Assessment Results of the Company's President and Vice President Management Team Members during 2016 to 2018", the "Proposal on Deliberating the Company's Performance Appraisal Target for Three-Year Term (2019-2021) and the Performance Appraisal Target for 2019 of the Company and Its Leading Group Members" and the "Proposal on Formulating the Diversity Policy of the Board of Directors of Orient Securities Company Limited" were considered and approved.

Attendance of the members of the Remuneration and Nomination Committee of the fourth session of the Board during the Reporting Period:

| Name | Number of actual attendances/ number of attendances as required |
|---|---|
| Wei Anning (chairman) | 3/3 |
| Liu Wei | 3/3 |
| Chen Bin | 2/3 |
| Xu Guoxiang | 3/3 |
| Jin Qinglu | 2/3 |

*4. Audit Committee*

The main duties of the Audit Committee include: making recommendations to the Board on the appointment, re-appointment or change 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, interim 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 communication between the internal and external auditor, so as to ensure co-ordination between the internal and external auditor; ensuring that the internal auditor 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 related 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 eight meetings in total, the details of which are as follows:

On January 8, 2019, the 1st meeting of the Audit Committee of the fourth session of the Board in 2019 was convened, at which the "Resolution in relation to the Related-party/Connected Transaction Regarding the Acquisition of Partial Equity Interests in Citi Orient Securities Co., Ltd." was considered and approved.

On March 28, 2019, the 2nd meeting of the Audit Committee of the fourth session of the Board in 2019 was held, at which the "Report on the Company's 2018 Annual Audit and Audit Results", the "2018 Annual Report of the Company", the "Special Report on the Deposit and Actual Utilization of Proceeds Raised of the Company in 2018", the "Proposal on Changes of Accounting Policies of the Company", the "Proposal on Amendments to the Accounting System of the Company", the "2018 Assessment Report on Internal Control", the "Proposal on Audit of Related Party Transactions in 2018", the "Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2019", the "Proposal on Confirmation of the Company's List of Related Parties for 2018" and the "Proposal Regarding the Engagement of Accounting Firm for 2019" were considered and approved, and "2018 Annual Performance Report of the Audit Committee under the Board of the Company" and the "2018 Annual Audit Work Report of the Company" were presented.

On April 29, 2019, the 3rd meeting of the Audit Committee of the fourth session of the Board in 2019 was held, at which the "First Quarterly Report for the Year 2019 of the Company" and the "Special Audit Report on the Company's Anti-Money Laundering Work in 2018" were considered and approved.

On June 3, 2019, the 4th meeting of the Audit Committee of the fourth session of the Board in 2019 was held, at which the "Proposal Regarding the Supplemental Agreement to the Connected Transaction Framework Agreement with Shenergy (Group) Co., Ltd." was considered and approved.

On July 8, 2019, the 5th meeting of the Audit Committee of the fourth session of the Board in 2019 was held, at which the "Proposal on Provision for Impairment of Assets" was considered and approved.

On August 29, 2019, the 6th meeting of the Audit Committee of the fourth session of the Board in 2019 was held, at which the "2019 Interim Report of the Company", the "Special Report on the Deposit and Actual Utilization of Proceeds Raised of the Company in First Half of 2019" and the "Proposal Regarding Confirmation of the Company's List of Related Parties in First Half of 2019" were considered and approved, and the "2019 IFRS Interim Review Summary Report" was presented.

On October 30, 2019, the 7th meeting of the Audit Committee of the fourth session of the Board in 2019 was held, at which the "Third Quarterly Report for the Year 2019 of the Company" was considered and approved.

On December 12, 2019, the 8th meeting of the Audit Committee of the fourth session of the Board in 2019 was held, at which the "A + H Share Audit Plan of the Company for 2019" and "2019 Internal Control Evaluation Work Plan of Orient Securities Company Limited" were considered and approved.

During the Reporting Period, the attendance of members under the Audit Committee of the fourth session of the Board is as follows:

| Name | Number of meetings attended/ Number of meetings that require attendance |
|---|---|
| Jin Qinglu (chairman) | 8/8 |
| Wu Junhao | 8/8 |
| Xu Jianguo | 6/8 |
| Xu Guoxiang | 8/8 |
| Wei Anning | 8/8 |

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

During the Reporting Period, all Supervisors of the Company lawfully, honestly and diligently fulfilled their duties in compliance with relevant requirements of laws and regulations and the Articles of Association. The Supervisors actively attended the meetings of the Supervisory Committee, conducted effective supervision over the finance, compliance and risk management and gave prompt opinions and suggestions thereon, which promoted the sustainable and healthy development of the Company.

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 Supervisors | Required attendance *(times)* | Attendance in person *(times)* | Attendance by proxy *(times)* | Absence *(times)* | Voting result |
|---|---|---|---|---|---|
| Zhang Qian | 6 | 6 | 0 | 0 | in favour of all proposals |
| Li Bin | 6 | 6 | 0 | 0 | in favour of all proposals |
| Huang Laifang | 6 | 5 | 1 | 0 | in favour of all proposals |
| Tong Jie | 6 | 5 | 1 | 0 | in favour of all proposals |
| Liu Wenbin | 6 | 5 | 1 | 0 | in favour of all proposals |
| Yin Keding | 6 | 5 | 1 | 0 | in favour of all proposals |
| Wu Zhengkui | 6 | 5 | 1 | 0 | in favour of all proposals |
| Zhou Wenwu | 6 | 6 | 0 | 0 | in favour of all proposals |
| Yao Yuan | 6 | 6 | 0 | 0 | in favour of all proposals |

### (ii) Meetings of the Supervisory Committee

On March 28, 2019, the 6th meeting of the fourth session of the Supervisory Committee was convened on-site, at which the "Work Report of Supervisory Committee of the Company for the Year 2018", the "Company's 2018 Annual Financial Report", the "Company's 2018 Annual Compliance Report", the "Company's 2018 Annual Risk Management Work Report, the "Resolution Regarding the Company's 2018 Annual Internal Control Assessment Report", the "Evaluation Report on Performance of Duties by Directors of the Company for the Year 2018", the "Evaluation Report on Performance of Duties by Supervisors of the Company for the Year 2018", the "Evaluation Report on Performance of Duties by Senior Management of the Company for the Year 2018", the "Company's 2018 Annual Report", the "Special Report Regarding the Company's Deposit and Actual Utilization of Proceeds Raised in 2018", the "Proposal on Audit of Related Party Transactions in 2018", the "Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2019", the "Proposal on Profit Distribution Plan of the Company for Year 2018", the "Proposal on Change of Accounting Policies of the Company", the "Proposal on Amendments to the Accounting System of the Company", the "Proposal on Formulating Regulations on the Work of the Supervisory Committee of the Company (Trial)" and the "Proposal on Amendments to the Measures for the Performance Evaluation of Directors, Supervisors and Senior Management by the Board of Supervisors of the Company (Trial)" were considered and approved.

On April 29, 2019, the 7th meeting of the fourth session of the Supervisory Committee was convened via correspondence, at which the "First Quarterly Report of the Company for the Year 2019", the "2018 Anti-Money Laundering Work Report of the Company" and the "Special Audit Report on the Company's Anti-Money Laundering Work in 2018" were considered and approved.

On July 9, 2019, the 8th meeting of the fourth session of the Supervisory Committee was convened via correspondence, at which the Proposal on Provision for Impairment of Assets was considered and approved.

On August 29, 2019, the 9th meeting of the fourth session of the Supervisory Committee was convened on-site, at which the "Interim Report of the Company for the Year 2019", the "Special Report Regarding the Company's Deposit and Actual Utilization of Proceeds Raised in the First Half of 2019" and the "Proposal on the Establishment of a Compliance Management Effectiveness Evaluation Team of the Company" were considered and approved. The "2019 Interim Work Report of the Company's Supervisory Committee", the "Company's 2019 Interim Financial Work Report", the "Company's 2019 Interim Compliance Report", and the "Company's 2019 Interim Risk Management Work Report" were presented at the meeting.

On October 30, 2019, the 10th meeting of the fourth session of the Supervisory Committee was convened on-site, at which the "Third Quarterly Report of the Company for the Year 2019" and the "Proposal on Provision for Individual Credit Impairment" were considered and approved.

On December 13, 2019, the 11th meeting of the fourth session of the Supervisory Committee was convened via correspondence, at which the "Proposal Regarding the Provision of Non-financing Guarantees to Certain of its Wholly-owned Subsidiaries by Orient Finance Holdings (Hong Kong) Limited" and the "Resolution Regarding the Related-party Transaction of Transfer of the Equity Interests in Shanghai ICY Capital Co., Ltd. by Orient Securities Capital Investment" were considered and approved.

## 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 25.27% 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.

### (i) Business independence

Pursuant to the regulations under the Company Law 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.

### (ii) 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 management 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, 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.

### (iii) 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.

### (iv) 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.

### (v) Financial independence

The Company has set up a dedicated financial department, with dedicated financial accounting system and financial management system. The Company 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 chief financial officer 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.

## 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 development of the industry and led cadres and staff to work hard and improve hand in hand. In addition, the Company further sped up the progress of capital supplement and talents development, completed the establishment of system and mechanism, accelerated the progress of business transformation and strengthened compliance risk tasks, which contributed to the remarkable achievements in the business development and assessment indicators made by the Company. During the Reporting Period, the Company further introduced, cultivated, promoted and utilized young cadres to optimize team structure of cadres. The Company also reviewed the cadres terms of office in order to strictly supervise their duty performance. The enhancement of training and cultivation of cadres also enhanced leadership of mid-to-high level cadres.

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 on its senior management.

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

For details of the Company's assessment report on internal control, please refer to the Assessment Report on Internal Control of Orient Securities Company Limited for the Year 2019 disclosed on the website of the SSE (http://www.sse.com.cn) on March 27, 2020.

## IX. EXPLANATIONS ON MATERIAL DEFECTS IN INTERNAL CONTROL DURING THE REPORTING PERIOD

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

## X. EXPLANATIONS ON THE AUDIT REPORT ON INTERNAL CONTROL

Deloitte Touche Tohmatsu Certified Public Accountants LLP 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.

For details of the Company's audit report on internal control, please refer to the Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE (http://www.sse.com.cn) on March 27, 2020.

Whether internal control audit report is disclosed: yes

## XI. 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 control 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 take 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. 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 shall be responsible for the effectiveness of internal control of the Company. Besides, 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 Chief Compliance Officer is responsible for enforcing the strategies and policies of the compliance management and submitting compliance reports to the Board. The Supervisory Committee of the Company 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, office of discipline inspection, 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 and subsidiaries serves as the implementation unit for internal control. The Company designates a special person to oversee 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 commenced a thorough review and improvement, formulating and revising internal regulations and systems relating to corporate governance, principal businesses and compliance risk management based on the work of last year and with reference to management in respect of the comprehensive risk management, compliance management and anti-money laundering management promulgated this year together with the assessment on internal control of the Company 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 of the Group. During the Reporting Period, the Company updated and improved the internal control system in combination with the new regulations issued by the regulatory authorities, hot spots in the industry and the development process of Scientific and Technological Innovation Board business, issued 98 policies or rules in total, of which 63 are at corporate level and above, and 35 are at department level. Such policies or rules mainly included the Measures for the Administration of Honest Practice of Orient Securities Company Limited, the Measures for Data Governance of Orient Securities Company Limited, the Measures for the Administration of Seal of Orient Securities Company Limited (as revised in 2019), the Emergency Management Plan of Orient Securities Company Limited (as revised in 2019), the Information Barrier System of Orient Securities Company Limited (as revised in 2019) and Measures for the Administration of Research Report on Investment Value of Science and Technology Innovation Board of Orient Securities Company Limited.

### (iv) Basis of building internal control over financial reports

The Company has established and improved a sound internal control system over financial reports based on the Basic Norms for Enterprise Internal Control and Corresponding Guidelines for Enterprise Internal Control issued jointly 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 SSE for the Internal Control of Listed Companies issued by the SSE.

During the Reporting Period, considering 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, and 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 the Reporting Period, the Company has established an internal control system which fully covered its departments, branches and 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, the Guidelines of SSE for the Internal Control of Listed Companies, Internal Control Guidelines for Bond Investment and Trading Business of Securities Fund Operating Institutions and Guidelines on Internal Control of Investment Banking Business of Securities Companies and other relevant laws and regulations, the Company comprehensively sorted out the business procedures of its departments, branches and subsidiaries, updated regularly in accordance with external laws and regulations, company systems and business updates, performed risk identification, prepared risk lists, evaluated effectiveness of internal control measures as well as prepared 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 checking 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 SSE 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 as at December 31, 2019 and issued the 2019 Evaluation Report on Internal Control. 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 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 2020 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 2020.

# Section IX Corporate Governance

## XII. ESTABLISHMENT OF THE COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY

During the Reporting Period, the Company focused on implementing the Group's collaborative strategic tasks and supporting the new business of Science and Technology Innovation Board, and fully performed its compliance management responsibilities; thoroughly implemented the group management strategy of the Company and continuously strengthened the cooperative management of parent and subsidiary companies; optimized the construction of information systems and continuously improved the level of compliance and fine management and focused on customer management, anti-money laundering, securities consulting business, employee practices and product management. The Company shored up our weak spots, focused on punishment, highlighted implementation; and earnestly performed compliance management duties such as compliance review, compliance inspection and compliance monitoring, and diligently performed legal management duties such as legal review, judicial cooperation and legal support. Various assignments had been carried out in an orderly manner and were progressing steadily. In 2019, through the above-mentioned measures, the Company successfully promoted various compliance management, and maintained effective operations of its compliance management system through the above measures and was rated as a Grade A of Class A company among brokers in 2019.

### (1) Compliance management philosophy of the Company

The compliance management philosophies promoted by the Company mainly include: all employees are accountable to compliance; compliance starts from senior management; compliance creates value; compliance is the cornerstone of the Company.

### (2) Compliance management principle of the Company

The Company established compliance management mechanism and guaranteed the effectiveness, comprehensiveness, independence and compulsoriness 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 continuous, standardized, and stable development, the Company has established a sound compliance management system pursuant to relevant laws and regulations and rules of self-regulation including the Regulations on Administration Supervision of Securities Companies, the Administrative Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies, and the Guideline for the Implementation of the Compliance Management of Securities Companies based on the principle of effectiveness, independence, comprehensiveness and compulsoriness.

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 decision of the objectives of the compliance management of the Company, and take ultimate responsibility for the effectiveness of corporate compliance management, details of which include: considering and approving the Company's basic system of compliance management; considering and approving annual compliance report; deciding the dismissal of the senior management member who assumes the primary or leadership responsibility for substantial compliance risks; deciding the engagement, dismissal, making an appraisal on the duty performance of chief compliance officer and determining his/her remuneration; establishing direct communication mechanism with the chief compliance officer; evaluating the effectiveness of compliance management and urging rectification in relation to compliance management defects; performing other compliance management duties stipulated in the Articles of Association.

To ensure the specialization of compliance management, the Board has established the compliance and risk management committee, whose responsibilities include: considering and advising on the general objectives of compliance management and risk management, considering and advising on basic policies; considering and advising on the establishment of compliance management and risk management institutions and determining respective duties thereof; evaluating and advising on solutions of material decision-making risks and material risks required to be considered by the Board; considering and advising on compliance reports and risk assessment reports required to be considered by the Board; performing other duties determined by the Board and stipulated in the listing rules or regulatory rules of the place where the shares of the Company are listed.

The Supervisory Committee takes the supervisory responsibilities for the effectiveness of Company's compliance management, whose duties include: supervising the duty performance of compliance management by Directors and senior management; proposing the dismissal of the Directors and senior management who assume the primary or leadership responsibility for the occurrence of major compliance risks; performing other compliance management duties as stipulated in the Articles of Association.

The senior management of the Company is responsible for fulfilling the compliance management objectives, establishing and optimizing compliance management mechanism and carrying out compliance management tasks in daily operations, whose duties include: establishing and improving the organizational structure of compliance management, observing compliance management procedures, employing adequate and appropriate compliance managers, and providing sufficient human resources, material resources, financial resources and technical support and guarantee for their performance of duties; organizing the drafting, formulating and thoroughly enforcing the internal rules and procedures and supervising the implementation thereof; proactively promoting the concept of compliance operation, actively cultivating the compliance culture of the Company, earnestly performing the compliance management duties and proactively implementing the compliance management requirements in the ordinary course of business; attaching great importance to the effectiveness of compliance management of the Company and requiring its departments, branches, subsidiaries and staff to make timely improvement in the event of problems; urging and reminding other senior management officers, the person-in-charge of each department, branch and subsidiary of the Company to earnestly perform the compliance management duties and implement the compliance management requirements; supporting the work of chief compliance officer, compliance and legal management department and compliance management personnel in each department, branch and subsidiary and urging each department, branch and subsidiary to provide effective guarantee for the performance of duties for compliance management personnel; supporting each department, branch and subsidiary and its compliance management personnel to report the compliance risk matters to the Company and the compliance and legal management department in accordance with the rules of the Company; supporting the chief compliance officer and the compliance and legal management department to report the compliance risk matters to the Board and regulators in accordance with regulatory requirements and the rules of the Company; sufficiently soliciting and paying full attention to the compliance opinion from the chief compliance officer, the compliance and legal management department and compliance management personnel in each department, branch and subsidiary in the course of decision-making within the scope of their responsibilities; urging each department, branch and subsidiary of the Company to carry out self-investigation or support the investigation conducted by the Company in relation to the compliance risk matters as well as to implement compliance accountability in strict accordance with the requirements of the Company and impose rectification measures, performing other compliance management duties as stipulated in the Articles of Association or determined by the Board.

The person-in-charge of each department, branch and subsidiary of the Company shall be responsible for carrying out the compliance management objective and shall strengthen the supervisory management for practice conduct of its staff, and bears the leading responsibilities for compliance operation in such unit, whose duties include: organizing implementation of the internal rules and procedures of and drafting up and formulating the rules in relation to the duties of the unit and supervising the implementation thereof; establishing and improving the unit's compliance management rules and mechanism, and embedding compliance requirements of all business activities in business management rules and operating procedures; actively advocating the concept of compliance operation in the unit and actively cultivating the company's compliance culture; actively assisting in the work of the chief compliance officer and the compliance and legal department, and diligently soliciting and implementing the compliance management opinions of the chief compliance officer and the compliance and legal management department; assigning qualified compliance managers to the unit, and avoiding the distribution of work in conflict with the performance of compliance functions; supporting the work of compliance managers of the unit, providing performance guarantee for compliance managers of the unit, including but not limited to participating in the unit's important meetings, consulting the unit's various types of business and management documents, and fully respecting their rights to offer professional compliance opinions in an independent manner; sufficiently demonstrating the compliance with laws and regulations of the business before conducting the business, sufficiently soliciting the compliance examination opinion of compliance managers of the unit, effectively assessing the compliance risks of the business, and actively avoiding the implementation of any business with compliance risks; reporting to the Company, proposing rectification measures and supervising the implementation thereof in accordance with the Company's rules in a timely manner when issue in relation to compliance risks relevant to the businesses of the unit are identified.

All staff of the Company shall comply with the laws, regulations and rules relating to their practice conduct, actively identify and control compliance risks in their practice conduct, as well as directly shoulder direct responsibilities for the compliance of all businesses and practice conduct within the scope of operational activities and shall perform the following compliance management duties: proactively acquiring knowledge, keeping abreast of and complying with relevant laws, regulations and rules; actively attending compliance training and compliance promoting activities arranged by the Company; signing the documents of compliance commitments and keeping the commitments thereof according to the Company's requirements; paying sufficient attention to compliance of practice conduct in the course of the practice; actively identifying and preventing business compliance risks during the course of business; actively reporting to the Company in a timely manner in accordance with the requirements of the Company when illegal actions or compliance risks are identified; actively cooperating with investigation commenced by the Company, accepting accountability and implementing rectification measures when compliance risks issues are identified.

To guarantee the effective implementation of compliance management, the Company has set up a position of chief compliance officer who is a member of senior management and in charge of Company's compliance issues and is directly accountable to the Board. The chief compliance officer shall examine, supervise and inspect the compliance concerning the operation, management and practice conduct of the Company and its staff.

To ensure the independence of chief compliance officer, the Company has provided that the chief compliance officer shall not concurrently take charge of the business department and branches with business functions and shall not be in charge of the business department and branches with business functions as well as shall not concurrently take charge of business operations in subsidiaries of which the duties are in conflict with that of the compliance management. The main duties of chief compliance officer include: (i) organizing the formulation of the fundamental system for compliance management and other compliance management systems, supervising the implementation of such systems by all subordinate entities; promptly making recommendations to the Board or senior management and monitoring the relevant departments to evaluate the impact on compliance management, making corresponding amendments and improvements to relevant systems and workflows where there are changes in any external laws, regulation and rules. (ii) proceeding with the compliance examination concerning the internal rules and procedures, material decision making, new products and new business schemes of the Company and presenting the opinion of the compliance examination in writing; conducting a compliance review on application documents or reports submitted by the Company at the request of the CSRC and its agencies or self-regulatory organization and signing the relevant documents of the opinion of the compliance examination; other relevant members of senior management shall be responsible for the truthfulness, accuracy and completeness of the basic facts and business data set out in application documents or reports; and in the event that the Company does not accept the compliance review opinion of the chief compliance officer, relevant matters shall be submitted to the Board for decision-making. (iii) conducting supervision concerning the compliance of operation, management and practice conduct of the Company and its personnel, proceeding with regular and irregular inspection according to the requirements of the CSRC and its agencies or self-regulatory organization. (iv) assisting the Board and the senior management members in establishing and implementing the information firewall, conflict of interest management and anti-money laundering policy. (v) providing compliance consultation for the senior management members and each subordinate entity of the Company. (vi) organizing compliance training for the senior management members, each subordinate entity and staff of the Company. (vii) guiding and supervising the Company and relevant departments to deal with the complaints and reports on the conduct of the Company and the personnel of the Company violating the laws and regulations. (viii) reporting to the Board and the chief operating officer on the compliance issue about operating management of the Company and the progress of implementation of compliance management works pursuant to the rules of the Company; reporting promptly to both the Board and chief operating officer upon discovery of the conduct of the Company violating the laws and regulations or of hidden risks of compliance pursuant to the requirement set out in the Articles of Association, proposing opinion to handle such conduct or hidden risks and supervising the rectification; supervising the Company to promptly report to relevant agencies of the CSRC; in the event that the Company fails to report in time, directly reporting to relevant agencies of the CSRC; in the case of involving violation of the normative and self-regulatory rules of the industry, reporting to the relevant self-regulatory organizations. (ix) handling matters subject to investigation as required by the CSRC, its agencies and self-regulatory organization in a timely manner, cooperating with the CSRC, its agencies and self-regulatory organization in respect of the inspection and investigation carried out on the Company, as well as supervising and evaluating the implementation of regulatory opinions and regulatory requirements. (x) maintaining record for inspection of the documents and information in relation to the duties performed, such as the issue of compliance examination opinion, provision of compliance consultancy advice, the execution of Company's documents, and the original copy of compliance examination, and to record the details of performance of duties. (xi) performing other duties which are not contrary to the compliance management duties.

The Company also established a compliance department, the compliance and legal management department, to assist chief compliance officer to perform his duties. Compliance and legal management department is a functional department to coordinate with the chief compliance officer to perform compliance management duties and is responsible for the Company's compliance management and legal management. The person in charge of the compliance and legal management department shall be nominated by the chief compliance officer. Compliance and legal management department, accountable to the chief compliance officer, shall perform duties of compliance and management in accordance with the Company's requirements and the chief compliance officer's arrangement. Compliance and legal management department shall not assume other duties relating to business, finance and information technology that conflicts with that of compliance management.

A full-time or part-time compliance and risk officer is also deployed in each of the Company's departments and branches. Such officer is responsible for formulating and refining internal control procedures of the unit, carrying out compliance review of every business activity of the department, completing compliance management tasks and providing assistance to the compliance and legal management department and incorporating compliance management to the whole process of operation, management and employees' practice conduct. The position of compliance and risk officer is held by the personnel with certain levels or above in the unit and with proven capabilities to perform his duties.

The audit department incorporates the effectiveness of compliance management into the scope of internal audit, conducts independent audit and review of compliance management of the Company and each of its departments, branches, wholly-owned and controlling subsidiaries, advising on reasonable auditing opinion to enhance compliance management levels of the Company. Relevant accountability units shall implement rectification measures in a timely manner when issues relating to internal auditing are discovered. The Company shall incorporate auditing results into the scope of assessment and accountability, implement rules of accountability regarding certain consequences as a results of material breach or ineffective rectification made by a unit or an individual.

### (4) The Company's compliance management system

Pursuant to the provisions under the Regulations on Administration Supervision of Securities Companies and the Administrative Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies promulgated by the CSRC and the Guideline for the Implementation of the Compliance Management of Securities Companies promulgated by the Securities Association of China and other laws and regulations and rules of self-regulation, 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.

During the Reporting Period, the Company continued to press ahead with the management of normalized internal control and gradually improved its delicacy management level. During the year, the Company organized each department, branch, wholly-owned and controlling subsidiaries to commence self-inspection and on-site review of internal control for the year 2019 and based on the annual internal control inspection work, the Company carried out supporting reforms to the internal control system, involving 12 new functional points and 10 optimized functional points, optimized the style of self-examination forms; and completed the data connection with the audit discovery points of the audit system, which totaled 248 pieces of data, etc. At the same time, the Company instructed the Debt Financing Business Department to complete the standardization of internal control. Through the normalization of internal control, the Company promoted the standardized operation of the Company to ensure the effective implementation and enforcement of the Company's system.

In addition, 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 or amendment to various systems shall be subject to the approval by the compliance department, which guarantees the normalization of such systems. In 2019, the Company reviewed 106 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 chief compliance officer shall report promptly to the Board, the Supervisory Committee, management, regulators and industrial self-regulatory 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 and annual compliance reports of the preceding year prior to April 30 to the regulators according to the relevant requirements. Compliance reports shall be written in forms and merits 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 Supervisory Committee of the Company for the purpose of enabling the Supervisors of the Company to be better informed of the implementation of compliance management of the Company.

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 chief compliance officer, 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 compliance and risk management by comprehensive monthly reports on compliance management and comprehensive monthly reports on risk management. Compliance and risk 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. Compliance and risk officers of relevant business departments 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.

## XIII. CHECK AND AUDIT BY THE COMPLIANCE AND AUDIT DEPARTMENT OF THE COMPANY

During the Reporting Period, the audit headquarters closely focused on the Company's strategic planning, adhered to risk orientation, strengthened audit project management, paid attention to audit quality control, explored the depth of audit inspection, and worked hard to enhance the value of audit work.

During the Reporting Period, the Company's audit department completed 160 auditing projects in total, including 13 regular headquarter-level audit projects in aspects of business and management, five regular subsidiary-level audit projects, 62 regular operating branch-level audit projects; 34 audit projects concerning resignation of management at securities branch-level; four audit projects concerning resignation of responsible persons at headquarters and subsidiary level; 40 audit projects concerning the term of office and the economic liability of leaders members; two special audit projects. Meanwhile, the audit department led in arranging and completing the Company's annual internal control appraisal, appointment and assistance of external professional institutions for the purpose of assessment on effectiveness of compliance management, assessment on comprehensive risk management and classified rating of money laundering.

During the Reporting Period, the Company's audit department carried out internal audits in strict accordance with the standard procedures and requirements. While realizing the full coverage of audits, it highlighted the audit focus and paid attention to the authenticity, legality and effectiveness of the Company's main departments, subsidiaries and branches' business activities and internal control, continued to follow up and supervised the implementation of the problems found in the audit work, strengthened the summary, analysis and application of the audit inspection results, so as to find, reveal and remind the risk-prone, and has played a positive role in promoting the Company's operating and management level, solidifying the compliance foundation, improving internal control, and achieving comprehensive risk management.

## XIV. OTHERS

### (i) Company secretaries

During the Reporting Period, due to other work arrangement, Mr. Yang Yucheng, a vice president of the Company, resigned from his concurrent role of joint company secretary. Pursuant to the "Resolution Regarding the Change of Joint Company Secretaries" considered and approved at the 15th meeting of the fourth session of the Board, Mr. Wang Rufu, secretary to the Board, was appointed as the joint company secretary and officially took office in November 2019 after obtaining the relevant qualification waiver from the Hong Kong Stock Exchange.

As of the end of the Reporting Period, Mr. Wang Rufu and Ms. Leung Wing Han Sharon are the Company's joint company secretaries. Ms. Leung Wing Han Sharon is currently the vice president of SWCS Corporate Services Group (Hong Kong) Limited. The Company's main contact person with Ms. Leung Wing Han Sharon is Mr. Wang Rufu, the joint company secretary of the Company. During the Reporting Period, Mr. Wang Rufu 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 confirmed that they had strictly observed standards as specified in the Model Code during the Reporting Period. 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 relevant 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 2019 Annual Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE (http://www.sse.com.cn) by the Company on March 27, 2020.

### (iv) Directors' and auditor's responsibilities for accounts

The Board has acknowledged its responsibility for preparing the annual report of the Group for the year ended December 31, 2019.

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 Board 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 (http://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 Board, 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 a 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 (http://www.sse.com.cn), the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dfzq.com.cn).

The Board will be arranged to attend the Company's 2019 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 obligation, but also an effective means to build a brand image and live corporate values. The Company attaches great importance to investors relationship management and regards the maintenance and management of investors relationship as an important step for the Company to implement capital strategy in the years to come. The Company continuously optimized a long-term effective mechanism for our investors relationship management, established IR system, work system, workflow and built various platforms, including hotlines set up specially for investors, E-mail, Company's website, WeChat official account, teleconferences, on-site reception, online interaction, meeting-and-greeting of investors, performance press conferences, road shows, e-interactive platform launched by the SSE, thereby strengthening communication with investors.

In 2019, the Company received eight on-site researches and investigations from institutions and analysts, attended 39 investor activities including exchange sessions with the Association for Public Companies or securities firms, arranged one on-site performance press conferences, one online performance call briefing, two overseas roadshows, answered the investor hotline and addressed questions from investors, patiently answered 40 questions from various investors through "SSE E-Information" platform, and hosted interactive question and answered sessions with investors to increase recognition by investors and facilitate synergies between investors and the Company.

In 2019, receptions of research visits by the Company were as follows:

| No. | Date | Place | Manner | Visiting parties | Topics |
|---|---|---|---|---|---|
| 1 | January 15, 2019 | The Company | On-site research | Tianfeng Securities Co., Ltd. (天風證券股份有限公司), GF SECURITIES CO., LTD. (7 visitors) | The Company's operation status and development strategy |
| 2 | April 10, 2019 | The Company | On-site research | Caitong Securities Asset Management Co., Limited (財通證券資產管理有限公司), Tebon Securities Co., Ltd. (德邦證券股份有限公司) (8 visitors) | The Company's operation status and development strategy |
| 3 | May 30, 2019 | The Company | On-site research | Caitong Fund Management Co., Ltd. (財通基金管理有限公司), China Construction Bank Asset Management Business Center (3 visitors) | The Company's operation status and development strategy |
| 4 | May 31, 2019 | The Company | On-site research | Pacific Asset Management Co., Ltd. (1 visitor) | The Company's operation status and development strategy |
| 5 | July 10, 2019 | The Company | On-site research | Fullgoal Fund Management Company Limited, Zhong Ou Asset Management Company Limited (中歐基金管理有限公司) (6 visitors) | The Company's operation status and development strategy |
| 6 | September 5, 2019 | The Company | On-site research | Taiwan Yuanda Securities Co., Ltd. (台灣元大證券股份有限公司), Taiwan Zouyou Investment Co., Ltd. (台灣佐佑投資股份有限公司) (3 visitors) | The Company's operation status and development strategy |
| 7 | September 17, 2019 | The Company | On-site research | Tianfeng Securities Co., Ltd. (天風證券股份有限公司), Caitong Fund Management Co., Ltd. (財通基金管理有限公司) (3 visitors) | The Company's operation status and development strategy |
| 8 | October 14, 2019 | The Company | On-site research | HSBC Qianhai Securities Co., Ltd. (滙豐前海證券有限責任公司) (2 visitors) | The Company's operation status and development strategy |

### (vii) Amendments to the Articles of Association

During the Reporting Period, a total of two amendments was made by the Company to the Articles of Association, details as follows:

In line with the authorization obtained from the extraordinary general meeting of the Company held on September 27, 2017, the Company updated the provisions on the scope of business in the Articles of Association of the Company in accordance with the "Reply on Approving Orient Securities Company Limited to Change its Scope of Business (Hu Zheng Jian Xu Ke [2019] No.8)" (《關於核准東方證券股份有限公司變更業務範圍的批覆》)" issued by the Shanghai Bureau of the CSRC. For details, please refer to the Company's announcement dated January 29, 2019.

Upon consideration and approval at the Company's 2018 annual general meeting, the Company made certain amendments to certain articles of the Company's Articles of Association in accordance with the provisions of the newly revised Company Law, the Corporate Governance Standards for Listed Companies and other laws, regulations and normative documents, and based on the actual situation of the Company and the requirements of its operation and management. For details, please refer to the announcements of the Company dated March 28, 2019 and May 28, 2019 as well as the circular dated April 30, 2019. The above amendments to the Articles of Association is still pending approval by the CSRC.

# Section X Corporate Bonds

## I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue |
|---|---|---|---|---|---|---|---|---|
| 2015 Corporate Bonds publicly issued by DFZQ | 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 |
| 2017 Corporate Bonds non-publicly issued by DFZQ (first tranche) Type 1 | 17 Orient Securities 01 | 145576 | June 9, 2017 | June 9, 2020 | 40 | 5.30 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2017 Corporate Bonds non-publicly issued by DFZQ (first tranche) Type 2 | 17 Orient Securities 02 | 145577 | June 9, 2017 | June 9, 2022 | 10 | 5.50 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2017 Corporate Bonds publicly issued by DFZQ | 17 Orient Bonds | 143233 | August 3, 2017 | August 3, 2027 | 40 | 4.98 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2019 Corporate Bonds non-publicly issued by DFZQ (first tranche) | 19 Orient Bonds | 163024 | November 25, 2019 | November 25, 2022 | 49 | 3.50 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |

On February 13, 2017, the "Proposal on the General Mandate of the Issuance of Domestic Debt Financing Instruments" was considered and approved at the 25th meeting of the third session of the Board and the 2017 first extraordinary general meeting, pursuant to which, the Company applied to the CSRC and received the Reply on Approving Orient Securities Company Limited to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2019] No. 900) (《關於核准東方證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2019]900號)), which approved the Company to publicly issue corporate bonds of no more than RMB4.9 billion to qualified investors and such quota shall expire in May 2021.

On November 25, 2019, the Company completed the public issuance of corporate bonds (first tranche) of DFZQ in 2019, with the actual issue size of RMB4.9 billion, a term of 3 years and the final coupon rate of 3.50%.

### Interest payment and repayment of corporate bonds

During the Reporting Period, the Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus.

On April 15, 2019, the Company repaid the principal and interest of and delisted 2018 Corporate Bonds non-publicly issued by DFZQ (first tranche).

On August 26, 2019, the Company repaid the principal and interest of and delisted 2014 Bonds issued by DFZQ.

# Section X Corporate Bonds

## Other information on corporate bonds

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue |
|---|---|---|---|---|---|---|---|---|
| 2016 Subordinated Bonds issued by DFZQ (first tranche) | 16 Orient Securities Subordinated Bonds | 145159 | November 14, 2016 | November 14, 2021 | 40 | 3.45 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2017 Subordinated Bonds issued by DFZQ (first tranche) (Type 1) | 17 Orient Securities Subordinated Bonds 01 | 145513 | April 26, 2017 | April 26, 2020 | 15 | 4.90 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2017 Subordinated Bonds issued by DFZQ (first tranche) (Type 2) | 17 Orient Securities Subordinated Bonds 02 | 145514 | April 26, 2017 | April 26, 2022 | 15 | 5.10 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2017 Subordinated Bonds issued by DFZQ (second tranche) (Type 1) | 17 Orient Securities Subordinated Bonds 03 | 145553 | May 15, 2017 | May 15, 2020 | 15 | 5.15 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2017 Subordinated Bonds issued by DFZQ (second tranche) (Type 2) | 17 Orient Securities Subordinated Bonds 04 | 145554 | May 15, 2017 | May 15, 2022 | 15 | 5.35 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2018 Subordinated Bonds non-publicly issued by DFZQ (first tranche) | 18 Orient Securities Subordinated Bonds 01 | 150542 | July 12, 2018 | July 12, 2020 | 64 | 5.18 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2019 Subordinated Bonds non-publicly issued by DFZQ (first tranche) | 19 Orient Securities Subordinated Bonds 01 | 151278 | March 19, 2019 | March 19, 2022 | 60 | 4.20 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| 2019 Subordinated Bonds non-publicly issued by DFZQ (second tranche) | 19 Orient Securities Subordinated Bonds 02 | 151683 | June 14, 2019 | June 14, 2022 | 40 | 4.20 | Interest payable annually and principal to be repaid upon maturity in one lump sum | SSE |
| Financial bonds | Orient Securities FRN B2022 | 5645 | August 20, 2019 | August 20, 2022 | US$0.3 billion | 6M LIBOR +1.25 | Interest payable semi-annually and principal to be repaid upon maturity in one lump sum | Hong Kong Stock Exchange |
| Financial bonds | Orient Securities 0.625% B2022 | 5646 | August 20, 2019 | August 20, 2022 | €0.2 billion | 0.625 | Interest payable annually and principal to be repaid upon maturity in one lump sum | Hong Kong Stock Exchange |
| Financial bonds | Orient Securities 2.9% N2022 | PFNB | September 27, 2019 | September 27, 2022 | S$0.2 billion | 2.90 | Interest payable semi-annually and principal to be repaid upon maturity in one lump sum | Singapore Exchange, Hong Kong Stock Exchange |

# Section X Corporate Bonds

## 1. *Subordinated bonds*

On February 13, 2017, the "Proposal on the General Mandate of the Issuance of Domestic Debt Financing Instruments" was considered and approved at the 25th meeting of the third session of the Board and the 2017 first extraordinary general meeting. The Company applied to the SSE and received the "Letter of No Objection to the Listing and Transfer of Subordinated Bonds Non-publicly Issued by Orient Securities Company Limited" (Shang Zheng Han [2019] No. 306) (《關於對東方證券股份有限公司非公開發行次級債券掛牌轉讓無異議的函》(上證函[2019]306號)), which approved the Company to non-publicly issue subordinated bonds of no more than RMB25.5 billion to qualified institutional investors which shall be listed and transferred on the SSE upon issuance and such quota expired in February 2020.

On March 19, 2019, the Company completed the non-public issuance of subordinated bonds (first tranche) in 2019 with the issue size of RMB6 billion, a term of 3 years and the coupon rate of 4.20%.

On June 14, 2019, the Company completed the non-public issuance of subordinated bonds (second tranche) in 2019 with the issue size of RMB4 billion, a term of 3 years and the coupon rate of 4.20%.

## 2. *Overseas bonds*

On March 28, 2019, the "Proposal on the General Mandate of the Issuance of Overseas Debt Financing Instruments" was considered and approved at the 10th meeting of the fourth session of the Board and the 2018 annual general meeting held on May 28, 2019. The Company applied to the National Development and Reform Commission and obtained the "Registration Certificate for Enterprise Borrowing Foreign Debts" (Fa Gai Ban Wai Xi Bei [2019] No. 395) (《企業借用外債備案登記證明》(發改辦外資備[2019]395號)). On August 20, 2019, the Company completed the issuance of two tranches of foreign currency bonds, including floating rate bonds with an amount of USD0.3 billion due on August 20, 2022 at the floating rate of 6M LIBOR+1.25% and fixed rate bonds of EUR0.2 billion due on August 20, 2022 with a coupon rate of 0.625%.

On September 27, 2019, the Company completed the issuance of SGD0.2 billion notes with maturity date on September 27, 2022 and a coupon rate of 2.9%. The notes will be drawn according to the Company's medium-term note plan of USD2.5 billion.

# 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, Jingan District, Shanghai, the PRC |
| | Contact person | Zhou Ping |
| | Tel | +86-021-22169999 |
| Bonds trustee manager | Name | Dongguan Securities Limited (東莞證券股份有限公司) |
| | Office address | 25/F, Pudong Kerry City Office Building, No. 1155, Fangdian Road, Pudong New District, Shanghai, the PRC |
| | Contact person | Zhao Yizhi |
| | Tel | +86-021-50155120 |
| Credit rating agency | Name | China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司) |
| | Office address | 8/F, Anji Building, No. 760 Xizang South Road, Huangpu District, Shanghai, the PRC |

**Other explanations:**

Everbright Securities Company Limited was the bonds trustee manager for the Company's 2015 corporate bonds, and Dongguan Securities Limited was the bonds trustee manager for the Company's 2017 non-publicly issued corporate bonds, 2017 publicly issued corporate bonds, 2018 non-publicly issued corporate bonds and 2019 publicly issued corporate bonds.

## III. USE OF PROCEEDS FROM CORPORATE BONDS

### (i) 14 Orient Securities Bonds

On August 26, 2014, the Company privately issued the 5-year corporate bonds with the issuance size of RMB6 billion. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net 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 used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

### (ii) 15 Orient Securities Bonds

The Company publicly issued the 5-year corporate bonds with the issuance size of RMB12 billion on November 26, 2015. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net 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 anti-risk 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 Certified Public Accountants issued a capital verification report (De Shi Bao (Yan) Zi (15) No. 1759) in respect of receipt of the proceeds.

### (iii) 17 Orient Securities 01, 17 Orient Securities 02

On June 9, 2017, the Company non-publicly issued RMB5 billion corporate bonds. "17 Orient Securities 01" was with a term of three years and issue size of RMB4 billion, and "17 Orient Securities 02" was with a term of five years and issue size of RMB1 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure so as to expand its business scale and improve its market competitiveness and anti-risk capability.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

### (iv) 17 Orient Bonds

On August 3, 2017, the Company publicly issued corporate bonds with a term of ten years and issue size of RMB4 billion. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure so as to expand its business scale and improve its market competitiveness and anti-risk capability.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

### (v) 18 Orient Securities 01

On April 13, 2018, the Company non-publicly issued corporate bonds with a term of one year and issue size of RMB8 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

### (VI) 19 Orient Bonds

On November 25, 2019, the Company non-publicly issued corporate bonds with a term of three years and issue size of RMB4.9 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

## IV. RATING OF CORPORATE BONDS

During the Reporting Period, China Chengxin Securities Rating Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company's issued corporate bonds "14 Orient Securities Bonds", "15 Orient Securities Bonds" and "17 Orient Bonds" and issued the Follow-up Rating Report on the 2014 Corporate Bonds of Orient Securities Company Limited (2019) (Xin Ping Wei Han Zi [2019] Gen Zong No. 092) and the Follow-up Rating Report on the 2015 Publicly Issued Corporate Bonds of Orient Securities Company Limited (2019) (Xin Ping Wei Han Zi [2019] Gen Zong No. 093), and the Follow-up Rating Report on the 2017 Publicly Issued Corporate Bonds of Orient Securities Company Limited (2019) (Xin Ping Wei Han Zi [2019] Gen Zong No. 094), pursuant to which the creditworthiness ratings of the corporate bonds "14 Orient Securities Bonds", "15 Orient Securities Bonds" and "17 Orient Bonds" were maintained as AAA, the creditworthiness rating of the issuer of such bonds was also maintained as AAA and the rating outlook maintained stable.

# Section X Corporate Bonds

During the Reporting Period, China Chengxin Securities Rating Co., Ltd. conducted ratings on the creditworthiness of the Company's publicly issued corporate bonds in 2019 "19 Orient Bonds", and issued the Rating Report on the 2019 Publicly Issued Corporate Bonds of Orient Securities Company Limited (Xin Ping Wei Han Zi [2019] No. G258), pursuant to which, the "19 Orient Bonds" was rated as AAA, the creditworthiness rating of the issuer of such bonds was also maintained as AAA and the rating outlook maintained stable.

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

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 tranche of interest shall be paid together with the repayment of the principal. The interest of "19 Orient Bonds" shall be paid on November 25 each year commencing from 2020 to 2022; the interest of "18 Orient Securities 01" was paid on April 13, 2019, the interest of "17 Orient Bonds" shall be paid on August 3 each year commencing from 2018 to 2027, the interest of "17 Orient Securities 01" shall be paid on June 9 each year commencing from 2018 to 2020, the interest of "17 Orient Securities 02" shall be paid on June 9 each year commencing from 2018 to 2022, 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" was 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 "19 Orient Bonds" shall be paid on November 25, 2022; the principal of "18 Orient Securities 01" was repaid on April 13, 2019, the principal of "17 Orient Bonds" will be repaid on August 3, 2027, the principal of "17 Orient Securities 01" will be repaid on June 9, 2020, the principal of "17 Orient Securities 02" will be repaid on June 9, 2022, the principal of "15 Orient Securities Bonds" will be repaid on November 26, 2020 and the principal of "14 Orient Securities Bonds" was 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 bonds 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.

## VI. MEETINGS 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 issuance of "19 Orient Bonds" as completed on November 25, 2019. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

The issuance of "18 Orient Securities 01" was completed on April 13, 2018. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

The issuance of "17 Orient Bonds" was completed on August 3, 2017. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

# Section X Corporate Bonds

The issuance of "17 Orient Securities 01" and "17 Orient Securities 02" was completed on June 9, 2017. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

The issuance 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 bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before 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

Unit: '000 Currency: RMB

| Major indicators | 2019 | 2018 | Increase or decrease in the current period as compared with the corresponding period of last year (%) | Reason for change |
|---|---|---|---|---|
| EBITDA | 8,530,806 | 6,968,191 | 22.42 | Mainly due to increase in total profit |
| Current ratio | 1.31 | 1.26 | 3.97 | Increase in current assets exceeding increase in current liabilities |
| Quick ratio | 1.31 | 1.26 | 3.97 | Increase in quick assets exceeding increase in current liabilities |
| Gearing ratio (%) | 75.75 | 73.17 | Increased by 2.58 percentage points | Mainly due to increase in debts |
| EBITDA to total debts ratio | 0.05 | 0.05 | 0.00 | |
| Interest coverage ratio | 1.56 | 1.25 | 24.80 | Mainly due to increase in total profit |
| Cash interest coverage ratio | 4.04 | 2.86 | 40.77 | Mainly due to increase in net operating cash inflows |
| EBITDA interest coverage ratio | 1.67 | 1.28 | 30.47 | Mainly due to increase in EBITDA |
| Loan repayment rate (%) | 100.00 | 100.00 | 0.00 | |
| Interest repayment ratio (%) | 100.00 | 100.00 | 0.00 | |

*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 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 debt financing instruments include short-term financing bills, money lent, financial assets sold under repurchase agreements and income receipts of securities company, which were repaid on time without any defaults.

## X. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the Company received aggregate banking facilities of RMB417.5 billion from 104 Banks, in which aggregate facilities of RMB185.4 billion was from state-owned large-scale commercial banks and joint-stock banks, and an aggregate facilities of RMB232.1 billion was from city and rural commercial banks. During the Reporting Period, the Company has maintained a good cooperative relationship with all kinds of banks which enables the Company to have a strong short-term and mid-long term financing capability.

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

During the Reporting Period, The Company strictly implemented the relevant agreements or covenants of the bond prospectus, and the use of proceeds was consistent with those agreed in the prospectus. It strictly fulfilled the information disclosure responsibility and paid the bond interest on time to protect the legitimate rights and interests of investors. During the Reporting Period, there was no default in the interest payment of the Company's issued bonds. The company's operations remained stable with sound profitability, and no risk was found that could lead to failure to pay interest on time in future.

## 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

| | |
|---|---|
| Documents available for inspection | The full text and summary of the annual report signed by the legal representative and sealed with the corporate seal |
| Documents available for inspection | The 2019 annual financial 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 27, 2020

# 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 | SSE | Notice on the Business Qualification of Market Makers of Listed Funds of DFZQ | Shang Zheng Han [2019] No. 101 | January 17, 2019 |
| 2 | Shanghai Bureau of the CSRC | Reply on Approving DFZQ to Change Business Scope | Hu Zheng Jian Xu Ke [2019] No. 8 | January 21, 2019 |
| 3 | People's Bank of China | Notice of the People's Bank of China on Approving the Maximum Outstanding Balance of Short-term Financing Bonds of DFZQ | Yin Fa [2019] No. 50 | February 13, 2019 |
| 4 | CSRC | Regulatory Opinion on DFZQ 's Application for Credit Derivatives Business | Ji Gou Bu Han [2019] No. 463 | February 28, 2019 |
| 5 | CSRC | Reply on Relevant Opinions of DFZQ on Developing Treasury Bond Futures Market Making | Ji Gou Bu Han [2019] No. 1023 | May 6, 2019 |
| 6 | China National Development and Reform Commission | Registration Certificate for Enterprises Borrowing Foreign Debt | Fa Gai Ban Wai Zi Bei [2019] No. 395 | May 16, 2019 |
| 7 | Securities Association of China | Letter on Approving the Standard Pilot of Internet Investment Account | Zhong Zheng Xie Han [2019] No. 185 | May 19, 2019 |
| 8 | Shanghai Bureau of the CSRC | Letter of Opinions on Acceptance of Change of Domicile of DFZQ | Hu Zheng Jian Ji Gou Zi [2019] No. 237 | July 12, 2019 |
| 9 | CSRC | Supervision Opinions on the Issuance of Financial Bonds by DFZQ | Ji Gou Bu Han [2019] No. 1858 | July 26, 2019 |

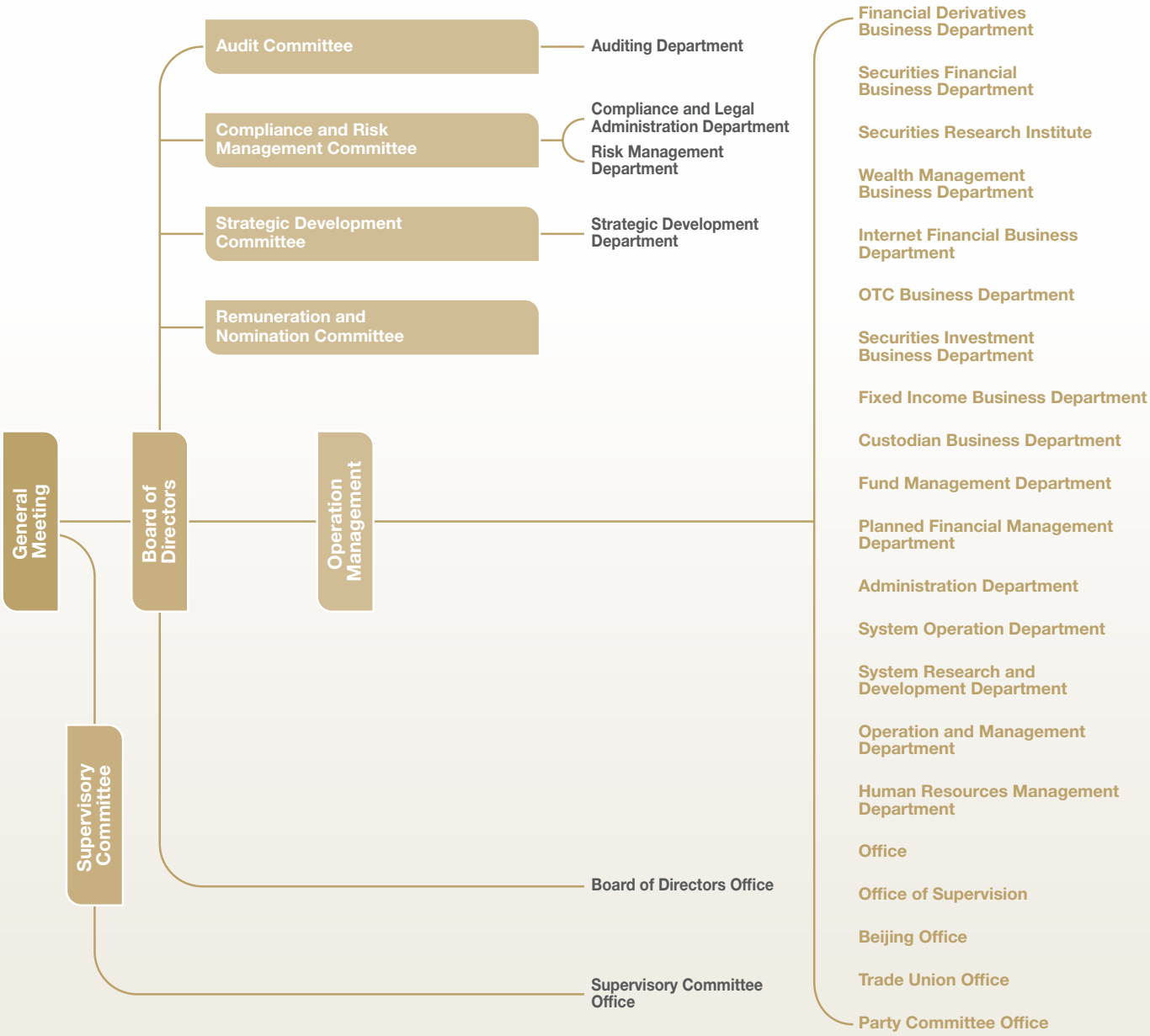
| No. | Issued by | Title of document | Number of document | Issuing date |
|---|---|---|---|---|
| 10 | CSRC | Supervision Opinions on Application for Conducting Foreign Exchange Business by DFZQ | Ji Gou Bu Han [2019] No. 2493 | October 18, 2019 |
| 11 | Shanghai Bureau of the CSRC | Letter of No Objection to Shareholder Change of Citi Orient Securities Co., Ltd. | Hu Zheng Jian Ji Gou Zi [2019] No. 465 | December 2, 2019 |
| 12 | Shenzhen Stock Exchange | Notice on Approving Aijian Securities and Other Option Operating Institutions to Open Trading Authority of Stock Option Business | Shen Zheng Hui [2019] No. 470 | December 6, 2019 |
| 13 | Shanghai Bureau of the CSRC | Reply on Approving DFZQ to Establish 11 Securities Branches | Hu Zheng Jian Xu Ke [2019] No. 119 | December 11, 2019 |
| 14 | Shenzhen Stock Exchange | Notice on Approving China CITIC Securities and Other Option Operating Institutions to Become Shanghai and Shenzhen 300ETF Option Market Makers on the Shenzhen Stock Exchange | Shen Zheng Hui [2019] No. 483 | December 11, 2019 |
| 15 | SSE | Notice on DFZQ Launching Shanghai and Shenzhen 300ETF Option Primary Market Maker Business | Shang Zheng Han [2019] No. 2300 | December 16, 2019 |
| 16 | CSRC | Reply on Relevant Opinions of DFZQ on Developing Commodity Options Market Making Business | Ji Gou Bu Han [2019] No. 3058 | December 16, 2019 |
| 17 | CSRC | Reply on Relevant Opinions of DFZQ on Developing Stock Index Option Market Making Business | Ji Gou Bu Han [2019] No. 3067 | December 17, 2019 |

## II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2019, the Company was rated as a Grade A and Class A company.

# Appendix I: Organizational Structure of DFZQ

## Organizational Structure of the Company



# Appendix II: Information on Securities Branches of the Company

As at the end of the Reporting Period, the Company had 168 securities branches.

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Shanghai Yangpu District Yangshupu Road Securities Branch of 東方證券股份有限公司 | 2/F, No. 318 Yangshupu Road, Yangpu District, Shanghai | December 9, 1993 |
| Shanghai Jing'an District Urumqi North Road Securities Branch of 東方證券股份有限公司 | 2/F, No. 480 Urumqi North Road, Jing'an District, Shanghai | October 28, 1994 |
| Shanghai Pudong New Area Nanmen Street Securities Branch of 東方證券股份有限公司 | No. 128 Nanmen Street, Pudong New Area, Shanghai | February 20, 1995 |
| Shenzhen Jintian Road Securities Branch of 東方證券股份有限公司 | Units 01 and 02, 17/F, Dinghe Tower, No. 100 Fuhua 3rd Road, Futian District, Shenzhen, Guangdong Province | July 6, 1995 |
| Shanghai Changning District Zunyi Road Securities Branch of 東方證券股份有限公司 | No. 567 Zunyi Road, Changning District, Shanghai | June 23, 1998 |
| Shanghai Changning District Changning Road Securities Branch of 東方證券股份有限公司 | Unit 1303, Block 1, No. 546 Changning Road, Changning District, Shanghai | June 23, 1998 |
| Shanghai Yangpu District Anbo Road Securities Branch of 東方證券股份有限公司 | Room 2, 1/F, 2/F & 3/F, No. 521 Anbo Road, Yangpu District, Shanghai | June 23, 1998 |
| Shanghai Xuhui District Zhaojiabang Road Securities Branch of 東方證券股份有限公司 | 9/F, No. 333 Zhaojiabang Road, Xuhui District, Shanghai | June 23, 1998 |
| Shanghai Xuhui District Guangyuan West Road Securities Branch of 東方證券股份有限公司 | Room B & C, 6/F, Block 2, No. 315 Guangyuan West Road, Xuhui District, Shanghai | June 23, 1998 |
| Shanghai Putuo District Yunling East Road Securities Branch of 東方證券股份有限公司 | Room 202, 2/F, No. 235 & 245, Yunling East Road, Putuo District, Shanghai | June 23, 1998 |
| Shanghai Putuo District Guangxin Road Securities Branch of 東方證券股份有限公司 | Room 401-403, Room 405-406 & Room 2201-2203, No. 88 Guangxin Road, Putuo District, Shanghai | June 23, 1998 |
| Shanghai Pudong New Area Yuanshen Road Securities Branch of 東方證券股份有限公司 | 3/F, Pingan Wealth Building, No. 1088 Yuanshen Road, Pudong New Area, Shanghai | June 23, 1998 |
| Shanghai Pudong New Area Yaohua Road Securities Branch of 東方證券股份有限公司 | 1/F, 4-6/F, No. 58 Yaohua Road, Pudong New Area, Shanghai | June 23, 1998 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Shanghai Pudong New Area Xinchuan Road Securities Branch of 東方證券股份有限公司 | No. 611 Xinchuan Road, Pudong New Area, Shanghai | June 23, 1998 |
| Shanghai Pudong New Area Pingdu Road Securities Branch of 東方證券股份有限公司 | Room 247, Block 3, No. 258 Pingdu Road, Pudong New Area, Shanghai | June 23, 1998 |
| Shanghai Pudong New Area Mudan Road Securities Branch of 東方證券股份有限公司 | 6/F, No. 60 Mudan Road, Pudong New Area, Shanghai | June 23, 1998 |
| Shanghai Pudong New Area Zhoudong Road Securities Branch of 東方證券股份有限公司 | No. 716 & 718 Zhuodong Road; 1/F & 2/F, No. 4128 Chuanzhou Road, Pudong New Area, Shanghai | June 23, 1998 |
| Shanghai Minhang District Heqing Road Securities Branch of 東方證券股份有限公司 | No. 338 Heqing Road, Minhang District, Shanghai | June 23, 1998 |
| Shanghai Minhang District Gulong Road Securities Branch of 東方證券股份有限公司 | 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, No. 214 Gulong Road, Minhang District, Shanghai | June 23, 1998 |
| Shanghai Minhang District Dushi Road Securities Branch of 東方證券股份有限公司 | Room 107, 1/F, No. 27 and Room 310, 3/F, No. 13, Lane 2635 Dushi Road, Minhang District, Shanghai | June 23, 1998 |
| Shanghai Jing'an District Wanrong Road Securities Branch of 東方證券股份有限公司 | 102-1、703-2、703-3, No. 1 Building, Lane 777 Wanrong Road, Jing'an District, Shanghai | June 23, 1998 |
| Shanghai Jiading District Cao'an Highway Securities Branch of 東方證券股份有限公司 | Room 106, 107, 108, 1/F, No. 1685 Cao'an Highway, Jiading District, Shanghai | June 23, 1998 |
| Shanghai Huangpu District Zhonghua Road Securities Branch of 東方證券股份有限公司 | Room 301-304 & 803, 804, West Side, No. 1600 Zhonghua Road, Huangpu District, Shanghai | June 23, 1998 |
| Shanghai Huangpu District Fengyang Road Securities Branch of 東方證券股份有限公司 | No. 310 Fengyang Road, Huangpu District, Shanghai | June 23, 1998 |
| Shanghai Huangpu District Beijing East Road Securities Branch of 東方證券股份有限公司 | Main Building, 5/F, No. 270 Beijing East Road, Huangpu District, Shanghai | June 23, 1998 |
| Shanghai Hongkou District Haining Road Securities Branch of 東方證券股份有限公司 | 307 Haining Road, Hongkou District, Shanghai (Room C, 1/F, 12/F) | June 23, 1998 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Shanghai Baoshan District Changjiang West Road Securities Branch of 東方證券股份有限公司 | No. 2, Lane 1952 Changjiang West Road, Baoshan District, Shanghai | June 23, 1998 |
| Shanghai Baoshan District Yingao West Road Securities Branch of 東方證券股份有限公司 | 2/F, No. 638 Yingao West Road, Baoshan District, Shanghai | June 23, 1998 |
| Fushun Yumin Road Securities Branch of 東方證券股份有限公司 | No. 15, Yumin Road, Xinfu District, Fushun, Liaoning (4/F & 5/F, Bldg. No. 6, Zheshang International Trade Center) | August 18, 1998 |
| Fushun Liaozhong Street Securities Branch of 東方證券股份有限公司 | No.25-2 Liaozhong Street, Wanghua District, Fushun, Liaoning | August 18, 1998 |
| Beijing Anyuan Road Securities Branch of 東方證券股份有限公司 | No.45 Xiaoguanbeili, Chaoyang District, Beijing | April 4, 2001 |
| Chengdu Jianshe Road Securities Branch of 東方證券股份有限公司 | Suite 2102 & 2103, 21/F, Block 1, No. 9 Jianshe Road, Chenghua District, Chengdu, Sichuang | April 11, 2001 |
| Fushun Qingyuan Securities Branch of 東方證券股份有限公司 | No. 49 Honghe Road, Qingyuan Town, Qingyuan Manchu Autonomous County, Fushun, Liaoning | December 18, 2001 |
| Fushun Xinhua Street Securities Branch of 東方證券股份有限公司 | No. 9, Building 20, Xinhua Street, Shuncheng District, Fushun, Liaoning | March 28, 2002 |
| Guangzhou Baogang Avenue Securities Branch of 東方證券股份有限公司 | 5/F, No. 283 Baogang Avenue, Haizhu District, Guangzhou, Guangdong | April 21, 2002 |
| Changsha Laodong West Road Securities Branch of 東方證券股份有限公司 | 7/F, No. 471 Laodong West Road, Changsha, Hunan | June 7, 2002 |
| Hangzhou Wuxing Road Securities Branch of 東方證券股份有限公司 | 185 Wuxing Road, Jianggan District, Hangzhou City, Zhejiang Province (2/F, Minsheng Finance Center) | August 7, 2002 |
| Suzhou Xihuan Road Securities Branch of 東方證券股份有限公司 | 1/F, North Podium, No. 2115 Xihuan Road, Suzhou, Jiangsu | August 12, 2005 |
| Tianjin Xikang Road Securities Branch of 東方證券股份有限公司 | No. 42 Xikang Road, Heping District, Tianjin | May 10, 2006 |
| Nanjing Beijing East Road Securities Branch of 東方證券股份有限公司 | Art & Crafts Building, No. 31 Beijing East Road, Xuanwu District, Nanjing, Jiangsu | May 10, 2006 |
| Guilin Zhongshan Middle Road Securities Branch of 東方證券股份有限公司 | 4/F, Jintai Building, No. 16 Zhongshan Middle Road, Guilin, Guangxi Zhuang Autonomous Region | May 10, 2006 |
| Wuhan Sanyang Road Securities Branch of 東方證券股份有限公司 | 5/F, Block A, Sanyang Golden City, No. 118 Sanyang Road, Jiang'an District, Wuhan, Hubei | May 11, 2006 |
| Beihai Beihai Avenue Securities Branch of 東方證券股份有限公司 | No. 0301, 3/F, Fengsheng Building, No. 187 Beihai Avenue, Beihai, Guangxi Zhuang Autonomous Region | May 12, 2006 |
| Shantou Changping Road Securities Branch of 東方證券股份有限公司 | 1/F & 9/F-11/F, Yiyuan Building, No. 161 Changping Road, Shantou, Guangdong | May 12, 2006 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Shanghai Yangpu District Kongjiang Road Securities Branch of 東方證券股份有限公司 | Room 101, Room 2508, No. 1555, Kongjiang Road, Yangpu District, Shanghai | May 15, 2006 |
| Shenyang Nanba Middle Road Securities Branch of 東方證券股份有限公司 | No. 25 Nanba Middle Road, Tiexi District, Shenyang, Liaoning | May 15, 2006 |
| Shenyang Changjiang South Street Securities Branch of 東方證券股份有限公司 | No. 169 Changjiang South Street, Huanggu District, Shenyang, Liaoning | May 15, 2006 |
| Nanning Jinhu Road Securities Branch of 東方證券股份有限公司 | Shop No. 10, 1/F and No. 2A4/2A5, 2/F, Oriental International Business Port, No. 26-1, Jinhu Road, Nanning, Guangxi Zhuang Autonomous Region | May 15, 2006 |
| Shenyang Dabeiguan Street Securities Branch of 東方證券股份有限公司 | 3-4/F, No. 79 Dabeiguan Street, Dadong District, Shenyang, Liaoning | May 16, 2006 |
| Shanghai Pudong New Area Zhangyang Road Securities Branch of 東方證券股份有限公司 | No. 638 Zhangyang Road, Pudong New Area, Shanghai | May 17, 2006 |
| Shenzhen Shennan Avenue Securities Branch of 東方證券股份有限公司 | 22/F, Block A, East Pacific International Center, No. 7888 Shennan Avenue, Futian District, Shenzhen, Guangdong | May 18, 2006 |
| Shenyang Huigong Street Securities Branch of 東方證券股份有限公司 | 1-3/F, Block CD, No. 167 Huigong Street, Shenhe District, Shenyang, Liaoning | June 14, 2006 |
| Beijing Xueyuan Road Securities Branch of 東方證券股份有限公司 | 12/F, Block B, Techart Plaza, No. 30 Xueyuan Road, Haidian District, Beijing | July 18, 2006 |
| Changchun Tongzhi Street Securities Branch of 東方證券股份有限公司 | Rooms 705, 707-712, 7/F, Torch Building, 2400 Tongzhi Street, Chaoyang District, Changchun City, Jilin Province | July 31, 2006 |
| Hangzhou Longjing Road Securities Branch of 東方證券股份有限公司 | No. 53 Longjing Road, Hangzhou, Zhejiang | August 1, 2006 |
| Guangzhou Pingyue Road Securities Branch of 東方證券股份有限公司 | No. 161 Pingyue Road, Guangzhou, Guangdong | August 29, 2006 |
| Jinan Huaxin Road Securities Branch of 東方證券股份有限公司 | Room 108, Room 1302-1307, Licheng Finance Building, Block 7, Xinyuanxin Center, No.3 Huaxin Road, Licheng District, Jinan City, Shandong Province | April 9, 2007 |
| Qunzhong East Road Securities Branch of 東方證券股份有限公司 | 1/F and 5/F, Sanmu Building, No.93, Qunzhong East Road, Xingang Street, Taijiang District, Fuzhou City, Fujian Province | August 24, 2007 |
| Shanghai Songjiang District Huting North Road Securities Branch of 東方證券股份有限公司 | Shop 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 東方證券股份有限公司 | No. 251 New Songjiang Road, Songjiang District, Shanghai | July 5, 2010 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Shanghai Jinshan District Weiqing West Road Securities Branch of 東方證券股份有限公司 | No. 17, Lane 128 & No. 132, 134, Weiqing West Road, Jinshan District, Shanghai | June 30, 2011 |
| Shanghai Qingpu District Easten Garden Road Securities Branch of 東方證券股份有限公司 | Block D, No. 1606 Easten Garden Road, Qingpu District, Shanghai | July 1, 2011 |
| Hefei Wangjiang West Road Securities Branch of 東方證券股份有限公司 | No. 99 Wangjiang West Road, Shushan District, Hefei, Anhui | January 31, 2012 |
| Linyi Tongda Road Securities Branch of 東方證券股份有限公司 | Room 402, Building 94-2 and Building 6, Xuyang City Landscape Shop, Tongda Road, Lanshan District, Linyi City, Shandong Province | February 14, 2012 |
| Shanghai Jiading District Jinsha Road Securities Branch of 東方證券股份有限公司 | 5/F, No. 77 Jinsha Road, Jiading District, Shanghai | February 17, 2012 |
| Shanghai Fengxian District Nanting Highway Securities Branch of 東方證券股份有限公司 | 1-2/F, Block 1, No. 269 Nanting Highway, Nanqiao Town, Fengxian District, Shanghai | February 28, 2012 |
| Shanghai Jiading District Huyi Highway Securities Branch of 東方證券股份有限公司 | Room 103, 1/F, No. 1158 Huyi Highway, Jiading District, Shanghai | November 2, 2012 |
| Shanghai Chongming Dongmen Road Securities Branch of 東方證券股份有限公司 | No. 425-427 Dongmen Road, Chongming County, Shanghai | November 19, 2012 |
| Shanghai Pudong New Area Jinke Road Securities Branch of 東方證券股份有限公司 | Room 216, Block 2, No. 2966 Jinke Road, Pudong New Area, Shanghai | March 31, 2014 |
| Taiyuan Pingyang Road Securities Branch of 東方證券股份有限公司 | No. 1001, 1002 & 1003, 1-2/F, Block 171, No. 186 Pingyang Road, Xiaodian District, Taiyuan, Shanxi | April 17, 2014 |
| Huzhou Zhicheng Road Securities Branch of 東方證券股份有限公司 | 18-1-06, 18-2-05, 18-2-06, 18-2-07, 18-2-08, Building 18 (No. 112 Zhicheng Road), Aishan Plaza, Huzhou, Zhejiang | April 21, 2014 |
| Nanchang Lvyin Road Securities Branch of 東方證券股份有限公司 | Room 2902, 2903, 29/F, Office Building, Lianfa Plaza, No. 129 Lvyin Road, Nanchang, Jiangxi | April 23, 2014 |
| Xiangtan Huxiang North Road Securities Branch of 東方證券股份有限公司 | Shop 3, Napaxi Valley IV, Huxiang North Road, Xiangtan, Hunan | April 23, 2014 |
| Fushun Suihua Road Securities Branch of 東方證券股份有限公司 | No. 45 West Section of Suihua Road, Dongzhou District, Fushun, Liaoning | April 25, 2014 |
| Shangyu Wealth Square Securities Branch of 東方證券股份有限公司 | 1/F, 8th Building, Wealth Square, Shangyu District, Shaoxing, Zhejiang | May 16, 2014 |
| Yiwu Gongren West Road Securities Branch of 東方證券股份有限公司 | No. 113 Gongren West Road, Yiwu, Zhejiang | May 26, 2014 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Zhengzhou Commercial Central Park Securities Branch of 東方證券股份有限公司 | No. 1801, 18/F, Building 1, No. 2 Commercial Central Park, Zhengdong New District, Zhengzhou, Henan | May 27, 2014 |
| Hohhot Wulanchabu East Street Securities Branch of 東方證券股份有限公司 | No. 102, 1/F, Tianyi Building, Wulanchabu East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region | May 28, 2014 |
| Putian Licheng Middle Avenue Securities Branch of 東方證券股份有限公司 | 1-3/F, No. 2299 Licheng Middle Avenue, Longqiao Street, Chengxiang District, Putian, Fujian | May 29, 2014 |
| Chongqing Times Paradise Street Securities Branch of 東方證券股份有限公司 | Units 18-4 & 18-05, Building 1, No. 2 Times Paradise Street, Yuzhong District, Chongqing | June 3, 2014 |
| Chaoyang Chaoyang Street Securities Branch of 東方證券股份有限公司 | No. 60, the Third Section of Chaoyang Street, Shuangta District, Chaoyang, Liaoning | June 4, 2014 |
| Kunming Bailong Road Securities Branch of 東方證券股份有限公司 | No. 1001 & 1008, 10/F, Diangao Commercial Building, No. 19 Bailong Road, Panlong District, Kunming, Yunnan | June 5, 2014 |
| Fuzhou Wusi Road Securities Branch of 東方證券股份有限公司 | Unit 01-02, 19/F, the Rongdu International Building, No. 82 Wusi Road, Gulou District, Fuzhou, Fujian | June 10, 2014 |
| Shanghai Baoshan District Songnan Road Securities Branch of 東方證券股份有限公司 | No. 427-1 Songnan Road, Baoshan District, Shanghai (Temporary) | June 12, 2014 |
| Shenzhen Haide Third Road Securities Branch of 東方證券股份有限公司 | 9/F, Block A, Tiley Central Plaza, No 199, Haide Third Road, Nanshan District, Shenzhen, Guangdong | June 17, 2014 |
| Chengdu Tianfu Avenue Securities Branch of 東方證券股份有限公司 | No.1601, 1603, 1605, 1607 & 1609, 16/F, Block 1, No. 1399, the South Section of Tianfu Avenue, High-tech Zone, Chengdu, Sichuan | June 24, 2014 |
| Shanghai Minhang District Nanjiangyan Road Securities Branch of 東方證券股份有限公司 | No. 121 Nanjiangyan Road, Minhang District, Shanghai | June 26, 2014 |
| Guilin Renmin Road Securities Branch of 東方證券股份有限公司 | No. 1-2-1 & 1-2-3, Block 1, 2/F, Dashijie Main Building, Renmin Road, Lingui Town, Lingui County, Guilin, Guangxi Zhuang Autonomous Region | July 3, 2014 |
| Lhasa Chagu Avenue Securities Branch of 東方證券股份有限公司 | Room 1306, Liuwu Building, Liuwu New District, Lhasa, Tibet Autonomous Region | July 10, 2014 |
| Shanghai Huangpu District Zhongshan South Road First Securities Branch of 東方證券股份有限公司 | Room 402, 4/F, No. 318 Zhongshan South Road, Huangpu District, Shanghai | July 14, 2014 |
| Xi'an Tangyan Road Securities Branch of 東方證券股份有限公司 | Room 0501, Unit 2, Block 1, Tangyan International Center, No. 3 Tangyan Road, Gaoxin District, Xi'an, Shaanxi | July 14, 2014 |
| Shanghai Qingpu District Huaxu Highway Securities Branch of 東方證券股份有限公司 | Room 102, Block B, No. 999 Huaxu Highway, Xujing Town, Qingpu District, Shanghai | July 15, 2014 |
| Yantai Yingchun Street Securities Branch of 東方證券股份有限公司 | No. 170 Yingchun Street, Laishan District, Yantai, Shandong | July 22, 2014 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Deyang Lushan South Road Securities Branch of 東方證券股份有限公司 | No. 10-12, Section 1, Lushan South Road, Jingyang District, Deyang City, Sichuan Province | August 15, 2014 |
| Shanghai Pudong New Area Fute West Third Road Securities Branch of 東方證券股份有限公司 | Room 936, 9/F, Block 10, No. 77 Fute West Third Road, Pudong New Area, Shanghai | September 2, 2014 |
| Nanchong Wenhua Road Securities Branch of 東方證券股份有限公司 | Unit 501, 5/F, Universal House Hotel, No. 1 Wenhua Road, Shunqing District, Nanchong, Sichuan | September 29, 2014 |
| Shanghai Pudong New Area Tang'an Road Securities Branch of 東方證券股份有限公司 | No. 782 Tang'an Road, Pudong New Area, Shanghai | October 10, 2014 |
| Shanghai Pudong New Area Yincheng Middle Road Securities Branch of 東方證券股份有限公司 | Room 2301B, No. 488 Yincheng Middle Road, Pudong New Area, Shanghai | May 8, 2015 |
| Zhuzhou Jianshe South Road Securities Branch of 東方證券股份有限公司 | No. 320 Jianshe South Road, Lusong District, Zhuzhou, Hunan | June 18, 2015 |
| Nantong Gongnong Road Securities Branch of 東方證券股份有限公司 | No. 181, 183, 185 Gongnong Road, Nantong, Jiangsu | June 25, 2015 |
| Jiangyin Renmin East Road Securities Branch of 東方證券股份有限公司 | 1/F, No. 112 & 2/F, No. 108, 110, 112, Renmin East Road, Jiangyin, Jiangsu | July 9, 2015 |
| Xiamen Xianyue Road Securities Branch of 東方證券股份有限公司 | Shop 105 or Shop 108, No. 555 Xianyue Road, Siming District, Xiamen, Fujian | July 14, 2015 |
| Liuzhou Wenchang Road Securities Branch of 東方證券股份有限公司 | No. 2-1, 2, 3, Block 21, Dongjun, No. 26 Wenchang Road, Liuzhou, Guangxi Zhuang Autonomous Region | July 16, 2015 |
| Xi'an Taoyuan South Road Securities Branch of 東方證券股份有限公司 | No. 38 Taoyuan South Road, Lianhu District, Xi'an, Shaanxi | July 22, 2015 |
| Beihai Chating Road Securities Branch of 東方證券股份有限公司 | No. 1205-1207, Fuyu Building, No. 31 Chating Road, Beihai, Guangxi Zhuang Autonomous Region | July 28, 2015 |
| Taizhou Shujiang District Zhongshan East Road Securities Branch of 東方證券股份有限公司 | No. 368 Zhongshan East Road, Shujiang District, Taizhou, Zhejiang | July 30, 2015 |
| Ningbo Zhongxing Road Securities Branch of 東方證券股份有限公司 | (1-2) (2-2), No. 601 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang | July 30, 2015 |
| Jiaxing Zhongshan West Road Securities Branch of 東方證券股份有限公司 | 1776 Zhongshan West Road, Gaozhao Street, Xiuzhou District, Jiaxing City, Zhejiang Province | July 30, 2015 |
| Quanzhou Jinhuai Street Securities Branch of 東方證券股份有限公司 | Room 502, Block A, Gas Building, No. 25 Jinhuai Street, Fengze District, Quanzhou, Fujian | July 30, 2015 |
| Harbin Ganshui Road Securities Branch of 東方證券股份有限公司 | Shop 14, 1-3/F, Commercial Building, Wanda Commercial Center No. 84 Ganshui Road, Nangang Jizhong District, Harbin Economic-technological Development Zone, Harbin, Heilongjiang | July 31, 2015 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Haikou Jinlong Road Securities Branch of 東方證券股份有限公司 | 1/F & 2/F, East Coconut Grove International Building, No. 19 Jinlong Road, Longhua District, Haikou, Hainan | August 5, 2015 |
| Lanzhou Nanchang Road Securities Branch of 東方證券股份有限公司 | 1/F, Shengshi Kaixuan Building, No. 1918 Nanchang Road, Chengguan District, Lanzhou, Gansu | August 5, 2015 |
| Wenzhou Xinhe Street Securities Branch of 東方證券股份有限公司 | Room 601, Block A, Songtai Building, Xinhe Street, Lucheng District, Wenzhou, Zhejiang | August 7, 2015 |
| Urumqi Nanhu Road Securities Branch of 東方證券股份有限公司 | No. 4, 5, 6, 3/F, Building Construction Mansion, No. 133 Nanhu Road, Shuimogou District, Urumqi, Xinjiang Uygur Autonomous Region | August 7, 2015 |
| Xining Huanghe Road Securities Branch of 東方證券股份有限公司 | Shop 15, Building 3, No. 21 Huanghe Road, Chengxi District, Xining, Qinghai | August 7, 2015 |
| Yinchuan Minzu North Street Securities Branch of 東方證券股份有限公司 | 2/F, No. 12 Minzu North Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region | August 7, 2015 |
| Zhenjiang Dongwu Road Securities Branch of 東方證券股份有限公司 | Room 110, 1/F, Building 1, No. 38 Dongwu Road, Zhenjiang, Jiangsu | August 7, 2015 |
| Wuxi Xinsheng Road Securities Branch of 東方證券股份有限公司 | No. 152 Xinsheng Road, Wuxi, Jiangsu | August 7, 2015 |
| Shijiazhuang Tiyu South Street Securities Branch of 東方證券股份有限公司 | No. 233 Tiyu South Street, Yuhua District, Shijiazhuang, Hebei | August 7, 2015 |
| Guiyang Huaguoyuan Securities Branch of 東方證券股份有限公司 | Office Building No. 6, 7, 8, 9, 10, 11 & 12, 40/F, Unit 1, Building 6, Zone F, Pengjiawan Huaguoyuan Project, Huaguoyuan, Nanming District, Guiyang, Guizhou | August 7, 2015 |
| Taiyuan High-tech Street Securities Branch of 東方證券股份有限公司 | 15/F, No. 15 High-tech Street, High-tech Zone, Taiyuan, Shanxi | December 6, 2016 |
| Baotou Qingnian Road Securities Branch of 東方證券股份有限公司 | 1-A4, Hengyuan Ginza Commercial Building, No. 28 Qingnian Road, Qingshan District, Baotou, Inner Mongolia Autonomous Region | December 19, 2016 |
| Yangzhou Wenhui East Road Securities Branch of 東方證券股份有限公司 | No. 231 Wenhui East Road, Economic Development Zone, Yangzhou, Jiangsu | January 5, 2017 |
| Changshu Lizha Road Securities Branch of 東方證券股份有限公司 | 21-23, No. 65 Lizha Road, Changshu, Jiangsu | January 5, 2017 |
| Jinhua Bayi North Street Securities Branch of 東方證券股份有限公司 | No. 190 Bayi North Street, Wucheng District, Jinhua, Zhejiang | January 6, 2017 |
| Zhangjiagang Donghuan Road Securities Branch of 東方證券股份有限公司 | Chengnan Building, No. 68 Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu | January 6, 2017 |
| Shaoxing Shengli East Road Securities Branch of 東方證券股份有限公司 | No. 402 Shengli East Road & Room 705, 706-1, No. 68 Didanghu Road, Yuecheng District, Shaoxing, Zhejiang | March 13, 2017 |
| Xi'an Weiyang Road Securities Branch of 東方證券股份有限公司 | Shop 04, 1/F, Building 1, Datang Xinghe Garden, No. 109-1 Weiyang Road, Xi'an, Shaanxi | March 30, 2017 |
| Shenzhen Shennan East Road Securities Branch of 東方證券股份有限公司 | Room 02, 03 & 05, 19/F, Main Building, Shun Hing Square, No. 5002 Shennan East Road, Guiyuan Street, Luohu District, Shenzhen, Guangdong | April 24, 2017 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Zhuhai Jida Road Securities Branch of 東方證券股份有限公司 | No. 106, 1/F & No. 202, 2/F, Petroleum Building, No. 103 Jida Road, Xiangzhou District, Zhuhai, Guangdong | May 5, 2017 |
| Shanghai Jing'an District Yanping Road Securities Branch of 東方證券股份有限公司 | 1-2/F, No. 167 Yanping Road, Jing'an District, Shanghai | May 12, 2017 |
| Zibo Liuquan Road Securities Branch of 東方證券股份有限公司 | No. 258 Liuquan Road, High-tech Zone, Zibo, Shandong | May 17, 2017 |
| Hefei Meishan Road Securities Branch of 東方證券股份有限公司 | 1-2/F, Anhui Qinggong Building, No.19 Meishan Road, Hefei, Anhui | May 17, 2017 |
| Tianjin Nanma Road Securities Branch of 東方證券股份有限公司 | No. 1201 Nanma Road, Nankai District, Tianjin | July 5, 2017 |
| Changchun Ziyou Road Securities Branch of 東方證券股份有限公司 | Room 110, Block B, The First International Centre, No. 3999 Ziyou Road, Er'dao District, Changchun, Jilin | July 5, 2017 |
| Xuchang Xudu Road Securities Branch of 東方證券股份有限公司 | 1 & 2/F, Block A, Huitong Commercial Garden, South of Xudu Road & West of Wisdom Building, Dongcheng District, Xuchang, Henan | July 5, 2017 |
| Wuhu Beijing Middle Road Securities Branch of 東方證券股份有限公司 | No. 104 & 501 Jinghu Star, No.1 Beijing Middle Road, Jinghu District, Wuhu, Anhui | July 5, 2017 |
| Qingdao Miaoling Road Securities Branch of 東方證券股份有限公司 | 101-A, No. 36-1, Miaoling Road, Laoshan District, Qingdao, Shandong | July 6, 2017 |
| Changzhou Longjin Road Securities Branch of 東方證券股份有限公司 | Room 102, 1103 & 1104, Building 3, Modern Media Centre, No. 1590 Longjin Road, Xinbei District, Changzhou, Jiangsu | July 6, 2017 |
| Tangshan Beixin West Road Securities Branch of 東方證券股份有限公司 | No. 36-13 Beixin West Road, Lijingqin Garden, Zhangdali, Lubei District, Tangshan, Hebei | July 6, 2017 |
| Jiangmen Yingbin Middle Avenue Securities Branch of 東方證券股份有限公司 | Suite 109 & 2208-2209, Block 1, No. 118 Middle section of Yingbin Avenue, Pengjiang District, Jiangmen, Guangdong | July 6, 2017 |
| Dalian Taiyuan Street Securities Branch of 東方證券股份有限公司 | No. 177-13 Taiyuan Street, Shahekou District, Dalian, Liaoning | July 12, 2017 |
| Dongguan Hongfu Road Securities Branch of 東方證券股份有限公司 | No. 104 Huicheng Building, No. 102 Hongfu Road, Nancheng Street, Dongguan, Guangdong | July 12, 2017 |
| Chongqing Honghu West Road Securities Branch of 東方證券股份有限公司 | No. 41 & 43, Honghu West Road, Yubei District, Chongqing | July 13, 2017 |
| Chengdu Yizhou Avenue Securities Branch of 東方證券股份有限公司 | No. 104, 1/F, Unit 2, Block 1, No. 777 North Section of Yizhou Avenue, High-tech Zone, Chengdu, Sichuan | July 13, 2017 |
| Xuzhou Heping Road Securities Branch of 東方證券股份有限公司 | No. 101-1, Wenyuan Building, Jiangsu Normal University Science & Technology Park, No. 59 Heping Road, Yunlong District, Xuzhou, Jiangsu | July 13, 2017 |
| Beijing Dajiaoting South Street Securities Branch of 東方證券股份有限公司 | No. 106, 1/F & No. 2017, 2/F, Building 1, No. 5, Dajiaoting South Street, Chaoyang District, Beijing | July 13, 2017 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Foshan Nanhai North Avenue Securities Branch of 東方證券股份有限公司 | 17/F, Office Building E, Zone 1, Yunjin Plaza, Yuexiu Xinghui, 84 Nanhai Avenue North, Guicheng Street, Nanhai District, Foshan City, Guangdong Province | July 16, 2017 |
| Luoyang Nanchang Road Securities Branch of 東方證券股份有限公司 | No. 107, Block 4, No. 14 Nanchang Road, Jianxi District, Luoyang, Henan | July 18, 2017 |
| Zhongshan Zhongshan Fifth Road Securities Branch of 東方證券股份有限公司 | Unit 01, 12/F, Block 3, Zima Benteng Square, No. 2 Zhongshan Fifth Road, Eastern Zhongshan District, Guangdong | July 18, 2017 |
| Guangzhou Guangzhou Middle Avenue Securities Branch of 東方證券股份有限公司 | 301 Self-built Room 2, No. 129-133 Middle section of Guangzhou Avenue, Yuexiu District, Guangzhou, Guangdong | July 18, 2017 |
| Yueyang Jin'e Middle Road Securities Branch of 東方證券股份有限公司 | 1/F, Shengxincheng Caizhi Mansion, No. 408 Jin'e Middle Road, Yueyanglou District, Yueyang, Hunan | July 19, 2017 |
| Yichang Xiling First Road Securities Branch of 東方證券股份有限公司 | No. 15 Xiling First Road, Xiling District, Yichang, Hubei (Shop 117 & 217, Jin'an Downtown) | July 19, 2017 |
| Jiujiang Changjiang Avenue Securities Branch of 東方證券股份有限公司 | Unit 108-109, Unit 2, Block 2, Xinhu Chaisang Spring Block 2, No. 358 Changjiang Avenue, Jiujiang City, Jiangxi Province | April 8, 2019 |
| Jinzhong Dingyang Road Securities Branch of 東方證券股份有限公司 | Shops 3-2 and 3-3, No. 500 Dingyang Road, Yuci District, Jinzhong City, Shanxi Province | April 9, 2019 |
| Zhengzhou Wan'an Street Securities Branch of 東方證券股份有限公司 | No.103, 104, 105 and 106, 1-2/F, Building 7, No. 6 Wan'an Street, Zhengdong New District, Zhengzhou City, Henan Province | April 15, 2019 |
| Hangzhou Jinji Road Securities Branch of 東方證券股份有限公司 | No. 327 Jinji Road, Beigan Street, Xiaoshan District, Hangzhou City, Zhejiang Province | April 16, 2019 |
| Nanjing Mochou Lake East Road Securities Branch of 東方證券股份有限公司 | No. 8-3, Mochou East Road, Jianye District, Nanjing City, Jiangsu Province | April 16, 2019 |
| Ningbo Tiantong North Road Securities Branch of 東方證券股份有限公司 | 103, 1605 and 1607, Block C, Hebang Mansion, No. 899 Tiantong North Road, Zhonghe Street, Yinzhou District, Ningbo City, Zhejiang Province | April 17, 2019 |
| Xi'an Cuihua Road Securities Branch of 東方證券股份有限公司 | Room 204 and 206, 2/F, Building A, Jiahe Commercial Building, No.500 Cuihua Road, Yanta District, Xi'an City, Shaanxi Province | April 18, 2019 |
| Yixing Jiefang East Road Securities Branch of 東方證券股份有限公司 | Shops 239 and 251, Jiefang East Road, Yicheng Street, Yixing City, Jiangsu Province | April 18, 2019 |
| Changsha Renmin East Road Securities Branch of 東方證券股份有限公司 | East of No. 107, Block 0, Dongyishiqu Building, No. 38 Renmin East Road, Yuhua District, Changsha City, Hunan Province | April 22, 2019 |
| Wuhan Yunxia Road Securities Branch of 東方證券股份有限公司 | Shop 5, 1/F, No. 187 Yunxia Road, Jianghan District, Wuhan City, Hubei Province | April 23, 2019 |
| Beijing Wangjing Securities Branch of 東方證券股份有限公司 | Floor merchant shop, Block C, 410/F, Zone 4 Wangjingxiyuan, Chaoyang District, Beijing | April 23, 2019 |
| Weihai Shichang Avenue Securities Branch of 東方證券股份有限公司 | Room-1, No. 99A, Shichang Avenue, Weihai City, Shandong Province | April 25, 2019 |

# Appendix II: Information on Securities Branches of the Company

| Name of securities branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Weifang Shengli East Street Securities Branch of 東方證券股份有限公司 | Shop 1-1-03, Mingyuan Community, No. 4889 Shengli East Street, Kuiwen District, Weifang City, Shandong Province | April 29, 2019 |
| Shenzhen Xinhu Road Securities Branch of 東方證券股份有限公司 | Units 08, 09 and 10, 26/F, Block B, Yifang Center, No. 99 Xinhu Road, Xin'an Street, Bao'an District, Shenzhen City, Guangdong Province | April 29, 2019 |
| Bengbu Shengli West Road Securities Branch of 東方證券股份有限公司 | 101#-104#, 122#-126#, 1/F, Building 1, Yinhe Center, No. 28 Shengli West Road, Bengbu City, Anhui Province | April 29, 2019 |

# Appendix III: Information on Futures Branches of the Company

As at the end of the Reporting Period, the Company had 33 futures branches.

| Name of futures branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Dalian Branch of Orient Futures Co., Ltd | Room 2411、2412、3501-3507 and 3510-1, Dalian Futures Building, Block A, Dalian International Financial Center, No. 129 Huizhan Road, Shahekou District, Dalian, Liaoning | January 16, 2009 |
| Shanghai Xinzha Road Branch of Orient Futures Co., Ltd | Room 407, Block 1, No. 1418 Xinzha Road, Jing'an District, Shanghai | May 19, 2009 |
| Zhengzhou Branch of Orient Futures Co., Ltd | Room 1301, Futures Building, No. 30, Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan | July 2, 2009 |
| Changsha Branch of Orient Futures Co., Ltd | 7/F, Zhongtian Power Building, No. 471, West Labor Road, Yuhua District, Changsha, Hunan | November 24, 2009 |
| Beijing Anyuan Road Branch of Orient Futures Co., Ltd | 6/F, Building 5, Century Jiayuan, No. 45 Xiaoguan North Lane, Chaoyang District, Beijing | December 28, 2009 |
| Changzhou Branch of Orient Futures Co., Ltd | Room 1610-1612 and 1618-1658, No. 23, 25, 27 & 29, Yanling West Road, Changzhou, Jiangsu | July 5, 2010 |
| Taiyuan Branch of Orient Futures Co., Ltd | No. 1023、1024、1025 & 1026, 10/F, Tower 1, Hexin Commercial Plaza, No. 705, Changfeng Street, Xiaodian District, Taiyuan, Shanxi | November 29, 2010 |
| Shanghai Zhongshan South Road Branch of Orient Futures Co., Ltd | 35/F and 7/F, Building 2, No. 318, Zhongshan South Road, Huangpu District, Shanghai | August 3, 2011 |
| Guangzhou Branch of Orient Futures Co., Ltd | Room 2721 & 2722, Tower B, Sinopec Building No. 191, Tiyuxi Road, Tianhe District, Guangzhou, Guangdong | October 17, 2012 |
| Qingdao Branch of Orient Futures Co., Ltd | Room 1501, Unit 1, Building 2, No. 69, Haimen Road, Shinan District, Qingdao, Shandong | May 16, 2013 |
| Ningbo Branch of Orient Futures Co., Ltd | 13-7, No. 288 Jiahui Street, Yinzhou District, Ningbo City, Zhejiang Province | February 24, 2014 |
| Shenzhen Branch of Orient Futures Co., Ltd | 7A, Times Fortune Building, South Eastern Part, Central Area, Futian District, Shenzhen, Guangdong | May 16, 2014 |
| Shanghai Pilot Free Trade Zone Branch of Orient Futures Co., Ltd | Room 1303, 13/F, No. 5 Bibo Road, China (Shanghai) Pilot Free Trade Zone, Shanghai | May 29, 2014 |
| Hangzhou Branch of Orient Futures Co., Ltd | Room 907, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang | June 18, 2014 |
| Chengdu Branch of Orient Futures Co., Ltd | No. 330, Huayang Haichang Road, Chengdu Tianfu New District, China (Sichuan) Pilot Free Trade Zone, Sichuan | January 7, 2015 |
| Xi'an Branch of Orient Futures Co., Ltd | 12F-6, Jierui Wisdom Building, No. 5, West Section of South 2nd Ring, Lianhu District, Xi'an, Shaanxi | January 15, 2015 |
| Xiamen Branch of Orient Futures Co., Ltd | Room 908, Fortune Center, No. 100 Lujiang Road, Siming District, Xiamen, Fujian | January 23, 2015 |

# Appendix III: Information on Futures Branches of the Company

| Name of futures branches | Registered address (PRC) | Date of establishment |
|---|---|---|
| Dongying Branch of Orient Futures Co., Ltd | Room 902, Block 1, No. 53, Fuqian Street, Dongying District, Dongying, Shandong | March 17, 2015 |
| Tianjin Branch of Orient Futures Co., Ltd | 1-1-803, Rongqiao Center, Building 1, Shanglanyuan, Intersection of Changjiang Avenue and Naikai Liuma Road, Nankai District, Tianjin | March 23, 2015 |
| Harbin Branch of Orient Futures Co., Ltd | No. 1103 & 1104, 11/F, Unit 1, Block 3, Fortune Center, Enclosure Area of Qunli Avenue, Lingjiang Road and Qunli Fourth Avenue, Qunli New District, Daoli Distrcit, Harbin, Heilongjiang | April 3, 2015 |
| Nanning Branch of Orient Futures Co., Ltd | No. 0712, Building 1, Mingduyuan, No. 22 Jinpu Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region | April 3, 2015 |
| Beijing Chaoyangmen Branch of Orient Futures Co., Ltd | Room 401-402, 4/F, No. 22 Chaowai Street, Chaoyang District, Beijing | September 8, 2015 |
| Chongqing Branch of Orient Futures Co., Ltd | 26-5, Jiafa Center Office Building, No. 36 Nanping West Road, Nan'an District, Chongqing | May 19, 2016 |
| Hangzhou Jiaogong Road Branch of Orient Futures Co., Ltd | Room 1405, Block 1 (Area C), EAC World Trade Lijing Building, West Lake District, Hangzhou, Zhejiang | July 1, 2016 |
| Shantou Branch of Orient Futures Co., Ltd | Room 1105 & 1107, Hanjiang Building, Block 17, West 3rd District, Danyangzhuang, Longhu District, Shantou, Guangdong | July 5, 2018 |
| Quanzhou Branch of Orient Futures Co., Ltd | Unit 1203, Block A, Gas Building, No. 25 Jinhuai Street, Fengze District, Quanzhou, Fujian | July 13, 2018 |
| Ningbo Tiantong South Road Branch of Orient Futures Co., Ltd | Room 1305, Lane 577, Tiantong South Road, Yinzhou District, Ningbo, Zhejiang | July 18, 2018 |
| Shenyang Branch of Orient Futures Co., Ltd | No. 49, Xinghua North Street, Tiexi District, Shenyang, Liaoning | August 7, 2018 |
| Suzhou Branch of Orient Futures Co., Ltd | Room 3602, Block 2, Oriental Gate Building, No. 199 Xinggang Street, Suzhou Industrial Park, Suzhou, Jiangsu | October 11, 2018 |
| Nantong Branch of Orient Futures Co., Ltd | Room 1401, South Building, Yuanrong Plaza, No. 57 Gongnong Road, Chongchuan District, Nantong, Jiangsu | December 10, 2018 |
| Hangzhou Binjiang Branch of Orient Futures Co., Ltd | Room 3806, Yintai International Commerce Center, No. 1600 Science & Technology Museum Street, Changhe Street, Binjiang District, Hangzhou, Zhejiang | December 17, 2018 |
| Wuxi Branch of Orient Futures Co., Ltd | Room 3007, Yunfu Building, No. 288-2801 Zhongshan Road, Liangxi District, Wuxi City, Jiangsu Province | March 19, 2019 |
| Jinan Branch of Orient Futures Co., Ltd | 1-1801, Yinzuo Haowangjiao Plaza, No. 800 Minghu West Road, Tianqiao District, Jinan City, Shandong Province | March 19, 2019 |

# Appendix IV: Information Disclosure Index

1. During the Reporting Period, the information disclosed in the China Securities Journal, the Shanghai Securities News, the Securities Times, the Securities Daily, and on the website of the SSE (http://www.sse.com.cn) by the Company was as follows:

| Date of disclosure | Subject |
|---|---|
| January 4, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| January 9, 2019 | Independent Opinions of Independent Directors of DFZQ on the Acquisition of Part of Equity Interests of Citi Orient Securities Co., Ltd., and the Related-party/Connected Transaction, Prior Approval Opinions of Independent Directors of DFZQ on the Acquisition of Part of Equity Interests of Citi Orient Securities Co., Ltd., and the Related-party/Connected Transaction, Announcement of DFZQ on the Acquisition of Part of Equity Interests of Citi Orient Securities Co., Ltd., and the Related-party/Connected Transaction, Announcement of Resolution of the 8th Meeting (Temporary Meeting) of the Fourth Session of the Board of DFZQ |
| January 11, 2019 | Financial Data Briefing for December 2018 of DFZQ |
| January 22, 2019 | DFZQ: Temporary Report of Dongguan Securities Co., Ltd. on the Entrusted Management Affairs of 東方證券股份有限公司 on the Change of Business Scope |
| January 26, 2019 | Announcement on Preliminary Financial Data for the Year of 2018 of DFZQ, Announcement on Estimated Decrease in Annual Results for the Year of 2018 of DFZQ |
| January 30, 2019 | The Articles of Association of DFZQ and the Announcement of DFZQ on Approving Changes in Business Scope and Amending the Articles of Association of the Company |
| February 2, 2019 | DFZQ: H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| February 15, 2019 | DFZQ: Temporary Report of Dongguan Securities Co., Ltd. on the Entrusted Management Affairs of 東方證券股份有限公司 On the Change of Business Scope, First Temporary Entrusted Management Affairs Report of DFZQ for Public Issuance of 2015 Corporate Bonds in 2019, and Financial Data Briefing of DFZQ for January 2019 |
| February 20, 2019 | Announcement of DFZQ on Obtaining the Filing Notice from the People's Bank of China for the Issue of Short-term Financing Bonds |
| February 21, 2019 | Announcement on Resolution of the Ninth Meeting (Temporary Meeting) of the Fourth Session of the Board of DFZQ |
| March 2, 2019 | Announcement on Receiving the Letter of No Objection to the Listing and Transfer of Non-public Issuance of Subordinated Bonds of DFZQ |
| March 6, 2019 | Announcement on Approval of Business Scope Change of Investment Bank Subsidiary, DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| March 8, 2019 | Financial Data Briefing for February 2019 of DFZQ |
| March 15, 2019 | DFZQ H Shares Announcement – Date of Board Meeting |
| March 20, 2019 | Announcement on the Issue Results of Non-public Issuance of Subordinated Bonds (Tranche I) in 2019 of DFZQ |
| March 22, 2019 | Announcement on Capital Increase in Orient Futures Co., Ltd of DFZQ |
| March 25, 2019 | Announcement on Listing on Shanghai Stock Exchange of Non-public Issuance of Subordinated Bonds (Tranche I) in 2019 of DFZQ |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Subject |
|---|---|
| March 29, 2019 | Announcement of the Resolution of the 10th Meeting of the Fourth Session of the Board of DFZQ, Announcement of the Resolution of the 6th Meeting of the Fourth Session of the Supervisory Committee of DFZQ, Summary of the 2018 Annual Report of DFZQ, the 2018 Annual Report of DFZQ, the Announcement on Amendments to Certain Articles of the Articles of Association, the Articles of Association of DFZQ (Revised in March 2019), the Announcement on the Changes of Accounting Policies, the Special Report on Deposit and Actual Use of Proceeds Raised in 2018, the Announcement on Engagement of Accounting Firm in 2019, the Announcement on Anticipating the Company's External Guarantee in 2019, the Independent Director's Prior Approval Opinion on Anticipating the Company's Daily Related Party Transactions in 2019, Annual Report on Continuous Supervision of Guotai Junan and Citi Orient in 2018, the 2018 Work Report of the Audit Committee of the Board, the Special Verification Opinions of Guotai Junan and Citi Orient on the Deposit and Actual Use of Proceeds Raised by DFZQ in 2018, the Announcement on the Estimated 2019 Daily Connected Transactions of the Company, the Internal Control Audit Report of DFZQ, the Special Report and Audit Report on the Deposit and Actual Use of Proceeds Raised by DFZQ, DFZQ 2018 Corporate Social Responsibility Report, DFZQ 2018 Internal Control Evaluation Report, DFZQ 2018 Independent Director Work Report, the Special Explanation on Capital Occupation of Controlling Shareholders and Other Related Parties of DFZQ, the Financial Statements and Audit Report of DFZQ, and the Independent Directors' Independent Opinions on Matters Related to the 10th Meeting of the Fourth Session of the Board and the Company's External Guarantee |
| April 2, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| April 3, 2019 | Announcement on Payment of Principal and Interest and Delisting of Private Corporate Bonds (Tranche I) in 2018 |
| April 3, 2019 | Financial Data Briefing for March 2019 of DFZQ |
| April 12, 2019 | Notice of Annual General Meeting of DFZQ |
| April 16, 2019 | DFZQ H Shares Announcement – Date of Board Meeting |
| April 17, 2019 | Announcement on Completion of Payment of Private Issuance of Corporate Bonds (Tranche I) in 2018 |
| April 19, 2019 | The Announcement on Obtaining Government Subsidy, 2017 Subordinated Bonds (Tranche I) (Type II) 2019 Interest Payment Announcement, 2017 Subordinated Bonds (Tranche I) (Type I) 2019 Interest Payment Announcement, the Announcement on Preliminary Financial Data for the First Quarter of 2019 |
| April 24, 2019 | Announcement on the Issue Results of Short-term Financing Bonds (Tranche I) in 2019 |
| April 26, 2019 | Announcements on 2017 Follow-up Rating Report on Public Offering of Corporate Bonds (2019), 2015 Follow-up Rating Report on Public Offering of Corporate Bonds (2019), 2014 Follow-up Rating Report Bonds (2019), and the Follow-up Rating Results of Corporate Bonds "14 Orient Securities Bonds", "15 Orient Securities Bonds" and "17 Orient Securities Bonds" |
| April 30, 2019 | The First Quarterly Report for the Year 2019, Information on the 2018 Annual General Meeting, Announcement of Resolutions of the Seventh Meeting of the Fourth Session of the Supervisory Committee, Announcement of Resolutions of the 11th Meeting of the Fourth Session of the Board |
| May 7, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Subject |
|---|---|
| May 8, 2019 | 2017 Subordinated Bonds (Tranche II) (Type II) 2019 Interest Payment Announcement, 2017 Subordinated Bonds (Tranche II) (Type I) 2019 Interest Payment Announcement |
| May 10, 2019 | Indicative Announcement Regarding the Convening of the 2018 Annual General Meeting, Financial Data Briefing for April 2019 of DFZQ |
| May 25, 2019 | Announcement on Obtaining Approval from China Securities Regulatory Commission for Public Issuance of Corporate Bonds |
| May 29, 2019 | Announcement of Resolution of 2018 Annual General Meeting and Legal Opinion 2018 Annual General Meeting |
| May 31, 2019 | Connected Transaction Announcement of the Progress of the Acquisition of Part of Equity Interests of Citi Orient, 2017 Non-public issuance Corporate Bonds (Tranche I) (Type II) 2019 Interest Payment Announcement, 2017 Non-public issuance Corporate Bonds (Tranche I) (Type I) 2019 Interest Payment Announcement |
| June 4, 2019 | The Independent Director's Prior Approval Opinion on Signing the Supplementary Agreement to the Related Party Transaction Framework Agreement with Shenergy (Group) Co., Ltd, the Independent Director's Independent Opinion on Signing the Supplementary Agreement to the Related Party Transaction Framework Agreement with Shenergy (Group) Co., Ltd, the Announcement of Resolution of the 12th Meeting (Temporary Meeting) of the Fourth Session of the Board, DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| June 5, 2019 | Announcement on the Participation in 2019 Group Reception Day for Listed Companies in Shanghai |
| June 11, 2019 | Announcement on the Financial Data for May 2019 |
| June 15, 2019 | Announcement on the Issue Results of Non-public Issuance of Subordinated Bonds (Tranche II) in 2019 of DFZQ |
| June 27, 2019 | The Announcement on Capital Increase in Shanghai Orient Securities Innovation Investment Co., Ltd. |
| June 28, 2019 | Report on Entrusted Management of Public Issuance of Corporate Bonds in 2015 (2018) |
| June 29, 2019 | Publicly Issued 2015 Corporate Bonds Trustee Report (2018), Publicly Issued Corporate Bonds 2018 Trustee Report |
| July 3, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| July 4, 2019 | Announcement on Implementation of the 2018 Annual Distribution of Equity Interests |
| July 5, 2019 | 2018 Non-public Issuance of Subordinated Bonds (Tranche I) 2019 Interest Payment Announcement |
| July 10, 2019 | Announcement in Relation to the Provision for Assets Impairment, Announcement of the Resolution of the 8th Meeting (Temporary Meeting) of the Fourth Session of the Supervisory Committee, the Independent Opinions of Independent Directors on Asset Impairment Provisions, Announcement of the Resolution of the 13th Meeting (Temporary Meeting) of the Fourth Session of the Board, and Financial Data Briefing of DFZQ for June 2019 |
| July 20, 2019 | Announcement on Preliminary Financial Data for the First Half Year of 2019, Announcement on the Issue Results of Short-term Financing Bonds (Tranche II) in 2019 of DFZQ |
| July 24, 2019 | Announcement on Completion of Payment of the Short-term Financing Bonds (Tranche II) in 2019 |
| July 27, 2019 | Announcement on Interest Payment in 2019 of 2017 Public Issuance of Corporate Bonds |
| July 30, 2019 | Announcement on Receiving Regulatory Opinions from the China Securities Regulatory Commission regarding Issuing Financial Bonds |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Subject |
|---|---|
| August 2, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| August 8, 2019 | Announcement on the Financial Data for July 2019 |
| August 13, 2019 | Announcement on Capital Increase in Orient Finance Holdings (Hong Kong) Limited |
| August 15, 2019 | Announcement on Payment of principal and interest and Delisting of 2014 Corporate Bonds |
| August 16, 2019 | DFZQ H Shares Announcement – Date of Board Meeting |
| August 21, 2019 | Announcement on Listing of Overseas Bonds on The Stock Exchange of Hong Kong Limited, the Announcement on Changing Continuous Supervision Sponsor Representatives |
| August 27, 2019 | Announcement on Completion of Payment of 2014 Corporate Bonds |
| August 30, 2019 | Summary of 2019 Interim Report, 2019 Interim Report, the Special Report on Deposit and Actual Use of Proceeds Raised in the First Half of 2019, Announcement of Resolution of the Ninth Meeting of Fourth Session of the Supervisory Committee, Independent Opinions of Independent Directors on Deposit and Actual Use of Proceeds Raised in the First Half of 2019, Announcement of Resolution of the 14th Meeting of the Fourth Session of the Board |
| September 4, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| September 7, 2019 | Announcement on the Issue Results of the Short-term Financing Bonds (Third Tranche) in 2019 and Financial Data Briefing for August 2019 |
| September 13, 2019 | Announcement on Receipt of Letter of Enquiry from the Shanghai Stock Exchange in Relation to Post-vetting of the 2019 Interim Report of the Company |
| September 19, 2019 | Announcement on Guarantee for Non-public Issuance of US Dollar Bonds by Overseas Wholly-Owned Subsidiaries to its Wholly-owned Subsidiaries |
| September 21, 2019 | Announcement on Reply to the Letter of Enquiry from the Shanghai Stock Exchange in Relation to Post-vetting of the 2019 Interim Report of the Company |
| September 21, 2019 | Announcement on the Participation in 2019 Group Reception Day for Investors of Listed Companies in Shanghai |
| September 28, 2019 | Announcement on the Issuance Results of Overseas Notes |
| October 9, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| October 16, 2019 | Financial Data Briefing for September 2019 |
| October 17, 2019 | DFZQ H Shares Announcement – Date of Board Meeting |
| October 19, 2019 | Announcement on Completion of Payment of 2019 Short-term Financing Bonds (Tranche II) |
| October 25, 2019 | Announcement on Providing Guarantee to Obtain Bank Credit by Overseas Wholly-owned Subsidiaries for Wholly-owned Subsidiaries |
| October 26, 2019 | Announcement on Issuance Results of 2019 Short-term Financing Bonds (Tranche IV) |
| October 31, 2019 | The Third Quarterly Report for the Year 2019, the Announcement of the Resolution of the 15th Meeting of the Fourth Session of the Board, the Announcement of the Resolution of the 10th Meeting of the Fourth Session of the Supervisory Committee, the Announcement on Provision for Individual Credit Impairment, Independent Opinions of Independent Directors on Provision for Individual Credit Impairment, DFZQ H Shares Announcement – Change of Joint Company Secretary |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Subject |
|---|---|
| November 2, 2019 | DFZQ H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities |
| November 6, 2019 | DFZQ H Shares Announcement – Update Announcement on Change of Joint Company Secretary |
| November 7, 2019 | Announcement on Interest Payment in 2019 for 2016 Subordinated Bonds (Tranche I) |
| November 8, 2019 | Financial Data Briefing for October 2019 |
| November 19, 2019 | Announcement on Interest Payment in 2019 of 2015 Public Issuance of Corporate Bonds |
| November 20, 2019 | Announcements on 2019 Public Issuance of Corporate Bonds (Tranche I) Prospectus (for qualified investors), 2019 Public Issuance of Corporate Bonds (Tranche I) Prospectus Summary (for qualified investors), 2019 Public Issuance of Corporate Bonds Credit Rating Report, 2019 Public Issuance of Corporate Bonds (Tranche I) |
| November 26, 2019 | Announcement on Issuance Results of 2019 Public Issue of Corporate Bonds (Tranche I) |
| November 27, 2019 | Announcement on Listing of 2019 Public Issuance of Corporate Bonds (Tranche I) on the Shanghai Stock Exchange |
| December 3, 2019 | DFZQ H Shares Announcement – Update Announcement on Change of Joint Company Secretary |
| December 4, 2019 | Related-party/Connected Transaction Announcement of the Progress of the Acquisition of Part of Equity Interests of Citi Orient Securities Co., Ltd. |
| December 4, 2019 | Announcement on the Issuance Results of Short-term Financing Bonds in 2019 (Tranche V) |
| December 6, 2019 | Announcement on Completion of Payment of Short-term Financing Bonds in 2019 (Tranche III) |
| December 7, 2019 | Financial Data Briefing for November 2019 |
| December 14, 2019 | Announcement of the Resolution of the 16th Meeting (Temporary Meeting) of the Fourth Session of the Board, Announcement of the Resolution of the 11th Meeting (Temporary Meeting) of the Fourth Session of the Supervisory Committee, Prior Approval Opinions of Independent Directors on Related Party Transactions, Independent Opinions of Independent Directors on Relevant Matters of the 16th Meeting of the Fourth Session of the Board, Announcement on Approving the Establishment of 11 New Securities Branches, Announcement on Providing Guarantee for Certain of Its wholly-owned Subsidiaries by Orient Finance Holdings (Hong Kong) Limited |
| December 28, 2019 | Announcement on Progress of Providing Guarantee for Certain of Its wholly-owned Subsidiaries by Orient Finance Holdings (Hong Kong) Limited |

# Appendix IV: Information Disclosure Index

2. During the Reporting Period, the information disclosed by the Company on the website of Hong Kong Stock Exchange (http://www.hkexnews.hk) was as follows:

| Date of disclosure | Disclosure |
|---|---|
| January 3, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended December 31, 2018 |
| January 8, 2019 | Related Party Transactions: Announcement on Acquisition of Part of the Equity Interests of Citi Orient, Overseas Regulatory Announcement: Announcement on Resolution of the 8th Meeting (Temporary Meeting) of the Fourth Session of the Board, Prior Approval Opinions of Independent Directors on Acquisition of Part of the Equity Interests of Citi Orient Securities Co., Ltd., the Related Party/Connected Transaction, Independent Opinions of Independent Directors on Acquisition of Part of the Equity Interests of Citi Orient Securities Co., Ltd. and Related Party/Connected Transaction |
| January 10, 2019 | Announcement on the Financial Data for December 2018 |
| January 25, 2019 | Announcement on Preliminary Financial Data for the Year of 2018, Announcement on Estimated Decrease in Annual Results for the Year of 2018 |
| January 29, 2019 | Amendments to the Articles of Association, Articles of Association |
| February 1, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended January 31, 2019 |
| February 14, 2019 | Announcement on the Financial Data for January 2019 |
| February 19, 2019 | Overseas Regulatory Announcement: Announcement on the Company's Obtaining the Notice of the People's Bank of China for Filing Regarding Issuance of Short-term Financing Bonds |
| February 20, 2019 | Overseas Regulatory Announcement: Announcement on Resolution of the Ninth Meeting (Temporary Meeting) of the Fourth Session of the Board |
| March 1, 2019 | Overseas Regulatory Announcement: Announcement on Receiving the Letter of No Objection to the Listing and Transfer of Non-public Subordinated Bonds |
| March 5, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended February 28, 2019, Announcement on the Approval of Business Scope Change of Investment Bank Subsidiary |
| March 7, 2019 | Announcement on the Financial Data for February 2019 |
| March 14, 2019 | Announcement on the Date of Board Meeting |
| March 19, 2019 | Overseas Regulatory Announcement: Announcement on the Issue Results of Non-public Issuance of Subordinated Bonds (Tranche I) in 2019 |
| March 21, 2019 | Overseas Regulatory Announcement: Announcement on Capital Increase in Orient Futures Co., Ltd |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Disclosure |
|---|---|
| March 28, 2019 | Results Announcement for the Year Ended December 31, 2018, Announcement on Projected Intragroup Guarantees for the Year 2019, Announcement on the Changes of Accounting Policies, Proposed Change of Address of the Company and Proposed Amendments to the Articles of Association, Proposed General Mandate to Issue Offshore Debt Financing Instruments, DFZQ 2018 Environmental, Social and Governance Report, Overseas Regulatory Announcements: Announcement of the Resolution of the 10th Meeting of the Fourth Session of the Board, Announcement of the Resolution of the 6th Meeting of the Fourth Session of the Supervisory Committee, Announcement on Anticipating 2019 Daily Related Party Transactions of the Company, Announcement on Engagement of 2019 Accounting Firm, the Special Report on Deposit and Actual Use of Proceeds Raised in 2018, the Report of Independent Directors in 2018, the Work Report of the Audit Committee of Board in 2018, the Internal Control Evaluation Report in 2018, the Independent Directors' Independent Opinions on Matters Related to the 10th Meeting of the Fourth Session of the Board and the Company's External Guarantee, Prior Approval Opinions of Independent Directors on Anticipating 2019 Daily Related Party Transactions of the Company, the Internal Control Audit Report, the Special Explanations on Funds Occupation of Controlling Shareholders and Other Related Parties, the Special Report and Audit Report on the Deposit and Actual Use of Proceeds Raised of Orient Securities Co., Ltd., the Annual Continuous Supervision Report of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on Citi Orient Securities Co., Ltd., the Special Inspection Opinions of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on the Deposit and Actual Use of Proceeds Raised by Citi Orient Securities Co., Ltd. in 2018 |
| April 1, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended March 31, 2019 |
| April 2, 2019 | Overseas Regulatory Announcement: Announcement on Payment of Principal and Interest and Delisting of 2018 Private Issuance of Corporate Bonds (Tranche I) |
| April 9, 2019 | Announcement on the Financial Data for March 2019 |
| April 11, 2019 | Notice of Annual General Meeting, Form of Proxy of Holders of H Shares for Use at the Annual General Meeting to be Held on May 28, 2019, Reply Slip for Holders of H Shares for Attending the Annual General Meeting to be Held on May 28, 2019 |
| April 15, 2019 | Announcement on the Date of Board Meeting |
| April 16, 2019 | Overseas Regulatory Announcement: Announcement on Completion of Payment of Private Issuance of 2018 Corporate Bonds (Tranche I) |
| April 18, 2019 | Announcement on Preliminary Financial Data for the First Quarter of 2019, Overseas Regulatory Announcements: 2017 Subordinated Bonds (Tranche I) (Type I) 2019 Interest Payment Announcement, 2017 Subordinated Bonds (Tranche I) (Type II) 2019 Interest Payment Announcement, Announcement on Obtaining Government Subsidy |
| April 23, 2019 | Overseas Regulatory Announcement: Announcement on the Issue Results of the Short-term Financing Bonds in 2019 (Tranche I) |
| April 25, 2019 | Overseas Regulatory Announcements: 2014 Bonds Follow-up Rating Report (2019), 2015 Bonds Follow-up Rating Report (2019), 2017 Bonds Follow-up Rating Report (2019) |
| April 29, 2019 | 2018 Annual Report, Circular of 2018 Annual General Meeting, Overseas Regulatory Announcements: Announcement of Resolution of the 11th Meeting of the Fourth Session of the Board, Announcement of Resolution of the 7th Meeting of the Fourth Session of the Supervisory Committee, The First Quarterly Report for the Year 2019, Terms of Reference of the Audit Committee of the Board of Directors |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Disclosure |
|---|---|
| May 6, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended April 30, 2019 |
| May 7, 2019 | Overseas Regulatory Announcements: 2017 Subordinated Bonds (Tranche II) (Type I) 2019 Interest Payment Announcement, 2017 Subordinated Bonds (Tranche II) (Type II) 2019 Interest Payment Announcement |
| May 9, 2019 | Announcement on the Financial Data for April 2019, Indicative Announcement Regarding the Convening of the Annual General Meeting |
| May 24, 2019 | Overseas Regulatory Announcement: Announcement on Obtaining Approval from China Securities Regulatory Commission for Public Issuance of Corporate Bonds |
| May 28, 2019 | Poll Results of Annual General Meeting Held on May 28, 2019, Overseas Regulatory Announcement: Legal Opinion of Grandall Law Firm (Shanghai) on the 2018 Annual General Meeting |
| May 30, 2019 | Connected Transaction Announcement of the Progress of the Acquisition of Part of Equity Interests of Citi Orient, Overseas Regulatory Announcements: 2017 Non-public issuance Corporate Bonds (Tranche I) (Type II) 2019 Interest Payment Announcement, 2017 Non-public issuance Corporate Bonds (Tranche I) (Type I) 2019 Interest Payment Announcement, |
| June 3, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended May 31, 2019, Amendments to the Annual Cap for Continuing Connected Transactions, Overseas Regulatory Announcements: the Announcement of Resolution of the 12th Meeting (Temporary Meeting) of the Fourth Session of the Board, the Independent Director's Prior Approval Opinion on Signing the Supplementary Agreement to the Related Party Transaction Framework Agreement with Shenergy (Group) Co., Ltd, the Independent Director's Independent Opinion on Signing the Supplementary Agreement to the Related Party Transaction Framework Agreement with Shenergy (Group) Co., Ltd, |
| June 4, 2019 | Announcement on the Participation in 2019 Group Reception Day for Listed Companies in Shanghai |
| June 10, 2019 | Announcement on the Financial Data for May 2019 |
| June 14, 2019 | Overseas Regulatory Announcement: Announcement on the Issue Results of Non-public Issuance of Subordinated Bonds (Tranche II) in 2019 |
| June 26, 2019 | Overseas Regulatory Announcement: The Announcement on Capital Increase in Shanghai Orient Securities Innovation Investment Co., Ltd. |
| June 28, 2019 | Overseas Regulatory Announcement: Publicly Issued 2015 Corporate Bonds Trustee Report (2018), Publicly Issued Corporate Bonds 2018 Trustee Report |
| July 2, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended June 30, 2019 |
| July 3, 2019 | Overseas Regulatory Announcement: Announcement on Implementation of the 2018 Annual Distribution of Equity Interests |
| July 4, 2019 | Overseas Regulatory Announcement: 2018 Non-public Issuance of Subordinated Bonds (Tranche I) 2019 Interest Payment Announcement |
| July 9, 2019 | Announcement on the Financial Data for June 2019, Announcement in Relation to the Provision for Assets Impairment, Overseas Regulatory Announcements: the Independent Opinions of Independent Directors on Asset Impairment Provisions, Announcement of the Resolution of the 8th Meeting (Temporary Meeting) of the Fourth Session of the Supervisory Committee, Announcement of the Resolution of the 13th Meeting (Temporary Meeting) of the Fourth Session of the Board |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Disclosure |
|---|---|
| July 19, 2019 | Announcement on Preliminary Financial Data for the First Half Year of 2019, Overseas Regulatory Announcement: Announcement on the Issue Results of Short-term Financing Bonds (Tranche II) in 2019 of DFZQ |
| July 23, 2019 | Overseas Regulatory Announcement: Announcement on Completion of Payment of the Short-term Financing Bonds (Tranche I) in 2019 |
| July 26, 2019 | Overseas Regulatory Announcement: Announcement on Interest Payment in 2019 of 2017 Public Issuance of Corporate Bonds |
| July 29, 2019 | Overseas Regulatory Announcement: Announcement on Receiving Regulatory Opinions from the China Securities Regulatory Commission regarding Issuing Financial Bonds |
| August 1, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended July 31, 2019 |
| August 7, 2019 | Announcement on the Financial Data for July 2019 |
| August 12, 2019 | Overseas Regulatory Announcement: Announcement on Capital Increase in Orient Finance Holdings (Hong Kong) Limited |
| August 14, 2019 | Overseas Regulatory Announcement: Announcement on Payment of principal and interest and Delisting of 2014 Corporate Bonds |
| August 15, 2019 | Announcement on the Date of Board Meeting |
| August 20, 2019 | Issue of U.S.$300,000,000 Floating Rate Bonds due 2022 and EUR200,000,000 0.625 per cent. Senior Bonds due 2022 by DFZQ, Overseas Regulatory Announcement: Announcement on Changing Continuous Supervision Sponsor Representatives |
| August 26, 2019 | Overseas Regulatory Announcement: Announcement on Completion of Payment of 2014 Corporate Bonds |
| August 29, 2019 | Interim Results Announcement for the six months ended June 30, 2019, Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors, Overseas Regulatory Announcement: Independent Opinions of Independent Directors on Deposit and Actual Use of Proceeds Raised in the First Half of 2019, Special Report on Deposit and Actual Use of Proceeds Raised in the First Half of 2019, Announcement of Resolution of the Ninth Meeting of Fourth Session of the Supervisory Committee, Announcement of Resolution of the 14th Meeting of the Fourth Session of the Board |
| September 3, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended August 31, 2019 |
| September 6, 2019 | Announcement on the Financial Data for August 2019, Overseas Regulatory Announcement: Announcement on the Issue Results of the Short-term Financing Bonds (Third Tranche) in 2019 |
| September 12, 2019 | Announcement on Receipt of Letter of Enquiry from the Shanghai Stock Exchange in Relation to Post-vetting of the 2019 Interim Report of the Company |
| September 18, 2019 | Establishment of US$2,500,000,000 Medium Term Note Programme by DFZQ, Overseas Regulatory Announcement: Announcement on Guarantee for Non-public Issuance of US Dollar Bonds by Overseas Wholly-Owned Subsidiaries to its Wholly-owned Subsidiaries |
| September 20, 2019 | Announcement on Reply to the Letter of Enquiry from the Shanghai Stock Exchange in Relation to Post-vetting of the 2019 Interim Report of the Company |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Disclosure |
|---|---|
| September 20, 2019 | Announcement on the Participation in 2019 Group Reception Day for Investors of Listed Companies in Shanghai |
| September 27, 2019 | Overseas Regulatory Announcement: Announcement on the Issuance Results of Overseas Notes |
| September 27, 2019 | 2019 Interim Report |
| October 8, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended September 30, 2019 |
| October 15, 2019 | Announcement on the Financial Data for September 2019 |
| October 16, 2019 | Announcement on the Date of Board Meeting |
| October 18, 2019 | Overseas Regulatory Announcement: Announcement on Completion of Payment of 2019 Short-term Financing Bonds (Tranche II) |
| October 24, 2019 | Overseas Regulatory Announcement: Announcement on Providing Guarantee to Obtain Bank Credit by Overseas Wholly-owned Subsidiaries for Wholly-owned Subsidiaries |
| October 25, 2019 | Overseas Regulatory Announcement: Announcement on Issuance Results of 2019 Short-term Financing Bonds (Tranche IV) |
| October 30, 2019 | Announcement on the Change of Joint Company Secretary |
| October 30, 2019 | Announcement in Relation to the Provision for Individual Credit Impairment, The Third Quarterly Report for the Year 2019, Overseas Regulatory Announcements: the Announcement of the Resolution of the 15th Meeting of the Fourth Session of the Board, the Announcement of the Resolution of the 10th Meeting of the Fourth Session of the Supervisory Committee, Independent Opinions of Independent Directors on Provision for Individual Credit Impairment, DFZQ H Shares Announcement – Change of Joint Company Secretary |
| November 1, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended October 31, 2019 |
| November 5, 2019 | Update Announcement on Change of Joint Company Secretary |
| November 6, 2019 | Overseas Regulatory Announcement: Announcement on Interest Payment in 2019 for 2016 Subordinated Bonds (Tranche I) |
| November 7, 2019 | Announcement on the Financial Data for October 2019 |
| November 18, 2019 | Overseas Regulatory Announcement: Announcement on Interest Payment in 2019 of 2015 Public Issuance of Corporate Bonds |
| November 20, 2019 | Overseas Regulatory Announcements: Credit Rating Report on 2019 Public Issuance of Corporate Bonds, Announcements on 2019 Public Issuance of Corporate Bonds (Tranche I) Prospectus (for qualified investors), 2019 Public Issuance of Corporate Bonds (Tranche I) Prospectus Summary (for qualified investors), 2019 Public Issuance of Corporate Bonds (Tranche I) |
| November 22, 2019 | Overseas Regulatory Announcements: Announcement on Coupon Rate of 2019 Public Issue of Corporate Bonds (Tranche I), Announcement On Extension of Book-keeping Period for 2019 Public Issuance of Corporate Bonds (Tranche I) |
| November 26, 2019 | Overseas Regulatory Announcement: Announcement on Issuance Results of 2019 Public Issuance of Corporate Bonds (Tranche I) |
| November 27, 2019 | Overseas Regulatory Announcement: Announcement on Listing of 2019 Public Issuance of Corporate Bonds (Tranche I) on the Shanghai Stock Exchange |

# Appendix IV: Information Disclosure Index

| Date of disclosure | Disclosure |
|---|---|
| December 2, 2019 | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended November 30, 2019 |
| December 3, 2019 | Connected Transaction Announcement of the Progress of the Acquisition of Part of Equity Interests of Citi Orient, Overseas Regulatory Announcement: Announcement on the Issuance Results of Short-term Financing Bonds in 2019 (Tranche V) |
| December 5, 2019 | Overseas Regulatory Announcement: Announcement on Completion of Payment of Short-term Financing Bonds in 2019 (Tranche III) |
| December 6, 2019 | Announcement on the Financial Data for November 2019 |
| December 13, 2019 | Overseas Regulatory Announcements: Announcement on Approving the Establishment of 11 New Securities Branches, Prior Approval Opinions of Independent Directors on Related Party Transactions, Independent Opinions of Independent Directors on Relevant Matters of the 16th Meeting of the Fourth Session of the Board, Announcement on Providing Guarantee for Certain of Its wholly-owned Subsidiaries by Orient Finance Holdings (Hong Kong) Limited, Announcement of the Resolution of the 11th Meeting (Temporary Meeting) of the Fourth Session of the Supervisory Committee, Announcement of the Resolution of the 16th Meeting (Temporary Meeting) of the Fourth Session of the Board, |
| December 27, 2019 | Overseas Regulatory Announcement: Announcement on Progress of Providing Guarantee for Certain of Its wholly-owned Subsidiaries by Orient Finance Holdings (Hong Kong) Limited |

# 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 289 to 480, which comprise the consolidated statements of financial position as at 31 December 2019, 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 31 December 2019, 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 |
|---|---|
| **Measurement of expected credit loss ("ECL") of advances to customers and financial assets held under resale agreements** | |
| We identified the measurement of ECL for the Group's advances to customers and financial assets held under resale agreements as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management judgement and estimation required in the measurement.<br><br>As disclosed in Note 4 to the consolidated financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased and whether an asset is credit impaired, using appropriate models and assumptions, determining the key inputs including probability of default ("PD"), loss given default ("LGD") and forward-looking information.<br><br>As at 31 December 2019, the Group held advances to customers of RMB13,429 million, less impairment allowance of RMB215 million as disclosed in Note 23. to the consolidated financial statements and financial assets held under resale agreements of RMB26,014 million, less impairment allowance of RMB1,807 million as disclosed in Note 25 to the consolidated financial statements. | Our procedures in relation to management's measurement of ECL for advances to customers and financial assets held under resale agreements included:<br><br>• Testing and evaluating key controls of the management over the measurement of ECL;<br><br>• Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, in particular PD, LGD and forward-looking information;<br><br>• Evaluating the determination of the criteria for significant increase in credit risk ("SICR") and credit-impaired financial assets by management and, on a sample basis, testing its application;<br><br>• On a sample basis, examining the major data input into the ECL model, including PD and LGD;<br><br>• For credit impaired assets, on a sample basis, assessing the impairment allowances made by management based on the expected future cash flow with reference to financial information of borrowers and guarantors, and the latest collateral valuations, as appropriate;<br><br>• Checking the calculation process of the ECL. |

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Determination of consolidation scope of structured entities** | |
| We identified the determination of consolidation scope of structured entities as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole.<br><br>The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. As disclosed in Note 4 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held 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 the Group controlled the structured entities.<br><br>As disclosed in Notes 37 and 32 to the consolidated financial statements, as at 31 December 2019, the total net assets of the consolidated structured entities amounted to RMB6,077 million and the total net assets of the unconsolidated structured entities managed by the Group amounted to RMB238,139 million, respectively. | Our procedures in relation to management's determination of consolidation scope of structured entities included:<br><br>• Testing and evaluating key controls of the management in determining the consolidation scope of structured entities;<br><br>• Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year;<br><br>• Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not. |

## 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 IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 of the Company.

- 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

27 March 2020

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

| | NOTES | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Revenue | | | |
| Commission and fee income | *6* | **5,050,674** | 5,418,316 |
| Interest income | *7* | **6,086,095** | 6,374,389 |
| | | **11,136,769** | 11,792,705 |
| Net investment gains/(losses) | *8* | **3,760,362** | (2,107) |
| Other income and gains or losses | *9* | **9,453,390** | 3,911,350 |
| Total revenue, gains/(losses) and other income | | **24,350,521** | 15,701,948 |
| Depreciation and amortisation | *10* | **(554,535)** | (206,931) |
| Staff costs | *11* | **(3,654,584)** | (2,830,844) |
| Commission and fee expenses | *12* | **(535,011)** | (429,342) |
| Interest expenses | *13* | **(5,195,473)** | (5,503,768) |
| Other operating expenses | *14* | **(11,102,999)** | (5,906,908) |
| Impairment losses under expected credit loss model, net of reversal | *15* | **(1,044,458)** | (157,114) |
| Total expenses | | **(22,087,060)** | (15,034,907) |
| Share of results of associates | | **591,070** | 664,264 |
| Profit before income tax | | **2,854,531** | 1,331,305 |
| Income tax expense | *16* | **(375,792)** | (50,778) |
| Profit for the year | | **2,478,739** | 1,280,527 |
| Attributable to: | | | |
| Shareholders of the Company | | **2,435,080** | 1,231,013 |
| Non-controlling interests | | **43,659** | 49,514 |
| | | **2,478,739** | 1,280,527 |
| Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share) | | | |
| – Basic | *17* | **0.35** | 0.18 |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

| | NOTE | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Profit for the year | | **2,478,739** | 1,280,527 |
| Other comprehensive income/(expense), net of income tax: | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Fair value gains/(losses) on investment in equity instruments designated as at fair value through other comprehensive income | *52(4)* | **72,020** | (1,568,189) |
| Income tax relating to items that will not be reclassified to profit or loss | *52(4)* | **(18,005)** | 392,047 |
| Share of other comprehensive expense of associates, net of related income tax | *52(4)* | **–** | (38,660) |
| Subtotal | | **54,015** | (1,214,802) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Fair value gains/(losses) on: | | | |
| debt instruments measured at fair value through other comprehensive income | *52(4)* | **583,105** | 1,191,051 |
| Income tax impact relating to items that may be reclassified to profit or loss | *52(4)* | **(145,776)** | (297,763) |
| Share of other comprehensive expense of associates, net of related income tax | *52(4)* | **(8,524)** | (1,993) |
| Exchange differences arising on translation | | **7,504** | 27,892 |
| Subtotal | | **436,309** | 919,187 |
| Other comprehensive income/(expense) for the year, net of income tax | | **490,324** | (295,615) |
| Total comprehensive income for the year | | **2,969,063** | 984,912 |
| Attributable to: | | | |
| Shareholders of the Company | | **2,925,404** | 935,398 |
| Non-controlling interests | | **43,659** | 49,514 |
| | | **2,969,063** | 984,912 |

# Consolidated Statement of Financial Position

As at 31 December 2019

| | NOTES | As at 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Cash and bank balances | *18* | **48,940,834** | 36,764,639 |
| Clearing settlement funds | *20* | **13,243,654** | 9,354,272 |
| Deposits with exchanges and financial institutions | *21* | **1,642,894** | 1,025,365 |
| Derivative financial assets | *22* | **609,102** | 318,490 |
| Advances to customers | *23* | **13,214,262** | 10,276,755 |
| Account receivables | *24* | **1,019,920** | 668,408 |
| Financial assets held under resale agreements | *25* | **24,206,542** | 28,168,584 |
| Financial assets at fair value through profit or loss | *26* | **66,901,093** | 52,035,347 |
| Debt instruments measured at fair value through other comprehensive income | *27* | **64,895,563** | 62,209,436 |
| Equity instruments measured at fair value through other comprehensive income | *28* | **10,832,873** | 9,316,262 |
| Debt instruments measured at amortised cost | *29* | **7,193,554** | 7,912,596 |
| Deferred tax assets | *30* | **760,995** | 895,832 |
| Investments in associates | *31* | **4,453,754** | 4,015,263 |
| Right-of-use assets | *33* | **1,002,749** | – |
| Investment properties | *34* | **30,071** | – |
| Property and equipment | *35* | **2,189,204** | 2,237,568 |
| Other intangible assets | *36* | **168,519** | 132,340 |
| Goodwill | *38* | **32,135** | 32,135 |
| Other loans, receivables and prepayments | *39* | **1,633,724** | 1,506,381 |
| Total assets | | **262,971,442** | 226,869,673 |

# Consolidated Statement of Financial Position
As at 31 December 2019

| | NOTES | As at 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Due to banks and other financial institutions | *40* | **6,384,659** | 11,027,067 |
| Short-term financing bill payables | *41* | **16,113,200** | 12,411,606 |
| Account payables to brokerage clients | *42* | **40,179,178** | 32,059,065 |
| Financial assets sold under repurchase agreements | *43* | **57,478,063** | 49,415,677 |
| Financial liabilities at fair value through profit or loss | *44* | **12,630,961** | 6,834,381 |
| Derivative financial liabilities | *22* | **2,643,375** | 905,809 |
| Contract liabilities | *45* | **208,114** | 134,897 |
| Current tax liabilities | | **161,569** | 371,510 |
| Accrued staff costs | *46* | **1,601,086** | 1,249,289 |
| Borrowings | *47* | **640,154** | 1,653,162 |
| Lease liabilities | *48* | **995,005** | – |
| Bond payables | *49* | **67,309,199** | 57,048,968 |
| Deferred tax liabilities | *30* | **19,031** | – |
| Other account payables, other payables and accruals | *50* | **2,596,211** | 1,485,790 |
| Total liabilities | | **208,959,805** | 174,597,221 |
| Share capital | *51* | **6,993,656** | 6,993,656 |
| Reserves | *52* | **40,198,256** | 38,203,098 |
| Retained profits | *53* | **6,773,604** | 6,542,724 |
| Equity attributable to shareholders of the Company | | **53,965,516** | 51,739,478 |
| Non-controlling interests | | **46,121** | 532,974 |
| Total equity | | **54,011,637** | 52,272,452 |
| Total equity and liabilities | | **262,971,442** | 226,869,673 |

The consolidated financial statements pages 289 to 480 were approved and authorised for issue by the Board of Directors on 27 March 2020 and signed on behalf by:

**Pan Xinjun**
*Chairman of Board*

**Zhang Jianhui**
*Chief Financial Officer*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

| | NOTE | Equity attributable to shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | | | | |
| | | Share capital RMB'000 (Note 51) | Capital reserve RMB'000 (Note 52) | Surplus reserve RMB'000 (Note 52) | General reserve RMB'000 (Note 52) | Debt or equity investment revaluation reserve RMB'000 (Note 52) | Translation reserve RMB'000 (Note 52) | Retained profits RMB'000 (Note 53) | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| As at 1 January 2019 | | 6,993,656 | 28,254,930 | 3,085,378 | 7,061,605 | (192,374) | (6,441) | 6,542,724 | 51,739,478 | 532,974 | 52,272,452 |
| Profit for the year | | – | – | – | – | – | – | 2,435,080 | 2,435,080 | 43,659 | 2,478,739 |
| Other comprehensive income for the year | | – | – | – | – | 482,820 | 7,504 | – | 490,324 | – | 490,324 |
| Total comprehensive income for the year | | – | – | – | – | 482,820 | 7,504 | 2,435,080 | 2,925,404 | 43,659 | 2,969,063 |
| Capital injection by non-controlling shareholders | | – | – | – | – | – | – | – | – | 1,530 | 1,530 |
| Capital returned to non-controlling shareholders upon liquidation of the subsidiaries | | – | – | – | – | – | – | – | – | (30,943) | (30,943) |
| Disposal of subsidiaries | *37* | – | – | – | – | – | – | – | – | (2,429) | (2,429) |
| Appropriation to surplus reserve | | – | – | 360,311 | – | – | – | (360,311) | – | – | – |
| Appropriation to general reserve | | – | – | – | 936,071 | – | – | (936,071) | – | – | – |
| Dividends recognised as distribution | *54* | – | – | – | – | – | – | (699,366) | (699,366) | (23,086) | (722,452) |
| Transfer to retained profits for cumulative fair value change of equity instruments measured at fair value through other comprehensive income upon disposal | | – | – | – | – | 208,452 | – | (208,452) | – | – | – |
| Forward arrangement for acquiring additional interests in a subsidiary | *50* | – | – | – | – | – | – | – | – | (475,584) | (475,584) |
| At 31 December 2019 | | 6,993,656 | 28,254,930 | 3,445,689 | 7,997,676 | 498,898 | 1,063 | 6,773,604 | 53,965,516 | 46,121 | 54,011,637 |
| As at 1 January 2018 | | 6,993,656 | 28,254,931 | 3,052,204 | 6,604,970 | 90,411 | (34,333) | 7,240,973 | 52,202,812 | 514,963 | 52,717,775 |
| Profit for the year | | – | – | – | – | – | – | 1,231,013 | 1,231,013 | 49,514 | 1,280,527 |
| Other comprehensive (expenses)/income for the year | | – | – | – | – | (323,507) | 27,892 | – | (295,615) | – | (295,615) |
| Total comprehensive (expenses)/income for the year | | – | – | – | – | (323,507) | 27,892 | 1,231,013 | 935,398 | 49,514 | 984,912 |
| Capital injection by non-controlling shareholders | | – | – | – | – | – | – | – | – | 510 | 510 |
| Additional interests acquired from non-controlling shareholders of a subsidiary | | – | (1) | – | – | – | – | – | (1) | (184) | (185) |
| Capital returned to non-controlling shareholders of the subsidiaries | | – | – | – | – | – | – | – | – | (10,757) | (10,757) |
| Appropriation to surplus reserve | | – | – | 33,174 | – | – | – | (33,174) | – | – | – |
| Appropriation to general reserve | | – | – | – | 456,635 | – | – | (456,635) | – | – | – |
| Dividends recognised as distribution | *54* | – | – | – | – | – | – | (1,398,731) | (1,398,731) | (21,072) | (1,419,803) |
| Transfer to retained profits for cumulative fair value change of equity instruments measured at fair value through other comprehensive income upon disposal | | – | – | – | – | 40,722 | – | (40,722) | – | – | – |
| At 31 December 2018 | | 6,993,656 | 28,254,930 | 3,085,378 | 7,061,605 | (192,374) | (6,441) | 6,542,724 | 51,739,478 | 532,974 | 52,272,452 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| **OPERATING ACTIVITIES** | | |
| Profit before income tax | **2,854,531** | 1,331,305 |
| Adjustments for: | | |
| Interest expenses | **5,195,473** | 5,503,768 |
| Share of results of associates | **(591,070)** | (664,264) |
| Depreciation and amortisation | **554,535** | 206,931 |
| Impairment losses under expected credit loss model, net of reversal | **1,044,458** | 157,114 |
| Losses on disposal of property and equipment | **1,641** | 731 |
| Foreign exchange (gains)/losses | **(12,163)** | 17,602 |
| Net realised gains and income arising from FVTPL | **(253,165)** | (1,033,707) |
| Net realised gains and income arising from debt instruments measured at fair value through other comprehensive income | **(2,739,315)** | (2,539,380) |
| Dividend income arising from equity instruments measured at fair value through other comprehensive income | **(541,865)** | (428,057) |
| Net realised losses arising from derivative financial instruments | **83,795** | 11,751 |
| Interest income from debt instruments measured at amortised cost | **(297,409)** | (287,342) |
| Unrealised fair value change of financial assets at fair value through profit or loss | **(1,387,529)** | 1,914,422 |
| Unrealised fair value change of financial liabilities at fair value through profit or loss | **423,838** | 273,005 |
| Unrealised fair value change of derivative financial instruments | **26,980** | (256,136) |

(continued)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

| | Year ended 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Operating cash flows before movements in working capital | **4,362,735** | 4,207,743 |
| (Increase)/decrease in advances to customers | **(2,947,892)** | 2,780,054 |
| Decrease in financial assets held under resale agreements | **2,988,689** | 6,062,149 |
| Increase in financial assets at fair value through profit or loss and derivative financial assets | **(8,245,928)** | (118,501) |
| (Increase)/decrease in deposits and reserve funds and deposits with exchanges | **(627,947)** | 430,644 |
| Increase in bank balances and clearing settlement funds restricted or held on behalf of customers | **(8,232,410)** | (3,429,524) |
| Increase in account receivables, other receivables and prepayments | **(549,030)** | (738,547) |
| Increase/(decrease) in account payables, other payables and accruals, contract liabilities | **1,059,881** | (1,711,289) |
| Increase in account payables to brokerage clients | **8,120,113** | 3,839,544 |
| Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities | **5,457,878** | 769,998 |
| Increase/(decrease) in financial assets sold under repurchase agreements | **8,075,627** | (6,785,503) |
| Decrease in deposits due to banks and other financial institutions | **(4,630,000)** | (200,787) |
| Cash generated from operations | **4,831,716** | 5,105,981 |
| Income taxes paid | **(595,502)** | (701,175) |
| Interest paid | **(1,888,935)** | (2,114,649) |
| **NET CASH FROM OPERATING ACTIVITIES** | **2,347,279** | 2,290,157 |

(continued)

# Consolidated Statement of Cash Flows
For the year ended 31 December 2019

| | NOTE | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Dividends and interest received from investments | | **3,945,878** | 3,613,698 |
| Proceeds on disposal of property and equipment and other intangible assets | | **2,952** | 1,878 |
| Proceeds from disposal or redemption of: | | | |
| financial assets at fair value through profit or loss | | **21,940,572** | 35,588,077 |
| debt instruments measured at fair value through other comprehensive income | | **60,726,248** | 85,111,727 |
| equity instruments measured at fair value through other comprehensive income | | **583,379** | 192,899 |
| debt instrument measured at amortised cost | | **896,748** | 1,372,605 |
| Capital injection in associates | | **(449,465)** | (58,529) |
| Purchases of | | | |
| financial assets at fair value through profit or loss | | **(27,679,480)** | (30,033,766) |
| debt instruments at fair value through other comprehensive income | | **(62,689,779)** | (95,525,196) |
| equity instruments measured at fair value through other comprehensive income | | **(2,029,099)** | (3,671,939) |
| debt instrument measured at amortised cost | | **(210,000)** | (3,475,580) |
| Purchases of property and equipment and other intangible assets | | **(298,153)** | (417,551) |
| Payments for right-of-use assets | | **(5,906)** | – |
| Proceeds from disposal of subsidiaries | 37 | **1,418** | – |
| Proceeds from disposal or capital reduction of associates | | **539,586** | 167,908 |
| NET CASH USED IN INVESTING ACTIVITIES | | **(4,725,101)** | (7,133,769) |

(continued)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

| | NOTE | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Capital injection from non-controlling shareholders | | **1,530** | 510 |
| Proceeds from bonds and short-term financing bill payables issued | | **66,746,196** | 29,863,508 |
| Repayments on bonds and short-term financing bill payables issued | | **(52,681,299)** | (29,106,780) |
| Proceeds from borrowings | | **3,375,435** | 2,182,239 |
| Repayments of borrowings | | **(2,781,205)** | (2,041,854) |
| Repayments of lease liabilities | | **(262,056)** | – |
| Dividends paid to shareholders | | **(722,452)** | (1,419,803) |
| Interest of bonds and short-term financing bill payables paid | | **(3,404,443)** | (3,312,238) |
| Interest of borrowings paid | | **(142,733)** | (113,923) |
| Interest paid on lease liabilities | | **(28,921)** | – |
| Payments on acquisition of additional interests in a subsidiary | | **–** | (185) |
| Payments on capital returned to non-controlling shareholders | | **(30,943)** | (10,757) |
| NET CASH FROM/(USED IN) FINANCING ACTIVITIES | | **10,069,109** | (3,959,283) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **7,691,287** | (8,802,895) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | **13,729,707** | 22,316,837 |
| Effect of foreign exchange rate changes | | **131,462** | 215,765 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | *19* | **21,552,456** | 13,729,707 |

## 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 10 December 1997. On 8 October 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 23 March 2015, the Company became listed on the Shanghai Stock Exchange with the stock code of 600958. On 8 July 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 (the "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

### New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

| | |
|---|---|
| IFRS 16 | Leases |
| IFRIC-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to IFRSs | Annual Improvements to IFRSs 2015-2017 Cycle |

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements except for the following:

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### New and Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

***IFRS 16 Leases***

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

*Definition of a lease*

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As permitted by the transitional provisions of IFRS 16, the Group elects not to restate comparative figures.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued rental payments by applying IFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### New and Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

***IFRS 16 Leases** (Continued)*

*As a lessee (Continued)*

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

- used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.14%.

| | As at 1 January 2019 RMB'000 |
|---|---|
| Operating lease commitment disclosed as at 31 December 2018 | 905,495 |
| Less: Recognition exemption – short-term leases | (12,333) |
| Lease liabilities discounted at relevant incremental borrowing rates | (77,219) |
| **Lease liabilities as at 1 January 2019** | 815,943 |

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### New and Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

***IFRS 16 Leases** (Continued)*

The carrying amount of right-of-use assets for own use and those under subleases (classified as investment properties) as at 1 January 2019 comprises the following:

| | Right-of-use assets RMB'000 | Leased properties under subleases RMB'000 |
|---|---|---|
| Right-of-use assets relating to operating leases recognised upon application of IFRS 16 | 811,242 | 4,701 |
| Reclassified from prepaid rental payments *(Note)* | 23,855 | – |
| Less: Accrued lease liabilities at 1 January 2019 | (30) | – |
| **Total** | 835,067 | 4,701 |

*Note:* Prepayments for leasehold buildings in the PRC were classified as prepaid rental payments as at 31 December 2018. Upon application of IFRS 16, the prepaid rental payments amounting to RMB23,855 thousand were reclassified to right-of-use assets.

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### New and Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

***IFRS 16 Leases** (Continued)*

*As a lessor*

In accordance with the transitional provisions in IFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Effective on 1 January 2019, the Group has applied IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. All leased properties under subleases of RMB4,701 thousand as at the date of initial application were classified as operating leases.

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### New and Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

***IFRS 16 Leases** (Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

| | At 31 December 2018 RMB'000 (audited) | IFRS 16 RMB'000 | As at 1 January 2019 RMB'000 (restated) |
|---|---|---|---|
| **Assets** | | | |
| Right-of-use assets | – | 835,067 | 835,067 |
| Investment properties | – | 4,701 | 4,701 |
| Other loans, receivables and prepayments | 1,506,381 | (23,855) | 1,482,526 |
| Total assets | 1,506,381 | 815,913 | 2,322,294 |
| **Liabilities** | | | |
| Lease liabilities | – | 815,943 | 815,943 |
| Other account payables, other payables and accruals | 1,485,790 | (30) | 1,485,760 |
| Total liabilities | 1,485,790 | 815,913 | 2,301,703 |

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new amendments and interpretation of IFRSs that have been issued but are not yet effective.

| | |
|---|---|
| IFRS 17 | Insurance Contracts[1] |
| Amendments to IFRS 3 | Definition of a Business[2] |
| 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 1 | Classification of Liabilities as Current or Non-current[5] |
| Amendments to IAS 1 and IAS 8 | Definition of Material[4] |
| Amendments to IAS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform[4] |

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 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 ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Hong Kong 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 IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation *(Continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's 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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 *IFRS 9 Financial Instruments* ("IFRS 9"), when applicable, the cost on initial recognition of an investment in an associate.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation *(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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Business combinations *(Continued)*

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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.

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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Business combinations *(Continued)*

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 or other comprehensive income, as appropriate. 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 and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 retrospectively 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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Goodwill *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments in associates *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 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 is not allocated to any asset, including goodwill, that 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.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, 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. 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) upon disposal or partial disposal of the relevant associate.

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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property and equipment *(Continued)*

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 |

### 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).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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).

***Internally-generated intangible assets – research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliability the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets *(Continued)*

***Internally-generated intangible assets – research and development expenditure** (Continued)*

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as an intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Leases

***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

***The Group as a lessee***

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

***The Group as a lessee*** *(Continued)*

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of machinery and equipment/ buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment properties”.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

***The Group as a lessee*** *(Continued)*

*Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

***The Group as a lessee*** *(Continued)*

*Lease liabilities (Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

*Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

***The Group as a lessor***

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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 such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

*Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

*Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of IFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of IFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the entire consideration allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

### 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 accruing 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 income 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, 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 to the same taxable entity by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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 ("FVTPL")) 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Financial assets***

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Classification and subsequent measurement of financial assets (Continued)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations applies*.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a 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 designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Classification and subsequent measurement of financial assets (Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit– impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of debt investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments measured at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the equity investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Classification and subsequent measurement of financial assets (Continued)*

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

*Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under IFRS 9, including advances to customers, debt instruments measured at FVTOCI, financial assets held under resale agreements, debt instruments measured at amortised cost, account receivables, deposits with exchanges and financial institutions, clearing settlement funds, cash and bank balances, loan commitments and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group applied the IFRS 9 simplified approach to measure ECL and recognizes lifetime ECL for account receivables. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Impairment of financial assets (Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Impairment of financial assets (Continued)*

(i) Significant increase in credit risk *(Continued)*

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Impairment of financial assets (Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Impairment of financial assets (Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables, other receivables, advances to customers, financial assets held under resale agreements and debt instruments measured at amortised cost where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the debt investment revaluation reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the debt investment revaluation reserve in relation to accumulated loss allowance.

*Derecognition of financial assets*

The Group derecognises a financial asset only 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 entity. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets** (Continued)*

*Derecognition of financial assets (Continued)*

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the equity investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

***Financial liabilities and equity instruments***

*Classification as debt or equity*

Debt and equity instruments 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.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial liabilities and equity instruments** (Continued)*

*Financial liabilities at FVTPL (Continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in 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; or
- 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 IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, 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 recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

*Financial liabilities at amortised cost*

Financial liabilities including borrowings, short-term financing bill payables, due to banks and other financial institutions, account 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.

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial liabilities and equity instruments** (Continued)*

*Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 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 FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

*Derecognition/modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial liabilities and equity instruments** (Continued)*

*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, debt instruments measured at FVTOCI, equity instruments measured at FVTOCI, or debt instruments measured at amortized cost 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.

*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 "account payables 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 financial assets at FVTPL.

### Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

***Contracts with multiple performance obligations (including allocation of transaction price)***

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

*Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

***Variable consideration***

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers *(Continued)*

***Variable consideration** (Continued)*

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

***Principal versus agent***

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group's revenue mainly comes from the following types of business:

*Commission and fee income*

(a) Commission and fee income arising from securities brokerage services is recognised on the date of the securities transaction;

(b) Commission and fee income arising from investment banking services is recognised when the contractual obligations are fulfilled;

(c) Commission and fee income arising from asset management services is recognised in accordance with the conditions and proportions agreed in the contract when management services meets the relevant revenue recognition conditions.

*Interest income*

Interest income from a financial asset is accrued on a timely basis using the effective interest method.

*Other income*

Other income is recognised when the contractual obligations are fulfilled.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions

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 estimated.

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).

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.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.1 Critical judgement in applying accounting policies

***Consolidation of structured entities***

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, 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.

***Determination on classification of financial assets***

Classification and measurement of financial assets depends on the results of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Fair value of financial assets***

The Group uses valuation techniques to estimate the fair value of financial assets 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, etc. To the extent practical market observable inputs and data 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 assets.

***Impairment of advances to customers and financial assets held under resale agreements***

The Group estimates the amount of loss allowance for ECL on its advances to customers and financial assets held under resale agreements. The assessment of the ECL of advances to customers and financial assets held under resale agreements involves high degree of estimation and uncertainty.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.2 Key sources of estimation uncertainty *(Continued)*

***Impairment of advances to customers and financial assets held under resale agreements*** *(Continued)*

*Significant increase of credit risk and credit-impaired financial asset*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition, and it comes to stage 3 when it is credit impaired. In assessing whether the credit risk of an asset has significantly increased and whether a financial asset is credit-impaired, the Group takes into account qualitative and quantitative forward looking information on a reasonable and supportable basis, which is detailed in Note 62.

*Establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

*Models and assumptions used*

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk, which are detailed in Note 62.

*Forward-looking information*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Further information is detailed in Note 62.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.2 Key sources of estimation uncertainty *(Continued)*

***Impairment of advances to customers and financial assets held under resale agreements*** *(Continued)*

*Probability of default ("PD")*

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Further information is detailed in Note 62.

*Loss given default ("LGD")*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Further information is detailed in Note 62.

***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.

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 30.

## 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 CODM, 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 primarily included investment gains, commission and fee 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 included 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;

(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, bulk commodity trading, and also interest earned from providing margin financing and securities lending services;

(d) Investment banking, which primarily included commissions and fees earned from equity underwriting and sponsorship, debt underwriting and financial advisory services;

(e) Headquarters and others, which included head office operations and the overseas business in 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 2019 and 2018.

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 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 31 December 2019 and 2018 are as follows:

### Operating segment

***For the year ended 31 December 2019***

| | 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 | 4,696,194 | 2,390,826 | 4,659,013 | 1,043,615 | 3,202,117 | 15,991,765 | (1,094,634) | 14,897,131 |
| Segment other income and gains | 5,426 | 63,386 | 9,285,235 | 19,214 | 84,293 | 9,457,554 | (4,164) | 9,453,390 |
| Segment revenue, gains/(losses) and other income | 4,701,620 | 2,454,212 | 13,944,248 | 1,062,829 | 3,286,410 | 25,449,319 | (1,098,798) | 24,350,521 |
| Segment expenses | (1,939,141) | (1,348,064) | (12,550,982) | (671,332) | (5,658,891) | (22,168,410) | 81,350 | (22,087,060) |
| Segment result | 2,762,479 | 1,106,148 | 1,393,266 | 391,497 | (2,372,481) | 3,280,909 | (1,017,448) | 2,263,461 |
| Share of results of associates and a joint venture | (24,590) | 567,633 | (1,377) | – | – | 541,666 | 49,404 | 591,070 |
| Profit/(loss) before income tax | 2,737,889 | 1,673,781 | 1,391,889 | 391,497 | (2,372,481) | 3,822,575 | (968,044) | 2,854,531 |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 110,485,910 | 10,121,840 | 86,070,721 | 1,998,944 | 70,608,819 | 279,286,234 | (16,314,792) | 262,971,442 |
| Segment liabilities | 62,661,276 | 1,272,779 | 44,881,156 | 527,264 | 101,456,200 | 210,798,675 | (1,838,870) | 208,959,805 |
| **Other segment information** | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 17,287 | 40,085 | 220,964 | 31,065 | 246,251 | 555,652 | (1,117) | 554,535 |
| Provision for/(reversal of) impairment losses | 57,932 | (6,263) | 983,793 | 1 | 8,995 | 1,044,458 | – | 1,044,458 |
| Capital expenditure | 1,466 | 227,700 | 209,564 | 87,684 | 229,916 | 756,330 | (11,642) | 744,688 |

## 5. SEGMENT REPORTING *(Continued)*

### Operating segment *(Continued)*

***For the year ended 31 December 2018***

| | 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 | 1,029,848 | 3,733,909 | 4,434,176 | 1,158,856 | 1,976,317 | 12,333,106 | (542,508) | 11,790,598 |
| Segment other income and gains | 19 | 7,353 | 3,824,837 | 78,674 | 25,772 | 3,936,655 | (25,305) | 3,911,350 |
| Segment revenue, gains/(losses) and other income | 1,029,867 | 3,741,262 | 8,259,013 | 1,237,530 | 2,002,089 | 16,269,761 | (567,813) | 15,701,948 |
| Segment expenses | (1,904,808) | (1,506,483) | (6,107,669) | (702,721) | (4,929,439) | (15,151,120) | 116,213 | (15,034,907) |
| Segment result | (874,941) | 2,234,779 | 2,151,344 | 534,809 | (2,927,350) | 1,118,641 | (451,600) | 667,041 |
| Share of results of associates and a joint venture | 75,668 | 568,849 | (301) | – | – | 644,216 | 20,048 | 664,264 |
| Profit/(loss) before income tax | (799,273) | 2,803,628 | 2,151,043 | 534,809 | (2,927,350) | 1,762,857 | (431,552) | 1,331,305 |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 94,523,493 | 8,466,707 | 75,320,687 | 1,828,325 | 59,845,572 | 239,984,784 | (13,115,111) | 226,869,673 |
| Segment liabilities | 52,266,116 | 1,521,155 | 36,244,870 | 401,454 | 85,297,158 | 175,730,753 | (1,133,532) | 174,597,221 |
| **Other segment information** | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 2,316 | 11,218 | 64,735 | 6,356 | 122,306 | 206,931 | – | 206,931 |
| Provision for impairment losses | 34,303 | 4,884 | 86,064 | 147 | 31,716 | 157,114 | – | 157,114 |
| Capital expenditure | 324 | 28,139 | 69,481 | 11,709 | 312,443 | 422,096 | – | 422,096 |

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 31 December 2019 and 2018.

## 6. COMMISSION AND FEE INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Commission on securities dealing, broking and handling fee income | **1,641,045** | 1,374,676 |
| Underwriting, sponsors and financial advisory fee income | **1,088,168** | 1,177,085 |
| Commission on futures and options contracts dealing, broking and handling fee income | **267,239** | 244,654 |
| Asset and fund management fee income | **1,939,156** | 2,500,427 |
| Consultancy fee income | **84,276** | 116,820 |
| Others | **30,790** | 4,654 |
| | **5,050,674** | 5,418,316 |

The major business types of commission and fee income from customers are as follows:

### (1) Brokerage

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

### (2) Investment Banking

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. Revenue is recognized upon the completion of the sponsoring or corporate advisory services.

## 6. COMMISSION AND FEE INCOME *(Continued)*

### (3) Asset management

The Group provides asset management on diversified and comprehensive investment products to customers. The customers simultaneously receive and consume the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. For some products, the Group may be also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

## 7. INTEREST INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | **RMB'000** | **RMB'000** |
| Advances to customers | **799,806** | 895,064 |
| Financial assets held under resale agreements | **1,331,674** | 1,745,051 |
| Deposits with exchanges and financial institutions and bank balances | **956,943** | 964,811 |
| Interest income from debt instrument at amortised cost | **297,409** | 287,342 |
| Interest income from debt instruments measured at fair value through other comprehensive income | **2,673,743** | 2,439,869 |
| Others | **26,520** | 42,252 |
| | **6,086,095** | 6,374,389 |

## 8. NET INVESTMENT GAINS/(LOSSES)

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Net realised gains from disposal of debt instruments measured at FVTOCI | **65,572** | 99,511 |
| Dividend income from equity instruments measured at FVTOCI | | |
| – relating to investments derecognised during the year | **15,932** | 2,139 |
| – relating to investments held at the end of the reporting period | **525,933** | 425,918 |
| Net realised gains/(losses) from disposal of financial assets at FVTPL | **1,020,978** | (953,067) |
| Dividend income and interest income from financial assets at FVTPL | **1,541,556** | 1,775,660 |
| Net realised losses arising from financial liabilities at FVTPL | **(27,355)** | (19,512) |
| Net realised (losses)/gains arising from derivative financial instruments | **(318,965)** | 598,535 |
| Unrealised fair value change of financial assets at FVTPL | **1,387,529** | (1,914,422) |
| Unrealised fair value change of financial liabilities at FVTPL | **(423,838)** | (273,005) |
| Unrealised fair value change of derivative financial instruments | **(26,980)** | 256,136 |
| | **3,760,362** | (2,107) |

## 9. OTHER INCOME AND GAINS OR LOSSES

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Foreign exchange gains/(losses) | **12,163** | (17,602) |
| Rental income | **9,247** | 10,986 |
| Government grants *(Note)* | **154,727** | 121,518 |
| Losses on disposals of property and equipment | **(187)** | (51) |
| Bulk commodity trading income and others | **9,277,440** | 3,796,499 |
| | **9,453,390** | 3,911,350 |

*Note:* The government grants were received unconditionally from the local governments to support operations on certain purposes.

## 10. DEPRECIATION AND AMORTISATION

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Depreciation of property and equipment | **204,525** | 143,783 |
| Depreciation of right-of-use assets | **273,556** | – |
| Depreciation of investment properties | **5,590** | – |
| Amortisation of other intangible assets | **70,864** | 63,148 |
| | **554,535** | 206,931 |

## 11. STAFF COSTS

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Salaries, bonus and allowances | **3,079,297** | 2,319,370 |
| Social welfare | **474,382** | 416,764 |
| Contributions to annuity schemes | **100,905** | 94,710 |
| | **3,654,584** | 2,830,844 |

*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 schemes 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 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Securities and futures dealing and broking expenses | **362,694** | 267,507 |
| Underwriting, sponsors and financial advisory fee expenses | **38,156** | 41,470 |
| Other service expenses | **134,161** | 120,365 |
| | **535,011** | 429,342 |

## 13. INTEREST EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Account payables to brokerage clients | **73,732** | 73,813 |
| Financial assets sold under repurchase agreements | **1,655,921** | 1,801,537 |
| Borrowings | **57,111** | 97,110 |
| Due to banks and other financial institutions | **180,651** | 239,299 |
| Short-term financing bill payables | **456,392** | 430,079 |
| Bond payables | **2,736,924** | 2,861,930 |
| Lease liabilities | **34,742** | – |
| | **5,195,473** | 5,503,768 |

## 14. OTHER OPERATING EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Advisory expenses | **112,144** | 157,819 |
| Auditor's remuneration | **7,307** | 6,765 |
| Business travel expenses | **109,007** | 102,801 |
| Communication expenses | **129,462** | 112,903 |
| Electronic equipment operating expenses | **199,995** | 169,275 |
| Entertainment expenses | **92,980** | 79,703 |
| Administrative expenses | **294,234** | 244,213 |
| Operating lease rentals in respect of rented premises | **–** | 297,402 |
| Operating lease rentals in respect of short-term leases/low value assets | **44,388** | – |
| Products distribution expenses | **549,816** | 712,282 |
| Securities and futures investor protection funds | **46,739** | 25,130 |
| Stock exchange management fees | **54,685** | 39,956 |
| Sundry expenses | **97,140** | 52,994 |
| Tax and surcharges | **71,339** | 72,356 |
| Donation | **35,449** | 28,267 |
| Bulk commodity trading and others | **9,258,314** | 3,805,042 |
| | **11,102,999** | 5,906,908 |

## 15. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Expected credit losses in respect of account receivables and other receivables | **43,750** | 18,372 |
| Expected credit losses in respect of debt instruments measured at FVTOCI | **21,695** | 2,195 |
| Expected credit losses in respect of debt instruments measured at amortised cost | **(489)** | 1,202 |
| Expected credit losses in respect of advances to customers | **6,149** | 24,359 |
| Expected credit losses in respect of financial assets held under resale agreements | **973,353** | 110,986 |
| | **1,044,458** | 157,114 |

## 16. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Current tax: | | |
| PRC Enterprise Income Tax | **305,850** | 599,983 |
| Hong Kong Profits Tax | **18,885** | 2,343 |
| | **324,735** | 602,326 |
| Adjustments in respect of current income tax in relation to prior years: | | |
| PRC Enterprise Income Tax | **97,158** | 47,018 |
| Deferred tax | **(46,101)** | (598,566) |
| | **375,792** | 50,778 |

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%.

## 16. INCOME TAX EXPENSE *(Continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The income tax expense for the year can be reconciled to the profit before income tax as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Profit before income tax | **2,854,531** | 1,331,305 |
| Tax at the statutory tax rate of 25% | **713,633** | 332,826 |
| Effect of share of results of associates | **(111,921)** | (96,604) |
| Adjustments for prior years | **97,158** | 47,018 |
| Tax effect of expenses not deductible for tax purpose | **68,565** | 115,090 |
| Tax effect of income not taxable for tax purpose | **(434,076)** | (453,774) |
| Tax effect of tax losses not recognized | **62,253** | 111,126 |
| Utilisation of tax losses previously not recognized | **(401)** | (2,309) |
| Income tax at concessionary rate | **(4,602)** | – |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(14,817)** | (2,595) |
| Income tax expense for the year | **375,792** | 50,778 |

*Note:* Income not taxable for tax purpose mainly includes dividends from equity investments, interest income from treasure bonds etc.

The Group has estimated unutilised tax losses of approximately RMB692 million and RMB630 million as at 31 December 2019 and 2018, 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 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Earnings for the purpose of basic/diluted earnings per share: | | |
| Profit for the year attributable to shareholders of the Company | **2,435,080** | 1,231,013 |
| Number of shares: | | |
| Weighted average number of ordinary shares in issue (in thousand) | **6,993,656** | 6,993,656 |
| Basic earnings per share (RMB Yuan) | **0.35** | 0.18 |

There were no potential dilutive ordinary shares in issue during the year ended 31 December 2019 and 2018, thus no diluted earnings per share is presented.

## 18. CASH AND BANK BALANCES

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| House accounts | **19,169,645** | 12,502,960 |
| Restricted bank deposits *(Note b)* | **21,304** | – |
| | **19,190,949** | 12,502,960 |
| Cash held on behalf of clients *(Note a)* | **29,749,885** | 24,261,679 |
| | **48,940,834** | 36,764,639 |

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 42).

*Note b:* The restricted bank deposits as of 31 December 2019 are pledged bank deposits due within one year.

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Cash and bank balances | **19,170,595** | 12,471,720 |
| Clearing settlement funds | **2,411,165** | 1,265,987 |
| Less: clearing settlement funds of Shanghai Orient Securities Futures Co., Ltd. | **(8,000)** | (8,000) |
| restricted bank deposits *(Note 18)* | **(21,304)** | – |
| | **21,552,456** | 13,729,707 |

## 20. CLEARING SETTLEMENT FUNDS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Clearing settlement funds held with clearing houses for: | | |
| House accounts | **2,411,165** | 1,265,987 |
| Clients | **10,832,489** | 8,088,285 |
| | **13,243,654** | 9,354,272 |

## 21. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Deposits with stock exchanges: | | |
| – Shanghai Stock Exchange | **90,475** | 69,129 |
| – Shenzhen Stock Exchange | **40,791** | 41,229 |
| – Hong Kong Exchanges | **17,035** | 1,314 |
| – Others | **998** | 1,115 |
| Deposits with futures and commodity exchanges: | | |
| – Shanghai Futures Exchange | **161,242** | 76,249 |
| – Dalian Commodity Exchange | **180,158** | 18,115 |
| – Zhengzhou Commodity Exchange | **83,375** | 9,102 |
| – China Financial Futures Exchange | **249,230** | 172,085 |
| – Shanghai Gold Exchange | **241** | 137 |
| Guarantee fund paid to Shanghai Stock Exchange | **9,894** | 6,880 |
| Guarantee fund paid to Shenzhen Stock Exchange | **13,070** | 9,578 |
| Deposits with China Securities Finance Corporation Limited | **335,911** | 329,958 |
| Deposits with Shanghai Clearing House | **150,464** | 148,286 |
| Deposits with other financial institutions | **310,010** | 142,188 |
| | **1,642,894** | 1,025,365 |

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Assets RMB'000 | Liabilities RMB'000 | Assets RMB'000 | Liabilities RMB'000 |
| Stock index futures [(i)] | – | – | – | 97 |
| Treasury bond futures [(ii)] | – | – | 35 | – |
| Commodity futures [(ii)] | 24,017 | – | – | 436 |
| Forward contracts [(ii)] | – | – | – | – |
| Interest rate swaps [(iii)] | 1,703 | – | 3,327 | – |
| Derivatives embedded in income certificates [(iv)] | – | 3,480 | – | 4,484 |
| Total return swaps [(v)] | 720 | 5,510 | 65,849 | – |
| Stock options [(vi)] | 22,051 | 49,637 | 10,204 | 3,604 |
| Commodity swaps [(vii)] | 500,644 | – | 176,937 | – |
| Gold forwards | – | 5,378 | 10,170 | – |
| Credit default swap | 1,102 | 5,314 | – | 4,542 |
| Equity linked derivatives [(viii)] | – | 4,275 | 18,997 | 5,620 |
| Commodity options [(ix)] | 16,189 | 10,278 | 7,397 | – |
| Currency swaps [(x)] | 6,899 | 4,175 | 25,574 | – |
| Gold option arrangements [(xi)] | 35,777 | 2,555,328 | – | 887,026 |
| Total | 609,102 | 2,643,375 | 318,490 | 905,809 |

(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 mark-to-market and settlement arrangement is presented in gross as at 31 December 2018.

The contract value of the Group's SIF contracts as at 31 December 2019 and 2018 were approximately RMB2,477 million and RMB980 million, respectively.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(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", except that treasury bond futures in Hong Kong market which is not under the daily mark-to-market and settlement arrangement is presented in gross as at 31 December 2018.

Commodity futures: The notional principal amounts of the Group's commodity futures as at 31 December 2019 and 2018 were approximately RMB11,149 million and RMB1,335 million, respectively.

(iii) Interest rate swaps: Daily mark-to-market and settlement arrangement was implemented starting from 1 July 2014. Any gains or losses of the Group's position in interest rate swaps ("IRS") were settled daily, except that IRS traded before 1 July 2014 which is not under the daily market-to-market and settlement arrangement is presented in gross at the end of reporting period. The notional principal amounts of the Group's interest rate swaps contracts as at 31 December 2019 and 2018 were RMB624,601 million and RMB393,185 million, respectively. The contract period usually lasts for one to five years. As at 31 December 2019, fixed rate paid ranged from 2.45% to 4.63%, and floating reference rates were SHIBOR_3M and FixingRepoRate007. While fixed rate received ranged from 0.4% to 4.63%, and floating reference rates were SHIBOR_3M and FixingRepoRate007. As at 31 December 2018, fixed rate paid ranged from 2.62% to 4.80%, and floating reference rates were SHIBOR_3M and FixingRepoRate007. While fixed rate received ranged from 2.49% to 4.78%, and floating reference rates were SHIBOR_3M and FixingRepoRate007.

(iv) Derivatives embedded in income certificates: The call/put option was embedded in the non-derivative host contract and it was mainly linked with stock index. The notional principal amounts of the Group's embedded option instruments contracts as at 31 December 2019 and 2018 were approximately RMB196 million and RMB305 million, respectively.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(v) Total return swaps: Derivative transactions, 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 or debt securities. The notional principal amounts of the Group's total return swaps as at 31 December 2019 and 2018 were RMB299 million and RMB33 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 31 December 2019 and 2018 were approximately RMB1,298 million RMB283 million, respectively. The notional principal amounts of the Group' option sold as at 31 December 2019 and 2018 were approximately RMB879 million and RMB316 million, respectively.

(vii) Commodity swaps: The notional principal amounts of the Group's commodity swaps as at 31 December 2019 and 2018 were approximately RMB6,577 million and RMB4,356 million, respectively.

(viii) Equity linked derivatives: The return of these derivatives are linked with the performance of the underlying equity securities. The notional principal amounts of the Group's equity linked derivatives as at 31 December 2019 and 2018 were approximately RMB549 million and RMB594 million, respectively.

(ix) Commodity options: The notional principal amounts of the Group's commodity options as at 31 December 2019 and 2018 were approximately RMB3,608 million and RMB286 million, respectively.

(x) Currency swaps: As at 31 December 2019 and 2018, the notional amounts of the Group's currency swaps contracts with exchange of RMB to HKD or USD were RMB547 million and RMB425 million.

(xi) Gold option arrangements: The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as combinations intend to enable the Group to pay a relatively fixed expense despite the volatilities of fair value of gold bullions.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's SIF are set out below:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Contract value RMB'000 | Fair value RMB'000 | Contract value RMB'000 | Fair value RMB'000 |
| SIF | **2,477,330** | **(50,646)** | 980,493 | 34,804 |
| Less: settlement | | **(50,646)** | | 34,901 |
| Net position of SIF contracts | | **–** | | (97) |

Details of the Group's treasury bond futures, commodity futures and forward contracts are set out below:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Contract value RMB'000 | Fair value RMB'000 | Contract value RMB'000 | Fair value RMB'000 |
| Treasury bond futures | **16,542,772** | **(5,488)** | 1,681,361 | (3,967) |
| Less: settlement | | **(5,488)** | | (4,002) |
| Net position of treasury bond futures | | **–** | | 35 |
| Commodity futures | **11,148,530** | **54,093** | 1,334,728 | 2,126 |
| Less: settlement | | **(30,076)** | | (2,562) |
| Net position of commodity futures | | **24,017** | | (436) |
| Forward contracts | **317** | **7** | 277 | (8) |
| Less: settlement | | **7** | | (8) |
| Net position of forward contracts | | **–** | | – |

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's interest rate swaps are set out below:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Contract value RMB'000 | Fair value RMB'000 | Contract value RMB'000 | Fair value RMB'000 |
| Interest rate swaps | **624,601,449** | **(80,067)** | 393,185,000 | (155,309) |
| Less: settlement | | **(81,770)** | | (158,636) |
| Net position of interest rate swaps | | **1,703** | | 3,327 |

## 23. ADVANCES TO CUSTOMERS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Loans to margin clients | **12,930,751** | 9,920,032 |
| Other advances to customers | **498,107** | 560,934 |
| Subtotal | **13,428,858** | 10,480,966 |
| Less: impairment allowance | **(214,596)** | (204,211) |
| | **13,214,262** | 10,276,755 |

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 42 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.

## 23. ADVANCES TO CUSTOMERS *(Continued)*

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 RMB48,659 million and RMB28,205 million as at 31 December 2019 and 31 December 2018, 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 margin financing business. As a result, no ageing analysis is disclosed.

The following table shows reconciliation of loss allowances that has been recognised for advances to customers.

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2019 | **1,560** | **1,503** | **201,148** | **204,211** |
| – Transfer to lifetime-credit-impaired | **–** | **(4)** | **4** | **–** |
| – Transfer to lifetime-not-credit-impaired | **(20)** | **20** | **–** | **–** |
| – Transfer to 12m ECL | **748** | **(748)** | **–** | **–** |
| – Impairment losses recognised/(reversed) | **(1,115)** | **(640)** | **7,904** | **6,149** |
| – Foreign exchange differences | **–** | **–** | **4,236** | **4,236** |
| As at 31 December 2019 | **1,173** | **131** | **213,292** | **214,596** |

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2018 | 1,542 | 68,777 | 100,589 | 170,908 |
| – Transfer to lifetime-credit-impaired | – | (44,337) | 44,337 | – |
| – Transfer to lifetime-not-credit-impaired | (403) | 513 | (110) | – |
| – Transfer to 12m ECL | 134 | (134) | – | – |
| – Impairment losses recognised/(reversed) | 287 | (23,316) | 47,388 | 24,359 |
| – Foreign exchange differences | – | – | 8,944 | 8,944 |
| As at 31 December 2018 | 1,560 | 1,503 | 201,148 | 204,211 |

## 23. ADVANCES TO CUSTOMERS *(Continued)*

The table below details the credit risk exposures of the Group's advances to customers, which are subject to ECL assessment.

**As at 31 December 2019**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | **13,035,817** | **179,334** | **213,707** | **13,428,858** |

**As at 31 December 2018**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | 8,455,553 | 1,817,799 | 207,614 | 10,480,966 |

In 2019, the gross carrying amount of the Group's advances to customers in stage 2 decreased, and the amount of ECL of this stage decreased as well. The increase of gross carrying amount of the Group's advances to customers in stage 3 led to the increase of ECL in this stage.

## 24. ACCOUNT RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Account receivables from/related to: | | |
| – Clearing house | **377,245** | 151,964 |
| – Brokers | **137,136** | 105,808 |
| – Asset management fee and trading seats commission | **497,653** | 412,268 |
| – Advisory and investment banking commission | **15,929** | 12,004 |
| Less: impairment allowance | **(8,043)** | (13,636) |
| | **1,019,920** | 668,408 |

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Ageing analysis of account receivables from the revenue recognition dates is as follows: | | |
| – Within 1 year | **903,511** | 576,960 |
| – Between 1 and 2 years | **58,309** | 77,163 |
| – Between 2 and 3 years | **58,100** | 13,465 |
| – Over 3 years | **–** | 820 |
| | **1,019,920** | 668,408 |

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.

## 24. ACCOUNT RECEIVABLES *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for account receivables.

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| As at 1 January 2019 | **10,636** | **3,000** | **13,636** |
| – Impairment losses reversed | **(5,598)** | **–** | **(5,598)** |
| – Foreign exchange differences | **5** | **–** | **5** |
| As at 31 December 2019 | **5,043** | **3,000** | **8,043** |

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| As at 1 January 2018 | 4,819 | 3,000 | 7,819 |
| – Impairment losses recognised | 5,770 | – | 5,770 |
| – Foreign exchange differences | 47 | – | 47 |
| As at 31 December 2018 | 10,636 | 3,000 | 13,636 |

The table below details the credit risk exposures of the Group's account receivables, which are subject to ECL assessment.

## 24. ACCOUNT RECEIVABLES *(Continued)*

**As at 31 December 2019**

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| Gross carrying amount | **1,024,963** | **3,000** | **1,027,963** |

**As at 31 December 2018**

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| Gross carrying amount | 679,044 | 3,000 | 682,044 |

## 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | **RMB'000** | **RMB'000** |
| Analysed by collateral type: | | |
| – Stock | **20,531,490** | 24,093,807 |
| – Bonds | **5,482,150** | 4,908,522 |
| Subtotal | **26,013,640** | 29,002,329 |
| Less: impairment allowance | **(1,807,098)** | (833,745) |
| | **24,206,542** | 28,168,584 |
| Analysed by market: | | |
| – Stock exchange | **22,158,883** | 28,852,332 |
| – Inter-bank market | **3,854,757** | 149,997 |
| Less: impairment allowance | **(1,807,098)** | (833,745) |
| | **24,206,542** | 28,168,584 |

*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.

## 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2019 | **9,907** | **152,349** | **671,489** | **833,745** |
| – Transfer to lifetime-credit-impaired | **–** | **(61,715)** | **61,715** | **–** |
| – Transfer to lifetime-not-credit-impaired | **(5,728)** | **5,728** | **–** | **–** |
| – Transfer to 12m ECL | **11,011** | **(11,011)** | **–** | **–** |
| – Impairment losses recognised/(reversed) | **(10,288)** | **51,671** | **931,970** | **973,353** |
| As at 31 December 2019 | **4,902** | **137,022** | **1,665,174** | **1,807,098** |

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2018 | 145,730 | 659,981 | 187,351 | 993,062 |
| – Transfer to lifetime-credit-impaired | – | (579,321) | 579,321 | – |
| – Transfer to lifetime-not-credit-impaired | (86,748) | 86,748 | – | – |
| – Transfer to 12m ECL | 19,841 | (19,841) | – | – |
| – Impairment losses recognised/(reversed) | (68,916) | 4,782 | 175,120 | 110,986 |
| – Transfer out | – | – | (270,303) | (270,303) |
| As at 31 December 2018 | 9,907 | 152,349 | 671,489 | 833,745 |

The table below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

## 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

**As at 31 December 2019**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | **8,228,676** | **9,910,335** | **7,874,629** | **26,013,640** |

**As at 31 December 2018**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | 13,676,747 | 11,330,646 | 3,994,936 | 29,002,329 |

In 2019, the gross carrying amount of the Group's financial assets held under resale agreements in stage 1 and stage 2 decreased, and the amount of ECL of these stages decreased as well. The gross carrying amount of the Group's financial assets held under resale agreements in stage 3 increased, and the amount of ECL of this stage increased.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Mandatorily measured at FVTPL | | |
| – Debt securities *(Note a)* | **30,575,190** | 24,879,152 |
| – Equity securities | **8,125,586** | 6,427,238 |
| – Funds | **9,599,803** | 10,567,823 |
| – Other investments *(Note b)* | **18,600,514** | 10,161,134 |
| | **66,901,093** | 52,035,347 |
| Analysed as: | | |
| – Listed *(Note c)* | **32,332,525** | 22,292,048 |
| – Unlisted | **34,568,568** | 29,743,299 |
| | **66,901,093** | 52,035,347 |

*Note a:* These debt securities including convertible bonds are with contractual terms giving rise to cash flows that are not solely payments of principal and interest on the principal outstanding. Accordingly, they are measured at FVTPL upon the application of IFRS 9.

*Note b:* Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, perpetual instruments, 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.

*Note c:* Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and other stock exchanges are included in the "Listed" category.

As at 31 December 2019, the Group's pledged collateral of bonds and funds included in financial assets at fair value through profit or loss in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB20,705 million (31 December 2018: RMB12,895 million) and RMB333 million (31 December 2018: RMB285 million), respectively.

## 27. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Government bonds | **27,328,199** | 28,455,694 |
| Bonds issued by policy banks | **2,216,586** | 1,816,677 |
| Bonds issued by commercial banks and other financial institutions | **1,266,318** | 2,202,047 |
| Other debt securities *(Note a)* | **34,084,460** | 29,735,018 |
| | **64,895,563** | 62,209,436 |
| Analysed as: | | |
| – Listed *(Note b)* | **36,821,013** | 33,492,152 |
| – Unlisted | **28,074,550** | 28,717,284 |
| | **64,895,563** | 62,209,436 |

*Note a:* Other debt securities mainly comprise of corporate bonds, enterprise bonds and medium term notes.

*Note b:* Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed" category.

As at 31 December 2019, the Group's pledged collateral of bonds included in debt instruments measured at FVTOCI in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB33,456 million and RMB1,792 million, respectively.

As at 31 December 2018, the Group's pledged collateral of bonds included in debt instruments measured at FVTOCI in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB29,280 million and RMB1,700 million, respectively.

## 27. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for debt instruments measured at FVTOCI.

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2019 | **18,293** | **–** | **84,660** | **102,953** |
| – Transfer to lifetime-credit-impaired | **–** | **(125)** | **125** | **–** |
| – Transfer to lifetime-not-credit-impaired | **(125)** | **125** | **–** | **–** |
| – Impairment losses (reversed)/recognised | **(380)** | **–** | **22,075** | **21,695** |
| As at 31 December 2019 | **17,788** | **–** | **106,860** | **124,648** |

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2018 | 16,098 | – | 84,660 | 100,758 |
| – Impairment losses recognised | 2,195 | – | – | 2,195 |
| As at 31 December 2018 | 18,293 | – | 84,660 | 102,953 |

The table below details the credit risk exposures of the Group's debt instruments measured at FVTOCI, which are subject to ECL assessment.

## 27. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

**As at 31 December 2019**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | **64,006,323** | **–** | **143,700** | **64,150,023** |

**As at 31 December 2018**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | 61,940,691 | – | 84,660 | 62,025,351 |

## 28. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| – Equity securities *(Note a)* | **2,553,973** | 1,535,175 |
| – Perpetual instruments *(Note b)* | **3,264,037** | 3,004,399 |
| – Other investment *(Note c)* | **5,014,863** | 4,776,688 |
| | **10,832,873** | 9,316,262 |
| Analysed as: | | |
| – Listed *(Note d)* | **4,020,366** | 2,499,582 |
| – Unlisted | **6,812,507** | 6,816,680 |
| | **10,832,873** | 9,316,262 |

*Note a:* The above equity investments include those ordinary shares of the entities listed on Shanghai Stock Exchange, Shenzhen Stock Exchange and Hong Kong Stock Exchange and those equity securities traded on National Equities Exchange and Quotations (the "NEEQ"). These investments are not held for trading, instead, they are held for long-term strategic purposes. The Group have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

Besides, some of the above equity investments represent the Group's equity interests in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI for the strategy of holding these investments for long-term purposes.

In the current year, the Group mainly disposed of the investments in equity securities traded on the NEEQ, private equity investments and equity investments listed on stock exchanges as these investments no longer meets the investment objective of the Group. The cumulative losses on disposal of RMB147,457 thousand on equity securities traded on the NEEQ and RMB83,894 thousand on private equities, and the cumulative gains on disposal of RMB22,899 thousand on equity securities listed on stock exchanges have been transferred to retained profits respectively.

*Note b:* Those perpetual instruments are equity instruments which are not held for trading, instead, they are held for long-term strategic purposes. The Group have elected to designate these perpetual instruments as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their dividend income in the long run.

## 28. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

*Note c:* Other investment is an investment in a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). 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. As at 31 December 2019, the cost of the investment was RMB4.89 billion (31 December 2018: RMB4.89 billion) and the Company determined the total fair value of the investment according to a valuation report provided by the CSFCL.

*Note d:* Securities traded on the Shanghai Stock Exchange, Shenzhen Stock Exchange and Hong Kong Stock Exchange are included in the "Listed" category.

As at 31 December 2019 and 2018, the Group's perpetual instruments included in equity instruments measured at fair value through other comprehensive income pledged as collateral for the Group's financial assets sold under repurchase agreement amounted to RMB1,778 million and 1,629 million, respectively.

## 29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Analysed by type: | | |
| – Debt securities | **7,195,006** | 7,914,537 |
| Less: impairment allowance | **(1,452)** | (1,941) |
| | **7,193,554** | 7,912,596 |
| Analysed as: | | |
| – Listed *(Note a)* | **3,338,353** | 4,273,688 |
| – Unlisted *(Note b)* | **3,855,201** | 3,638,908 |
| | **7,193,554** | 7,912,596 |

*Note a:* The listed debt securities were listed on Shanghai Stock Exchange and Shenzhen Stock Exchange.

*Note b:* The unlisted debt securities were traded on inter-bank market.

## 29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for debt instruments measured at amortised cost.

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2019 | **1,941** | **–** | **–** | **1,941** |
| – Impairment losses reversed | **(489)** | **–** | **–** | **(489)** |
| As at 31 December 2019 | **1,452** | **–** | **–** | **1,452** |

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2018 | 739 | – | – | 739 |
| – Impairment losses recognised | 1,202 | – | – | 1,202 |
| As at 31 December 2018 | 1,941 | – | – | 1,941 |

## 29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST *(Continued)*

The table below details the credit risk exposures of the Group's debt instruments measured at amortised cost, which are subject to ECL assessment:

**As at 31 December 2019**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | **7,195,006** | **–** | **–** | **7,195,006** |

**As at 31 December 2018**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | 7,914,537 | – | – | 7,914,537 |

All of the Group's debt instruments measured at amortised cost are bonds that are graded in the senior credit rating among rating agencies as of 31 December 2019 and 2018. Therefore, these investments are considered to be low credit risk investments.

As at 31 December 2019 and 2018, the Group's pledged collateral of bonds included in debt instruments measured at amortised cost in connection with its financial assets sold under repurchase agreement amounted to RMB5,058 million and RMB4,791 million, respectively.

## 30. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Deferred tax assets | **760,995** | 895,832 |
| Deferred tax liabilities | **(19,031)** | – |
| | **741,964** | 895,832 |

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 | Debt/Equity instruments at FVTOCI RMB'000 | Allowance for impairment losses RMB'000 | Government grants and others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2019 | **177,525** | **255,351** | **108,248** | **294,801** | **59,907** | **895,832** |
| Credit to profit or loss | **(306,241)** | **(3,228)** | **5,378** | **254,717** | **59,287** | **9,913** |
| Credit to other comprehensive income | **–** | **–** | **(163,781)** | **–** | **–** | **(163,781)** |
| Transfer out upon disposal of equity instruments measured at FVTOCI | **–** | **–** | **(69,484)** | **–** | **69,484** | **–** |
| As at 31 December 2019 | **(128,716)** | **252,123** | **(119,639)** | **549,518** | **188,678** | **741,964** |
| At 1 January 2018 | (301,966) | 249,002 | 26,934 | 263,633 | (44,473) | 193,130 |
| Credit to profit or loss | 479,491 | 6,349 | 558 | 31,168 | 71,032 | 588,598 |
| Credit to other comprehensive income | – | – | 94,330 | – | 12,886 | 107,216 |
| Transfer out upon disposal of equity instruments measured at FVTOCI | – | – | (13,574) | – | 20,462 | 6,888 |
| As at 31 December 2018 | 177,525 | 255,351 | 108,248 | 294,801 | 59,907 | 895,832 |

## 31. INVESTMENTS IN ASSOCIATES

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Cost of unlisted investments in associates | **2,494,635** | 2,172,646 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **1,959,119** | 1,842,617 |
| | **4,453,754** | 4,015,263 |

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 31 December 2019 | Equity interest held by the Group As at 31 December 2018 | Principal activities |
|---|---|---|---|---|
| 匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal") | PRC 3 February 2005 | **35.41%** | 35.41% | Fund management |
| 上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd. | PRC 7 April 2010 | **45.00%** | 45.00% | Equity investment |
| 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") | PRC 12 July 2011 | **27.73%** | 27.73% | 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 20 August 2015 | **N/A** | 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 15 April 2015 | **N/A** | 6.09% | Investment management |

## 31. INVESTMENTS IN ASSOCIATES *(Continued)*

| Name of associates | Place and date of establishment | Equity interest held by the Group As at 31 December 2019 | 2018 | Principal activities |
|---|---|---|---|---|
| 上海東證遠譽投資中心(有限合夥)<br>Shanghai Orient Yuanyu Investment Center LLP. * | PRC<br>25 August 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)<br>Shanghai Orient Jinyuan Equity Investment LLP. * | PRC<br>16 October 2015 | **30.00%** | 30.00% | Equity investment |
| 東證騰駿(上海)投資合夥企業(有限合夥)<br>Orient Tengjun (Shanghai) Investment LLP. * | PRC<br>11 September 2015 | **38.69%** | 38.69% | Investment management |
| 上海君煜投資中心(有限合夥)<br>Shanghai Junyu Investment Center LLP. * | PRC<br>16 December 2015 | **45.45%** | 45.45% | Investment management |
| 東證睿波(上海)投資中心(有限合夥)<br>Orient Securities Ruibo (Shanghai) Investment Center LLP.* | PRC<br>25 June 2015 | **35.69%** | 35.69% | Investment management |
| 上海東證春醫投資中心(有限合夥)<br>Shanghai Orient Securities Chunyi Investment Center LLP.* | PRC<br>3 November 2015 | **49.26%** | 49.26% | Investment management |
| 海寧春秋投資合夥企業(有限合夥)<br>Haining Chunqiu Investment Partnership LLP.* | PRC<br>4 February 2016 | **34.51%** | 34.51% | Equity investment |
| 海寧東證藍海並購投資合夥企業(有限合夥)<br>Haining Orient Securities Lanhai Merge Investment Partnership LLP.* | PRC<br>13 July 2016 | **25.85%** | 25.85% | Investment management |

## 31. INVESTMENTS IN ASSOCIATES *(Continued)*

| Name of associates | Place and date of establishment | Equity interest held by the Group As at 31 December 2019 | 2018 | Principal activities |
|---|---|---|---|---|
| OCI International Holdings Limited<br>東建國際控股有限公司 | Cayman Islands<br>6 June 2015 | **29.63%** | 29.63% | Securities Investment |
| 溫州俊元資產管理合夥企業(有限合夥)<br>Wenzhou Junyuan Asset Management Partnership LLP.* | PRC<br>11 July 2016 | **23.42%** | 35.21% | Asset management |
| 金大智能技術股份有限公司<br>Kingday Intelligent Technology Co.,Ltd.*** | PRC<br>9 April 2009 | **–** | 29.29% | Manufacturer |
| 上海東愷投資管理有限公司<br>Shanghai Dongkai Capital Co., Ltd.* | PRC<br>21 September 2018 | **45.00%** | 45.00% | Investment management |
| 誠泰融資租賃(上海)有限公司<br>Chengtay financial leasing (Shanghai) Co., Ltd.** | PRC<br>11 September 2015 | **21.67%** | 10.36% | Leasing |

* English translated names are for identification purpose only.

** During the year ended December 31, 2019, the Group increased capital contribution in Chengtay financial leasing (Shanghai) Co., Ltd and it has significant influence over this associate after additional injection.

*** These associates have been disposed of or liquidated as of December 31, 2019.

## 31. 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 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Total assets | **8,085,625** | 7,239,199 |
| Total liabilities | **2,107,683** | 1,959,618 |
| Net assets | **5,977,942** | 5,279,581 |

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Total revenue | **4,078,048** | 3,558,923 |
| Profit for the year | **1,248,693** | 1,029,098 |
| Other comprehensive income | **5,512** | 10,241 |
| Total comprehensive income | **1,254,205** | 1,039,339 |

## 31. 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 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Equity attributable to equity holders of the associate | **5,836,032** | 5,133,150 |
| Proportion of equity interests held by the Group | **35.41%** | 35.41% |
| Carrying amount | **2,066,502** | 1,817,622 |

Aggregate information of associates that are not individually material:

| | Year ended 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| The Group's share of profits | **147,307** | 303,798 |
| The Group's share of other comprehensive (expense)/income | **(10,476)** | (57,166) |
| The Group's share of total comprehensive income | **136,831** | 246,632 |
| Aggregate carrying amount of the Group's interests in these associates | **2,387,252** | 2,197,642 |

## 32. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

### 32.1 Structured entities set up and managed by the Group

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 31 December 2019 and 2018. Except for the structured entities the Group has consolidated as disclosed in Note 37, based on the assessment, these collective asset management schemes and investment funds are not controlled by the Group. The Group therefore did not consolidate these structured entities.

The total net assets of unconsolidated funds, asset management schemes and limited partnership managed by the Group amounted to RMB238,139 million and RMB233,119 million as at 31 December 2019 and 2018, respectively. The Group classified the investments in unconsolidated funds, asset management schemes and limited partnership as financial assets at FVTPL and investments in associates as at 31 December 2019 and 2018. As at 31 December 2019 and 2018, the carrying amounts of the Group's interests in unconsolidated funds, management schemes and limited partnership are RMB2,652 million and RMB2,771 million, respectively, which approximates the maximum risk exposure of the Group, and the assets management fee income are RMB1,939 million and RMB2,487 million, respectively.

The table below shows the carrying amount of unconsolidated funds, asset management schemes and limited partnership in which the Group acted as investment manager and held interests and its maximum exposure to loss in relation to those interests as at 31 December 2019 and 2018.

**As at 31 December 2019**

| | Carrying amount RMB'000 | Maximum loss exposure RMB'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | **2,144,541** | **2,144,541** |
| Investments in associates | **507,424** | **507,424** |
| Total | **2,651,965** | **2,651,965** |

## 32. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

### 32.1 Structured entities set up and managed by the Group *(Continued)*

**As at 31 December 2018**

| | Carrying amount RMB'000 | Maximum loss exposure RMB'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | 1,737,063 | 1,737,063 |
| Investments in associates | 1,034,258 | 1,034,258 |
| Total | 2,771,321 | 2,771,321 |

### 32.2 Structured entities set up and managed by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest mainly include funds, asset management schemes, trust schemes and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The table below shows the carrying amount of unconsolidated funds and, asset management schemes and limited partnership in which the third party acted as investment manager and the Group held interests and its maximum exposure to loss in relation to those interests as at 31 December 2019 and 2018.

## 32. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

### 32.2 Structured entities set up and managed by third party institutions in which the Group holds an interest *(Continued)*

**As at 31 December 2019**

| | Carrying amount RMB'000 | Maximum loss exposure RMB'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | **20,308,842** | **20,308,842** |
| Equity instruments measured at FVTOCI | **5,014,863** | **5,014,863** |
| Investments in associates | **318,262** | **318,262** |
| Total | **25,641,967** | **25,641,967** |

**As at 31 December 2018**

| | Carrying amount RMB'000 | Maximum loss exposure RMB'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | 14,962,560 | 14,962,560 |
| Equity instruments measured at FVTOCI | 4,776,688 | 4,776,688 |
| Investments in associates | 491,537 | 491,537 |
| Total | 20,230,785 | 20,230,785 |

## 33. RIGHT-OF-USE ASSETS

| | Buildings RMB'000 | Motor Vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| 1 January 2019 | **834,144** | **923** | **835,067** |
| Additions | **445,353** | **1,182** | **446,535** |
| Deductions | **(8,734)** | **(155)** | **(8,889)** |
| Transfer during the year | **(1,077)** | **–** | **(1,077)** |
| Exchange difference | **917** | **–** | **917** |
| 31 December 2019 | **1,270,603** | **1,950** | **1,272,553** |
| **Accumulated depreciation** | | | |
| 1 January 2019 | **–** | **–** | **–** |
| Charge for the year | **272,873** | **683** | **273,556** |
| Deductions | **(3,916)** | **(54)** | **(3,970)** |
| Exchange difference | **218** | **–** | **218** |
| 31 December 2019 | **269,175** | **629** | **269,804** |
| **Carrying amount** | | | |
| 1 January 2019 | **834,144** | **923** | **835,067** |
| 31 December 2019 | **1,001,428** | **1,321** | **1,002,749** |

The Group leases various buildings and vehicles for its operations. Lease contracts are entered into for term of 12 months to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2019, total cash outflow for leases amounts to RMB335,365 thousand.

## 33. RIGHT-OF-USE ASSETS *(Continued)*

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounts to RMB41,663 thousand. Expense relating to leases of low value assets excluding short-term leases of low value assets amounts to RMB2,725 thousand.

As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 14.

In addition, lease liabilities of RMB995,005 thousand are recognised as at 31 December 2019 (Note 48). Interest expenses of lease liabilities are set out in Note 13. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2019, the Group did not enter into leases that are not yet commenced.

## 34. INVESTMENT PROPERTIES

| | As at 31 December 2019 RMB'000 |
|---|---|
| **COST** | |
| As at 31 December 2018 | – |
| Adjustment upon application of IFRS 16 | **4,701** |
| At 1 January 2019 (restated) | **4,701** |
| Transfer during the year | **39,093** |
| As at 31 December 2019 | **43,794** |
| DEPRECIATION AND IMPAIRMENT | |
| As at 1 January 2019 | – |
| Charge for the year | **5,590** |
| Transfer during the year | **8,133** |
| As at 31 December 2019 | **13,723** |
| CARRYING VALUES | |
| As at 31 December 2019 | **30,071** |

## 35. 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 1 January 2019 | 1,914,586 | 743,536 | 40,457 | 98,308 | 404,789 | 61,063 | 3,262,739 |
| Additions | - | 40,728 | 3,316 | 8,218 | 49,669 | 88,654 | 190,585 |
| Disposals | - | (68,066) | (1,799) | (7,472) | - | - | (77,337) |
| Transfer during the year | (11,776) | 68,165 | 780 | 4,529 | - | (99,714) | (38,016) |
| Exchange difference | - | 265 | 13 | 24 | 47 | 31 | 380 |
| As at 31 December 2019 | 1,902,810 | 784,628 | 42,767 | 103,607 | 454,505 | 50,034 | 3,338,351 |
| **ACCUMULATED DEPRECIATION** | | | | | | | |
| As at 1 January 2019 | 86,221 | 530,194 | 26,244 | 66,633 | 315,879 | - | 1,025,171 |
| Charge for the year | 60,852 | 91,564 | 3,868 | 8,545 | 39,696 | - | 204,525 |
| Eliminated on disposals | - | (64,385) | (1,745) | (6,565) | - | - | (72,695) |
| Transfer during the year | (8,133) | - | - | - | - | - | (8,133) |
| Exchange difference | - | 221 | 7 | 18 | 33 | - | 279 |
| As at 31 December 2019 | 138,940 | 557,594 | 28,374 | 68,631 | 355,608 | - | 1,149,147 |
| **CARRYING VALUES** | | | | | | | |
| As at 31 December 2019 | 1,763,870 | 227,034 | 14,393 | 34,976 | 98,897 | 50,034 | 2,189,204 |

## 35. 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 1 January 2018 | 317,338 | 643,025 | 35,881 | 88,746 | 355,154 | 1,505,733 | 2,945,877 |
| Additions | 48,000 | 73,801 | 4,946 | 6,607 | 54,204 | 162,234 | 349,792 |
| Disposals | – | (23,602) | (398) | (4,996) | (4,864) | – | (33,860) |
| Transfer during the year | 1,549,248 | 49,788 | – | 7,904 | – | (1,606,940) | – |
| Exchange difference | – | 524 | 28 | 47 | 295 | 36 | 930 |
| As at 31 December 2018 | 1,914,586 | 743,536 | 40,457 | 98,308 | 404,789 | 61,063 | 3,262,739 |
| **ACCUMULATED DEPRECIATION** | | | | | | | |
| As at 1 January 2018 | 71,682 | 470,832 | 23,311 | 63,026 | 283,417 | – | 912,268 |
| Charge for the year | 14,539 | 80,542 | 3,310 | 8,217 | 37,175 | – | 143,783 |
| Eliminated on disposals | – | (21,604) | (386) | (4,644) | (4,864) | – | (31,498) |
| Exchange difference | – | 424 | 9 | 34 | 151 | – | 618 |
| As at 31 December 2018 | 86,221 | 530,194 | 26,244 | 66,633 | 315,879 | – | 1,025,171 |
| **CARRYING VALUES** | | | | | | | |
| As at 31 December 2018 | 1,828,365 | 213,342 | 14,213 | 31,675 | 88,910 | 61,063 | 2,237,568 |

The carrying amount of the Group's property and equipment included the leasehold interest in land as consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, as such the entire properties are classified as property and equipment.

## 36. OTHER INTANGIBLE ASSETS

| | Trading rights RMB'000 | Computer software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **COST** | | | |
| As at 1 January 2019 | **61,553** | **433,275** | **494,828** |
| Additions | **–** | **107,568** | **107,568** |
| Disposals/written-off | **–** | **(626)** | **(626)** |
| Exchange difference | **–** | **176** | **176** |
| As at 31 December 2019 | **61,553** | **540,393** | **601,946** |
| **ACCUMULATED AMORTISATION** | | | |
| As at 1 January 2019 | **39,810** | **322,678** | **362,488** |
| Charge for the year | **–** | **70,864** | **70,864** |
| Eliminated on disposals/written-off | **–** | **(56)** | **(56)** |
| Exchange difference | **–** | **131** | **131** |
| As at 31 December 2019 | **39,810** | **393,617** | **433,427** |
| **CARRYING VALUES** | | | |
| As at 31 December 2019 | **21,743** | **146,776** | **168,519** |

## 36. OTHER INTANGIBLE ASSETS *(Continued)*

| | Trading rights RMB'000 | Computer software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **COST** | | | |
| As at 1 January 2018 | 61,553 | 365,510 | 427,063 |
| Additions | – | 67,759 | 67,759 |
| Disposals/written-off | – | (260) | (260) |
| Exchange difference | – | 266 | 266 |
| As at 31 December 2018 | 61,553 | 433,275 | 494,828 |
| **ACCUMULATED AMORTISATION** | | | |
| As at 1 January 2018 | 39,810 | 259,314 | 299,124 |
| Charge for the year | – | 63,148 | 63,148 |
| Eliminated on disposals/written-off | – | (13) | (13) |
| Exchange difference | – | 229 | 229 |
| As at 31 December 2018 | 39,810 | 322,678 | 362,488 |
| **CARRYING VALUES** | | | |
| As at 31 December 2018 | 21,743 | 110,597 | 132,340 |

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 31 December 2019 and 2018.

## 37. 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 of Incorporation/ establishment | Equity interest held by the Group As at 31 December 2019 | Equity interest held by the Group As at 31 December 2018 | Registered capital as at 31 December 2019 | 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 | **100.00%** | 100.00% | RMB2,300,000,000 | Commodity futures brokerage, Financial futures brokerage, Futures investment advisory | DTT 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 | **100.00%** | 100.00% | RMB800,000,000 | Equity investment, Investment management, Assets management | DTT 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 | **100.00%** | 100.00% | RMB1,000,000,000 | Equity investment, Investment management, Assets management | DTT PRC GAAP (2) |
| 上海東方證券資產管理有限公司 Orient Securities Asset Management Co., Ltd. (1) | 有限責任公司 Limited liability company | PRC | **100.00%** | 100.00% | RMB300,000,000 | Securities assets management, Securities investment, Fund management | DTT 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 | **100.00%** | 100.00% | RMB4,000,000,000 | Private equity investment, Bond investment, and related investment advisory | DTT 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 | **100.00%** | 100.00% | RMB1,350,000,000 | Investment management, Investment advisory | DTT 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 | **57.95%** | 57.95% | RMB8,800,000 | Investment management, Investment advisory | DTT 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 | **51.00%** | 51.00% | RMB2,000,000 | Investment management, Investment advisory | DTT 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 | **58.00%** | 58.00% | RMB5,000,000 | Investment management, Investment advisory | DTT PRC GAAP (2) |
| 東方騰駿(上海)投資管理有限公司 Orient Tengjun (Shanghai) Investment Management Co., Ltd. (6)* | 有限責任公司 Limited liability company | PRC | **N/A** | 51.00% | RMB5,000,000 | Investment management, Investment advisory | DTT PRC GAAP (2) |

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of subsidiary | Type of legal entity registered | Place of Incorporation/ establishment | Equity interest held by the Group As at 31 December 2019 | Equity interest held by the Group As at 31 December 2018 | Registered capital as at 31 December 2019 | Principal activities | Auditors/GAAP |
|---|---|---|---|---|---|---|---|
| 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 | **57.95%** | 57.95% | RMB2,400,000 | Investment management | DTT PRC GAAP [2] |
| 上海東翎投資合夥企業(有限合夥) Shanghai Dongling Investment Partnership LLP. [6]* | 有限合夥企業 Limited partnership | PRC | **N/A** | 50.62% | RMB 55,717,310 | Industry investment, Investment management, Investment advisory | DTT 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 | **100.00%** | 100.00% | HKD3,000,000 | 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. [6]* | 有限責任公司 Limited liability company | PRC | **N/A** | 51.00% | RMB10,000,000 | Investment management, Asset management, Investment advisory | DTT PRC GAAP [2] |
| 新疆東證新域股權投資管理有限公司 Xinjiang Orient Securuities Xinyu Equity Investment Management Co.Ltd.* | 有限責任公司 Limited liability company | PRC | **51.00%** | 51.00% | RMB5,000,000 | Equity investment | DTT 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 | **58.00%** | 58.00% | RMB10,000,000 | Investment management, Investment advisory, Management consulting | DTT PRC GAAP [2] |
| 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 | **51.00%** | 51.00% | RMB2,000,000 | Investment management, Asset management, Industrial investment | DTT 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. *(Note a)** | 有限責任公司 Limited liability company | PRC | **-** | 51.00% | RMB4,900,000 | Investment management | DTT 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. [6]* | 有限責任公司 Limited liability company | PRC | **N/A** | 51.00% | RMB5,000,000 | Investment management, Asset management, Project investment | DTT 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 | **51.00%** | 51.00% | RMB30,000,000 | Investment management, Asset management, Project investment | DTT PRC GAAP [2] |
| Golden Power Group Limited | 有限責任公司 Limited liability company | British Virgin Islands ("BVI") | **100.00%** | 100.00% | USD100 | Equity investment, Industrial investment | N/A [3] |

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of subsidiary | Type of legal entity registered | Place of Incorporation/ establishment | Equity interest held by the Group As at 31 December 2019 | Equity interest held by the Group As at 31 December 2018 | Registered capital as at 31 December 2019 | Principal activities | Auditors/GAAP |
|---|---|---|---|---|---|---|---|
| 誠麒環球有限公司<br>Chengqi Global Limited* | 有限責任公司<br>Limited liability company | BVI | **100.00%** | 100.00% | USD100 | Equity investment, Industrial investment | N/A [3] |
| 東方金融控股(香港)有限公司<br>Orient Finance Holdings (Hong Kong) Limited [1] | 有限責任公司<br>Limited liability company | Hong Kong | **100.00%** | 100.00% | HKD2,200,000,000 | Investment holding and provision of management services | SHINEWING (HK) HKFRSs [2] |
| 東方證券(香港)有限公司<br>ORIENT SECURITIES (HONG KONG) LIMITED | 有限責任公司<br>Limited liability company | Hong Kong | **100.00%** | 100.00% | HKD550,000,000 | Securities brokerage | SHINEWING (HK) HKFRSs [2] |
| 東方期貨(香港)有限公司<br>ORIENT FUTURES (HONG KONG) LIMITED | 有限責任公司<br>Limited liability company | Hong Kong | **100.00%** | 100.00% | HKD230,000,000 | Futures brokerage | SHINEWING (HK) HKFRSs [2] |
| 東方資產管理(香港)有限公司<br>ORIENT ASSET MANAGEMENT (HONG KONG) LIMITED | 有限責任公司<br>Limited liability company | Hong Kong | **100.00%** | 100.00% | HKD30,000,000 | Asset management | SHINEWING (HK) HKFRSs [2] |
| 東方融資(香港)有限公司<br>ORIENT CAPITAL (HONG KONG) LIMITED | 有限責任公司<br>Limited liability company | Hong Kong | **100.00%** | 100.00% | HKD50,000,000 | Equity trading | SHINEWING (HK) HKFRSs [2] |
| 東方信貸財務(香港)有限公司<br>ORIENT CREDIT FINANCE (HONG KONG) LIMITED | 有限責任公司<br>Limited liability company | Hong Kong | **100.00%** | 100.00% | HKD31,000,000 | Credit operations | SHINEWING (HK) HKFRSs [2] |
| 東方鴻盛有限公司<br>ORIENT HONGSHENG LIMITED | 有限責任公司<br>Limited liability company | BVI | **100.00%** | 100.00% | USD1 | Special purpose | N/A [3] |
| ORIENT ZHISHENG LIMITED | 有限責任公司<br>Limited liability company | BVI | **100.00%** | 100.00% | USD1 | Special purpose | N/A [3] |
| 東方智匯有限公司<br>ORIENT ZHIHUI LIMITED | 有限責任公司<br>Limited liability company | BVI | **100.00%** | 100.00% | USD1 | Special purpose | N/A [3] |
| 東方花旗證券有限公司<br>Citi Orient Securities Co., Ltd. [1] [5]* | 有限責任公司<br>Limited liability company | PRC | **66.67%** | 66.67% | RMB800,000,000 | Securities underwriting and sponsor | KPMG PRC GAAP [2] |
| 上海東方證券創新投資有限公司<br>Shanghai Orient Securities Innovation Investment Co., Ltd. [1]* | 有限責任公司<br>Limited liability company | PRC | **100.00%** | 100.00% | RMB5,000,000,000 | Financial assets investment, Securities investment, Investment management and advisory | DTT PRC GAAP [2] |

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of subsidiary | Type of legal entity registered | Place of Incorporation/ establishment | Equity interest held by the Group As at 31 December 2019 | Equity interest held by the Group As at 31 December 2018 | Registered capital as at 31 December 2019 | Principal activities | Auditors/GAAP |
|---|---|---|---|---|---|---|---|
| 景德鎮北汽東證產業投資管理有限公司 Jingdezhen Beiqi Orient Industry Investment Management Co., Ltd.[7]* | 有限責任公司 Limited liability company | PRC | **66.00%** | 66.00% | RMB10,000,000 | Investment management and advisory | DTT PRC GAAP [2] |
| ORIENT HUIZHI LIMITED | 有限責任公司 Limited liability company | BVI | **100.00%** | 100.00% | USD1 | Special purpose | N/A [3][4] |
| 東方睿信有限公司 Orient Ruixin Limited company | 有限責任公司 Limited liability | Hong Kong | **100.00%** | 100.00% | HKD10,000 | Equity investment, Industrial investment | N/A [3] |
| 溫州財韻資產管理合夥企業(有限合夥) Wenzhou Caiyun Asset Management LLP. *(Note a)* | 有限合夥企業 Limited partnership | PRC | **-** | 100.00% | RMB 153,600,000 | Investment management, Investment advisory | DTT PRC GAAP [2] |
| 東證國際金融集團有限公司 Orient Securities International Financial Group Limited company | 有限責任公司 Limited liability | Hong Kong | **100.00%** | 100.00% | HKD1,380,000,000 | Investment holding and provision of management services | SHINEWING (HK) HKFRSs [2] |
| 東證期貨國際(新加坡)有限公司 Orient Futures International (Singapore) | 私人股份有限公司 Pte Ltd Private Company Limited by shares | Singapore | **100.00%** | 100.00% | SGD 10,000,000 | Foreign exchange brokers and dealers | N/A [3] |
| 深圳盟海一號智慧產業投資合夥企業（有限合夥） Shenzhen Menghai No.1 Intelligence industry Investment LLP. | 有限合夥企業 Limited partnership | PRC | **76.47%** | N/A | RMB66,437,595 | Investment management, Investment advisory | GUOXIN TAI PRC GAAP [2] |
| 東證科技(深圳)有限公司 Orient Securities Technology (Shenzhen) Co., Ltd. * | 有限責任公司 Pte Ltd Private Company | Singapore | **100.00%** | 100.00% | RMB10,000,000 | Software Development Service | N/A [3] |
| Orient International Investment Products Limited | 有限責任公司 Limited liability | BVI | **100.00%** | 100.00% | USD1 | Product Investment | SHINEWING (HK) HKFRSs [2] |

* These subsidiaries do not have official English names. English translated names are for identification only.

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(1) These subsidiaries are directly held by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

- DTT represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
- SHINEWING (HK) represents SHINEWING (HK) CPA Limited, 信永中和(香港)會計師事務所有限公司, a firm of certified public accountants registered in Hong Kong;
- KPMG 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;
- GUOXIN TAI represents Shenzhen Guoxin Tai Certified Public Accountants LLP, 深圳國信泰會計師事務所(普通合夥), a firm of certified public accountants registered in the PRC;

(3) There is no statutory audit requirement for these subsidiaries and thus no audited financial statements were issued.

(4) None of the subsidiaries had issued any debt securities at the end of the year except Orient HuiZhi Limited of which details of bonds information have been disclosed at Note 49.

(5) Please refer to Note 50.

(6) These subsidiaries have been liquidated as of 31 December 2019.

(7) The non-controlling shareholder and the parent company of this subsidiary increased capital contribution in proportion in 2019.

*Note a:* Shanghai Orient Securities Xiyi Investment Management Co., Ltd. and Wenzhou Caiyun Asset Management LLP. were disposed in 2019. No gain or loss was resulted and net cash inflow arising on disposal of these subsidiaries amounted to RMB1,418 thousand.

## 37. 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 interests ("NCI"). The summarised consolidated financial statements presented below represents the amounts before any inter-company elimination and consolidation adjustments:

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Total assets | **1,998,945** | 1,828,325 |
| Total liabilities | **527,264** | 401,574 |
| Total equity | **1,471,681** | 1,426,751 |
| Attributable to: | | |
| Shareholders of the Company | **981,170** | 951,215 |
| Non-controlling interests | **490,511** | 475,536 |

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Total revenue | **668,176** | 802,736 |
| Profit for the year | **44,929** | 131,805 |
| Attributable to: | | |
| Shareholders of the Company | **29,954** | 87,874 |
| Non-controlling interests | **14,975** | 43,931 |
| Other comprehensive income/(expense) | **–** | – |
| Attributable to: | | |
| Shareholders of the Company | **–** | – |
| Non-controlling interests | **–** | – |
| Total comprehensive income | **44,929** | 131,805 |
| Attributable to: | | |
| Shareholders of the Company | **29,954** | 87,874 |
| Non-controlling interests | **14,975** | 43,931 |
| Cash flows used in operating activities | **(2,399)** | (369,657) |
| Cash flows used in investing activities | **(19,673)** | (13,460) |
| Cash flows from financing activities | **(3,227)** | – |
| Net Cash flows | **(25,299)** | (383,117) |

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

### 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 net assets of the consolidated asset management schemes, funds and limited partnership amounted to RMB6,077 million and RMB6,053 million as at 31 December 2019 and 2018, respectively.

Interests in all consolidated asset management schemes, funds and limited partnership held by the Group amounted to fair value of RMB5,801 million and RMB5,710 million as at 31 December 2019 and 2018, respectively. It contained the interests in the subordinated tranche of those structured products held by the Group in 2018. The Group provided credit enhancement to the senior tranche investors by holding such subordinated tranche interests in 2018. The Group held no interest in the subordinated tranche of those structured products in 2019.

Interests held by other interest holders are mainly included in financial liabilities designated at FVTPL and non-controlling interests in the consolidated statement of financial position.

## 38. 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 31 December 2019 and 2018 allocated to these units are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | **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 |

## 38. GOODWILL *(Continued)*

### Impairment testing on goodwill *(Continued)*

Unit A is the securities brokerage CGU acquired, and the acquisition cost exceeds the fair value of net identifiable assets. As at 31 December 2019 and 2018, 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 31 December 2019 and 2018, 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. The discount rate used are the weighted average cost of capital, adjusted for the risks of CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development.

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.

## 39. OTHER LOANS, RECEIVABLES AND PREPAYMENTS

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | **RMB'000** | **RMB'000** |
| Other receivables | **657,284** | 647,722 |
| Dividends receivable | **3,658** | – |
| Other loans | **289,786** | 549,606 |
| Prepayments | **484,283** | 226,358 |
| Others | **580,407** | 414,904 |
| Less: impairment allowance | **(381,694)** | (332,209) |
| | **1,633,724** | 1,506,381 |

## 39. OTHER LOANS, RECEIVABLES AND PREPAYMENTS *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for other loans and receivables.

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2019 | **9,758** | **–** | **322,451** | **332,209** |
| – Transfer to lifetime-credit-impaired | **–** | **(285)** | **285** | **–** |
| – Transfer to lifetime-not-credit-impaired | **(285)** | **285** | **–** | **–** |
| – Impairment losses (reversed)/recognised | **(3,607)** | **–** | **52,955** | **49,348** |
| – Foreign exchange differences | **137** | **–** | **–** | **137** |
| As at 31 December 2019 | **6,003** | **–** | **375,691** | **381,694** |

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2018 | 2,403 | – | 46,813 | 49,216 |
| – Transfer to lifetime-credit-impaired | – | (54) | 54 | – |
| – Transfer to lifetime-not-credit-impaired | (54) | 54 | – | – |
| – Impairment losses recognised | 7,321 | – | 5,281 | 12,602 |
| – Transfer in | – | – | 270,303 | 270,303 |
| – Foreign exchange differences | 88 | – | – | 88 |
| As at 31 December 2018 | 9,758 | – | 322,451 | 332,209 |

## 39. OTHER LOANS, RECEIVABLES AND PREPAYMENTS *(Continued)*

The tables below detail the credit risk exposures of the Group's other loans and receivables, which are subject to ECL assessment.

**As at 31 December 2019**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | **546,797** | **–** | **400,273** | **947,070** |

**As at 31 December 2018**

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Gross carrying amount | 869,476 | – | 327,852 | 1,197,328 |

## 40. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Due to banks *(Note a)* | **4,871,392** | 9,506,880 |
| Due to China Securities Finance Corporation Limited *(Note b)* | **1,513,267** | 1,520,187 |
| | **6,384,659** | 11,027,067 |

*Note a:* As at 31 December 2019, the effective interest rates bearing on the outstanding amount of due to banks vary from 2.1% to 3.25% (2018: 4.7% to 4.9%) per annum. The amount of due to banks were repayable within seven days from the end of the reporting period.

*Note b:* As at 31 December 2019, the effective interest rates on due to China Securities Finance Corporation Ltd. vary from 3.25% to 3.5% (2018: 5.1%) per annum. The amount of due to China Securities Finance Corporation Ltd. were repayable within four months from the end of the reporting period.

## 41. SHORT-TERM FINANCING BILL PAYABLES

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Short-term financing bill payables *(Note b)* | **7,652,734** | 9,260,044 |
| Income certificates *(Note a)* | **8,460,466** | 3,151,562 |
| | **16,113,200** | 12,411,606 |
| Analysed as: | | |
| Stock exchange | **6,528,525** | 8,278,420 |
| Over the counter | **9,584,675** | 4,133,186 |
| | **16,113,200** | 12,411,606 |

*Note a:* According to the consent letter from Securities Association of China ("SAC") regarding the pilot of over the counter income certificate business (SAC[2014]285), the Group has the authorization to conduct income certificate business. As at 31 December 2019 and 2018, the yields of all the outstanding income certificates were ranged from 3.1% to 8.0% and from 2.70% to 7.50% per annum, respectively.

*Note b:* As at 31 December 2019 and 2018, short-term financing bill payables were unsecured and unguaranteed debt securities issued on the Shanghai Stock Exchange and over the counter by the Company and were repayable within 1 year.

## 42. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the account payables 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 31 December 2019 and 2018, included in the Group's account payables to brokerage clients were approximately RMB1,933 million and RMB1,326 million of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

## 43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Analysed by collateral type | | |
| – Bonds | **54,335,353** | 45,432,091 |
| – Fund | **3,142,710** | 1,037,316 |
| – Advances to customers backed repurchase agreement | **–** | 2,946,270 |
| | **57,478,063** | 49,415,677 |
| Analysed by market | | |
| – Stock exchange | **34,986,782** | 26,545,987 |
| – Inter-bank market | **16,964,573** | 15,793,848 |
| – Over the counter | **5,526,708** | 7,075,842 |
| | **57,478,063** | 49,415,677 |

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.

## 44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Coupon bearing bonds *(Note a)* | **4,124,612** | 1,496,012 |
| Gold borrowings *(Note a)* | **7,514,640** | 5,026,036 |
| Designated at fair value through profit or loss | | |
| – Interests attributable to other holders of consolidated structured entities *(Note b)* | **286,059** | 312,333 |
| – Others *(Note c)* | **705,650** | – |
| | **12,630,961** | 6,834,381 |

*Note a:* As at 31 December 2019 and 2018, included in the Group's financial liabilities at fair value through profit or loss were coupon bearing bonds and gold borrowed by the Group.

*Note b:* 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 recognized 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 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.

*Note c:* Others include the structured notes issued by a subsidiary of the Group of which the balance is linked to performance of the perpetual instruments. The subsidiary of the Group irrevocably designates these financial liabilities as measured at FVTPL to eliminate an accounting mismatch.

## 45. CONTRACT LIABILITIES

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Asset and fund management services | **20,163** | 4,583 |
| Sales of bulk commodity | **187,951** | 130,314 |
| | **208,114** | 134,897 |

| | Asset and fund management services RMB'000 | Sales of bulk commodity RMB'000 |
|---|---|---|
| For the year ended 31 December 2019 | | |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | **4,583** | **127,476** |

## 46. ACCRUED STAFF COSTS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Salaries, bonus and allowances | **1,588,884** | 1,241,063 |
| Social welfares | **1,118** | 526 |
| Annuity schemes | **11,084** | 7,700 |
| | **1,601,086** | 1,249,289 |

## 47. BORROWINGS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Unsecured short-term borrowings repayable within one year *(Note a)* | **640,154** | 1,250,110 |
| Secured short-term borrowings repayable within one year *(Note b)* | **–** | 403,052 |
| | **640,154** | 1,653,162 |

*Note a:* Short-term bank borrowings are repayable within one year.

As at 31 December 2019, the unsecured bank borrowing, amounting to HKD300 million (approximately RMB269 million respectively) and bearing a floating rate of 3 month HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2019, the unsecured bank borrowing, amounting to USD20 million (approximately RMB139 million respectively) and bearing a floating rate of 1 month LIBOR plus 2.09% per annum is repayable within one year.

As at 31 December 2019, the unsecured bank borrowing, amounting to USD30 million (approximately RMB209 million respectively) and bearing a floating rate of 3 month LIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2019, the unsecured bank borrowing, amounting to RMB20 million and bearing the rate of 4.7% per annum is repayable within one year.

As at 31 December 2018, the unsecured bank borrowing, amounting to HKD150 million (approximately RMB131 million respectively) and bearing a floating rate of 1 week HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2018, the unsecured bank borrowing, amounting to HKD100 million (approximately RMB88 million respectively) and bearing a floating rate of 1 week HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2018, the unsecured bank borrowing, amounting to HKD300 million (approximately RMB263 million respectively) and bearing a floating rate of 3 month HIBOR plus 1.8% per annum is repayable within one year.

As at 31 December 2018, the unsecured bank borrowing, amounting to USD33 million (approximately RMB223 million respectively) and bearing the rate of 3.5% per annum is repayable within one year.

## 47. BORROWINGS *(Continued)*

*Note a:* *(Continued)*

As at 31 December 2018, the unsecured bank borrowing, amounting to USD45 million (approximately RMB308 million respectively) and bearing a floating rate of 1 month HIBOR plus 1.8% per annum is repayable within one year.

As at 31 December 2018, the unsecured bank borrowing, amounting to USD30 million (approximately RMB206 million respectively) and bearing a floating rate of 1 month HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2018, the unsecured bank borrowing, amounting to RMB26 million and bearing the fixed rate of 6.003% is repayable within one year.

*Note b:* As at 31 December 2018, the short-term borrowing of Orient Finance Holdings (Hong Kong) Limited, the Company's subsidiary in Hong Kong, 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 RMB637 million as at 31 December 2018. The borrowing is denominated in Hong Kong dollar, bearing a floating rate of 3 month HIBOR plus 2.0% per annum.

## 48. LEASE LIABILITIES

| | As at 31 December 2019 RMB'000 |
|---|---|
| Lease liabilities payable: | |
| Within three months | **87,076** |
| Within a period of more than three months but not more than one year | **229,475** |
| Within a period of more than one year but not more than two years | **253,766** |
| Within a period of more than two years but not more than three years | **185,481** |
| Within a period of more than three years but not more than five years | **217,390** |
| Within a period of more than five years | **21,817** |
| | **995,005** |

## 49. BOND PAYABLES

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Corporate bonds *(Note a)* | **26,202,985** | 27,404,305 |
| Subordinated bonds *(Note a)* | **27,070,475** | 16,777,484 |
| Income certificates *(Note b)* | **4,149,811** | 7,806,484 |
| Offshore bonds *(Note a)* | **9,885,928** | 5,060,695 |
| | **67,309,199** | 57,048,968 |

*Note a:*

| Name | | Issue amount | Issue date | Maturity date | Coupon rate |
|---|---|---|---|---|---|
| 15 Corporate Bond [1] | RMB | 12,000,000,000 | 26/11/2015 | 26/11/2020 | 3.90% |
| 16 Orient Subordinated Bond [2] | RMB | 4,000,000,000 | 14/11/2016 | 14/11/2021 | 3.45% |
| 17-1 Orient Subordinated Bond [3] | RMB | 1,500,000,000 | 26/04/2017 | 26/04/2020 | 4.90% |
| 17-2 Orient Subordinated Bond [4] | RMB | 1,500,000,000 | 26/04/2017 | 26/04/2022 | 5.10% |
| 17-3 Orient Subordinated Bond [5] | RMB | 1,500,000,000 | 15/05/2017 | 15/05/2020 | 5.15% |
| 17-4 Orient Subordinated Bond [6] | RMB | 1,500,000,000 | 15/05/2017 | 15/05/2022 | 5.35% |
| 17-1 Corporate Bond [7] | RMB | 4,000,000,000 | 09/06/2017 | 09/06/2020 | 5.30% |
| 17-2 Corporate Bond [8] | RMB | 1,000,000,000 | 09/06/2017 | 09/06/2022 | 5.50% |
| 17-3 Corporate Bond [9] | RMB | 4,000,000,000 | 03/08/2017 | 03/08/2027 | 4.98% |
| 17 Offshore USD Bond [10] | USD | 500,000,000 | 30/11/2017 | 30/11/2022 | 3.625% |
| 17 Offshore USD Bond [11] | USD | 250,000,000 | 22/03/2018 | 30/11/2022 | 3.625% |
| 18 Orient Subordinated Bond [12] | RMB | 6,400,000,000 | 12/07/2018 | 12/07/2020 | 5.18% |
| 19-1 Orient Subordinated Bond [13] | RMB | 6,000,000,000 | 19/03/2019 | 19/03/2022 | 4.20% |
| 19-2 Orient Subordinated Bond [14] | RMB | 4,000,000,000 | 14/06/2019 | 14/06/2022 | 4.20% |
| 19 Orient Subordinated Bond [15] | RMB | 4,900,000,000 | 25/11/2019 | 25/11/2022 | 3.50% |
| 19 Offshore USD Bond [16] | USD | 300,000,000 | 20/08/2019 | 20/08/2022 | 6 month Libor+1.25% |
| 19 Offshore EUR Bond [17] | EUR | 200,000,000 | 20/08/2019 | 20/08/2022 | 0.625% |
| 19 Offshore SGD Bond [18] | SGD | 200,000,000 | 27/09/2019 | 27/09/2022 | 2.90% |

## 49. BOND PAYABLES *(Continued)*

*Note a: (Continued)*

(1) As approved by the CSRC [2015]2406, the Company issued a corporate bond with par value of RMB12 billion on 26 November 2015. The bond bears an interest rate of 3.90% with a maturity period of 5 years and the interest is paid annually.

(2) As approved by the CSRC, the Company issued 16 Orient Subordinated Bond with par value of RMB4 billion on 14 November 2016. The bond bears an interest rate of 3.45% with a maturity period of 5 years and the interest is paid annually.

(3) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 26 April 2017. The bond bears an interest rate of 4.90% with a maturity period of 3 years and the interest is paid annually.

(4) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 26 April 2017. The bond bears an interest rate of 5.10% with a maturity period of 5 years and the interest is paid annually.

(5) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 15 May 2017. The bond bears an interest rate of 5.15% with a maturity period of 3 years and the interest is paid annually.

(6) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 15 May 2017. The bond bears an interest rate of 5.35% with a maturity period of 5 years and the interest is paid annually.

(7) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 9 June 2017. The bond bears an interest rate of 5.3% with a maturity period of 3 years and the interest is paid annually.

(8) As approved by the CSRC, the Company issued a corporate bond with par value of RMB1 billion on 9 June 2017. The bond bears an interest rate of 5.5% with a maturity period of 5 years and the interest is paid annually.

(9) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 3 August 2017. The bond bears an interest rate of 4.98% with a maturity period of 10 years and the interest is paid annually.

(10) Orient HuiZhi Limited, the Company's subsidiary in BVI, issued a 5-year Offshore USD Bond with par value of USD500 million (approximately RMB3,432 million) on 30 November 2017. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 3.625% and the interest is paid semi-annually.

(11) Orient HuiZhi Limited, the Company's subsidiary in BVI, issued a Offshore USD Bond with par value of USD250 million (approximately RMB1,716 million) on 22 March 2018. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 3.625% with maturity date that is 30 November 2022 and the interest is paid semi-annually.

(12) As approved by the CSRC[2018]205, the Company issued a subordinated bond with par value of RMB6.4 billion on 12 July 2018. The bond bears an interest rate of 5.18% with a maturity period of 2 years and the interest is paid annually.

## 49. BOND PAYABLES *(Continued)*

*Note a: (Continued)*

(13) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB6 billion on 19 March 2019. The bond bears an interest rate of 4.20% with a maturity period of 3 years and the interest is paid annually.

(14) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB4 billion on 14 June 2019. The bond bears an interest rate of 4.20% with a maturity period of 3 years and the interest is paid annually.

(15) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB4.9 billion on 25 November 2019. The bond bears an interest rate of 3.50% with a maturity period of 3 years and the interest is paid annually.

(16) The Company issued a 3-year Offshore USD Bond with par value of USD300 million (approximately RMB2,126 million) on 20 August 2019. The bond bears a floating rate of 6 month LIBOR plus 1.25% and the interest is paid semi-annually.

(17) The Company issued a 3-year Offshore EUR Bond with par value of EUR200 million (approximately RMB1,611 million) on 20 August 2019. The bond bears a fixed annual interest rate of 0.625% and the interest is paid semi-annually.

(18) The Company issued a 3-year Offshore SGD Bond with par value of SGD200 million (approximately RMB1,041 million) on 27 September 2019. The bond bears a fixed annual interest rate of 2.9% and the interest is paid semi-annually.

*Note b:* According to the consent letter from Securities Association of China ("SAC") 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 31 December 2019 and 2018, the yields of the outstanding income certificates varied from 4.00% to 4.25% and from 3.60% to 6.30% per annum, respectively.

## 50. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Other account payables | | |
| – Payables for underwriting and products distribution fees | **337,956** | 173,817 |
| – Settlement payables | **142,144** | 237,785 |
| Other payables and accruals | | |
| – VAT and other taxes | **116,655** | 140,706 |
| – Payables for securities and futures investor protection fund | **26,531** | 12,319 |
| – Futures risk reserve | **82,067** | 68,914 |
| – Dividends payable | **80** | 80 |
| – Advance receipts | **–** | 15,512 |
| – Acting underwriting securities | **80,000** | – |
| – Deposit received from customers | **205,950** | 132,236 |
| – Arrangement for acquiring additional interests in a subsidiary *(Note)* | **475,584** | – |
| – Others | **1,129,244** | 704,421 |
| | **2,596,211** | 1,485,790 |

*Note:* It represented the gross obligation for the payment amounting to RMB475.58 million to acquire 33.33% of the equity interests in Citi Orient Securities Co., Ltd (the "Citi Orient") from Citigroup Global Markets Asia Limited (the "Citigroup Asia"). On May 30, 2019, the Citigroup Asia, being the transferor, and the Company, being the transferee, entered into a transfer agreement, that the transferor shall transfer 33.33% of the equity interests in the Citi Orient which is a non-wholly owned subsidiary of the Group to the transferee at a consideration of RMB475.58 million, subject to the terms and conditions included in the transfer agreement.

## 51. 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:

| | RMB'000 |
|---|---|
| Registered, issued and fully paid ordinary shares of RMB1 each (in thousands): | |
| As at 1 January 2018, 31 December 2018 and 31 December 2019 | 6,993,656 |

## 52. 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 | **28,251,705** | **–** | **28,251,705** |
| Other capital reserve | **3,225** | **–** | **3,225** |
| As at 31 December 2019 | **28,254,930** | **–** | **28,254,930** |
| Share premium | 28,251,706 | (1) | 28,251,705 |
| Other capital reserve | 3,225 | – | 3,225 |
| As at 31 December 2018 | 28,254,931 | (1) | 28,254,930 |

## 52. RESERVES *(Continued)*

### (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.

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 | **2,431,354** | **240,207** | **2,671,561** |
| Discretionary reserve | **654,024** | **120,104** | **774,128** |
| For the year ended 31 December 2019 | **3,085,378** | **360,311** | **3,445,689** |
| Statutory reserve | 2,409,238 | 22,116 | 2,431,354 |
| Discretionary reserve | 642,966 | 11,058 | 654,024 |
| For the year ended 31 December 2018 | 3,052,204 | 33,174 | 3,085,378 |

## 52. RESERVES *(Continued)*

### (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, Orient Securities Asset Management Co., Ltd. is required to appropriate no less than 10% of fund management fee income as general risk reserve.

The movements of general reserve of the Group are set out below:

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| General risk reserve | **3,118,346** | **543,132** | **3,661,478** |
| Transaction risk reserve | **3,943,259** | **392,939** | **4,336,198** |
| For the year ended 31 December 2019 | **7,061,605** | **936,071** | **7,997,676** |
| General risk reserve | 2,845,034 | 273,312 | 3,118,346 |
| Transaction risk reserve | 3,759,936 | 183,323 | 3,943,259 |
| For the year ended 31 December 2018 | 6,604,970 | 456,635 | 7,061,605 |

## 52. RESERVES *(Continued)*

### (4) Debt or equity investment revaluation reserve

The movements of the revaluation reserve/debt or equity investment revaluation reserve of the Group and are set out below:

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| At beginning of the year | **(192,374)** | 90,411 |
| Equity instruments designated as at FVTOCI: | | |
| Net fair value changes during the year | **72,020** | (1,568,189) |
| Income tax related to net fair value changes during the year | **(18,005)** | 392,047 |
| Debt instruments measured at FVTOCI: | | |
| Net fair value changes during the year | **626,981** | 1,288,367 |
| Income tax related to net fair value changes during the year | **(156,745)** | (322,092) |
| Reclassification adjustment to profit or loss on disposal | **(65,572)** | (99,511) |
| Reclassification adjustment to profit or loss on expected credit loss | **21,696** | 2,195 |
| Income tax related to reclassification adjustment to profit or loss during the year | **10,969** | 24,329 |
| Share of fair value losses on equity instruments designated as at FVTOCI of associates | **–** | (38,660) |
| Share of fair value losses on debt instruments measured at FVTOCI of associates | **(8,524)** | (1,993) |
| Transfer to retained profits for cumulative fair value change of equity instruments measured at FVTOCI upon disposal | **208,452** | 40,722 |
| At end of the year | **498,898** | (192,374) |

### (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.

## 53. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| At beginning of the year | **6,542,724** | 7,240,973 |
| Profit for the year | **2,435,080** | 1,231,013 |
| Appropriation to surplus reserve | **(360,311)** | (33,174) |
| Appropriation to general reserve | **(936,071)** | (456,635) |
| Dividends recognised as distribution | **(699,366)** | (1,398,731) |
| Transfer to retained earnings as to cumulative fair value losses of equity instruments measured at fair value through other comprehensive income | **(208,452)** | (40,722) |
| At end of the year | **6,773,604** | 6,542,724 |

Details of the dividends are set out in Note 54.

## 54. DIVIDENDS

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Dividends recognised as distribution | **699,366** | 1,398,731 |

Pursuant to the resolution of the general meeting of Shareholders held on 28 May 2019, the Company recognised cash dividends as distribution of RMB1.00 for every 10 shares (tax included) based on 6.99 billion shares held amounting to RMB0.7 billion in total for the year ended 31 December 2018.

Pursuant to the resolution of the general meeting of Shareholders held on 25 May 2018, the Company recognised cash dividends as distribution of RMB2.00 for every 10 shares (tax included) based on 6.99 billion shares held amounting to RMB1.40 billion in total for the year ended 31 December 2017.

## 55. TRANSFERS 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 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 31 December 2019**

| | Financial assets at fair value through profit or loss RMB'000 | Debt instruments measured at FVTOCI RMB'000 | Equity instruments at FVTOCI RMB'000 | Advances to customers RMB'000 | Debt instruments measured at amortised cost RMB'000 | Securities borrowing arrangements RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| Carrying amount of transferred assets | 20,705,013 | 33,456,045 | 1,777,690 | – | 5,057,632 | 1,701,055 | 62,697,435 |
| Carrying amount of associated liabilities | 19,003,572 | 30,725,755 | 1,622,704 | – | 4,590,480 | 1,535,552 | 57,478,063 |
| Net position | 1,701,441 | 2,730,290 | 154,986 | – | 467,152 | 165,503 | 5,219,372 |

## 55. TRANSFERS OF FINANCIAL ASSETS

### Repurchase agreements *(Continued)*

**As at 31 December 2018**

| | Financial assets at fair value through profit or loss RMB'000 | Debt instruments measured at FVTOCI RMB'000 | Equity instruments at FVTOCI RMB'000 | Advances to customers RMB'000 | Debt instruments measured at amortised cost RMB'000 | Securities borrowing arrangements RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| Carrying amount of transferred assets | 12,894,619 | 29,280,444 | 1,628,780 | 2,970,100 | 4,791,310 | 1,299,283 | 52,864,536 |
| Carrying amount of associated liabilities | 12,104,462 | 27,237,707 | 1,507,873 | 2,946,270 | 4,387,288 | 1,232,077 | 49,415,677 |
| Net position | 790,157 | 2,042,737 | 120,907 | 23,830 | 404,022 | 67,206 | 3,448,859 |

### Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss or equity instruments measured at fair value through other comprehensive income of carrying amount totaling RMB204 million and RMB70 million as at 31 December 2019 and 2018, 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. 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.

## 56. COMMITMENTS AND CONTINGENT LIABILITY

### (1) Capital commitments

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Capital expenditure in respect of acquisition of property and equipment: | | |
| Contracted but not provided for | **49,530** | 43,583 |

### (2) Operating lease commitments

***The Group as lessor***

During the year of 2019 and 2018, the Group did not have material lease commitment as lessor.

## 57. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2019 and 2018 are set out below:

**For the year ended 31 December 2019**

| 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)] | – | 960 | 145 | 3,823 | 4,928 |
| Jin Wenzhong [(a)] | – | 960 | 145 | 3,823 | 4,928 |
| **Non-executive Directors:** | | | | | |
| Chen Bin [(b)] | – | – | – | – | – |
| Li Xiang [(b)] | – | – | – | – | – |
| Wu Junhao [(c)] | – | – | – | – | – |
| Xu Jianguo [(d)] | – | – | – | – | – |
| Du Weihua [(e)] | – | – | – | – | – |
| Liu Wei [(e)] | – | – | – | – | – |
| Xia Jinghan [(e)] | – | – | – | – | – |
| **Independent Non-executive Directors:** | | | | | |
| Xu Guoxiang [(f)] | 160 | – | – | – | 160 |
| Tao Xiuming [(g)] | 160 | – | – | – | 160 |
| Wei Anning [(g)] | 190 | – | – | – | 190 |
| Jin Qinglu [(h)] | 190 | – | – | – | 190 |
| Xu Zhiming [(i)] | 160 | – | – | – | 160 |
| **Supervisors:** | | | | | |
| Zhang Qian [(j)] | – | – | – | – | – |
| Li Bin [(k)] | – | 768 | 139 | 3,704 | 4,611 |
| Liu Wenbin [(l)] | – | – | – | – | – |
| Yin Keding [(m)] | – | – | – | – | – |
| Wu Zhengkui [(n)] | – | – | – | – | – |
| Zhou Wenwu [(o)] | – | 820 | 145 | 1,716 | 2,681 |
| Yao Yuan [(m)] | – | 820 | 145 | 2,081 | 3,046 |
| Huang Laifang [(p)] | – | – | – | – | – |
| Tong Jie [(q)] | – | – | – | – | – |
| | 860 | 4,328 | 719 | 15,147 | 21,054 |

## 57. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

**For the year ended 31 December 2018**

| 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)] | – | 960 | 219 | 1,604 | 2,783 |
| Jin Wenzhong [(a)] | – | 960 | 219 | 1,549 | 2,728 |
| **Non-executive Directors:** | | | | | |
| Chen Bin [(b)] | – | – | – | – | – |
| Li Xiang [(b)] | – | – | – | – | – |
| Wu Junhao [(c)] | – | – | – | – | – |
| Xu Jianguo [(d)] | – | – | – | – | – |
| Du Weihua [(e)] | – | – | – | – | – |
| Liu Wei [(e)] | – | – | – | – | – |
| Xia Jinghan [(e)] | – | – | – | – | – |
| Wu Jianxiong [(r)] | – | – | – | – | – |
| **Independent Non-executive Directors:** | | | | | |
| Xu Guoxiang [(f)] | 160 | – | – | – | 160 |
| Tao Xiuming [(g)] | 160 | – | – | – | 160 |
| Wei Anning [(g)] | 185 | – | – | – | 185 |
| Jin Qinglu [(h)] | 190 | – | – | – | 190 |
| Xu Zhiming [(i)] | 160 | – | – | – | 160 |
| **Supervisors:** | | | | | |
| Zhang Qian [(j)] | – | – | – | – | – |
| Li Bin [(k)] | – | 768 | 187 | 1,472 | 2,427 |
| Liu Wenbin [(l)] | – | – | – | – | – |
| Yin Keding [(m)] | – | – | – | – | – |
| Wu Zhengkui [(n)] | – | – | – | – | – |
| Zhou Wenwu [(o)] | – | 834 | 110 | 2,031 | 2,975 |
| Yao Yuan [(m)] | – | 834 | 110 | 3,609 | 4,553 |
| Huang Laifang [(p)] | – | – | – | – | – |
| Tong Jie [(q)] | – | – | – | – | – |
| Song Xuefeng [(s)] | – | – | – | – | – |
| | 855 | 4,356 | 845 | 10,265 | 16,321 |

* The amount of director fee was nil, except for the independent director fee disclosed.

## 57. 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. Chen Bin and Li Xiang were appointed as director in October 2014.

c. Wu Junhao were appointed as director in March 2011.

d. Xu Jianguo was appointed as director in November 2016.

e. Du Weihua, Liu Wei and Xia Jinghan were appointed as director in March 2018.

f. Xu Guoxiang was appointed as independent director in August 2014.

g. Tao Xiuming and Wei Anning were appointed as independent director in October 2014.

h. Jin Qinglu was appointed as independent director in October 2017.

i. Xu Zhiming was appointed as independent director in September 2015. The appointment took effect in July 2016.

j. Zhang Qian was appointed as director in June 2002, and resigned in March 2018. Zhang Qian was appointed as chairman of the supervisory board in March 2018.

k. Li Bin was appointed as supervisor in November 2014.

l. Liu Wenbin was appointed as supervisor in March 2011.

m. Yin Keding and Yao Yuan were appointed as supervisor in October 2014.

n. Wu Zhengkui was appointed as supervisor in February 2012.

o. Zhou Wenwu was appointed as supervisor in August 2015.

p. Huang Laifang was appointed as director in May 2016, and resigned in March 2018. Huang Laifang was appointed as supervisor in March 2018.

q. Tong Jie was appointed as supervisor in March 2018.

r. Wu Jianxiong was appointed as director in October 2014, and resigned in March 2018.

s. Song Xuefeng was appointed as director in August 2013, and was appointed as chairman of the supervisory board in October 2014, and resigned in March 2018.

## 57. 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 Company and the Group.

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 31 December 2019 are actually performance bonus in 2018.

For the year ended 31 December 2019 and 2018, 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.

## 58. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 57. Details of the remuneration of the five highest paid employees during the year ended 2019 and 2018 are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | **RMB'000** | **RMB'000** |
| Basic salaries and allowances | **12,450** | 13,122 |
| Discretionary bonuses | **77,226** | 98,440 |
| Employer's contribution to pension schemes | **272** | 183 |
| | **89,948** | 111,745 |

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 31 December 2019 and 2018.

## 58. HIGHEST PAID INDIVIDUALS *(Continued)*

The emoluments of the highest-paid individuals of the Group fall within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Emolument bands | | |
| – HKD13,000,001 to HKD13,500,000 | **1** | – |
| – HKD17,000,001 to HKD17,500,000 | **1** | – |
| – HKD18,000,001 to HKD18,500,000 | **1** | – |
| – HKD21,500,001 to HKD22,000,000 | **–** | 1 |
| – HKD22,000,001 to HKD22,500,000 | **–** | 1 |
| – HKD23,000,001 to HKD23,500,000 | **1** | – |
| – HKD23,500,001 to HKD24,000,000 | **–** | 1 |
| – HKD27,500,001 to HKD28,000,000 | **–** | 1 |
| – HKD28,000,001 to HKD28,500,000 | **1** | – |
| – HKD32,000,001 to HKD32,500,000 | **–** | 1 |
| | **5** | 5 |

## 59. 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 31 December | |
|---|---|---|
| | 2019 % | 2018 % |
| 申能(集團)有限公司 Shenergy (Group) Company Limited | **25.27** | 25.27 |

## 59. 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 37.

***The Group and associates***

The details of the associates of the Group is set out in Note 31.

### (2) Related party transaction and balances

As at 31 December 2019 and 2018, the Group had the following material balances with the major shareholder and entities under its control:

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | **RMB'000** | **RMB'000** |
| Account payables to brokerage clients | | |
| – Shanghai Dazhong Gas Co., Ltd.* | **4,163** | 2,644 |
| – Shanghai Jiu Lian Group Co., Ltd. * | **394** | 25,379 |
| – Shenergy (Group) Company Limited | **47** | – |
| – Shanghai Shenergy Property Management Co., Ltd. * | **14** | 14 |
| – Shanghai Gas (Group) Co., Ltd.* | **8** | 9,246 |

## 59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2019 and 2018, the Group had the following material transactions with the major shareholder and entities under its control:

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Commission and fee income | | |
| – Shenergy Company Limited | **2,112** | 4,313 |
| – Shenergy (Group) Company Limited | **1,127** | 734 |
| – Shanghai Gas (Group) Co., Ltd.* | **500** | – |
| – Shenergy Group Finance Company Limited* | **44** | 883 |
| – Shanghai Jiu Lian Group Co., Ltd. * | **23** | 18 |
| Interest expenses | | |
| – Shanghai Dazhong Gas Co., Ltd.* | **12** | 7 |
| – Shenergy Group Finance Company Limited* | **31** | 99 |
| – Shanghai Gas (Group) Co., Ltd.* | **13** | 17 |
| – Shenergy (Group) Company Limited | **28** | 29 |
| – Shenergy Company Limited | **28** | 6 |
| – Shanghai Jiu Lian Group Co., Ltd. * | **42** | 21 |
| Other operating expenses | | |
| – Shanghai Shenergy Property Management Co., Ltd.* | **12,173** | 7,761 |
| – Shanghai Dazhong Gas Co., Ltd.* | **211** | 33 |

## 59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

As at 31 December 2019 and 2018, the Group had the following material balances with associates:

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Account payables to brokerage clients | | |
| – China Universal | **2,141** | 2,068 |
| – Haining Orient Securities Lanhai Merge Investment Partnership LLP.* | **811** | 4 |
| – Shanghai Junyu Investment Center LLP. * | **3** | 984 |
| – Orient Jiashi (Shanghai) Investment Management LLP. * | **–** | 1 |
| – Shanghai Orient Jinyuan Equity Investment LLP. * | **–** | 178 |
| Other receivables | | |
| – Shanghai Orient Securities Chunyi Investment Center LLP.* | **9,798** | 9,798 |
| – Shanghai Junyu Investment Center LLP. * | **2,075** | – |
| Other account payables | | |
| – Beijing Orient Zhiyun Equity Investment Center LLP. * | **–** | 409,346 |
| Financial assets at FVTPL | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | **56,656** | – |
| – Shanghai Dongkai Capital Co., Ltd.* | **25,221** | – |
| Debt instruments measured at FVTOCI | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | **77,199** | 130,000 |

## 59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2019 and 2018, the Group had the following material transaction with associates:

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Commission and fee income | | |
| – China Universal | **135,735** | 125,916 |
| – Haining Orient Securities Lanhai Merge Investment Partnership LLP. * | **14,079** | 18,042 |
| – Orient Securities Ruibo (Shanghai) Investment Center LLP.* | **4,292** | – |
| – Orient Jiashi (Shanghai) Investment Management LLP. * | **3,179** | – |
| – Shanghai Junyu Investment Center LLP. * | **2,075** | 2,075 |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | **969** | 82 |
| – Shanghai Orient Jinyuan Equity Investment LLP. * | **481** | 936 |
| – Orient Tengjun (Shanghai) Investment LLP.* | **–** | 1,830 |
| Interest expenses | | |
| – China Universal | **74** | 66 |
| – Shanghai Junyu Investment Center LLP. * | **5** | 3 |
| – Haining Orient Securities Lanhai Merge Investment Partnership LLP. * | **1** | 2 |
| – Shanghai Orient Jinyuan Equity Investment LLP. * | **1** | 1 |
| Interest income | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | **7,903** | 762 |
| Net investment gains/(losses) | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | **987** | – |

## 59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

As at 31 December 2019 and 2018, the Group had the following material balances with other related parties**:

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Account payables to brokerage clients | | |
| – Shanghai Construction Group., Ltd. | **18,260** | 6 |
| – Shanghai Orient Xindeyizhang Public Welfare Foundation. * | **3** | 3 |
| – China Pacific Property Insurance Co., Ltd. | **1** | – |
| Financial assets at FVTPL | | |
| – Great Wall Fund Management Co., Ltd. | **272,737** | 141,272 |
| – Haitong Securities Co., Ltd. | **110,025** | 51,355 |
| – Shanghai Construction Group., Ltd. | **668** | – |
| – China Pacific Insurance (Group) Co., Ltd. | **232** | – |
| Derivative financial assets | | |
| – Harvest Capital Management Co., Ltd. | **1,078** | – |
| – China Pacific Property Insurance Co., Ltd. | **88** | – |
| Equity instruments measured at FVTOCI | | |
| – Shanghai Construction Group., Ltd. | **165,425** | 165,357 |
| Debt instruments measured at FVTOCI | | |
| – Shanghai XinHua Distribution Group Co., Ltd. | **142,710** | 49,790 |
| – China Pacific Property Insurance Co., Ltd. | **104,356** | 102,603 |

## 59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2019 and 2018, the Group had the following material transaction with other related parties**:

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Commission and fee income | | |
| – Great Wall Fund Management Co.,Ltd. | **2,707** | 1,556 |
| – Shanghai XinHua Distribution Group Co., Ltd. | **90** | – |
| – Shanghai Construction Group., Ltd. | **11** | – |
| – China Pacific Property Insurance Co. Ltd. | **–** | 1,321 |
| Interest income | | |
| – China Pacific Property Insurance Co., Ltd. | **5,637** | 4,636 |
| – Shanghai XinHua Distribution Group Co., Ltd. | **4,483** | 1,596 |
| Net investment gains/(losses) | | |
| – Shanghai Construction Group., Ltd. | **7,778** | 2,957 |
| – Haitong Securities Co., Ltd. | **3,399** | 2,007 |
| – Great Wall Fund Management Co.,Ltd. | **119** | – |
| – China Pacific Insurance (Group) Co. Ltd. | **1** | – |
| Interest expenses | | |
| – Shanghai Construction Group., Ltd. | **23** | 62 |
| – Shanghai Orient Xindeyizhang Public Welfare Foundation. * | **–** | 11 |
| Other operating expenses | | |
| – Harvest Capital Management Co., Ltd. | **2,177** | – |
| – China Pacific Property Insurance Co., Ltd. | **411** | 423 |
| – Yunzhuo Capital Investment (Beijing) Co., Ltd. * | **–** | 2,100 |
| – Yunzhuo Capital Investment (Chengdu) Co., Ltd. * | **–** | 2,800 |

* These companies do not have official English names. English translated names are for identification only.

** The Directors and Supervisors of the Company have been appointed as directors or senior management of these related parties as at 31 December 2019.

## 59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (3) Key management personnel

Remuneration for key management personnel of the Group are as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Short-term benefits: | | |
| Salaries, allowance and bonuses | **50,899** | 26,366 |
| Post-employment benefits: | | |
| Employer's contribution to pension schemes/annuity plans | **1,562** | 2,118 |
| | **52,461** | 28,484 |

The amounts of bonus paid and disclosed for the year ended 31 December 2019 are actually performance bonus in 2018.

### (4) Guarantees provided by the Company

In November 2017, the Company agreed to provide the USD591 million amounts of guarantee in respect of bonds with the maturity date in November 2022, issued by the Orient HuiZhi Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited which is the Company's wholly-owned subsidiary.

In March 2018, the Company agreed to provide the USD293 million amounts of guarantee in respect of bonds with the maturity date in November 2022, issued by the Orient HuiZhi Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited which is the Company's wholly-owned subsidiary.

## 59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (4) Guarantees provided by the Company *(Continued)*

In September 2019, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD166 million amounts of guarantee in respect of bonds with the maturity date in September 2020, issued by the Orient ZhiHui Limited which is the subsidiary of Orient Finance Holdings (Hong Kong) Limited.

In October 2019, Orient Finance Holdings (Hong Kong) Limited agreed to provide the HKD300 million amounts of guarantee in respect of loan facilities with the maturity date in October 2020, provided to Orient Securities (Hong Kong) Limited which is the subsidiary of Orient Finance Holdings (Hong Kong) Limited.

In December 2019, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD380 million amounts of non-financing guarantee facilities to Orient Securities International Financial Group Limited and its wholly-owned subsidiaries.

In December 2019, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD180 million amounts of non-financing guarantee facilities to Orient Securities International Financial Group Limited.

## 60. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Cash and bank balances | **27,584,529** | 16,652,307 |
| Clearing settlement funds | **5,964,640** | 5,108,806 |
| Deposits with exchanges and financial institutions | **1,039,479** | 752,083 |
| Derivative financial assets | **575,515** | 222,468 |
| Advances to customers | **12,924,955** | 9,915,282 |
| Account receivables | **515,023** | 209,565 |
| Financial assets held under resale agreements | **23,189,666** | 27,450,131 |
| Financial assets at fair value through profit or loss | **45,611,235** | 32,895,462 |
| Debt instruments measured at fair value through other comprehensive income | **64,895,563** | 62,209,436 |
| Equity instruments measured at fair value through other comprehensive income | **10,796,864** | 9,108,018 |
| Debt instruments measured at amortised cost | **7,193,554** | 7,912,596 |
| Deferred tax assets | **483,544** | 671,011 |
| Investments in an associate | **2,066,502** | 1,817,622 |
| Investments in subsidiaries | **13,985,793** | 11,897,753 |
| Right-of-use assets | **600,692** | – |
| Investment properties | **31,207** | – |
| Property and equipment | **2,100,229** | 2,170,396 |
| Other intangible assets | **133,358** | 110,380 |
| Goodwill | **18,948** | 18,948 |
| Other loans, receivables and prepayments | **183,739** | 300,374 |
| Total assets | **219,895,035** | 189,422,638 |

## 60. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

*(Continued)*

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| Due to banks and other financial institutions | **6,384,659** | 11,027,067 |
| Short-term financing bill payables | **14,988,991** | 11,428,294 |
| Account payables to brokerage clients | **18,598,950** | 14,850,111 |
| Financial assets sold under repurchase agreements | **51,950,255** | 45,284,205 |
| Financial liabilities at fair value through profit or loss | **11,190,369** | 5,066,887 |
| Derivative financial liabilities | **2,618,098** | 901,170 |
| Accrued staff costs | **516,764** | 246,453 |
| Lease liabilities | **591,193** | – |
| Bond payables | **62,122,472** | 51,969,955 |
| Other account payables, other payables and accruals | **346,388** | 355,556 |
| Total liabilities | **169,308,139** | 141,129,698 |
| Share capital | **6,993,656** | 6,993,656 |
| Reserves | **38,826,681** | 37,244,857 |
| Retained profits | **4,766,559** | 4,054,427 |
| Total equity | **50,586,896** | 48,292,940 |
| Total equity and liabilities | **219,895,035** | 189,422,638 |

*Note:* The Company has applied IFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. Lease liabilities amounted to RMB611,927 thousand and right-of-use assets amounted to RMB623,739 thousand were recognised on initial application of IFRS 16 respectively.

## 60. 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 profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| As at 1 January 2019 | **6,993,656** | **28,157,008** | **3,085,378** | **6,043,383** | **(40,912)** | **4,054,427** | **48,292,940** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **2,402,073** | **2,402,073** |
| Other comprehensive income for the year | **–** | **–** | **–** | **–** | **591,249** | **–** | **591,249** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **591,249** | **2,402,073** | **2,993,322** |
| Appropriation to surplus reserve | **–** | **–** | **360,311** | **–** | **–** | **(360,311)** | **–** |
| Appropriation to general reserve | **–** | **–** | **–** | **624,539** | **–** | **(624,539)** | **–** |
| Dividends recognised as distribution | **–** | **–** | **–** | **–** | **–** | **(699,366)** | **(699,366)** |
| Transfer to retained profits for cumulative fair value change of equity instruments measured at fair value through other comprehensive income upon disposal | **-** | **-** | **-** | **-** | **5,725** | **(5,725)** | **–** |
| At 31 December 2019 | **6,993,656** | **28,157,008** | **3,445,689** | **6,667,922** | **556,062** | **4,766,559** | **50,586,896** |
| As at 1 January 2018 | 6,993,656 | 28,157,008 | 3,052,204 | 5,985,881 | 43,417 | 5,384,062 | 49,616,228 |
| Profit for the year | – | – | – | – | – | 221,159 | 221,159 |
| Other comprehensive expenses for the year | – | – | – | – | (145,716) | – | (145,716) |
| Total comprehensive (expenses)/income for the year | – | – | – | – | (145,716) | 221,159 | 75,443 |
| Appropriation to surplus reserve | – | – | 33,174 | – | – | (33,174) | – |
| Appropriation to general reserve | – | – | – | 57,502 | – | (57,502) | – |
| Dividends recognised as distribution | – | – | – | – | – | (1,398,731) | (1,398,731) |
| Transfer to retained profits for cumulative fair value change of equity instruments measured at fair value through other comprehensive income upon disposal | – | – | – | – | 61,387 | (61,387) | – |
| At 31 December 2018 | 6,993,656 | 28,157,008 | 3,085,378 | 6,043,383 | (40,912) | 4,054,427 | 48,292,940 |

*Note a:* Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

## 61. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | As at 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| **Financial assets** | | |
| Financial assets at fair value through profit or loss | **67,510,195** | 52,353,837 |
| Debt instruments measured at FVTOCI | **64,895,563** | 62,209,436 |
| Equity instruments measured at FVTOCI | **10,832,873** | 9,316,262 |
| Financial assets measured at amortised cost | **110,030,694** | 95,035,738 |
| | **253,269,325** | 218,915,273 |
| **Financial liabilities** | | |
| Financial liabilities at fair value through profit or loss | **15,274,336** | 7,740,190 |
| Other financial liabilities | **190,577,050** | 164,942,240 |
| | **205,851,386** | 172,682,430 |

## 62. FINANCIAL RISK MANAGEMENT

### 62.1 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.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.1 Risk management overview and organization *(Continued)*

#### *(1) Risk management overview (Continued)*

The risk management implemented by the Group 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.

The Group has established a risk management mechanism for risk identification and assessment, risk monitoring and measurement, risk analysis and response, and has adopted a combination of qualitative and quantitative risk measurement methods to enhance its professional management capability for various risks. The Group implements a multi-perspective risk review mechanism for comprehensive risk management, strictly reviews all new businesses and products, and dynamically monitors all important risks in daily business operations; and evaluates various risks and risk tolerance in the Group's business process through sensitivity analysis, stress testing and dynamic monitoring.

A comprehensive risk management system is inseparable from a complete information technology system. In recent years, the Group has continuously increased its investment in information technology. Through the construction of a risk management cockpit, a comprehensive risk management system, a dynamic management system for risk control indicators and various special risk management information systems, the Group has continuously promoted the practical application of information technology in risk management, and the timeliness and accuracy of risk management have been effectively improved.

#### *(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 effective risk supervision performed by risk supervision and management departments on the risk management affairs of each functional management departments.

Pursuant to the requirements of the Rules for the Risk Management of Securities Firms (《證券公司全面風險管理規範》) 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.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.2 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, or the deterioration of credit quality of them. Currently, the Group faces credit risk primarily from the credit risk of counterparties 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.

*(1) Credit risk management*

The Group sets the indicators of risk control including scale, counterparty and risk exposure in an overall manner hierarchically by modules relating to net capital management and risk tolerance, and manages the credit risk exposure in a refining manner from the perspectives of varieties, models and hedging, so as to control the credit risk effectively.

The Group establishes credit risk management systems respectively for the bond issuers, counterparty and customers of margin financing and securities lending. The Group strengthens their qualification and risk assessments, and achieves credit risk management by contract inspections and transaction monitoring. Besides, the Group pays attention to the potential default links throughout the transaction process, and prepares risk treatment contingency plan. Regarding the bond investments and other businesses relating to credit risk, the Group strengthens the fundamental analysis on the bond issuers and counterparties and establishes internal rating system to prevent credit risk. The Group realises various functions the internal rating, uniform credit management, investment concentration management, defaulting client management, pressure testing, monitor early-warning, risk reporting through credit risk management system, strengthening credit risk control and enhancing the ability of credit risk management. In the derivative transactions, the Group sets margin ratio and trade rules to counterparties, and controls the credit risk exposure of counterparty by the means of daily mark-to-market, margin calls and forced close of positions, etc.

In the securities lending and margin financing business, the Group establishes mechanisms including credit rating of clients, facility and collateral management, monitoring report and others, and addresses the potential risk in a timely manner through dynamic liquidation.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.2 Credit risk *(Continued)*

#### *(2) Credit risk and impairment assessment*

As explained in Note 3, the Group performs impairment assessment under ECL model upon application of IFRS 9 on account receivables using life-time ECL under the simplified approach. The Group monitors all other financial assets to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk since initial recognition, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds including bank balances, clearing settlement funds, deposits with exchanges and financial institutions is limited because the counterparties are state-owned banks, clearing house, stock exchanges, futures exchanges, commodity exchanges, or banks with high credit ratings assigned by international credit-rating agencies. There have been no significant increase in credit risk since initial recognition associated with the amounts of cash and bank balances, clearing settlement funds, deposits with exchanges and financial institutions for the year ended 31 December 2019.

The Group mainly relies on external credit ratings to assess the credit risk of bond investments and the Group invests primarily in bonds with rating of AA or above as of 31 December 2019.

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interests or securities lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities, whenever necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. The Group considers margin trading assets to have experienced a significant increase in credit risk if the margin calls were triggered by a decrease of the ratio of financing assets to collateral below the warning line taking into consideration the obligor's credit quality. Regarding the financial assets held under resale agreements, the Group mainly focus on the loan to collateral ratio, overdue status, and other qualitative and quantitative criteria to determine whether credit risk has increased significantly. The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.2 Credit risk *(Continued)*

***(2) Credit risk and impairment assessment** (Continued)*

In making the impairment assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument's external credit rating;
- expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- an actual or expected significant change in the quality of credit enhancement; and
- significant changes in the expected performance and behavior of the borrower.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.2 Credit risk *(Continued)*

#### *(3) Measurement of ECL*

The Group applies a three-stage approach to measuring ECL on financial assets measured at amortised cost except for account receivables, and debt instruments measured at FVTOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL*

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events, occurring within the next 12 months, is recognised;

*Stage 2: Lifetime ECL – not credit impaired*

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised;

*Stage 3: Lifetime ECL – credit impaired*

For financial assets that are credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

The Group uses PD, EAD and LGD to measure credit risks:

(i) PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data and expectations of future conditions;

(ii) EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life; and

(iii) LGD is an estimate of the loss arising on default. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.2 Credit risk *(Continued)*

#### *(3) Measurement of ECL (Continued)*

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility, including but not limited to Gross Domestic Product ("GDP"), Industrial Product Price Index ("PPI"), Consumers Price Index ("CPI"), Stock Index, etc.

In order to determine the relationship between these economic indicators and the default probability as well as the default loss rate, the Group constructs an econometric model to determine the impact of historical changes in these indicators on the PD and LGD.

The Group makes forward-looking estimation of the ECL based on the scenario reflecting key economic indicators above. When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value ratios). The groupings are reviewed on a regular basis to ensure that each group is comprised of homogeneous exposures.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.2 Credit risk *(Continued)*

#### *(3) Measurement of ECL (Continued)*

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The maximum credit risk exposure of the Group as follows:

| | As at 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Advances to customers | **13,214,262** | 10,276,755 |
| Account receivables | **1,019,920** | 668,408 |
| Other loans and receivables | **569,034** | 865,119 |
| Debt instruments measured at FVTOCI | **64,895,563** | 62,209,436 |
| Financial assets held under resale agreements | **24,206,542** | 28,168,584 |
| Financial assets at fair value through profit or loss | **30,575,190** | 25,358,794 |
| Debt instruments measured at amortised cost | **7,193,554** | 7,912,596 |
| Derivative financial assets | **609,102** | 318,490 |
| Deposits with exchanges and financial institutions | **1,642,894** | 1,025,365 |
| Clearing settlement funds | **13,243,654** | 9,354,272 |
| Cash and bank balances | **48,940,834** | 36,764,639 |
| | **206,110,549** | 182,922,458 |

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.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.3 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 and quantitative risk model, 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.
- Set up the institution for decision-making, performance and responsibility for the significant events, prepare emergency plans under various predicable extreme cases, and grade and manage the significant events according to the seriousness.

***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, debt instruments measured at fair value through other comprehensive income, debt instruments measured at amortised cost, financial assets at fair value through profit or loss, bond payables, account payables 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, Shanghai Inter-bank offered rate and Hong Kong Inter-bank offered rate are the major sources of the Group's cash flow interest rate risk.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.3 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 31 December 2019**

| | 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 | 783,662 | 3,857,970 | 8,572,630 | – | – | – | 13,214,262 |
| Account receivables | – | – | – | – | – | 1,019,920 | 1,019,920 |
| Other loans and receivables | – | – | 148,813 | 139,524 | – | 280,697 | 569,034 |
| Financial assets held under resale agreements | 21,507,141 | 1,299,529 | 1,115,015 | 284,857 | – | – | 24,206,542 |
| Debt instruments measured at fair value through other comprehensive income | 156,238 | 363,125 | 4,523,569 | 37,257,646 | 22,594,985 | – | 64,895,563 |
| Equity instruments measured at fair value through other comprehensive income | – | – | – | – | – | 10,832,873 | 10,832,873 |
| Financial assets at fair value through profit or loss | 1,327,603 | 624,027 | 6,144,805 | 16,897,116 | 5,581,639 | 36,325,903 | 66,901,093 |
| Debt instruments measured at amortised cost | – | 178,270 | 229,019 | 4,662,790 | 2,123,475 | – | 7,193,554 |
| Derivative financial assets | 16 | 13,446 | 22,315 | – | – | 573,325 | 609,102 |
| Deposits with exchanges and financial institutions | 1,642,894 | – | – | – | – | – | 1,642,894 |
| Clearing settlement funds | 13,243,654 | – | – | – | – | – | 13,243,654 |
| Cash and bank balances | 48,919,530 | – | 21,304 | – | – | – | 48,940,834 |
| Subtotal | 87,580,738 | 6,336,367 | 20,777,470 | 59,241,933 | 30,300,099 | 49,032,718 | 253,269,325 |

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.3 Market risk *(Continued)*

***Interest rate risk** (Continued)*

**As at 31 December 2019** *(Continued)*

| | 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 Liabilities** | | | | | | | |
| Borrowings | 349,735 | 290,419 | – | – | – | – | 640,154 |
| Bonds Payables | – | 2,117,130 | 25,828,657 | 35,280,458 | 4,082,954 | – | 67,309,199 |
| Account payables to brokerage clients | 40,179,178 | – | – | – | – | – | 40,179,178 |
| Other account payables and other payables | 690,359 | – | – | – | – | 1,782,238 | 2,472,597 |
| Due to banks and other financial institutions | 4,871,391 | 1,010,063 | 503,205 | – | – | – | 6,384,659 |
| Short-term financing bill payables | 4,626,537 | 8,288,990 | 3,197,673 | – | – | – | 16,113,200 |
| Financial liabilities at fair value through profit or loss | 5,807,585 | 1,652,880 | 4,178,787 | – | – | 991,709 | 12,630,961 |
| Derivative financial liabilities | 103,255 | 1,008,320 | 1,443,753 | – | – | 88,047 | 2,643,375 |
| Lease liabilities | 43,484 | 43,592 | 229,475 | 656,637 | 21,817 | – | 995,005 |
| Financial assets sold under repurchase agreements | 54,860,001 | 1,202,568 | 1,415,494 | – | – | – | 57,478,063 |
| Subtotal | 111,531,525 | 15,613,962 | 36,797,044 | 35,937,095 | 4,104,771 | 2,861,994 | 206,846,391 |
| Net interest-bearing position | (23,950,787) | (9,277,595) | (16,019,574) | 23,304,838 | 26,195,328 | 46,170,724 | 46,422,934 |

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.3 Market risk *(Continued)*

***Interest rate risk** (Continued)*

**As at 31 December 2018**

| | 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 | 361,473 | 9,915,282 | – | – | – | – | 10,276,755 |
| Account receivables | – | – | – | – | – | 668,408 | 668,408 |
| Other loans and receivables | – | 122,668 | 329,824 | 87,620 | – | 325,007 | 865,119 |
| Financial assets held under resale agreements | 14,855,229 | 2,390,678 | 9,611,402 | 1,311,275 | – | – | 28,168,584 |
| Debt instruments measured at fair value through other comprehensive income | 333,407 | 755,234 | 4,108,733 | 34,809,812 | 22,202,250 | – | 62,209,436 |
| Equity instruments measured at fair value through other comprehensive income | – | – | – | – | – | 9,316,262 | 9,316,262 |
| Financial assets at fair value through profit or loss | 815,939 | 31,696 | 1,430,060 | 14,415,308 | 8,665,791 | 26,676,553 | 52,035,347 |
| Debt instruments measured at amortised cost | 51,288 | 31,392 | 409,138 | 4,371,037 | 3,049,741 | – | 7,912,596 |
| Derivative financial assets | – | – | – | – | – | 318,490 | 318,490 |
| Deposits with exchanges and financial institutions | 1,025,365 | – | – | – | – | – | 1,025,365 |
| Clearing settlement funds | 9,354,272 | – | – | – | – | – | 9,354,272 |
| Cash and bank balances | 36,764,639 | – | – | – | – | – | 36,764,639 |
| Subtotal | 63,561,612 | 13,246,950 | 15,889,157 | 54,995,052 | 33,917,782 | 37,304,720 | 218,915,273 |

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.3 Market risk *(Continued)*

***Interest rate risk** (Continued)*

**As at 31 December 2018** *(Continued)*

| | 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 Liabilities** | | | | | | | |
| Borrowings | 1,138,957 | 263,920 | 250,285 | – | – | – | 1,653,162 |
| Bonds Payables | 1,082,089 | 1,751,306 | 11,099,220 | 39,034,668 | 4,081,685 | – | 57,048,968 |
| Account payables to brokerage clients | 32,059,065 | – | – | – | – | – | 32,059,065 |
| Other account payables and other payables | – | – | – | – | – | 1,326,695 | 1,326,695 |
| Due to banks and other financial institutions | 9,506,880 | 1,015,158 | 505,029 | – | – | – | 11,027,067 |
| Short-term financing bill payables | 564,101 | 1,691,506 | 10,155,999 | – | – | – | 12,411,606 |
| Financial liabilities at fair value through profit or loss | 1,797,688 | 996,100 | 3,728,260 | – | – | 312,333 | 6,834,381 |
| Derivative financial liabilities | 99,762 | 495,666 | 291,598 | – | – | 18,783 | 905,809 |
| Financial assets sold under repurchase agreements | 41,709,974 | 149,721 | 7,555,982 | – | – | – | 49,415,677 |
| Subtotal | 87,958,516 | 6,363,377 | 33,586,373 | 39,034,668 | 4,081,685 | 1,657,811 | 172,682,430 |
| Net interest-bearing position | (24,396,904) | 6,883,573 | (17,697,216) | 15,960,384 | 29,836,097 | 35,646,909 | 46,232,843 |

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.3 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 debt instruments measured at fair value through other comprehensive income. 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 31 December | |
|---|---|---|
| | **2019** | **2018** |
| | **RMB'000** | **RMB'000** |
| Profit for the year | | |
| 50 basis points increase | **(421,025)** | (259,834) |
| 50 basis points decrease | **429,329** | 250,777 |
| Equity | | |
| 50 basis points increase | **(1,336,688)** | (1,251,312) |
| 50 basis points decrease | **1,380,547** | 1,222,376 |

***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 minimal amount of foreign currency denominated investment. The management considers the foreign exchange rate risk of the Group is not material as the proportion of the Group's total asset and liability that the Group's foreign currency assets and liabilities account for is minimal.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.3 Market risk *(Continued)*

***Price risk***

Price risk is primarily about the unfavorable 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 equity instruments measured at fair value through other comprehensive income. 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, collective asset management schemes and other trading financial instruments 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 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| Profit before income tax for the year | | |
| Increase by 10% | **2,166,067** | 2,221,547 |
| Decrease by 10% | **(2,166,067)** | (2,221,547) |
| Other comprehensive income before income tax for the year | | |
| Increase by 10% | **1,083,287** | 1,044,862 |
| Decrease by 10% | **(1,083,287)** | (1,044,862) |

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.4 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.

In the aspect of liquidity risk management, during the reporting period, the Company improves the liquidity risk management system and internal management system continuously, and sets up a special position in charge of dynamic monitoring, early-warning, analysis and reporting of the liquidity risk in accordance with the Rules for the Risk Management of Securities Firms (《證券公司全面風險管理規範》) and new measures for the administration of risk control indicators. The Company prudently determines the qualitative principles and quantitative standards of liquidity risk preference at the beginning of each year, and adjusts the relevant liquidity risk control indicators timely in accordance with the market changes and business development in the middle of year. The Company also conducts liquidity pressure testing and emergency drilling regularly, and requires the regulator to report the indicators like liquidity coverage rate and net stable capital rate daily. The above practices can ensure that the Company is able to satisfy the liquidity demand timely at reasonable cost, and will control the liquidity risk within the tolerable scope.

***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.

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.4 Liquidity risk *(Continued)*

***Undiscounted cash flows by contractual maturities of non-derivative financial liabilities (Continued)***

**As at 31 December 2019**

| | 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 | – | 248,072 | 429,290 | – | – | 677,362 | 640,154 |
| Short-term financing bill payables | – | 12,963,650 | 3,252,951 | – | – | 16,216,601 | 16,113,200 |
| Due to banks and other financial institutions | – | 5,889,728 | 508,215 | – | – | 6,397,943 | 6,384,659 |
| Account payables to brokerage clients | 40,179,178 | – | – | – | – | 40,179,178 | 40,179,178 |
| Financial liabilities at fair value through profit or loss | – | 7,727,555 | 4,260,249 | 705,650 | – | 12,693,454 | 12,630,961 |
| Other account payables and other payables | 1,782,238 | 690,359 | – | – | – | 2,472,597 | 2,472,597 |
| Financial assets sold under repurchase agreements | – | 56,062,636 | 1,433,197 | – | – | 57,495,833 | 57,478,063 |
| Lease liabilities | – | 87,967 | 233,218 | 721,602 | 26,603 | 1,069,390 | 995,005 |
| Bond Payables | – | 3,023,188 | 29,501,699 | 39,230,582 | 4,597,600 | 76,353,069 | 67,309,199 |
| | 41,961,416 | 86,693,155 | 39,618,819 | 40,657,834 | 4,624,203 | 213,555,427 | 204,203,016 |

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.4 Liquidity risk *(Continued)*

***Undiscounted cash flows by contractual maturities of non-derivative financial liabilities (Continued)***

**As at 31 December 2018**

| | 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 | – | 683,974 | 1,003,108 | – | – | 1,687,082 | 1,653,162 |
| Short-term financing bill payables | – | 2,273,779 | 10,298,912 | – | – | 12,572,691 | 12,411,606 |
| Due to banks and other financial institutions | – | 10,535,226 | 512,892 | – | – | 11,048,118 | 11,027,067 |
| Account payables to brokerage clients | 32,059,065 | – | – | – | – | 32,059,065 | 32,059,065 |
| Financial liabilities at fair value through profit or loss | – | 3,129,178 | 3,834,096 | – | – | 6,963,274 | 6,834,381 |
| Other account payables and other payables | 1,326,695 | – | – | – | – | 1,326,695 | 1,326,695 |
| Financial assets sold under repurchase agreements | – | 42,019,361 | 7,637,367 | – | – | 49,656,728 | 49,415,677 |
| Bond Payables | – | 2,857,284 | 13,338,271 | 41,966,560 | 4,796,800 | 62,958,915 | 57,048,968 |
| | 33,385,760 | 61,498,802 | 36,624,646 | 41,966,560 | 4,796,800 | 178,272,568 | 171,776,621 |

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.5 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.

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 non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

## 62. FINANCIAL RISK MANAGEMENT *(Continued)*

### 62.5 Capital management *(Continued)*

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2019 and 2018, the Company has maintained the above ratios as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | **2018** |
| Net capital (RMB'000) | **40,108,216** | 40,235,401 |
| Ratio 1 | **265.40%** | 289.74% |
| Ratio 2 | **13.04%** | 16.31% |
| Ratio 3 | **295.21%** | 291.76% |
| Ratio 4 | **134.55%** | 152.60% |
| Ratio 5 | **79.29%** | 83.32% |
| Ratio 6 | **26.61%** | 31.86% |
| Ratio 7 | **33.57%** | 38.24% |
| Ratio 8 | **30.03%** | 22.18% |
| Ratio 9 | **291.38%** | 254.41% |

The above ratios are calculated based on the underlying financial information 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.

## 63. 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.

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 31 December | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Carrying amount RMB'000 | Fair value RMB'000 | Carrying amount RMB'000 | Fair value RMB'000 |
| **Financial assets** | | | | |
| Debt instruments measured at amortised cost | **7,193,554** | **7,191,385** | 7,912,596 | 7,813,512 |
| **Financial liabilities** | | | | |
| Bond payables | | | | |
| – Corporate bonds | **26,202,985** | **26,462,646** | 27,404,305 | 27,280,065 |
| – Subordinated bonds | **27,070,475** | **27,069,056** | 16,777,484 | 16,771,308 |
| – Income certificates | **4,149,811** | **4,098,397** | 7,806,484 | 7,451,943 |
| – Others | **9,885,928** | **9,509,780** | 5,060,695 | 4,573,685 |
| Total | **67,309,199** | **67,139,879** | 57,048,968 | 56,077,001 |

## 63. 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 31 December 2019**

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Debt instruments measured at amortised cost | **3,321,933** | **3,869,452** | **–** | **7,191,385** |
| **Financial liabilities** | | | | |
| Bond payables | **53,531,702** | **13,608,177** | **–** | **67,139,879** |

**As at 31 December 2018**

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Debt instruments measured at amortised cost | 4,246,619 | 3,566,893 | – | 7,813,512 |
| **Financial liabilities** | | | | |
| Bond payables | 38,056,089 | 18,020,912 | – | 56,077,001 |

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.

## 63. 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 2019 and 2018. 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) used.

| Financial assets/financial liabilities | Fair value as at December 31 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **1) Debt instruments measured at FVTOCI** | | | | | | |
| Debt securities | | | | | | |
| – Traded on stock exchanges | **36,821,013** | 33,492,152 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| – Traded on inter-bank market | **28,074,550** | 28,717,284 | 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 |
| | **64,895,563** | 62,209,436 | | | | |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **2) Equity instruments measured at FVTOCI** | | | | | | |
| Equity investments | | | | | | |
| – Traded on stock exchanges | **1,993,631** | 296,321 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| – Traded on National Equities Exchange and Quotations | **141,978** | 605,972 | Level 2 | Recent transaction prices. | N/A | N/A |
| – Traded on National Equities Exchange and Quotations | **148,292** | – | Level 3 | Calculated based on pricing/yield such as price-to-earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability. | P/E multiples<br>P/S multiples<br>Discount for lack of marketability. | The higher the discount, lower the fair value<br>The higher the multiples, the higher the fair value |
| – Private equity investments | **189,985** | 365,842 | Level 3 | Calculated based on pricing/yield such as price-to-earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability. | P/E multiples<br>P/B multiples<br>P/S multiples<br>Discount for lack of marketability. | The higher the discount, lower the fair value<br>The higher the multiples, the higher the fair value |

## 63. 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 2019 RMB'000 | December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **2) Equity instruments measured at FVTOCI** *(Continued)* | | | | | | |
| Equity investments *(Continued)* | | | | | | |
| – Restricted shares | **80,087** | 267,040 | Level 3 | The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities. | Discount for lack of marketability | The higher the discount, the lower the fair value |
| – Perpetual instruments traded on stock exchanges | **1,946,648** | 1,936,221 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| – Perpetual instruments traded on inter-bank market | **1,317,389** | 1,068,178 | Level 2 | Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of perpetual instruments as the key parameter. | N/A | N/A |
| Other investments | | | | | | |
| – Investment in a special account managed by CSFCL | **5,014,863** | 4,776,688 | 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 and adjustment of related expenses. | N/A | N/A |
| | **10,832,873** | 9,316,262 | | | | |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **3) Financial assets at FVTPL** | | | | | | |
| Debt securities | | | | | | |
| – Traded on stock exchanges | **19,926,770** | 15,547,002 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| – Traded on inter-bank market | **10,648,420** | 9,332,150 | 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 | **4,164,112** | 1,478,615 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| – Traded on National Equities Exchange and Quotations | **533,640** | 1,278,472 | Level 2 | Recent transaction prices. | N/A | N/A |
| – Traded on National Equities Exchange and Quotations | **68,838** | – | Level 3 | Calculated based on pricing/yield such as price-to earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability. | P/E multiples<br>P/B multiples<br>P/S multiples<br>Discount for lack of marketability | The higher the discount the lower the fair value<br>The higher the multiples, the higher the fair value |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **3) Financial assets at FVTPL** *(Continued)* | | | | | | |
| Equity securities *(Continued)* | | | | | | |
| – Private equity investments | **2,617,415** | 2,678,785 | Level 3 | Calculated based on pricing/yield such as price-to earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability. | P/E multiples<br>P/B multiples<br>P/S multiples<br>Discount for lack of marketability | The higher the discount, the lower the fair value<br>The higher the multiples, the higher the fair value |
| – Restricted shares | **741,581** | 991,366 | Level 3 | The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities. | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Funds | | | | | | |
| – Traded on stock exchanges | **1,670,636** | 1,082,829 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| – Other funds | **7,929,167** | 9,484,994 | 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 |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **3) Financial assets at FVTPL** *(Continued)* | | | | | | |
| Other investments | | | | | | |
| – Collective assets management schemes issued by financial institutions | **11,018,349** | 5,565,510 | 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 |
| – Other assets management schemes | **260,593** | 479,642 | Level 3 | The fair value is determined with reference to the net asset value of the underlying investments with an adjustment of discount for the credit risk of counterparty. | Discount rate | The higher the discount, the lower the fair value |
| – Perpetual instruments traded on stock exchanges | **5,829,426** | 3,011,079 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| – Perpetual instruments traded on inter-bank market | **1,492,146** | 1,104,903 | 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 |
| | **66,901,093** | 52,035,347 | | | | |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **4) Financial liabilities at FVTPL** | | | | | | |
| Debt securities | | | | | | |
| – Traded on inter-bank market | **(4,124,612)** | (1,496,012) | 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 inputs. | N/A | N/A |
| Gold borrowings | **(7,514,640)** | (5,026,036) | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| Others | **(705,650)** | – | Level 2 | Transaction price of its underlying assets. | N/A | N/A |
| Interests attributable to other holders of consolidated structured entities | **(286,059)** | (312,333) | 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 |
| | **(12,630,961)** | (6,834,381) | | | | |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **5) Derivative financial instruments** | | | | | | |
| Interest rate swaps – assets | **1,703** | 3,327 | 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 – liabilities | **–** | (97) | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| Treasury bond futures – assets | **–** | 35 | Level 1 | Quoted bid price in an active market. | N/A | N/A |
| Commodity futures – assets | **24,017** | – | Level 2 | Recent transaction prices. | N/A | N/A |
| Commodity futures – liabilities | **–** | (436) | Level 2 | Recent transaction prices. | N/A | N/A |
| Total return swaps – assets | **720** | 65,849 | 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 |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **5) Derivative financial instruments** *(Continued)* | | | | | | |
| Total return swaps – liabilities | **(5,510)** | – | Level 2 | Calculated based on the difference between the yield of underlying securities based on quoted prices in an active market and the fixed income agreed in the swap agreements between the company and the counterparty. | N/A | N/A |
| Stock options – assets | **22,051** | 10,204 | Level 2 | Recent transaction prices. | N/A | N/A |
| Stock options – liabilities | **(49,637)** | (3,604) | Level 2 | Recent transaction prices. | N/A | N/A |
| Commodity options – assets | **16,189** | 7,397 | 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 |
| Commodity options – liabilities | **(10,278)** | – | 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 |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **5) Derivative financial instruments** *(Continued)* | | | | | | |
| Derivatives embedded in income certificates – liabilities | **(3,480)** | (4,484) | Level 2 | Calculated based on contracted interest rates with reference to the market prices of underlying assets. | N/A | N/A |
| Commodity swaps – assets | **500,644** | 176,937 | Level 2 | Calculated based on the quoted price of the underlying gold. | N/A | N/A |
| Gold forwards – assets | **–** | 10,170 | Level 2 | Calculated based on the quoted price of the underlying gold. | N/A | N/A |
| Gold forwards – liabilities | **(5,378)** | – | Level 2 | Calculated based on the quoted price of the underlying gold. | N/A | N/A |
| Currency swaps – assets | **6,899** | 25,574 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contracted exchange rate. | N/A | N/A |
| Currency swaps – liabilities | **(4,175)** | – | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contracted exchange rate. | N/A | N/A |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **5) Derivative financial instruments** *(Continued)* | | | | | | |
| Credit default swap – liabilities | **(5,314)** | (4,542) | Level 2 | Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to credit default risk of underlying assets, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |
| Credit default swap – assets | **1,102** | – | Level 2 | Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to credit default risk of underlying assets, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |
| Gold option arrangement – assets | **35,777** | – | Level 2 | Discounted cash flows. Future cash flows represents the different exercise prices of gold option purchased and sold under the arrangement and discounted by observable yield curve. | N/A | N/A |

## 63. 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 2019 RMB'000 | Fair value as at December 31 2018 RMB'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| **5) Derivative financial instruments** *(Continued)* | | | | | | |
| Gold option arrangement – liabilities | **(2,555,328)** | (887,026) | Level 2 | Discounted cash flows. Future cash flows represents the different exercise prices of gold option purchased and sold under the arrangement and discounted by observable yield curve. | N/A | N/A |
| Equity linked derivatives – assets | **–** | 18,997 | 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 |
| Equity linked derivatives – liabilities | **(4,275)** | (5,620) | 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 |
| | **(2,034,273)** | (587,319) | | | | |

## 63. 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 31 December 2019**

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Financial assets: | | | | |
| Debt instruments measured at FVTOCI | | | | |
| – Debt securities | **36,821,013** | **28,074,550** | **–** | **64,895,563** |
| Equity instruments measured at FVTOCI | | | | |
| – Equity investments | **3,940,279** | **1,459,367** | **418,364** | **5,818,010** |
| – Others | **–** | **5,014,863** | **–** | **5,014,863** |
| Financial assets at FVTPL | | | | |
| – Debt securities | **19,926,770** | **10,648,420** | **–** | **30,575,190** |
| – Equity investments | **4,164,112** | **533,640** | **3,427,834** | **8,125,586** |
| – Funds | **1,670,636** | **7,929,167** | **–** | **9,599,803** |
| – Others | **5,829,426** | **12,510,495** | **260,593** | **18,600,514** |
| Derivative financial assets | **–** | **609,102** | **–** | **609,102** |
| Total | **72,352,236** | **66,779,604** | **4,106,791** | **143,238,631** |
| Financial liabilities: | | | | |
| Financial liabilities at FVTPL | **7,514,640** | **5,116,321** | **–** | **12,630,961** |
| Derivative financial liabilities | **–** | **2,643,375** | **–** | **2,643,375** |
| Total | **7,514,640** | **7,759,696** | **–** | **15,274,336** |

## 63. 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 31 December 2018**

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Financial assets: | | | | |
| Debt instruments measured at FVTOCI | | | | |
| – Debt securities | 33,492,152 | 28,717,284 | – | 62,209,436 |
| Equity instruments measured at FVTOCI | | | | |
| – Equity investments | 2,232,542 | 1,674,150 | 632,882 | 4,539,574 |
| – Others | – | 4,776,688 | – | 4,776,688 |
| Financial assets at FVTPL | | | | |
| – Debt securities | 15,547,002 | 9,332,150 | – | 24,879,152 |
| – Equity investments | 1,478,615 | 1,278,472 | 3,670,151 | 6,427,238 |
| – Funds | 1,082,829 | 9,484,994 | – | 10,567,823 |
| – Others | 3,011,079 | 6,670,413 | 479,642 | 10,161,134 |
| Derivative financial assets | 35 | 318,455 | – | 318,490 |
| Total | 56,844,254 | 62,252,606 | 4,782,675 | 123,879,535 |
| Financial liabilities: | | | | |
| Financial liabilities at FVTPL | 5,026,036 | 1,808,345 | – | 6,834,381 |
| Derivative financial liabilities | 97 | 905,712 | – | 905,809 |
| Total | 5,026,133 | 2,714,057 | – | 7,740,190 |

## 63. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

There were no transfers between instruments in Level 1 and Level 2 during the relevant year.

The following table represents the changes in Level 3 financial instruments for the relevant year.

### Equity instruments measured at FVTOCI

| | Year ended 31 December | |
|---|---|---|
| | **2019 RMB'000** | **2018 RMB'000** |
| At the beginning of the year | **632,882** | 130,160 |
| Changes in fair value recognised in profit or loss | **(39,829)** | (15,891) |
| Purchases | **–** | 277,254 |
| Transfer in level 3 *(Note a)* | **175,708** | 245,519 |
| Transfer out of level 3 *(Note b)* | **(301,258)** | – |
| Disposal | **(49,139)** | (4,160) |
| At the end of the year | **418,364** | 632,882 |
| Total gains for assets held at 31 December 2019 – unrealised losses recognised in profit or loss | **(128,744)** | (147,765) |

## 63. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### Financial assets at FVTPL

| | Year ended 31 December | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| At the beginning of the year | **4,149,793** | 3,390,828 |
| Changes in fair value recognised in profit or loss | **222,014** | 112,054 |
| Purchases | **1,548,992** | 6,454,856 |
| Transfer in level 3 *(Note a)* | **317,727** | 306,020 |
| Transfer out of level 3 *(Note b)* | **(1,595,240)** | (4,817,176) |
| Disposal | **(954,859)** | (1,296,789) |
| At the end of the year | **3,688,427** | 4,149,793 |
| Total gains for assets held at 31 December 2019 | | |
| – unrealised (losses)/gains recognised in profit or loss | **(85,063)** | 118,187 |

*Note a:* These are mainly equity securities previously traded on National Equities Exchange and Quotations. They were transferred from Level 2 to Level 3 when they were delisted from the market and became private.

*Note b:* These are equity securities traded on stock exchanges with lock-up periods. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

## 64. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Borrowings RMB'000 | Bond payables and short-term financing bill payables RMB'000 | Derivative financial assets and liabilities RMB'000 | Lease liabilities RMB'000 | Dividend payable RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 31 December 2018 | **1,653,162** | **69,460,574** | **887,026** | **–** | **80** | **72,000,842** |
| Adjustment upon application of IFRS 16 | **–** | **–** | **–** | **815,943** | **–** | **815,943** |
| At 1 January 2019 | **1,653,162** | **69,460,574** | **887,026** | **815,943** | **80** | **72,816,785** |
| Financing cash flows | **(1,070,119)** | **10,660,454** | **1,521,616** | **(290,977)** | **(722,452)** | **10,098,522** |
| Interest expenses | **57,111** | **3,193,316** | **–** | **34,742** | **–** | **3,285,169** |
| New lease | **–** | **–** | **–** | **435,090** | **–** | **435,090** |
| Dividends declared | **–** | **–** | **–** | **–** | **722,452** | **722,452** |
| Net investment losses | **–** | **–** | **83,795** | **–** | **–** | **83,795** |
| Fair value adjustments | **–** | **–** | **27,114** | **–** | **–** | **27,114** |
| Foreign exchange | **–** | **108,055** | **–** | **207** | **–** | **108,262** |
| At 31 December 2019 | **640,154** | **83,422,399** | **2,519,551** | **995,005** | **80** | **87,577,189** |

| | Borrowings RMB'000 | Bond payables and short-term financing bill payables RMB'000 | Derivative financial liabilities RMB'000 | Interest payable (Note) RMB'000 | Dividend payable RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 31 December 2017 | 2,327,670 | 67,120,173 | – | 1,458,686 | 80 | 70,906,609 |
| Transfer to corresponding liabilities | 10,078 | 1,448,608 | – | (1,458,686) | – | – |
| Financing cash flows | (822,399) | (2,555,510) | 848,861 | – | (1,419,803) | (3,948,851) |
| Interest expenses | 97,110 | 3,292,009 | – | – | – | 3,389,119 |
| Dividends declared | – | – | – | – | 1,419,803 | 1,419,803 |
| Fair value adjustments | – | – | 38,165 | – | – | 38,165 |
| Foreign exchange | 40,703 | 155,294 | – | – | – | 195,997 |
| At 31 December 2018 | 1,653,162 | 69,460,574 | 887,026 | – | 80 | 72,000,842 |

*Note:* Interest payable only includes those arising from borrowings, bond payables and short-term financing bill payables.

## 65. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

## 66. SUBSEQUENT EVENTS

### Impact on epidemic situation of Corona Virus Disease 2019 ("COVID-19")

Since the outbreak of COVID-19 across the country in January 2020, prevention and control of the COVID-19 epidemic is continuing nationwide. The Group will implement the requirements of the Notice on Further Strengthening the Financial Support for the Prevention and Control of Novel Coronavirus Pneumonia jointly issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthen financial support for the prevention and control of the COVID-19 epidemic.

At present, the Group's operation is generally stable, while the COVID-19 epidemic may affect the operation of businesses in certain locations and certain industries.

The Group will continue to pay close attention to the development of the COVID-19 epidemic situation as well as the various control policies, evaluate and actively take action against its impact on the Group's financial position and operating results.

### Acquiring additional interests in a subsidiary

On 11 March 2020, the Shanghai Bureau of CSRC approved the transfer of 33.33% of the equity interests in the Citi Orient from the Citigroup Asia to the Company (Note 50) and changes on the key terms in the articles of association of the Citi Orient. The industrial and commercial registration will be changed accordingly.

### Issuance of short-term financing bills and corporate bonds

On 20 January 2020, the Company has issued a short-term financing bill with par value of RMB4 billion. The short-term financing bill bears an interest rate of 2.78% with a maturity period of 88 days.

On 19 March 2020, the Company has issued a short-term financing bill with par value of RMB3.5 billion. The short-term financing bill bears an interest rate of 2.12% with a maturity period of 90 days.

On 24 March 2020, the Company has issued a corporate bond with par value of RMB2 billion. The bond bears an interest rate of 2.7% with a maturity period of 1 year.

On 24 March 2020, the Company has issued a corporate bond with par value of RMB3 billion. The bond bears an interest rate of 2.95% with a maturity period of 2 years.

### Proposed profit distribution

Pursuant to the Board resolution held on 27 March 2020, 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 6.99 billion shares. This proposed distribution of cash dividends is subject to the approval by the Shareholders' meetings.