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

(Stock Code: 03958)

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. This announcement, containing the full text of the 2021 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, 2021 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](http://www.hkexnews.hk)) and the Company's website ([www.dfzq.com.cn](http://www.dfzq.com.cn)).

The Company's 2021 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  
**JIN Wenzhong**  
Chairman

Shanghai, PRC  
March 30, 2022

*As at the date of this announcement, the Board of Directors comprises Mr. SONG Xuefeng and Mr. JIN Wenzhong as executive Directors; Mr. YU Xuechun, Mr. ZHOU Donghui, Mr. CHENG Feng, Mr. REN Zhixiang and Ms. ZHU Jing as non-executive Directors; and Mr. XU Zhiming, Mr. JIN Qinglu, Mr. WU Hong, Mr. FENG Xingdong and Mr. LUO Xinyu 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 2021 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. Jin Wenzhong, the person-in-charge of the Company, Mr. Shu Hong, the person-in-charge of accounting work, 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. Proposal on Profit Distribution or Proposal on Transfer of Capital Reserve Fund into Share Capital during the Reporting Period as approved by the Board

The Company’s rights issue is currently in progress. According to Article 18 of the Administrative Measures for Securities Issuance and Underwriting of the CSRC, “Where a listed company intends to issue securities and there is a proposal on profit distribution or a proposal on transfer of capital reserve fund into share capital that has not been submitted to the shareholders’ general meeting for voting or has been voted on and approved at the shareholders’ general meeting but has not been implemented, the issue shall be made after the implementation of such proposal.” If the Company makes a profit distribution for the year of 2021, the Company would be unable to carry out rights issue until the profit distribution is completed. Therefore, in consideration of the interests of shareholders and the development of the Company, the Company will not make any profit distribution for 2021 or transfer of capital reserve fund into share capital.

The Company intends to make profit distribution in accordance with the requirements of the relevant laws and regulations and the Articles of Association as soon as possible after the completion of rights issue.

- 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.

## Important Notice

- 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.
- IX. There is no situation where more than half of the Directors of the Company are unable to guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company.
- X. Material risk warnings

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.

Risks in business operation faced by the Company mainly include: policy risks from national macro-control measures, changes in laws, regulations, relevant regulatory policies and transaction rules in securities industry, which will adversely affect the business of securities companies; the risk of unexpected potential loss in value due to changes in share prices, interest rates, exchange rates, etc. in the securities market; the risk of loss caused to the Company due to failure of the debtor or counterparty to meet its contractual obligations or changes in credit quality; the operational risk due to inadequate internal processes, employee errors and misconduct, information system failure and defects, and external events; the liquidity risk of not being able to obtain sufficient funds in a timely manner and at a reasonable cost to pay debts as they fall due, meet other payment obligations and meet the funds required for normal business operations; the risk of inability of the Company's information technology system to provide normal services, affecting the normal operation of the Company's business; the risk of discontinuity of the Company's business or information security due to inadequate protection and backup measures for information technology systems and key data; the risk of negative perception of the Company's reputation resulting from its operations, management and other actions or external events; and the money laundering risk from the utilization of the Company's products or services by criminals to engage in money laundering activities which lead to negative effects on the Company's legal, reputation, compliance, operation and other aspects. In addition, like other financial institutions, the Company is inevitably exposed to a certain degree of compliance risk, legal risk and ethical risk in the course of operation and management. For these types of risks, the Company has implemented a comprehensive risk management system that fully covers such risks, and has specified relevant responsible departments, established corresponding management systems and implemented corresponding technical measures.

## Important Notice

The Company has described the risks such as market risk, credit risk and liquidity risk in detail in this report. Please refer to the contents of the potential risks and prevention measures of the Company in the section entitled Report of the Board for details.

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



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## Section I Definitions

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

### 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  |
| “BSE”  | Beijing Stock Exchange  |
| “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  |
| “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   |
| “ESG Report”   | the environmental, social and governance report   |
| “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 |

## Section I Definitions

|   |   |
|---|---|
| “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   |
| “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 Investment Banking”               | Orient Securities Investment Banking Co., Ltd. (東方證券承銷保薦有限公司), 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                        |
| “PRC” or “China”                          | the People’s Republic of China and for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Reporting Period”                        | January 1, 2021 to December 31, 2021  |

## Section I Definitions

|   |  |
|---|--|
| “Rights Issue”  | the rights issue to the then shareholders pursuant to relevant resolutions considered and approved at the 2020 annual general meeting, the 2021 first A Shares class meeting and the 2021 first H Shares class meeting of the Company convened by DFZQ on May 13, 2021 |
| “RMB, RMB’000, RMB’0000, RMB million, RMB100 million” | Renminbi Yuan, Renminbi’000, Renminbi’0000, Renminbi million, Renminbi 100 million (unless otherwise specified)  |
| “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  |
| “Shenergy Group”                                      | Shenergy (Group) Company Limited (申能(集團)有限公司)  |
| “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”  | the Shenzhen Stock Exchange  |
| “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       | Jin Wenzhong                      |
| General manager of the Company            | Jin Wenzhong                      |
| Authorized representatives of the Company | Song Xuefeng, Jin Wenzhong        |
| Joint company secretaries                 | Wang Rufu, Ngai Wai Fung          |

#### Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

|                    | As at the end of<br>this Reporting<br>Period | As at the end of<br>last year |
|--------------------|--|-------------------------------|
| Registered capital | 6,993,655,803.00                             | 6,993,655,803.00              |
| Net capital        | 36,894,565,656.36                            | 37,834,826,350.42             |

#### 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 (Zhong Zheng Han [2004] No. 266)                        |
| 8   | Qualification for conducting share transfer agency business   | Securities Association of China (Zhong Zheng Xie Han [2006] No. 158)                    |
| 9   | Qualification for conducting quotation and transfer business  | Securities Association of China (Zhong Zheng Xie Han [2006] No. 173)                    |
| 10  | Dealer qualification for Integrated Electronic Platform of Fixed-income Securities of SSE   | SSE (Shang Zheng Hui Zi [2007] No. 45)  |
| 11  | Approval of brokerage business qualification on financial futures   | CSRC (Zheng Jian Qi Huo Zi [2007] No. 351)  |
| 12  | Qualification of Type A clearing participants of China Securities Depository and Clearing Corporation Limited   | 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)   |
| 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  | Permit to operate securities and futures business   | CSRC (No. 91310000555998513B)   |

## Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification  | Approval authority and approval number   |
|-----|---|--|
| 18  | Qualification for conducting margin financing and securities lending business                               | CSRC (Zheng Jian Xu Ke [2010] No. 764)   |
| 19  | Type 1 Licence – Dealing in securities  | Securities and Futures Commission of Hong Kong (CE No. AVD362)   |
|     | Type 4 Licence – Advising on securities   |  |
| 20  | Type 9 Licence – Asset management   | Securities and Futures Commission of Hong Kong (CE No. AVH864)   |
| 21  | Qualification for implementation of the securities broker system  | CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)  |
| 22  | Type 2 Licence – Dealing in futures contracts   | Securities and Futures Commission of Hong Kong (CE No. AWD036)   |
| 23  | Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business | CSRC (Zheng Jian Xu Ke [2011] No. 2136)  |
| 24  | Qualification for trial operation of dealer-quoted collateralized bond repurchase business                  | CSRC (Ji Gou Bu Bu Han [2012] No. 20)  |
| 25  | Qualification for provision of integrated services to insurance institutional investors                     | China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)   |
| 26  | 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>SZSE (Shen Zheng Hui [2013] No. 15)     |
| 27  | Qualification for investment manager of insurance funds   | China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)   |
| 28  | 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)     |
| 29  | Qualification for assets management business  | CSRC (Zheng Jian Xu Ke [2012] No. 1501)  |
| 30  | Qualification for conducting special institutional client business of insurance institutions                | China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions) |
| 31  | Qualification of sponsor  | CSRC (Zheng Jian Xu Ke [2013] No. 33)  |
| 32  | Permit to operate securities and futures business   | CSRC (No.: 91310000132110914L)   |
| 33  | Qualification for financial products distribution business  | Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)  |
| 34  | 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)                                     |
| 35  | Conducting comprehensive custodian business for private equity fund (limited partnership)                   | CSRC (Ji Gou Bu Bu Han [2013] No. 174)   |
| 36  | Qualification for conducting pilot consumption and payment service of securities funds of clients           | CSRC (Ji Gou Bu Bu Han [2013] No. 207)   |

## Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification  | Approval authority and approval number  |
|-----|---|---|
| 37  | Permit to operate securities investment business  | CSRC (RQF2013HKS015)  |
| 38  | Qualification for collateralized stock repurchase business  | SSE (Shang Zheng Hui [2013] No. 77)   |
| 39  | Qualification for conducting securities pledge registration agency business   | SZSE (Shen Zheng Hui [2013] No. 60)<br>CSDCC (Confirmation on Qualification for Securities Pledge Registration Agency Business)                                   |
| 40  | Qualification for management business of publicly offered securities investment fund  | CSRC (Zheng Jian Xu Ke [2013] No. 1131)   |
| 41  | Qualification for equity-based return swaps and OTC options business  | Securities Association of China<br>(Zhong Zheng Xie Han [2013] No. 923)   |
| 42  | Qualification for conducting pilot securities refinancing business  | China Securities Finance Corporation Limited<br>(Zhong Zheng Jin Han [2013] No. 227)  |
| 43  | 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)  |
| 44  | License of Securities Business in Foreign Currency  | State Administration of Foreign Exchange (SC201102)   |
| 45  | Qualification for conducting market maker business in NEEQ as host broker   | National Equities Exchange and Quotations Co., Ltd.<br>(Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No. 707)                             |
| 46  | 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])                            |
| 47  | Type 6 Licence – Advising on corporate finance  | Securities and Futures Commission of Hong Kong<br>(CE No. BDN128)   |
| 48  | Permit to conduct Shanghai-Hong Kong Stock Connect business   | SSE (Shang Zheng Han [2014] No. 626)  |
| 49  | Qualification for pilot OTC market business   | Securities Association of China<br>(Zhong Zheng Xie Han [2014] No. 632)   |
| 50  | Qualification for pilot proprietary business of gold spot contract  | CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)  |
| 51  | Pilot online securities business  | Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))                                |
| 52  | 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) |
| 53  | 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)   |

## Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification  | Approval authority and approval number  |
|-----|---|---|
| 54  | 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) |
| 55  | Qualification for stock and options market making business  | CSRC (Zheng Jian Xu Ke [2015] No. 163)  |
| 56  | 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)  |
| 57  | Qualification for sales of securities investment fund   | Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)   |
| 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   |
| 61  | Qualification for issue of short-term financing bills   | CSRC (Ji Gou Bu Han [2015] No. 3337)  |
| 62  | Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect  | SZSE (Shen Zheng Hui [2016] No. 326)  |
| 63  | Qualification for company conducting pilot market making business for quotation system  | China Securities Internet System Co., Ltd. (Zhong Zheng Bao Jia Han [2016] No. 185)   |
| 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 SZSE   | SZSE (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)   |

## Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification   | Approval authority and approval number  |
|-----|--|---|
| 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<br>(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<br>(Zhong Zheng Xie Han [2019] No.185)                    |
| 74  | Authorisation for trading of stock option business on SZSE   | SZSE (Shen Zheng Hui [2019] No. 470)  |
| 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 SZSE  | SZSE (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  | Qualified domestic institutional investor  | CSRC (Zheng Jian Xu Ke [2019] No. 1470)   |
| 80  | Operation Qualification of Settlement and Sale of Foreign Exchange Business  | State Administration of Foreign Exchange<br>(Hui Fu [2020] No. 10)                        |
| 81  | Qualification for Foreign Exchange Agency Business   | State Administration of Foreign Exchange<br>(Hui Zong Bian Han [2020] No. 482)            |
| 82  | Qualification for Fund Investment Advisory Business  | Securities and Fund Institution Supervision Department<br>(Ji Gou Bu Han [2021] No. 1686) |

In addition, the Company is a member of the Securities Association of China, SSE, SZSE, 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              | Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC   |
| 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                 | <a href="http://www.dfzq.com.cn">http://www.dfzq.com.cn</a>   |
| E-mail                          | ir@orientsec.com.cn   |

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

|   |  |
|---|--|
| Name and website of newspaper for disclosure of the Company's annual report | China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily                                   |
| Website of stock exchange for disclosure of the Company's annual report     | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a><br><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> |
| 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

| Brief Information on Shares of the Company |   |                    |            |
|--|---|--------------------|------------|
| Class of shares                            | Stock exchange on which shares are listed | Stock abbreviation | Stock code |
| A Shares                                   | SSE                                       | 東方證券               | 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 the 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.



## Section II Company Profile and Key Financial Indicators

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 the 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 billion 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.

## Section II Company Profile and Key Financial Indicators

### (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, 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 and major investee companies of the Company

As at the end of the Reporting Period, the Company's wholly-owned 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., Orient Securities Investment Banking Co., Ltd. and China Universal Asset Management Company Limited.

## Section II Company Profile and Key Financial Indicators

### 3. Briefings of the wholly-owned subsidiaries of the Company

#### (1) *Orient Futures Co., Ltd*

Address: 11/F, 21/F, 22/F (Room 01 and 04), 31/F (Room 01, 02, 03 and 04), 35/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC

Date of incorporation: December 8, 1995

Registered capital: RMB2.8 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: HKD2,754,078,015

Percentage of shareholding: 100%

Chairman: Zhang Jianhui

Tel: +852-35191188

## Section II Company Profile and Key Financial Indicators

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

Address: 7-11/F, No. 109 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: Song Xuefeng

Tel: +86-021-63325888

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

Address: 8/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC

Date of incorporation: November 19, 2012

Registered capital: RMB7.2 billion

Percentage of shareholding: 100%

Legal representative: Zhang Jianhui

Tel: +86-021-63325888

(6) *Orient Securities Investment Banking Co., Ltd.*

Address: 24/F, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC

Date of incorporation: June 4, 2012

Registered capital: RMB0.8 billion

Percentage of shareholding: 100%

Legal representative: Ma Ji

Tel: +86-021-23153888

## Section II Company Profile and Key Financial Indicators

### (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 177. (Please refer to “Appendix II” to this report for details)

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

As at the end of the Reporting Period, the Company had 4 futures branches and a total of 30 business outlets, including 3 in each of Shanghai City and Hangzhou City, Zhejiang Province, 2 in each of Beijing City, Ningbo City, Zhejiang Province, and Zhengzhou City, Henan 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, Changsha City, Hunan Province, Nanjing City, Jiangsu 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 and Harbin City, Heilongjiang Province. (Please refer to “Appendix III” to this report for details)

## Section II Company Profile and Key Financial Indicators

### VII. OTHER RELEVANT INFORMATION

|  |   |   |
|--|---|---|
| Domestic accounting firm<br>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                   | Ma Hing Fai, Shi Man  |
| Overseas accounting firm<br>appointed by the Company | Name  | Deloitte Touche Tohmatsu Registered Public Interest Entity Auditor              |
|  | Office address                                    | 35/F, One Pacific Place, No. 88 Queensway, Hong Kong                            |
|  | Name of the signing accountants                   | Ma Hingfai  |
| Chief Risk Officer and<br>Chief Compliance Officer   | Yang Bin  |   |
| Legal Advisor to the Company<br>as to the PRC law    | Grandall Law Firm (Shanghai)                      |   |
| Legal Advisor to the Company<br>as to Hong Kong law  | Clifford Chance                                   |   |
| A Share Registrar                                    | Shanghai Branch of CSDCC                          |   |
| H Share Registrar                                    | Computershare Hong Kong Investor Services Limited |   |

## Section II Company Profile and Key Financial Indicators

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

#### (i) Key accounting data

Currency: RMB

| Items   | 2021        | 2020       | Change over the previous year (%)   | 2019       |
|---|-------------|------------|-------------------------------------|------------|
| <b>Operating results ('000)</b>                                   |             |            |                                     |            |
| Total revenue and other income                                    | 28,562,802  | 27,646,986 | 3.31%                               | 24,350,521 |
| Profit before income tax  | 6,306,834   | 2,786,364  | 126.35%                             | 2,854,531  |
| Profit for the year – attributable to shareholders of the Company | 5,371,496   | 2,722,989  | 97.26%                              | 2,435,080  |
| Net cash from operating activities                                | (9,458,019) | 1,714,455  | -651.66%                            | 2,347,279  |
| Other comprehensive income, net of income tax                     | 496,757     | (493,080)  | N/A                                 | 490,324    |
| <b>Earnings per share (RMB/share)</b>                             |             |            |                                     |            |
| Basic earnings per share  | 0.73        | 0.38       | 92.11%                              | 0.35       |
| Diluted earnings per share  | N/A         | N/A        | N/A                                 | N/A        |
| <b>Indicator of profitability</b>                                 |             |            |                                     |            |
| Weighted average returns on net assets (%)                        | 9.02        | 4.85       | Increased by 4.17 percentage points | 4.61       |

## Section II Company Profile and Key Financial Indicators

Currency: RMB

| Items   | 2021               | 2020        | Change over the previous year (%)           | 2019        |
|---|--------------------|-------------|---|-------------|
| <b>Indicators of scale ('000)</b>   |                    |             |   |             |
| Total assets  | <b>326,599,622</b> | 291,117,442 | 12.19%                                      | 262,971,442 |
| Total liabilities   | <b>262,456,516</b> | 230,886,298 | 13.67%                                      | 208,959,805 |
| Account payables to brokerage clients   | <b>90,012,125</b>  | 66,642,671  | 35.07%                                      | 40,179,178  |
| Equity attributable to shareholders of the Company                                  | <b>64,127,111</b>  | 60,202,851  | 6.52%                                       | 53,965,516  |
| <b>Total share capital ('000)</b>   | <b>6,993,656</b>   | 6,993,656   | 0.00%                                       | 6,993,656   |
| <b>Net assets per share attributable to shareholders of the Company (RMB/share)</b> | <b>9.17</b>        | 8.61        | 6.50%<br>Decreased by 0.24 percentage point | 7.72        |
| Gearing ratio (%) <sup>Note</sup>   | <b>72.89</b>       | 73.13       |   | 75.75       |

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)



## Section II Company Profile and Key Financial Indicators

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

#### 1. Profit

Unit: million Currency: RMB

| Items   | 2021          | 2020   | 2019   | 2018   | 2017   |
|---|---------------|--------|--------|--------|--------|
| Total revenue and other income                                    | <b>28,563</b> | 27,647 | 24,351 | 15,702 | 16,679 |
| Total expenses  | <b>23,700</b> | 26,073 | 22,087 | 15,035 | 12,768 |
| Share of results of associates                                    | <b>1,444</b>  | 1,212  | 591    | 664    | 477    |
| Profit before income tax  | <b>6,307</b>  | 2,786  | 2,855  | 1,331  | 4,389  |
| Profit for the year – attributable to shareholders of the Company | <b>5,371</b>  | 2,723  | 2,435  | 1,231  | 3,554  |

#### 2. Assets

Unit: million Currency: RMB

| Items  | As at the end of 2021 | As at the end of 2020 | As at the end of 2019 | As at the end of 2018 | As at the end of 2017 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Share capital                                      | <b>6,994</b>          | 6,994                 | 6,994                 | 6,994                 | 6,994                 |
| Total equity                                       | <b>64,143</b>         | 60,231                | 54,012                | 52,272                | 53,501                |
| Equity attributable to shareholders of the Company | <b>64,127</b>         | 60,203                | 53,966                | 51,739                | 52,986                |
| Total liabilities                                  | <b>262,457</b>        | 230,886               | 208,960               | 174,597               | 178,359               |
| Account payables to brokerage clients              | <b>90,012</b>         | 66,643                | 40,179                | 32,059                | 28,220                |
| Total assets                                       | <b>326,600</b>        | 291,117               | 262,971               | 226,870               | 231,860               |

## Section II Company Profile and Key Financial Indicators

### 3. Key financial indicators

| Items  | 2021  | 2020  | 2019  | 2018  | 2017  |
|--|-------|-------|-------|-------|-------|
| Basic earnings per share (RMB/share)   | 0.73  | 0.38  | 0.35  | 0.18  | 0.57  |
| Diluted earnings per share (RMB/share)                                       | N/A   | N/A   | N/A   | N/A   | N/A   |
| Weighted average returns on net assets (%)                                   | 9.02  | 4.85  | 4.61  | 2.37  | 8.62  |
| Gearing ratio (%)  | 72.89 | 73.13 | 75.75 | 73.17 | 73.69 |
| Net assets per share attributable to shareholders of the Company (RMB/share) | 9.17  | 8.61  | 7.72  | 7.40  | 7.58  |

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

Unit: '000 Currency: RMB

| Items   | As at the end of the Reporting Period | As at the end of last year |
|---|---------------------------------------|----------------------------|
| Net capital   | 36,894,566                            | 37,834,826                 |
| Net assets  | 57,422,603                            | 55,664,052                 |
| Risk coverage rate (%)  | 237.01                                | 229.94                     |
| Capital gearing ratio (%)   | 11.77                                 | 11.95                      |
| Liquidity coverage ratio (%)  | 272.45                                | 245.56                     |
| Net stable funding ratio (%)  | 132.24                                | 151.06                     |
| Net capital/net assets (%)  | 64.25                                 | 67.97                      |
| Net capital/liabilities (%)   | 23.99                                 | 25.76                      |
| Net assets/liabilities (%)  | 37.34                                 | 37.90                      |
| Proprietary equity-based securities and its derivatives/net capital (%) | 24.07                                 | 33.23                      |
| Proprietary non-equity securities and its derivatives/net capital (%)   | 348.25                                | 327.05                     |

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

## Section II Company Profile and Key Financial Indicators

### IX. DIFFERENCES BETWEEN IFRS AND CASBE

Net profits for January to December 2021 and January to December 2020, and net assets as at December 31, 2021 and December 31, 2020 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               | 72,701,117      | <b>90,584,006</b> | 17,882,889      | 2,981,105                  |
| 2. Derivative financial instruments                                    | (349,081)       | <b>(453,927)</b>  | (104,846)       | (956,862)                  |
| 3. Debt instruments at fair value through other comprehensive income   | 62,645,975      | <b>58,599,581</b> | (4,046,394)     | 2,898,125                  |
| 4. Equity instruments at fair value through other comprehensive income | 10,936,458      | <b>4,138,153</b>  | (6,798,305)     | 647,805                    |
| 5. Financial liabilities at fair value through profit or loss          | 14,576,073      | <b>16,588,356</b> | 2,012,283       | 414,632                    |

*Note:* The effect on current profit includes: (1) net investment income and 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 Report of the Board

### I. DISCUSSION AND ANALYSIS OF OPERATION

In 2021, vaccination coverage expanded, which contributed to certain success in pandemic prevention and control, and global economic growth rebounded significantly from a low base in 2020. Under the multiple influences of accommodative monetary policy and widening gap between supply and demand, global commodity prices reached record highs, triggering a rapid rise in inflation rate, and the Federal Reserve began to phase out quantitative easing, with strengthened expectations of interest rate hikes. Meanwhile, benefiting from strict pandemic control measures and a policy direction of maintaining steady progress, China's economy continued to recover steadily with sound momentum. During the Reporting Period, China's GDP reached RMB114.37 trillion, representing a year-on-year increase of 8.1%. Facing various external uncertainties, the A-share market experienced a slight overall increase and notable divergence among individual stocks. In particular, the SSE Composite Index, the SZSE Component Index and the GEM Index increased by 4.80%, 2.67% and 12.02%, respectively. Trading activities continued to increase where the average daily trading volume of the SSE and SZSE stocks reached RMB1,058.374 billion in 2021, representing a year-on-year increase of 24.82%. Meanwhile, the bond market saw strong volatility with a decrease of 36bp in the yield of 10-year treasury bonds to approximately 2.78% and 2.28% increase in the ChinaBond indicators.

By adhering to the operation strategy of “growth stabilization, risk control and reform promotion” and focusing on the key tasks of “two enhancements, two consolidations and one breakthrough”, the Company has achieved excellent results and made a good start to the new round of the strategies. The Company's operating results increased substantially and ROE improved significantly, all hitting new highs since 2016; outstanding results were achieved in revenue balance transformation, with growth in both light and heavy asset business and significant enhancement in valuation of the Company; the net profit of Orient Securities Asset Management, Orient Futures and Orient Securities Innovation Investment hit the best level in history, which formed a strong support for the Company's performance; the market competitiveness improved significantly, with the main indicators of investment banking business ranking among the top ten in the industry and transformation of wealth management business gaining high market recognition; the mechanism reform became effective with solid and steady management, regaining AA rating in classification evaluation; the Company was widely praised for its development philosophy, culture construction and other soft strengths with class A rating in culture construction practice of securities dealers and MSCI ESG rating improving from BBB to A.

The Company's asset management business seized development opportunities and continued to expand its brand strength. Orient Securities Asset Management achieved record high in revenue and profit, with total size of assets under management exceeding RMB360 billion at the end of the year, up 23% from the beginning of the year. China Universal adhered to a long-term approach and continued to refine its four core competitiveness in investment management, product innovation, customer service and risk management, resulting in another new high in operating results, with the total size of assets under management exceeding RMB1.2 trillion at the end of the year.

## Section III Report of the Board

The Company's general proprietary segment focused on depolarization and volatility reduction, and promoted the transformation of sales transactions represented by FICC, derivatives, quantitative trading and market making. The Company ranked among the top in the industry in terms of trading volume of spot bonds in the inter-bank market, trading volume of interest rate swaps, market-making volume of spot bonds in the inter-bank market and trading volume through the Bond Connect. The Company's market making business for CDB bonds and bonds of Agricultural Development Bank of China ranked first in the market, and the market making business of treasury bond futures won the first place of the Golden Award for Outstanding Market Maker issued by CFFEX. OTC derivatives business performed strongly, with the size increasing by over 20 times year-on-year, and ranked among the top three in monthly rating for options market making in CFFEX and received A+ monthly rating for ETF options on the SSE and SZSE.

The Company achieved effective breakthrough in its wealth management transformation, further optimised its revenue structure and vigorously promoted its product distribution business. As at the end of the year, the Company held equity products of RMB64.7 billion, with an increase of 43% from the beginning of the period, and ranked 7th among securities dealers in terms of the size of equity+mixed publicly offered funds held by the Company. The Company obtained the qualification of publicly offered fund investment advisor business and was the first one to be approved to commence operation in the same batch, and seized the opportunity from standardization of investment advisory license, explored channel innovation and expansion, and launched a new mode of cooperation for fund investment advisory business of securities dealers.

The competitiveness of the Company's investment banking business improved significantly, with key indicator of equity financing size ranking among the top ten in the industry. The Company actively utilized the Group's resources advantage to provide professional investment banking services covering the entire industry chain for outstanding real enterprises and actively contributed to the development of the real economy. Orient Investment Banking acted as the lead underwriter for the project of EverDisplay Optronics, which was second largest IPO on the Science and Technology Innovation Board in terms of financing size during the year, acted as the lead underwriter for the project of Mingyue Optical Lens, which was one of the first price asking projects on the ChiNext after implementation of new regulation for price asking of new shares under registration system, participated in the bond financing projects of Industrial and Commercial Bank of China, Bank of China and Bank of Shanghai for the first time, undertook various innovative bond projects for the first time and maintained zero default in bond projects.

The Company actively promoted capital replenishment and improved the assessment mechanism, and made significant progress in the rights issue of A+H shares. In particular, the relevant proposal for rights issue was considered and approved at the general meeting, and was granted a no-objection regulatory opinion by the institutional department under the CSRC on the rights issue, the filing of rights issue was accepted by the Issuing Department and the International Department of the CSRC, and the advancement of rights issue became one of the key tasks of the Company in the next phase. The Company completed the election of new session of the Board of Directors and Supervisory Committee, optimised the incentive, constraint and assessment mechanism for senior management members of the Company, and continued to improve the performance assessment system for all departments and subsidiaries.

## Section III Report of the Board

The Company continued to strengthen the penetration management of compliance risk control, enhanced the vertical management of compliance risk within the Group, and effectively ensured the smooth operation of the Company with no major violations of laws and regulations throughout the year. Various risk control indicators continued to comply with regulatory requirements and the Company was rated as a Grade AA, Category A company among securities dealers.

The Company effectively improved its financial management and dynamically adjusted the asset and liability allocation among different business segments in order to maximise the benefits from capital utilisation, which effectively contributed to the improvement of the Company's ROE and enhanced the efficiency of financial management. The Company steadily improved refined management and active control of liquidity, further optimised its debt structure, reduced its financing costs and continued to meet with the requirements of liquidity indicators. In order to further integrate resources, enhance efficiency and effectively improve the capability of business expansion and comprehensive customer services, the Company's absorption of and merger with a wholly-owned investment banking subsidiary of the Company was considered and approved.

With a focus on key areas of financial technology, the Company accelerated its digital transformation process. The Company facilitated business development and formed the dual drivers and in-depth integration of technology and business, in order to provide professional and comprehensive technical support to all business segments of the Company, including wealth management, institutional and retail services, and proprietary investments. The Company carried out the pilot project of assigning technical staff to business departments and implemented OKR management model to enhance management efficiency and technology empowerment. It also strengthened the integration of industry, universities and research institutions, and won various awards in the industry for its innovative achievements.

The Company strengthened implementation led by strategy, formulated and issued the Company's strategic plan for 2021-2024, and increased efforts in supervision and follow-up with focus on key tasks to promote the implementation of the Company's strategy. The Company always pays attention to social responsibility and environmental protection, vigorously promotes the construction of industry culture, establishes the "Sustainable Development Committee", publishes the "DFZQ Carbon Neutrality Index", and has been included in the Hang Seng (China A) Corporate Sustainability Index. For further details of the Company's environmental policy and social responsibility performance, please refer to "Section V – Environmental and Social Responsibilities" of this report.

## Section III Report of the Board

### II. INDUSTRY OVERVIEW FOR THE REPORTING PERIOD

In 2021, China effectively coordinated its efforts in pandemic prevention and control, vigorously developed its economy and society with stability as the focus, ranked among the top major economies in terms of economic growth throughout the year, and saw a further increase in trading activities in the capital market. During the Reporting Period, the securities industry realized operating income of RMB502.410 billion, increasing by 12.03% compared to the same period of last year. Net profit reached RMB191.119 billion, increasing by 21.32% compared to the same period of last year. In particular, the securities industry actively practiced new development concept, made new progress in serving real economy. In 2021, investment banking business realized a net income of RMB69.983 billion, increasing by 4.12% year-on-year. It continued to promote the transformation of wealth management with increasing ability in providing wealth management services to residents, and realized net income from asset management business of RMB31.786 billion, increasing by 6.10% year-on-year, and realized net income from agency sales of financial products of RMB20.690 billion, increasing by 53.96% year-on-year. In terms of the capital scale, capital strength of the securities industry continued to enhance. As of the end of the Reporting Period, the total assets of the securities industry were RMB10.59 trillion and the net assets were RMB2.57 trillion, increasing by 19.07% and 11.34%, respectively from the beginning of the year.

During the Reporting Period, the Company maintained stable overall strength and industry position with favourable momentum, and recorded significant increase in operating results. The Company kept its leading position in the industry in terms of investment management business, achieved new breakthrough in wealth management with increase in ranking of investment banking business and continued to optimize the operation of FICC and derivatives business. The Company strictly adhered to the bottom line of risk control, and was rated as a Grade AA, Category A company among brokers. It has been rated as a Grade AA, Category A or Grade A, Category A securities company for the thirteenth consecutive years.

### III. PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY 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.

## Section III Report of the Board

The Company primarily engages in the following five business sectors during the Reporting Period:

- **Investment Management**

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

- 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 conducts risk management business through Orient Securities Runhe, a wholly-owned subsidiary of Orient Futures and facilitates companies to manage price risks during operations via warehouse receipt services, basis trade and OTC options in futures and spot markets.



## Section III Report of the Board

- 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.

- **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, quantitative 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.

## Section III Report of the Board

- **Investment Banking**

The Company carries out investment banking business mainly through its fixed income business headquarters and Orient Investment Banking, a wholly-owned subsidiary of the Company.

- The Company provides equity underwriting and sponsorship services, including underwriting and sponsorship services of IPOs, and refinancing projects including non-public offerings and rights issues.
- 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 other 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 business regulated by the SFC in accordance with the SFO through Orient Securities International, its wholly-owned subsidiary and various licensed companies.

## Section III Report of the Board

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

The core competitiveness of the Company lies in corporate governance, talents, advantageous business, compliance and risk control and party building culture.

#### 1. Long-term and Unwavering Support from Shareholders and Continuously Standardized Corporate Governance

The Company has maintained a long-term stable base of Shareholders which provides active support to the Company in business development and system and mechanism reform, and offers major support in capital operation, market-oriented system reform and other material matters. The Company improves and refines its corporate governance structure, compliance and risk control system and internal control management system in accordance with the requirements of the governance codes for A Shares and H Shares listed companies to give full play to the functions of the Company's party committee as leading core and political core and ensure that the general meeting, the Board, the Supervisory Committee and the management team perform their respective duties diligently.

During the Reporting Period, the Company's proposal on public issuance of securities through rights issue was considered and approved at the shareholders' general meeting and the application for rights issue was accepted by the CSRC, and such secondary offering will effectively expand the Company's capital strength and enhance its market competitiveness and risk resilience. The Company successfully completed the election of new sessions of the Board, the Supervisory Committee and the management team, which ensured the effective governance and standardized operation of the Company. The Company has officially released its strategic plan for 2021-2024 to further strengthen the top-level strategic design; and facilitated the reform of assessment, remuneration, incentive and restraint mechanism for the management team to fully promote work initiative, entrepreneurship and cohesion.

#### 2. United, Enterprising, Pragmatic and Efficient Senior Management Team and Business Team

The Company's senior management members have worked in the securities and finance industry for many years with in-depth insight and extensive management experience in the finance and securities industry, providing strong support for the long-term sustainable development of the Company. The Company owns professional, high-quality and relatively stable business teams which have gathered rich market experience and outstanding professional abilities through years of operation. It also has a pool of steadily growing future leaders and talents to support the development of the Company.

## Section III Report of the Board

During the Reporting Period, the Company further strengthened its senior management team by adjusting the duties of senior management members, thereby forming a young and professional senior management team. The Company also strengthened the construction of its talent pool by identifying, cultivating and selecting young backbone staff and management talents through competitive recruitment of cadres, the “Golden Sail Action” young talent development contest and other activities. Through the continuous iteration and innovation of the model for introducing outstanding talents and the in-depth implementation of the rotation and exchange mechanism, more and more young talents begin to join our workforce.

### 3. Continuous Consolidation and Development of Advantageous Business

After years of intensive cultivation, the Company has established brand effect and competitive advantages in various fields such as securities investment, fixed income, asset management, fund management, futures brokerage, etc. The securities investment and asset management business adhere to the concept of value investment, and Orient Securities Asset Management upholds the philosophy of maximizing clients’ benefits instead of blindly focusing on expanding asset management scale, thereby establishing sound market reputation for the “Dong Fang Hong (東方紅)” brand. China Universal has developed an industry-leading operating model and stable first-class overall capabilities, and is committed to building the most recognized asset management brand in China. Fixed income business achieved stable investment income and deepened the transformation of sales and trading with a comprehensive layout of FICC business chain. Operation results of private equity fund management business has been in the forefront of the industry. Orient Futures continues to focus on development of derivatives with the support of fintech and enjoys relatively strong market competitiveness.

During the Reporting Period, Orient Securities Asset Management maintained its leading position and ranked the first in the industry in terms of net income from asset management business. It also delivered excellent long-term performance for its products, and ranked among the top in the industry in terms of absolute return for both equity and fixed income funds over the last five years. China Universal managed assets with a total size of over RMB1.2 trillion, maintained industry-leading position in terms of average monthly size of non-monetary funds under management, made further progress in overseas expansion and was permitted to establish a subsidiary in the United States. The investment size of fixed income business of the Company remained stable with optimized investment portfolio, and the Company was granted the qualification for conducting market maker business in interbank market. Orient Futures continued to rank among the top in the industry in terms of customer equity size and market-wide trading volume, and was rated as a Grade AA, Category A company.

## Section III Report of the Board

### 4. Diligent and Effective Efforts in Compliance and Risk Control

The Company adheres to the concept of “overall compliance based on risk control”, and has formed a closed-loop compliance and risk management system of “culture – people – system – tool” with stable risk culture as the core, sound system as the basis and professional management tools as the support. In recent years, the Company continuously strengthened the awareness of compliance and risk control among its staff, optimized the comprehensive risk management system and enhanced the effectiveness of compliance and risk management.

During the Reporting Period, the Company set up a compliance penetration project team and formulated relevant management plans in accordance with the principles of centralization and penetration, and vigorously enhanced the vertical management of the Group’s compliance and risk control efforts. Progress was made in Group-wide consolidated management where the Group’s risk control indicator consolidated management system was put into operation. The Company also strengthened its efforts in audit project management and audit quality control. The Company did not experience any non-compliance with laws and regulations or major risk-related events throughout the year, was rated Grade AA of Class A as a securities company and has been rated as a Grade A securities dealer for 13 consecutive years.

### 5. Persisting in Organic Integration of Party Building, Corporate Culture and Market-Oriented Mechanism

The Company attaches great importance to the construction of party building and corporate culture, persistently cultivates the industry culture and concept of “compliance, integrity, professionalism and stability”, continuously carries out the construction of corporate culture, promotes the transformation of cultural soft power into concrete support for development, and systematically promotes ESG and sustainable development. In addition, the Company always focuses on facilitating the construction of market-oriented mechanisms with continuous optimization and innovation, thereby continuously strengthening the cohesion, competitiveness and creativity of the Company.

During the Reporting Period, the Company firmly implemented the major plans and requirements of the CPC Central Committee and the Party Committee at higher levels, strengthened the promotion of Party culture and honest practices, carried out in-depth study and education on the history of the Party, and carried out practical activities such as “Let’s serve the public”. The Company vigorously promoted the construction of industry culture and received a Grade A rating in the assessment of culture building practices of securities companies. The Company was selected as a constituent of the Hang Seng (China A) Corporate Sustainability Index, and the Company’s MSCI ESG rating was enhanced to Grade A, which is the highest rating for domestic securities companies. The Company continued to develop its corporate culture brand, held a series of activities for its staff culture festival and continued to carry out corporate culture branding projects. It also facilitated the construction of market-oriented system and mechanism for each business line, continued to optimise the performance assessment and remuneration management system, and improved the indicator evaluation and assessment methods.

## Section III Report of the Board

### V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

As of the end of 2021, total assets of the Group reached RMB326.600 billion and equity attributable to owners of the Company amounted to RMB64.127 billion. In 2021, the Group realized revenue and other income of RMB28.563 billion, representing an increase of 3.31%, net profit attributable to owners of the Company of RMB5.371 billion, representing an increase of 97.26% and weighted average returns on net assets of 9.02%, representing a year-on-year increase of 4.17 percentage points.

The Company achieved revenue and other income of RMB28.563 billion, of which investment management business realized RMB4.165 billion, taking up 14.15% of the total; brokerage and securities financing business realized RMB15.421 billion, taking up 52.38% of the total; securities sales and trading business realized RMB5.616 billion, taking up 19.08% of the total; investment banking business realized RMB1.806 billion, taking up 6.14% of the total and headquarters and others realized RMB2.429 billion, taking up 8.25% 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                            | Segment of the principal businesses |                     |                   |   |  |  |
|------------------------------------|-------------------------------------|---------------------|-------------------|---|--|--|
|                                    | 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 (%) |
| Investment management              | 4,164,755                           | 2,074,607           | 84.60             | 23.40   | 0.72   | Increased by 12.85 percentage points           |
| Brokerage and securities financing | 15,420,772                          | 13,650,959          | 11.48             | 6.44  | -12.11   | Increased by 18.69 percentage points           |
| Securities sales and trading       | 5,616,411                           | 2,022,592           | 64.31             | -6.16   | 1.52   | Decreased by 2.41 percentage points            |
| Investment banking                 | 1,805,925                           | 1,034,510           | 42.72             | 6.52  | 3.62   | Increased by 1.61 percentage points            |
| Headquarters and others            | 2,428,868                           | 5,045,883           | -105.02           | -16.25  | -9.91  | Decreased by 11.84 percentage points           |

## Section III Report of the Board

### (1) *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 operating income of RMB4.165 billion, accounting for 14.15% 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.

#### *Market environment*

The year of 2021 is the closing year of the transition period for rectification under China's new asset management regulations, and the industry saw acceleration in net value transformation. Wealth management securities firms made smooth transition to public offering, which led to significant increase in quantity and size of publicly offered products, and the size of private equity under active management of leading wealth management securities firms increased steadily in general. Benefiting from the money-making effect of publicly offered funds in 2020, publicly offered funds have grown rapidly with the size and number of products hitting new record highs, and due to the resource advantages of industry leaders and the emergence of "star fund manager effect", the industry was further concentrated. As the management size of wealth management subsidiaries of banks grows rapidly with increasing market share and foreign institutions enter the Chinese market, competition in asset management industry intensifies. Based on their own strengths, various institutions are seeking opportunities to develop in a "coopetition relationship".

## Section III Report of the Board

### Operation initiatives and business development

In 2021, Orient Securities Asset Management sharpened its internal capabilities, stuck to the right path and made innovation in the course of development and achieved new breakthrough in management scale. As at the end of the Reporting Period, the total size of entrusted assets under management reached RMB365.929 billion, representing an increase of 23% as compared to the beginning of the period, in which the size of publicly offered funds under management was RMB269.622 billion, representing an increase of 35% as compared to the beginning of the period. The Company used closed-end products as long-term investment tools for clients, and the size of the long-term closed-end<sup>1</sup> equity funds<sup>2</sup> under management reached RMB108.0 billion, accounted for 69% of all equity funds under management of the Company. In terms of income from asset management business, Orient Securities Asset Management maintained its leading position among wealth management securities firms, and ranked first in the industry in terms of the net income from entrusted asset management business in 2021 (source: Securities Association of China). During the year, Orient Securities Asset Management further strengthened the construction of investment research system and capabilities and facilitated the establishment of an open and diversified investment research platform; upgraded the brand system with a focus on “providing better investment experience”; insisted on value investment, strengthened the advantages of active equity and fixed income business, improved the publicly offered general FOF product line and completed the overall reform of large collective management products; continued to improve the service system and made efforts to guide and accompany clients to make rational and long-term investment through nearly 10,000 “Dongfanghong Miles” client activities.

With its focus on active management over the years, Orient Securities Asset Management has evolved itself with an open mind, benchmarked itself against top-tier public offering institutions, continuously consolidated its core competitiveness in active equity and fixed income business, facilitated business development in asset deployment and improved its product portfolio. It maintained the leading position in terms of the long-term investment performance, and strived to achieve long-term wealth preservation and appreciation for its clients. As at the end of the Reporting Period, the return of equity investment actively managed by Orient Securities Asset Management was 294.35% for the last seven years, ranking first in the industry (source: Galaxy Securities Fund Research Center – Long-term Assessment List of Fund Managers’ Capability in Active Management of Equity Investment). The absolute rate of return of fixed income fund under Orient Securities Asset Management for the last five years was 30.82%, ranking among the top 20% in the industry (source: Financial Products Research Center of Haitong Securities Research Institute – Performance Rankings of Equity and Fixed Income Assets of Fund Managers).

<sup>1</sup> Long-term closed-end funds refer to fixed-term open-end funds and closed-end operation funds (in a closed period) with a closed operating period of three years or above, as well as funds with a minimum holding period of three years or above for investors.

<sup>2</sup> Equity funds refer to common equity and mixed (excluding debt preferred mixed funds) funds under Wind’s classification basis, excluding fund of funds.



## Section III Report of the Board

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

| <b>(in RMB million)</b>                            | <b>As at<br/>December 31,<br/>2021</b> | <b>As at<br/>December 31,<br/>2020</b> |
|--|--|--|
| Collective asset management scheme                 | <b>66,067.95</b>                       | 59,251.52                              |
| Single asset management scheme                     | <b>13,907.51</b>                       | 27,333.53                              |
| Specialized asset management scheme                | <b>16,331.35</b>                       | 12,332.00                              |
| Publicly offered funds issued by securities dealer | <b>269,622.45</b>                      | 199,631.24                             |
| <b>Total</b>                                       | <b>365,929.26</b>                      | 298,548.29                             |

During the Reporting Period, Orient Securities Asset Management won 43 industry awards, including the “Golden Fund Top Company Award” under the 18th “Golden Fund (金基金)” Award of Shanghai Securities News, the “Fixed Income Investment Golden Bull Fund Company” under the 18th Fund Industry Golden Bull Award by China Securities Journal, and the “Five-Year Sustainable Return Star Fund Company” under the 16th Star Fund Award for Fund Industry in China by Securities Times.

### *Development plan and outlook*

Facing the historical opportunities of great development of capital market and the explosive demand for wealth management in the next 5 to 10 years, and based on the market conditions and its own resources and strength, Orient Securities Asset Management will persist in building the core competitiveness driven by the dual cores of “professional investment research + professional services”, consolidate its brand image and utilize its brand advantages, and continue to develop in three aspects: firstly, it will continue to focus on investment research and strive to build a professional, diversified and highly integrated all-in-one investment research platform; secondly, it will develop its business based on active investment management capabilities and expand its product portfolio; and thirdly, on the basis of building a professional service system, it will achieve capital diversification that matches its investment management capabilities.

### *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.

## Section III Report of the Board

### Market environment

In 2021, China continued to reinforce its efforts in pandemic prevention and control while steadily facilitating economic recovery. With the comprehensive deepening of the capital market reform, the asset management industry ushered in a higher level of opening up, the asset management business entered the era of net worth in all aspects, and the demand for wealth management from the public sector remained strong, leading to the rapid development of the publicly offered fund industry and a record high management size.

### Operation initiatives and business development

During the Reporting Period, China Universal carried out compliant operation and innovative development based on the 2021 business plan and the requirement of “Digital Enhancement Year”. As of the end of the Reporting Period, the total assets under management of China Universal exceeded RMB1.2 trillion, and the management scale of non-monetary wealth management publicly offered funds exceeded RMB610.0 billion, ranking among the top in the industry. China Universal achieved stable development in various businesses, continued to improve the layout of underlying assets in a clear and stable manner, further diversified alternative wealth management products such as “Fixed Income +”, successfully issued the “MSCI China A50 ETF” and other strategic products. It also vigorously promoted the omni-channel strategy, further developed strategic cooperation with core institutional clients, continued to improve the operational capability and customer experience of e-commerce platform, successfully obtained approval for establishing a subsidiary in the United States, officially launched the fund investment advisory business, and actively fulfill social responsibilities such as education assistance, industrial poverty alleviation, pandemic control and disaster relief.

During the Reporting Period, China Universal maintained excellent performance in mid to long-term investment, and ranked among the top in the industry in terms of comprehensive strength. China Universal Value Selection won the Seven-Year Open Hybrid Continuous Superior Golden Bull Fund by China Securities Journal and the Golden Fund Ten-Year Award for Equity-weighted Hybrid Funds by Shanghai Securities News. China Universal Blue Chip Stability won the Hybrid Star Fund with Ten-Year Continuous Return by Securities Times. China Universal Consumer Industry won the Seven-Year Open Hybrid Continuous Superior Golden Bull Fund by China Securities Journal and the Active Hybrid Star Fund with Five-Year Continuous Return by Securities Times.

China Universal won various awards including Top Ten Star Fund Company and Overseas Investment Star Fund Company by Securities Times, Overseas Investment Golden Bull Fund Company by China Securities Journal, Golden Fund Overseas Investment Return Fund Management Company Award and Socially Responsible Investment (ESG) Fund Management Company Award by Shanghai Securities News and the title of “Shanghai Civilized Entity”.

## Section III Report of the Board

### *Development plan and outlook*

Looking forward, the asset management industry will face serious challenges from the accelerated entry of overseas major players, increasingly fierce competition among leading companies and comprehensive digitalisation, as well as tremendous long-term development opportunities. China Universal will uphold the business philosophy of “all for the long term” and the value of “customer first”, continue to refine and improve its four core capabilities of investment management, risk management, customer service and product innovation, consolidate the foundation, maintain stable development, and and make continuous progress towards the long-term goal of “building China’s most recognized asset management brand”.

### *Private equity investment*

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

### *Market environment*

In 2021, the equity investment market continued to recover as the macroeconomic environment improved amidst the effective control of the COVID-19 pandemic in China. According to the data of Zero2IPO, the fundraising market environment continued to improve in 2021, with the number of newly offered funds in China’s equity market rising 100.7% year-on-year and the amount of newly offered funds rising 84.5% year-on-year. Meanwhile, funds with a size of less than RMB100 million accounted for approximately 60% of the total number of funds, and the number of single-project funds further increased compared to last year, with structural changes taking place in the fundraising market. For investment industry, information technology, biomedicine and semiconductor electronics ranked among the top three in terms of number of investments, and the investment in technological innovation and carbon neutrality sectors increased significantly.

### *Operation initiatives and business development*

As at the end of the Reporting Period, Orient Securities Capital Investment managed 49 funds with a scale of RMB16.173 billion, and the accumulated management scale exceeded RMB33.0 billion. The total number of investment projects of Orient Securities Capital Investment and funds managed by it reached 220, in which 72 projects have achieved investment exit. A total of 148 projects were under investment involving an investment amount of approximately RMB9.099 billion, and 6 projects were in the reserve.

## Section III Report of the Board

Since the implementation of registration system of the Science and Technology Innovation Board and the ChiNext, many outstanding target companies in the private equity funds managed by Orient Securities Capital Investment have been capitalised through IPOs on the Science and Technology Innovation Board and the ChiNext. As at the end of the Reporting Period, 10 target companies of Orient Securities Capital Investment passed the review by the listing committee or were successfully listed on the Sci-Tech Innovation Board and the listing applications of 4 target companies were accepted. 11 target companies were listed on the ChiNext and the listing applications of four target companies were accepted. During the Reporting Period, the BSE was officially incorporated and Newange, an investment target of Orient Securities Capital Investment, became one of the first companies to be listed on the BSE.

During the Reporting Period, Orient Securities Capital Investment won various awards including the “Top 100 Best Private Equity Investment Institution in China (中國最佳私募股權投資機構TOP100)”, “Top 50 Best Chinese-funded Private Equity Investment Institution in China (中國最佳中資私募股權投資機構TOP50)” and “Top 10 Best Private Equity Fund Subsidiary of Brokers in China (中國最佳券商私募基金子公司TOP10)” of the 2020 China Venture Awards, the “Top 100 Private Equity Investment Institution in China (中國私募股權投資機構100強)” of the 2021 Zero2IPO Awards, the “TOP10 Best Private Equity Fund of Brokers in 2021 (2021年度最佳券商私募基金TOP10)” of the 2021 Annual Awards of China’s Equity investment by Investors.cn.com and the Broker’s Equity Investment Annual Winner of the Golden Bull Awards.

### Development plan and outlook

In the future, Orient Securities Capital Investment will continue to strive to strengthen its private equity investment fund management business, develop an excellent brand as a private equity investment subsidiary of securities firm, capture opportunities from national strategies, and deeply explore the value of enterprises. It will also further enhance the level of compliance, improve its risk control ability, and explore the balance between investment risks and investment returns.

### (2) *Brokerage and Securities Financing*

The Company’s brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business, bulk commodity trading 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 operating income of RMB15.421 billion, accounting for 52.38% of the total income.

#### *Securities brokerage*

The brokerage business of the Company mainly relies on the wealth management business headquarters and its branches.

## Section III Report of the Board

### Market environment

In 2021, with the economic recovery and deepening reform in capital market, the trading activities in the stock market remained active with trading volume of stocks and funds reaching RMB265.30 trillion, representing a year-on-year increase of 20.35%. Benefiting from national policy support and gradual maturity of the industry, the wealth management market grew against the trend under the pandemic, and the industry as a whole accelerated the transformation into the role of “buy-side investment adviser”. With the growing reliance of high-net-worth individuals on professional institutions, securities dealers with wealth management business features have developed better competitive advantages under the new trend of capital market reform and industry development. At the same time, the strong demand for market-wide and global asset allocation has made Shanghai a “hub” for the world’s leading asset management institutions and a “place of innovation” of asset management products, presenting a huge geographical opportunity for local securities dealers in their international business.

### Operation initiatives and business development

During the Reporting Period, the Company actively promoted the transformation from brokerage business to wealth management, fully utilised its own strengths and experience, formed business synergy among securities agency trading, margin financing and securities lending, publicly offered products distribution, private wealth management and publicly offered fund investment advisory, and comprehensively upgraded its service solutions to achieve high-quality development.

As of the end of the Reporting Period, the Company had 177 securities branches, covering 87 cities in all provinces in China. In 2021, the market share in terms of income of the securities brokerage business was 1.74%, ranking 20th in the industry, representing an increase of 0.12% in market share as compared to the same period of last year (data from monthly report of the Securities Association of China). During the Reporting Period, the cumulative number of newly opened accounts amounted to 356 thousand, representing a year-on-year increase of 15%. As of the end of the Reporting Period, the Company had 2.191 million customers, representing an increase of 19% from the beginning of the period, and total assets under custody amounted to RMB902.8 billion, representing an increase of 26% from the beginning of the period.

## Section III Report of the Board

The Company deepened the transformation to wealth management and achieved another record high in financial products agency sales business. Since the establishment of the wealth management business department, the Company carries out wealth management business with focus on agency sale of financial products and financial product system construction, which received industry attention and high recognition from clients. The Company improved the three-dimensional product evaluation model of “manager-fund manager-fund product” and established a good cooperation relationship with core leading players and managers of special growth funds. In addition, the Company built a “dual-cycle” training system, strengthened the construction of the front office team in branches, and continuously encouraged frontline staff to participate in products agency sales. During the Reporting Period, the Company’s sales volume of equity products amounted to RMB30.258 billion, representing a year-on-year increase of 9%, product sales related income amounted to RMB955 million, representing a year-on-year increase of 36.2%. The Company adhered to the concept of long-term and value investment, actively guided customers to hold high-quality equity funds in a long term, and formed a product distribution model with focus on closed-end products, of which the actively managed equity products with a closed-end structure accounted for 62%, establishing a leading position in the industry. As of the end of the Reporting Period, the size of equity products of the Company amounted to RMB64.712 billion, representing an increase of 43% from the beginning of the period. According to the data of Asset Management Association, as of the end of 2021, the size of equity+mixed publicly offered funds held by the Company amounted to RMB42.4 billion, ranking 7th among securities dealers.

During the Reporting Period, the Company successfully received the qualification for pilot operation of publicly offered fund investment advisory business and officially carried out the business at the end of November 2021. The Company followed the regulatory direction and adopted the development strategy of placing equal emphasis on “investment” and “advisory” and focusing on both platform cooperation and internal operation, and vigorously promoted the publicly offered fund investment advisory business. It also formulated promotional plans by category to effectively improve and solve the industry pain point of “profitable only for funds but not fund holders”.

## Section III Report of the Board

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 –<br>December 2021 | January –<br>December 2020 |
|---|----------------------------|----------------------------|
| Publicly offered funds (including monetary funds) | 151,714                    | 166,267                    |
| Collective asset management products              | 21                         | 0                          |
| Trust schemes                                     | 1,421                      | 3,477                      |
| Private equity investment fund products           | 2,870                      | 3,547                      |
| Other financial products                          | 3,936                      | 8,610                      |
| <b>Total</b>                                      | <b>159,962</b>             | <b>181,902</b>             |

With a focus on institutional wealth management, the Company has built an institutional services ecosystem covering the whole business chain. With institutional wealth management as the core business model for its institutional business, the Company has customized and developed a publicly offered fund online service platform that focuses on serving institutional clients with needs of one-stop OTC fund analysis, allocation and trading. During the Reporting Period, the Company successfully held the “Conference on Launch of the DFZQ Full Business Chain Institutional Brokerage Service”, coordinated wealth management, research, trading, derivatives, custody, system technology and other business resources to create a full business chain service ecosystem for institutional clients. During the Reporting Period, the Company formed a good reputation for its services in the foreign investment sector by adhering to the policy of “full coverage of foreign publicly offered funds and matching of foreign private equity investment institutions”, and doubled the number of QFII clients. Meanwhile, it also actively expanded its client base, developed in-depth relationship with a number of high-quality quantitative private equity investment institutions and established business connections with various trust companies. During the Reporting Period, the Company acquired 1,669 new institutional clients, representing a year-on-year increase of 48%. The asset size of the newly acquired institutional clients was RMB53.9 billion, and the asset size of institutional clients reached RMB545.7 billion at the end of the period.

## Section III Report of the Board

The Company developed the innovative service business model for high net worth customer and put more efforts in private wealth management business. After officially establishing the private wealth division under the wealth management business department in late 2020, the Company launched the “Oriental Beauty – Fortune 100” private equity FOF business plan, commenced the development of private wealth FOF investment system, formed a business closed loop of “business demand – business plan – product launch – investment transaction – post-investment management”, and established a customer profile tracking mechanism and trading internal control mechanism. During the Reporting Period, the Company successfully secured its first group strategic-level private banking client and won the bid for the customized FOF solution service for state-owned enterprises; completed industry research and study on family trusts and explored the family trust business model. As of the end of the Reporting Period, the number of high net worth retail customers of the Company reached 7,815, representing an increase of 24% from the beginning of the period, and the size of clients’ assets was RMB188.8 billion, representing an increase of 20% from the beginning of the period.

For Internet finance, during the Reporting Period, the Company took multiple initiatives including experience upgrade, channel optimisation and digital operations to effectively promote customer activity, with the peak monthly active users of Oriental Winners APP reaching 930,000, an increase of 138% year-on-year. During the Reporting Period, the service capability and user experience of Oriental Winners App continued to improve, and the fully self-developed investment decision-making tool system “Winners’ Tool Box” was launched to explore new revenue growth drivers. The Company supported the smooth implementation and promotion of the fund investment advisory business, facilitating the transformation of wealth management to buy-side services. As of the end of the Reporting Period, the Company had more than 650,000 active brokerage customers on the Internet and mobile phone platforms with stock and fund trading volume of RMB3.76 trillion. The number of customers trading through the Internet and mobile terminals accounts for 99% of the total number of customers, the online transaction amount accounts for 84% of the total, and the number of newly opened online accounts takes up for 99% of all accounts opened in the same period.

During the Reporting Period, the Company was highly recognized by the industry and regulatory authorities for its wealth management transformation. In particular, the Company’s wealth management business department was recognized as the “Pioneering Worker’s Unit” by the Shanghai Federation of Trade Unions, and the Company won various awards including the “2021 Chinese Securities Industry All-round Wealth Management Broker Junding Award (2021中國證券業全能財富經紀商君鼎獎)” by Securities Times and the “Jinding Award for Securities Firm with Best Comprehensive Strength in Wealth Management (最具財富管理綜合實力券商金鼎獎)” by National Business Daily.



## Section III Report of the Board

### *Development plan and outlook*

In the future, the Company will promote the centralization of branch operations in a step-by-step manner, strengthen the professional talent team and recruit more core professional leaders; continue to optimize the customer service experience, strengthen the innovative use of financial technology, accelerate the construction of digital value-added service system and promote the sustainable growth of users and assets under management; put more efforts in promoting publicly offered fund agency sales by branches and the sustainable growth of management size, and further increase the proportion of closed-end products. It will also make every effort to seize the opportunity in the publicly offered fund investment advisory market, carry out “in-depth development in Shanghai and nationwide expansion” and form a brand advantage; vigorously explore the unmet demand in the institutional wealth management market to develop new revenue and profit growth drivers; develop a professional allocation service system for high net worth clients and strengthen the influence in the Fortune 100 FOF market; utilize the geographical advantage as a local securities dealer in Shanghai to make comprehensive development in QFII, WFOE and other international businesses, and create a new ecosystem for the Company’s international business that is “driven by wealth management with high stickiness and interaction and benefiting multiple business lines of the Company”.

### *Futures brokerage*

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

### *Market environment*

In 2021, the commodities market saw ups and downs, and China’s futures market continued to improve in operation quality and set record highs in terms of scale. During the Reporting Period, China’s futures market achieved a total trading volume of 7.514 billion lots and a turnover of RMB581.2 trillion, up 22.13% and 32.84% respectively year-on-year, ranking first in the world in terms of commodity derivatives trading volume in exchanges for 13 consecutive years since 2008. As of the end of 2021, 94 futures and options varieties were available on domestic exchanges, covering agricultural products, non-ferrous metals, ferrous metals, precious metals, energy, chemicals, finance and other important areas of the national economy. Meanwhile, the futures market made steady progress in internationalisation with the number of internationalised commodity futures and options increasing to nine, expanding the coverage of the futures market to serve cross-border operations of the real economy.

## Section III Report of the Board

### *Operation initiatives and business development*

Facing the rapid expansion of market size, Orient Futures seized the opportunity and achieved breakthrough growth in overall performance in 2021, with revenue and profit significantly higher than the Company's all-time average. At present, Orient Futures has developed core advantages such as comprehensive business lines, extensive experience in institutional services, and industry-leading research and technology capabilities, and has been rated AA in the latest classification assessment of futures companies, securing its leading position in the industry. As of the end of the Reporting Period, the size of customer equity was RMB65.461 billion, up 61% from the beginning of the period, ranking third in China; over 1,800 new institutional and product accounts were opened, and additional coverage in all business lines grew in an orderly manner.

During the Reporting Period, the Company ranked first in the industry in terms of market shares based on trading volume, which was attributable to the advantages accumulated by Orient Futures over the years through its dual core competitiveness of technology and research as well as its industry leading information technology system and research strength. Through years of operation and development of institution business, its brand image has been established and recognized gradually. In particular, the Company has launched the "Fanwei" data platform covering three major functions of data integration, quantitative analysis and intelligent strategy recommendation. On the technical side, the Company actively adjusted the arrangement of the high-speed trading counter system and focused on improving the configuration, changing management and emergency response capabilities to promote the effective and safe operation of the programmed system.

During the Reporting Period, Orient Futures won various awards including the "2019-2020 Shanghai Civilized Entity", the "Outstanding Member Golden Award" by Shanghai Futures Exchange, the "Outstanding Member" by Shanghai International Energy Exchange, the "Outstanding Member Platinum Award" by China Financial Futures Exchange, the "Outstanding Member Golden Award" by Dalian Commodity Exchange and the "Outstanding Member" by Zhengzhou Commodity Exchange.

### *Development plan and outlook*

In the future, Orient Futures will adhere to the idea of sound and stable operation and innovative development, continue to attract talents through market-oriented mechanism, follow the guideline of promoting the derivatives development with financial technology, 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, strengthen the risk management of market volatility, maintain a bottom-line mindset, and move forward towards becoming a first-class derivative service provider by adopting the market-oriented, internationalized and collectivized development approach.

## Section III Report of the Board

### *Securities financing*

#### *Market environment*

During the Reporting Period, the size of margin financing and securities lending maintained an overall growth trend. According to the data from exchanges, as of the end of the Reporting Period, the balance of margin financing and securities lending of the whole market totaled RMB1,832.191 billion, representing an increase of 13.17% from the end of last year. In particular, the balance of margin financing amounted to RMB1,712.051 billion, representing an increase of 15.52% from the end of last year; and the balance of securities lending amounted to RMB120.140 billion, representing a decrease of 12.30% from the end of last year, which was mainly due to the decline in income from IPO subscription and the withdrawal of certain funds for IPO subscription, leading to a decline in demand for the corresponding hedging of securities lending.

During the Reporting Period, the scale of collateralized stock business in the whole market continued to decline. According to the statistics of 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 RMB227.015 billion, a decrease of 24.56% from the end of last year.

#### *Operation initiatives and business development*

In terms of the margin financing and securities lending business, the Company further optimised its client structure, expanded the source of securities for financing, continued to build its business system, improved customer experience and promoted the stable development of its business. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company reached RMB24.601 billion, representing an increase of 9.03% from the end of last year, and the overall guarantee maintenance ratio remained higher than the market average level while the business scale continued to grow.

In terms of the collateralized stock business, the Company adhered to the keynote of “risk control and scale reduction” and continued to reduce the scale of collateralized stock business. As of the end of the Reporting Period, the balance of the Company’s collateralized stock business amounted to RMB11.759 billion, all of which were contributed with proprietary funds, representing a decrease of 23.45% from the end of last year, and the business scale reduced by over RMB3.6 billion, further mitigating relevant risks.

#### *Development plan and outlook*

In the future, the Company will rely on its wealth management platform, actively seize market opportunities, take multiple initiatives to acquire margin financing and securities lending clients, and facilitate the steady and high-quality development of its margin financing and securities lending business. For collateralized stock business, the Company will continue to adhere to the keynote of “risk control and scale reduction” and steadily reduce the existing business scale.

## Section III Report of the Board

### *Other business*

#### OTC business

In 2021, accommodative funding conditions and weaker financing needs caused a significant decline in the issuance of income certificates, and yields remained low. Meanwhile, in the last year of the transition period for implementation of the new asset management policy, principal-protected and yield-guaranteed financial products were in the process of being cleaned up. Ongoing tight regulation also led to a lack of innovative environment for OTC business and products, and the overall performance was stable.

During the Reporting Period, the Company's OTC business further clarified its responsibilities and positioned itself as a business support department to create synergy by focusing on providing services and support for the Company's various business lines and building the Company's OTC "trading center", "product center" and "innovation incubation center". During the Reporting Period, the Company rationalised the management of the whole product life cycle, clarified the construction plan of the product middle platform, and improved the functions of product information, product operation and product statistics. Business collaboration achieved initial results with achievements in introduction of external income certificates, issuance of variable income certificates, agency foreign exchange business, market making and transfer and business department services. During the Reporting Period, due to the inclusion of open-end funds in OTC business, the total size of OTC market transactions of the Company increased significantly year-on-year, reaching RMB171.545 billion.

In the future, as the wealth management business continues to grow and clients' needs become more diverse, the management of the whole product life cycle will become increasingly important. The Company will continue to improve the functions of the OTC platform and consolidate the construction of a large middle platform for OTC business, so as to provide more support for the Group's collaborative development and the transformation and upgrading of its wealth management business.

#### Custody business

During the Reporting Period, as various securities dealers obtained qualification of fund custody, competition in the industry intensified with an increasingly pronounced Matthew effect. Driven by the digital transformation of the asset management industry and wealth management business transformation, the custody business focused on using technology to empower traditional business and provide more value-added services to financial institutions.

## Section III Report of the Board

In terms of product introduction, the Company focused on the original custody function as a securities dealer, fully utilized the synergy of the Group and actively introduced securities products. In terms of product operation, the Company fully implemented the “whole chain” risk management requirements, comprehensively built the “Custody+” ecological chain, continuously improved the service efficiency, and utilised its business support advantages to help enhance the Company’s market competitiveness. During the Reporting Period, the Company’s custody and outsourcing business scale, number of products and customers increased by 43.84% and 20.65%, respectively, as compared to the beginning of the year. The Company’s product structure was gradually optimized, and the size of securities products increased by 74.70% year-on-year. Meanwhile, based on the advantages of sufficient leverage resources and significant synergies under the brokerage settlement model, the custody business further strengthened close cooperation with financial institutions. During the Reporting Period, the size of publicly offered funds under the brokerage settlement model increased by 191.36% compared with the beginning of the year, demonstrating a favourable growth trend and providing strong support for the development of the Company’s wealth management business. During the Reporting Period, the Company was awarded the “2021 Most Influential Securities Firm for Custody Service (2021最具影响力託管券商)” under the 11th China Jinding Award by National Business Daily.

In the future, the Company’s custody business will refine its customer service capabilities, expand the scope of business collaboration, enrich the content of the custody business, and make continuous efforts in various aspects such as product introduction, customer maintenance, product operation and system construction to continue to provide more efficient and convenient high-quality financial services for managers.

### (3) *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 realized operating income of RMB5.616 billion, accounting for 19.08% of the total income.

## Section III Report of the Board

### Proprietary trading

#### Market environment

In 2021, the global economy struggled to recover as the COVID-19 pandemic raged overseas, and sporadic outbreaks in China continued throughout the year, putting pressure on economic development. Capital market reform continued to advance, and with the official opening of the BSE, the impending implementation of the comprehensive registration system and the accelerated innovation in financial market, the market and its participants gradually became more mature. In particular, the performance of stocks diverged significantly and the valuation difference widened with an increase of 4.80% in the SSE Composite Index and an increase of 2.67% in the SZSE Component Index during the year. During the Reporting Period, monetary policy emphasized on maintaining stable operation with focus on structural adjustment and risk prevention, leading to strong volatility in bond market. The yields of 10-year treasury bonds decreased by 36bp to approximately 2.78%, the 10-year CDB yields decreased by 45bp to approximately 3.08%, the total price index of ChinaBond increased by 2.28%, and the comprehensive price index of ChinaBond increased by 2.10%.

#### Operation initiatives and business development

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

| <b>(in RMB million)</b>  | <b>As at<br/>December 31,<br/>2021</b> | <b>As at<br/>December 31,<br/>2020</b> |
|--------------------------|--|--|
| Stocks                   | <b>8,434.35</b>                        | 7,472.66                               |
| Funds                    | <b>9,090.18</b>                        | 3,139.66                               |
| Bonds                    | <b>97,667.78</b>                       | 83,051.22                              |
| Others <sup>(Note)</sup> | <b>1,812.69</b>                        | 2,328.19                               |
| <b>Total</b>             | <b>117,005.00</b>                      | 95,991.73                              |

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

## Section III Report of the Board

In terms of equity investment business, during the Reporting Period, the Company mainly adopted a bottom-up approach for stock selection, and concentrated its resources on research of target companies with sound and solid financial position and high-quality management in different industries, strictly controlled drawdown, and maintained a balanced trading position. In addition, the Company formulated the strategy of investment in designated companies with high dividends, carefully selected individual stocks at low prices, and tapped into quantitative strategy research and investment, publicly offered FOF, private equity FOF and other innovative sectors in order to enhance the yield stability. In addition, the Company continued to improve the structure of its assets on the NEEQ and actively seized opportunities from the establishment of the BSE to facilitate the listing of enterprises and explore the value of existing stocks. As of the end of the Reporting Period, the Company held 47 NEEQ projects, including five projects that completed IPO, accounted for 66% of the total amount of NEEQ assets, with overall enhancement of asset quality.

In terms of FICC business, during the Reporting Period, the Company further consolidated its core competitiveness in investment research with a basically mature business system and FICC industry chain, and maintained a leading position in the industry in terms of scale and performance of proprietary business.

- For fixed income proprietary investment, the Company strengthened its bond credit risk management while adjusting its position structure in a timely manner, increased its holdings and extended the duration when yields were at a high level, and reduced the proportion of credit bonds. During the Reporting Period, the spot securities trading volume in the interbank market increased by 12.56% year-on-year, and the interest rate swap trading volume ranked at the top among securities companies.
- For market-making business, the Company achieved outstanding results in market making in the inter-bank bond market, actively updated its quotation strategy and maintained sound operation so far. During the Reporting Period, the trading volume of the Company's market-making business in the inter-bank market increased by 20% year-on-year, the trading volume through the Bond Connect increased by 11% year-on-year, and the Company maintained its industry leading position. In particular, the Company's market making business for CDB bonds and bonds of Agricultural Development Bank of China ranked first in the market. The Company became the first batch of preferred quotation dealers for the new generation RMB trading platform in the interbank market, and maintained its leading position in the industry in terms of treasury bond future market making business.

## Section III Report of the Board

- Steady progress was made in the innovative transformation of the FICC business. Quantitative trading strategies were enriched and business operation performed well. The Company has developed a competitive market position in the agency trading of traditional standardised products with a focus on market making and sales trading. In particular, capital intermediaries led the completion of the Company's first corporate LPR interest rate derivatives business, and the investment advisory projects were well performed with the size of entrusted funds exceeding RMB10 billion. The Company continued to expand the scale of its commodity proprietary operations; fully launched its foreign exchange business, actively strengthened the "Orient Smart Exchange" foreign exchange brand, and ranked 5th in the industry in terms of scale of proprietary transactions. The foreign exchange agency business actively served the real economy.
- During the Reporting Period, the Company won the titles of 2021 "Outstanding Core Dealer", "Outstanding Dealer in Bond Market", "Outstanding Dealer in Derivatives Market" and "Bond Connect Outstanding Market Maker" of the China Foreign Exchange Trading Center and National Inter-bank Funding Center, the "Top 100 Proprietary Settlement" of China Central Depository and Clearing Co., Ltd., the "Outstanding Trading Team for Treasury Bond Futures" of China Financial Futures Exchange and the "Outstanding Market Maker" of China Development Bank.

In terms of derivatives business, during the Reporting Period, the Company closely followed the ROE indicators, optimized resource allocation, strengthened collaboration in the Group and established the Orient Derivatives business brand. In particular, the quantitative business mainly adopted equity hedging strategies, while continuously improving equity T0 strategies and CTA strategies to reduce overall volatility and withdrawal, and ranked in the top 10% of quantitative hedging products in the market in terms of yields. For market-making business, the Company actively optimised its market-making system, put more efforts in strategy research and real-world execution, recorded a year-on-year increase of over 500% in average daily options market-making turnover, and achieved its goal of stabilising profitability while controlling directional exposure. For OTC derivatives business, the Company closely followed the market trend, captured opportunities from popular business, and withstood the market test in terms of research and hedge trading capabilities. As of the end of the Reporting Period, the notional principal size of OTC derivatives reached RMB29.5 billion, an increase of over 20 times from the beginning of the period. The Company also actively developed trading counterparties to enhance market activity. During the Reporting Period, all products of the Company's options market-making business on the SSE and SZSE were rated AA Grade, and the Company successfully became the first batch of market makers of publicly offered REITs, and won the "Silver Award for Outstanding Market Maker of Stock Index Options" by CFFEX and the "Silver Award for Market Making" by Shanghai Futures Exchange.



## Section III Report of the Board

### *Development plan and outlook*

In terms of equity investment business, the Company will put more efforts in macro-environment research and prognosis while ensuring effective micro-fundamentals analysis, focus on flexible investment strategies, and continuously optimize yield performance. In addition, the Company will continue to promote the management of NEEQ projects, improve the efficiency of asset recovery, make investment in stocks on BSE in an orderly manner, and strive to seize the opportunity of reform to improve investment returns.

In terms of FICC business, the Company will establish an all-asset sales trading platform for domestic and overseas markets, further facilitate the transformation of fixed income business sales transactions and agency business. The Company will adjust its portfolio to enhance trading income based on major asset group research and market trend expectation. It will also facilitate the construction of a sales trading platform to enhance FICC agency trading capabilities, increase the proportion of intermediate income and promote cross-border business collaboration.

In terms of financial derivatives business, the Company will steadily develop its fundamental quantitative business in pursuit of stable returns under strict control of volatility. It will also continue to optimise its market-making system and actively apply for new types of products, aiming to reach and remain the level of the first echelon in the industry; maintain stable development of its OTC derivatives business, improve its hedging capability, product design capability and model research capability, and strive to develop its core competitiveness in the income swaps business.

### *Innovative investment*

The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company. The business of Orient Securities Innovation Investment mainly involves equity investment, special asset acquisition and disposal and quantitative investment.

## Section III Report of the Board

### Market environment

For equity investment, the industrial trends of technological innovation, industry upgrading and domestic substitution thrived, and the implementation of the comprehensive registration system and the opening of the BSE provided more channels for project exits. Meanwhile, the scarcity of quality projects and the relatively abundant capital have created an imbalance between supply and demand in the equity market, posing a challenge to business development. For special asset business, the strictly regulated external environment constituted a test for the business logic of the investment institutions, while also placing higher requirements on their industry integration capability, property transformation capability and industrial operation capability. In terms of quantitative investment, market styles and sectors switched and rotated at a faster pace as investments navigated through volatility with the participation of outstanding foreign asset management institutions and the emerge of domestic leaders in the quantitative sector.

### Operation initiatives and business development

Orient Securities Innovation Investment allocated assets in equity investment business, special asset business and quantitative investment, and continuously optimized the allocation structure based on the investment terms and risk levels of each business to enhance the stability of returns, achieving sound results during the Reporting Period.

The Company vigorously carried out equity investment business. As of the end of the Reporting Period, the Company had 62 existing equity investment projects with an investment scale of RMB3,032 million, and enhanced the risk management efficiency through the co-investment system. In addition, Orient Securities Innovation Investment proactively participated in the strategic placement on the Science and Technology Innovation Board and made co-investment in 6 Science and Technology Innovation Board projects with an investment scale of RMB271 million.

The Company steadily promoted special asset acquisition and disposal business, shifted from traditional model to innovative model, enhanced its active acquisition and disposal capabilities and accelerated project exit. During the Reporting Period, the new investment made by Orient Securities Innovation Investment in special asset projects amounted to RMB1,382 million. As of the end of the Reporting Period, Orient Securities Innovation Investment had 24 existing special asset projects with an investment scale of RMB2,505 million.

The Company expanded the investment in quantitative hedge funds. The Company conducted research and due diligence on managers, cooperated with outstanding quantitative institutions, maintained stable investment performance, strictly controlled the withdrawal, and achieved the desired goal of liquidity allocation.

## Section III Report of the Board

### Development plan and outlook

With the completion of asset allocation, Orient Securities Innovation Investment will enter the stage of refining management and professional business operation. In the future, Orient Securities Innovation Investment will further increase the proportion of equity investment, continue to focus on hard technology industries, collaboratively incubate specialised and innovative enterprises, and carry out co-investment in Science and Technology Innovation Board. For special assets business, Orient Securities Innovation Investment will make active enhancement, develop comprehensive operating capabilities in the areas of merger and acquisition, restructuring and full chain integration, and consolidate its core competitiveness, thereby improving ROE and return on capital. For quantitative investment, the Company will make good use of asset allocation, continue to carry out liquidity management and investment product optimisation to enhance the risk-return attributes of the portfolio.

### Securities research

#### Market environment

With increasingly fierce competition in the securities research business and the emergence of new entrants in the market, high-quality research capability is the key to success. The Company always puts emphasis on improving the quality of its research services, thereby providing services to various segments internally to bring incremental value, and obtaining external recognition from institutional clients to achieve performance contribution.

#### Operation initiatives and business development

During the Reporting Period, the Securities Research Institute carried out thorough research on fundamentals, focused on building a systematic framework for each research area, followed rigorous research methodology and research logic, and strived to improve the capability of researchers and the quality of research reports. The Company strengthened research collaboration between corporate and industry teams and between upstream and downstream industries in the research management process, continued to create in-depth and high-quality research products, and enhanced research and management efficiency through information technology and other means. As at the end of the Reporting Period, the Company's securities research business had a total of 93 researchers, including 67 with analyst qualifications and 21 with investment consultancy qualifications, and published a total of 2,254 research reports.

## Section III Report of the Board

With respect to external commissions, the Company cultivated the public offering market and strived to improve the market share leveraging institutional customers. Besides, it expanded customer coverage and actively explored non-public offering customers. During the Reporting Period, the securities research institute realized commission income of RMB759 million, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB722 million, with a market share of 2.93% and improved ranking among customers of core public offering funds. At the same time, 5 public offering customers, 5 bank customers and 42 private placement and insurance customers were newly secured, comprehensively covering the new bank wealth management subsidiaries.

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. It also created and constantly deepened strategic research to develop new competitive edge in the relevant areas.

During the Reporting Period, the Company won the title of “Most Distinctive Research Institution” in the Sina Finance Golden Qilin Best Analyst Awards, the “Most Promising Research Institution” in the 12th China Securities Industry Analyst Golden Bull Awards, the “Fourth Place of Best Sales Team” in Mainland China in the “2021 Institutional Investor – Caixin Capital Market Analyst Achievement Awards” and other awards.

### Development plan and outlook

In the future, the Company will enhance and utilise its research strengths and actively convert them into incremental value for the Company as a whole. It will also put efforts into serving different business units of the Company and creating synergy within the Group.

#### (4) *Investment Banking*

The Company mainly engages in investment banking business through Orient Investment Banking, a wholly-owned subsidiary of the Company, and the Fixed Income Business Department. The principal businesses of Orient Investment Banking 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 operating income of RMB1.806 billion, accounting for 6.14% of the total income.

## Section III Report of the Board

### *Stock underwriting*

#### *Market environment*

During the Reporting Period, the comprehensive registration system reform steadily progressed, the Main Board of SZSE merged with the Small and Medium-sized Board, the BSE was established and piloted the registration system simultaneously, and the multi-level capital market system became increasingly mature. According to the data of Wind, in 2021, 524 enterprises completed IPO and listed, representing a year-on-year increase of 19.91%, the overall size of IPO financing amounted to RMB542.654 billion, representing a year-on-year increase of 12.92%, with both the number of IPOs and the size of financing reaching record highs. 520 issuers completed issuance of additional shares (including asset portion), representing a year-on-year increase of 37.93%, the size of financing amounted to RMB908.258 billion, representing a year-on-year increase of 8.84%.

#### *Operation initiatives and business development*

Orient Investment Banking fully utilized the resource advantages of the group company, and identified a number of outstanding real economy enterprises, showing outstanding performance in terms of quality of project underwriting and project risk control, while demonstrating excellent valuation and pricing and sales capabilities. During the Reporting Period, Orient Investment Banking completed 26 equity financing projects, representing a year-on-year increase of 23.81%, with lead underwriting amount of RMB39.053 billion, representing a year-on-year increase of 128.62%.

Orient Investment Banking participated in 9 IPO projects as the lead underwriter, with total underwriting amount of RMB13.025 billion, representing a year-on-year increase of 27.26%, ranking tenth in the industry. In particular, EverDisplay Optronics was listed on the Science and Technology Innovation Board, setting a record for the highest financing size in the year at the time of listing on the Science and Technology Innovation Board. For secondary offering, Orient Investment Banking participated in the underwriting of 17 projects of issuance of additional shares, rights issue and convertible bonds with lead underwriting amount of RMB26.028 billion, representing a significant increase of 280.13% year-on-year and ranking eighth in the industry. In particular, Orient Investment Banking participated in 14 non-public offering and ancillary financing projects (excluding asset portion) as the lead underwriter, representing a year-on-year increase of 100.00%, with underwriting amount of RMB20.978 billion, representing a significant increase of 257.51% year-on-year. Orient Investment Banking continued to focus on traditional advantageous industries such as chemicals and semiconductors, and diversified into emerging sectors such as biomedicine and high-end manufacturing, thereby facilitating the growth and development of real economy enterprises.

## Section III Report of the Board

During the Reporting Period, Orient Investment Banking won the “Best IPO Project (CICC)”, the “Best Secondary Offering Project (Wingtech Technology)” and the “Most Creative Project (Wingtech Technology)” by New Fortune, the “SSE and SZSE Main Board Investment Banking Junding Award” and the “Main Board Financing Project Junding Award (CICC IPO)” by Securities Times and other awards, and was widely recognized by various parties in the society.

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

| (in RMB million)                            | January –<br>December 2021 | January –<br>December 2020 |
|---|----------------------------|----------------------------|
| <b>IPO:</b>                                 |                            |                            |
| Number of issuance                          | 9                          | 11                         |
| Amount underwritten as the lead underwriter | 13,025.00                  | 10,234.94                  |
| <b>Secondary offering:</b>                  |                            |                            |
| Number of issuance                          | 17                         | 10                         |
| Amount underwritten as the lead underwriter | 26,028.16                  | 6,847.14                   |
| <b>Total:</b>                               |                            |                            |
| Number of issuance                          | 26                         | 21                         |
| Amount underwritten as the lead underwriter | 39,053.16                  | 17,082.08                  |

### Development plan and outlook

In the future, the comprehensive implementation of the registration system will boost the financing size of the stock market and increase the proportion of direct financing by enterprises. Orient Investment Banking has established a project team with multi-regional coverage in all sectors of emerging areas, and has comprehensive project reserves in new energy, new materials, semiconductors, biomedicine and other sectors. It will take the opportunity of merging with the Parent Company to give full play to the advantages of a fully licensed securities firm, leverage on the Group’s resources in both primary and secondary markets, expand its business through collaborative platforms, and improve the efficiency of business development by leveraging on the policy of comprehensive implementation of registration system.

## Section III Report of the Board

### *Bond underwriting*

#### *Market environment*

In 2021, with the economy facing downward pressure and the policy keynote of stabilising growth, the relatively accommodative monetary policy environment has created favourable conditions for bond issuance. The regulatory authorities continued to release innovative debt financing products to further meet the financing needs of the real economy, creating a broader space for development of bond market. In 2021, the size of bonds issued amounted to RMB61.75 trillion, representing a year-on-year increase of 8.55%. In an environment of large-scale and frequent bond defaults, risk mitigation and control systems need to be gradually implemented and improved, placing higher requirements on the risk control capabilities and information disclosure of bond underwriting as the lead underwriter.

#### *Operation initiatives and business development*

During the Reporting Period, the Company conducted 293 lead underwriting projects, with a total underwritten amount of RMB151.846 billion.

The bond business of Orient Investment Banking continued to optimize the customer structure, continued to focus on high-quality customers such as AAA large central enterprises, state-owned enterprises and financial institutions, and served over 100 high-quality AAA customers as of the end of the Reporting Period. The Company continued to innovate bond varieties, practice the concept of green development and enhance its customer service capability. In 2021, the Company issued innovative products such as carbon neutrality corporate bonds, carbon neutrality financial bonds, innovation and entrepreneurship corporate bonds, panda corporate bonds, car park special corporate bonds and small and micro financial bonds. Despite the large amount of new default cases and frequent default in the bond market, the bond business of Orient Investment Banking maintained “zero default” through strict risk control. During the Reporting Period, Orient Investment Banking was rated A in the 2021 evaluation of corporate bond business practice capability of securities companies conducted by the Securities Association of China.

## Section III Report of the Board

During the Reporting Period, the Company maintained its industry leading position in terms of underwriting of interest rate bonds. In particular, book-entry treasury bond underwriting ranked third in the industry, and CDB financial bond underwriting and Agricultural Development Bank financial bond underwriting ranked second in the industry. The Company actively participated in the underwriting of local government bonds and ranked second in the industry in terms of underwriting local government bonds on the SZSE. During the Reporting Period, the Company won various awards including the “Bond Underwriting and Distribution (Underwriter) Innovation Award” by China Foreign Exchange Trading Center and National Inter-bank Funding Center, the “Outstanding Non-bank Bond Underwriter” and the “Non-bank Underwriter of Local Government Bonds with Outstanding Contribution” by China Central Depository and Clearing Co., Ltd., the “Outstanding Underwriter in Interbank Market” and “Market Expansion Award” by China Development Bank, the “Outstanding Inter-market Bond Trading Institution” and the “Outstanding Interest Rate Bond Underwriter” by the SZSE and the “Outstanding Underwriter of Local Government Bonds” and the “Outstanding Underwriter of Financial Bonds” by the SSE.

During the Reporting Period, the size of debt financing instruments of non-financial enterprises underwritten by the Company as lead underwriter exceeded RMB30 billion for the first time, ranking among the top 10 lead underwriting brokers. The Company won various awards including the Second Prize of Shanghai Financial Innovation Award by the Shanghai Municipal People’s Government, the Junding Award for Interbank Bond Financing Team in China’s Securities Industry, the Junding Award for Projects, the CNABS Most Influential Product Award and the Most Influential Expert Award.



## Section III Report of the Board

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

| (in RMB million)  | January –<br>December 2021 | January –<br>December 2020 |
|---|----------------------------|----------------------------|
| <b>Corporate debentures:</b>                                    |                            |                            |
| Number of underwriting as lead underwriter                      | 130                        | 86                         |
| Amount underwritten as lead underwriter                         | 73,155                     | 65,681                     |
| <b>Corporate bonds:</b>   |                            |                            |
| Number of underwriting as lead underwriter                      | 18                         | 11                         |
| Amount underwritten as lead underwriter                         | 11,376                     | 7,573                      |
| <b>Financial bonds:</b>   |                            |                            |
| Number of underwriting as lead underwriter                      | 26                         | 17                         |
| Amount underwritten as lead underwriter                         | 24,180                     | 24,903                     |
| <b>Asset-backed securities:</b>                                 |                            |                            |
| Number of underwriting as lead underwriter                      | 55                         | 14                         |
| Amount underwritten as lead underwriter                         | 14,287                     | 7,170                      |
| <b>Debt financing instruments of non-financial enterprises:</b> |                            |                            |
| Number of underwriting as lead underwriter                      | 64                         | 56                         |
| Amount underwritten as lead underwriter                         | 28,850                     | 26,875                     |
| <b>Total:</b>   |                            |                            |
| Number of underwriting as lead underwriter                      | 293                        | 184                        |
| Amount underwritten as lead underwriter                         | 151,846                    | 132,202                    |

### Development plan and outlook

For interest rate bond underwriting, the Company will continue to maintain its advantages in underwriting ranking in the same industry for treasury bonds and policy bank financial bonds, continue to deeply explore the trading needs of customers, and strive to expand the customer range and improve the customer structure.

For bond underwriting business, Orient Investment Banking will adhere to the regional development strategy, build a nationwide customer service network, and actively facilitate staff recruitment and business expansion. In the future, after merging with the Parent Company, the risk indicators of investment banking underwriting business will be optimized, the bond underwriting business licenses will be integrated, and the bond underwriting business will further develop leveraging on the capital strength and investment capability of the Group.

## Section III Report of the Board

### *Financial advisory services*

#### *Market environment*

During the Reporting Period, the continuous implementation of the registration system made IPO the preferred capital operation option for many companies, leading to continuous decline in the domestic merger and acquisition market. In addition, affected by the COVID-19 pandemic and the complex international environment, cross-border merger and acquisition became more difficult and transactions were subject to significantly more uncertainties.

#### *Operation initiatives and business development*

In 2021, Orient Investment Banking carried out M&A business in an orderly manner, six merger and asset reorganization projects passed the administrative review and were completed with total amount of approximately RMB25.124 billion. In particular, two M&A reorganization projects (Silan and Eastern Shenghong) passed the administrative review, and three cross-border M&A projects (acquisition of 100% shares of Rainbow Tech International Limited by Ninestar, acquisition of 26.47% shares of Gotion High-Tech by Volkswagen China, and Project Volga) and one cross-border reorganization and financing project (Pixelworks project) were completed. In addition, the Shanghai Phoenix project and Ninestar project, which passed administrative review in 2020, have completed reorganization in the first half of 2021. Orient Investment Banking has outstanding execution capabilities as an independent financial advisor in M&A and reorganization transactions subject to administrative review, and continued to maintain a 100% passing rate for its M&A and restructuring projects in 2021, ranking ninth in the industry in terms of amount of passing projects. During the Reporting Period, Orient Investment Banking won the “2020-2021 Golden Whistle Award for Best Financial Advisor of China Investment & M&A” and the “Golden Whistle Award for Most Valuable M&A (acquisition of 80% equity interest in ficonTEC by Feikong Taike)” in the 7th Golden Whistle Awards by Morning Whistle Group.

#### *Development plan and outlook*

In the future, Orient Investment Banking will focus on advantageous industries, put efforts in enterprises with leading advantages in communications and semiconductors, advanced manufacturing, automotive, medical and consumer products sectors, proactively encourage competent buyers to look for overseas targets and put great efforts in developing cross-border M&A business. In addition, it will also actively promote internal collaboration and provide clients with one-stop recommendations and services for capital market operations.

#### **(5) *Headquarters and Others***

Headquarters and others business of the Company mainly include the headquarters' treasury business, overseas business and financial technology business. During the Reporting Period, the headquarters and others business realized operating income of RMB2.429 billion, accounting for 8.25% of the total.

## Section III Report of the Board

### *Treasury business*

#### Market environment

During the Reporting Period, with high inflation and gradual recovery of employment market in the United States and Europe, increasing expectations of interest rate hikes and unwinding of balance sheet by the Federal Reserve, the United Kingdom has raised interest rates early and the European Central Bank has turned hawkish in its stance, leading to increased volatility in global markets, but China's economy in general continued its stable growth trend with basically stable macro leverage ratios. The People's Bank of China focused on maintaining stability with steady progress, adhered to flexible, moderate and stable monetary policies, strengthened cross-cycle adjustments, and maintained the continuity, stability and sustainability of monetary policy with an overall abundance of liquidity in the interbank market.

#### Operation initiatives and business development

With the aim of enhancing the capability of comprehensive control of the Company's own funds, the treasury business focuses on liquidity risk management and the bottom line of ensuring the safety of liquidity indicators, continuously improves the liquidity risk management system, coordinates and promotes the investment in liquidity reserve assets, optimizes the structure of reserve assets and enables the organic unification of safety, liquidity and profitability of reserve assets. It also coordinates and facilitates the centralised management of the Company's liquidity financing liabilities and debt financing liabilities, optimises the debt structure and maintains a reasonable ratio of short and long-term liabilities to ensure the safety of the Company's short-term liquidity and the stability of its long-term liquidity; and reasonably guides the leading effect of internal fund transfer pricing on business operation to facilitate the effective allocation of the Company's resources and the healthy development of its business. As of the end of the Reporting Period, the liquidity coverage ratio and net stable capital ratio of the Parent Company were 272.45% and 132.24%, respectively, leaving a large safety margin from the regulatory warning line of 120%.

#### Development plan and outlook

In the future, the Company will continue to improve refined and systematic liquidity management, enhance the active control ability and forward-looking guidance of liquidity risk management, fully explore the additional value of capital management, serve the operational objectives to enhance quality and efficiency, consolidate the cooperation basis of financing counterparties, ensure the liquidity of assets and stability of liabilities, and provide solid financial support for the stable development of the Company's business lines.

## Section III Report of the Board

### *Overseas business*

#### Market environment

In 2021, while China maintained its world-leading position in economic development and pandemic prevention and control, major overseas countries and regions were widely impacted by multiple rounds of the COVID-19 pandemic, causing volatility in capital markets. In 2021, Hong Kong's Hang Seng Index fell 14% and US stocks and China concepts stocks continued to fluctuate downwards. The Chinese-issued US dollar bonds market saw diverging trends, with the high yield bond index down 21% and the investment grade bond index largely unchanged from the start of the year.

#### Operation initiatives and business development

The Company engages in overseas business mainly through Orient Finance Holdings and Orient Securities International, wholly-owned subsidiaries of the Company, and their subsidiaries. In particular, as the Group's international business platform, Orient Securities International conducts securities brokerage, futures brokerage, asset management, investment banking, margin financing and securities lending and other businesses through wholly-owned subsidiaries licensed by the SFC. During the Reporting Period, Orient Securities International persisted in consolidating its advantageous business, accelerating structural transformation and leading business innovation, and strived to promote the overall business development and progress in continuous adjustment.

The brokerage business was poised for breakthrough. During the Reporting Period, Orient Securities International conducted securities brokerage business with a total transaction volume of HKD50.8 billion, representing a year-on-year increase of 26%; and had nearly 370,000 securities brokerage clients at the end of the period, representing an increase of 61% from the beginning of the period. During the year, it developed through various mobile Internet multimedia promotion platforms, established cooperation with the top two vertical securities trading platforms in China and facilitated the connection of the Orient Global Fortune App to All Funds, an international fund distributor. It also strengthened the institutional trading customer base, increased its efforts in promoting the PB system, launched the Hong Kong market sell-side Hong Kong and United States stock research report distribution service, published 161 reports covering 72 listed companies throughout the year, held its first research roadshow for overseas investors, and increased the annual institutional trading volume by 62% year-on-year.

Reserves were strengthened for general investment banking business. During the Reporting Period, the Company completed three H share IPO underwriting projects including SenseTime, and had six sponsoring projects in progress including the IPO of Lao Feng Xiang; completed fifty bond underwriting projects with a total underwriting amount of HKD7.4 billion, ranked sixth among China-based securities dealers in Hong Kong in terms of size of underwriting of high-yield bonds issued by China-based firms, and achieved breakthrough in the sell-side business by completing five projects.

## Section III Report of the Board

For asset management business, the Company continued to enhance its brand value. As of the end of the Reporting Period, Orient Securities International managed a total of 31 products with a total size of approximately HKD11.5 billion. During the Reporting Period, it successfully issued the Dongfanghong Greater China Bond Fund, the first independently managed publicly offered fund, and carried out fund investment advisory segment business. During the Reporting Period, its products won various major awards including the “Onshore RMB Bond Fund (5-Year) – Best Performance Award” by Asia Asset Management, a reputable magazine, the “Onshore RMB Bond Fund (5-Year) – Performance Award” and the “Asia Pacific ex-Japan Equity (3 Years) – Performance Award” in the 2021 Professional Investment Awards organized by Insight & Mandate.

The fixed income proprietary business delivered stable returns. Amidst the frequent credit default events and the volatility in the Chinese-issued US dollar bonds market during the year, the fixed income proprietary business closely monitored macro-environment and fundamental research, adhered to the absolute return long-short strategy, increased short-term trading of highly volatile targets, strictly prevented risks and seized opportunities amidst crises, and achieved positive returns against the market trend throughout the year.

### Development plan and outlook

In the future, Orient Securities International will promote the overseas expansion of domestic resources, improve cross-border cooperation mechanism, continue to carry out effective regulatory coordination and internal control management, and explore differentiated competitive strategies. In particular, it will enhance the development strength of its brokerage business in terms of clients and technology; balance the size of its fixed income business and play the role as a stabilizer; enhance the brand influence of its asset management business; focus on project implementation and clarify the business path of “investment + investment banking” to facilitate the development of its investment banking business. It will also put efforts in enhancing the quality and effectiveness of governance, management and control, orderly improve the quality and standards of its work, and continue to strengthen its core competitiveness in international business development.

### Financial technology

#### Market environment

On March 11, 2021, the fourth session of the 13th National People’s Congress passed the “14th Five-Year Development Plan”, which clearly proposed to “accelerate digital development”, promote digital industrialization and industrial digitization, and facilitate the in-depth integration of digital economy and real economy. Meanwhile, as digital transformation of the securities industry accelerates, fintech is transforming from serving business to leading and empowering business. In 2020, investment in information technology in the securities industry amounted to RMB26.287 billion, representing a year-on-year increase of 21.31% and accounting for 7.47% of the operating income in 2019. The increasing investment in information technology lays a solid foundation for the digital transformation and high-quality development of the industry.

## Section III Report of the Board

### Operation initiatives and business development

The Company promoted high-quality corporate development with the strategic driver of digital transformation. The Company strived to achieve unified planning, strengthened independent research and development, continued to promote the integrated development of financial technology, and continued to develop in the areas of innovation of integration mechanism, digital transformation of management, business scenario empowerment, and middle platform framework implementation to comprehensively promote digital transformation.

The Company facilitated business development and formed the dual drivers and in-depth integration of technology and business. For proprietary investment business, the Company improved the overall performance of the Super Investment Management Platform (SIMP) by more than 8 times with self-developed architecture, developed a carrier-class application for investment management business, and achieved full asset trading, full business support and full process control through completely independent research and development. For institutional services, the Orient Speed Trading (OST) system has launched stock, margin financing and securities lending, and stock options trading functions with remarkable performance advantages, thereby achieving the goal of business development driven by technology. For wealth management business, the asset allocation and strategic investment research platform formed a relatively comprehensive functional system, deepened its application in various businesses, and provided platform-level intelligent investment research and decision-making supporting tools. For retail services, Orient Winners APP kept on iterating rapidly and continued to promote the implementation of technology from three aspects of meeting the new business and industry regulatory requirements of the exchange, the requirements of business development of various business departments and user experience optimization. DFZQ Octopus Internet APP version 1.0 was launched with core functions such as general transactions, margin financing and securities lending, account opening and business processing, and shared the Internet business platform with Orient Winners APP, greatly reducing research and development costs.

The Company strengthened management and risk control, completed the construction of the Group's risk control indicators consolidated management and the same business and same customer system, effectively enhancing the Group's overall risk control capability. It also completed the first phase of its IT digital management platform which enables collaboration and data sharing of business management and project management, thereby further refining and digitalizing IT management. Full implementation of automatic settlement was achieved for operation management and the intelligent audit project was launched, which significantly improved operation management and enhanced business efficiency.

## Section III Report of the Board

The Company carried out transformation of its technical architecture and continued to facilitate the implementation of the “thick middle platform and thin application” middle platform strategy, further improved the capability sharing center, data middle platform and innovative technology middle platform, and continued to improve the system utilization efficiency. The microservices governance framework was deeply incorporated into the business system, which facilitated the transformation of the Company’s research, development and operation integrated management model.

During the Reporting Period, the project of “Exploration and Implementation of Cross-Language Service Governance Framework in Securities Industry”, a project of the Company in the field of technology architecture transformation, won the second prize of the 2020 research project of the Research and Development Center for Financial Technology in Securities and Futures Industry (Shenzhen) of the SZSE; and the “Interbank Business System” won the 2020 “Best Technology Award” and “Automatic Transaction Innovation Award” by the National Foreign Exchange Trading Center.

### Development plan and outlook

In the future, the Company will uphold the concept of digital transformation, integrated development driven by both technology and business, innovate the integration mechanism, promote cross-functional flexible collaboration and internal and external integration; promote management transformation and strengthen the construction of digital management system; empower business development and develop core competitiveness in various directions such as new generation trading system, quantitative ecosystem, investment research big data and construction of large proprietary platform; promote the middle platform strategy and implement the structural transformation of shared middle platform.

- (1) There were no material purchase contracts or material sales contracts performed by the Company during the Reporting Period.
- (2) There was no change in the scope of consolidation as a result of changes in the shareholding of the Company’s major subsidiaries during the Reporting Period.
- (3) There were no material changes or adjustments in the business, products or services of the Company during the Reporting Period.

## Section III Report of the Board

### (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 RMB28.563 billion, up by RMB0.916 billion or 3.31% over the same period of last year. The change in revenue and other income was mainly attributable to the year-on-year increase in fee income from asset management, securities and futures brokerage, investment banking and other businesses of the Company during the Reporting Period. Details were as follows:

Commission and fee income amounted to RMB10.399 billion, accounting for 36.41% of the total and representing an increase of 30.74%, which was primarily attributable to the increase in fee income from asset management, securities and futures brokerage, investment banking and other businesses of the Company.

Interest income amounted to RMB5.982 billion, accounting for 20.94% of the total and representing an increase of 8.00%, which was primarily attributable to the increase in interest income from advances to customers and the increase in interest income from deposits with exchanges and financial institutions and bank balances.

Net investment gains amounted to RMB3.301 billion, accounting for 11.56% of the total and representing a decrease of 36.21%, which was primarily attributable to the decrease in gains from disposal of financial assets at fair value through profit or loss and unrealised gains from change in fair value.

Other revenue and income amounted to RMB8.881 billion, accounting for 31.09% of the total and representing a decrease of 1.10%, which was primarily attributable to the decrease in income from sales of bulk commodities of subsidiaries.



## Section III Report of the Board

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

Unit: '000 Currency: RMB

| Items                          | 2021       |            | 2020       |            | Changes    |            |
|--------------------------------|------------|------------|------------|------------|------------|------------|
|                                | Amount     | Proportion | Amount     | Proportion | Amount     | Proportion |
| Commission and fee income      | 10,399,067 | 36.41%     | 7,953,858  | 28.77%     | 2,445,209  | 30.74%     |
| Interest income                | 5,981,386  | 20.94%     | 5,538,183  | 20.03%     | 443,203    | 8.00%      |
| Net investment gains           | 3,301,001  | 11.56%     | 5,175,065  | 18.72%     | -1,874,064 | -36.21%    |
| Other income and gains         | 8,881,348  | 31.09%     | 8,979,880  | 32.48%     | -98,532    | -1.10%     |
| Total revenue and other income | 28,562,802 | 100.00%    | 27,646,986 | 100.00%    | 915,816    | 3.31%      |

### 2. Total expenses

During the Reporting Period, total expenses of the Group reached RMB23.700 billion, down by RMB2.373 billion or 9.10% year-on-year, which was mainly attributable to the decrease in impairment allowance for stock pledge projects. Details were as follows:

Staff costs were RMB4.994 billion, down by 1.36%, which was mainly attributable to the decrease in remuneration expense related to business income.

Interest expenses were RMB4.518 billion, down by 5.08%, which was mainly attributable the decrease in interest expenses for debts and financing.

Commission and fee expenses were RMB0.999 billion, up by 20.01%, which was mainly attributable to the increase in fee expenses from agency sales of securities and futures.

Depreciation and amortization expenses were RMB0.719 billion, up by 8.73%, which was mainly attributable to the increase in depreciation of fixed assets and right-of-use assets and amortization of intangible assets.

Other expenses, including operation expenses, and tax and surcharges, were totally RMB11.156 billion, up by 2.62%, which was mainly attributable to the increase in cost of sales, administrative expenses and other operating costs of subsidiaries.

Impairment losses were RMB1.314 billion, representing a decrease of 66.19%, which was mainly attributable to the decrease in provision for credit impairment loss of stock pledge repurchase business.

## Section III Report of the Board

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

Unit: '000 Currency: RMB

| Items                         | 2021              | 2020       | Changes    |            |
|-------------------------------|-------------------|------------|------------|------------|
|                               |                   |            | Amount     | Percentage |
| Staff costs                   | <b>4,994,030</b>  | 5,062,944  | -68,914    | -1.36%     |
| Interest expenses             | <b>4,517,636</b>  | 4,759,411  | -241,775   | -5.08%     |
| Commission and fee expenses   | <b>998,871</b>    | 832,327    | 166,544    | 20.01%     |
| Depreciation and amortization | <b>719,989</b>    | 662,189    | 57,800     | 8.73%      |
| Other expenses                | <b>11,155,792</b> | 10,871,077 | 284,715    | 2.62%      |
| Impairment losses             | <b>1,313,633</b>  | 3,885,132  | -2,571,499 | -66.19%    |
| Total                         | <b>23,699,951</b> | 26,073,080 | -2,373,129 | -9.10%     |

### 3. Research and development investment

(1) Table of research and development investment

Unit: Yuan Currency: RMB

|   |                |
|---|----------------|
| Expenses of research and development investment of current period | 358,365,185.51 |
| Capitalized research and development investment of current period | 118,499,313.41 |
| Total research and development investment                         | 476,864,498.92 |
| Percentage of research and development investment of revenue (%)  | 1.96           |
| Percentage of capitalized research and development investment (%) | 24.85          |

## Section III Report of the Board

### (2) Table of research and development staff

|   |                 |
|---|-----------------|
| Number of research and development staff of the Company   | 262             |
| Percentage of staff of research and development of the total number of staff of the Company (%) | 3.34            |
| Educational background of research and development staff  |                 |
| Education level   | Number of staff |
| Doctor  | 10              |
| Master  | 156             |
| Bachelor  | 95              |
| Junior college graduate   | 1               |
| High school and below   | 0               |
| Age distribution of research and development staff  |                 |
| Age group   | Number of staff |
| Below 30 (excluding 30)   | 50              |
| 30-40 (including 30 but excluding 40)   | 164             |
| 40-50 (including 40 but excluding 50)   | 41              |
| 50-60 (including 50 but excluding 60)   | 7               |
| 60 and above  | 0               |

### 4. Contribution to social welfare

In 2021, the Group invested a total of RMB39.5940 million in charitable donations and other public welfare activities.

### 5. Cash flow

During the Reporting Period, the Company recorded RMB2.134 billion net increase in cash and cash equivalents, including:

- (1) Net cash used in operating activities amounted to RMB9.458 billion, which was mainly attributable to:
  - i. RMB22.971 billion of net cash outflow was attributable to increase in restricted cash or cash held on behalf of clients and clearing settlement funds;
  - ii. RMB17.938 billion of net cash outflow was attributable to increase in financial assets at fair value through profit or loss and derivative financial assets;
  - iii. RMB4.420 billion of net cash outflow was attributable to increase in deposits and reserves and deposits with exchanges;
  - iv. RMB23.369 billion of net cash inflow was attributable to increase in account payables to brokerage clients.

## Section III Report of the Board

- (2) Net cash from investment activities was RMB18.492 billion, which was primarily attributable to:
    - i. RMB14.380 billion of net cash inflow as a result of investment and disposal of financial investment;
    - ii. Net cash inflow of RMB4.349 billion as a result of receipt of investment dividend and interest.
  - (3) Net cash used in financing activities amounted to RMB6.900 billion, which was mainly attributable to:
    - i. Net cash outflow of RMB2.760 billion as a result of payment of interests of bonds, short-term payables and borrowings;
    - ii. Net cash outflow of RMB1.989 billion as a result of payment of dividends to shareholders and holders of perpetual bonds;
    - iii. Net cash outflow of RMB1.779 billion as a result of issuance, borrowing and repayment of bonds, short-term financing bills payables and borrowings.
- (iii) During the Reporting Period, the Company did not record any material change in profit as a result of non-major operations.

## Section III Report of the Board

### (iv) 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 RMB326.600 billion, total liabilities of RMB262.457 billion and total equity of RMB64.143 billion. Analysis on items of consolidated statement of financial position is set out below:

Unit: '000 Currency: RMB

| Items   | As of the end of 2021 |            | As of the end of 2020 |            | Changes     |            |
|---|-----------------------|------------|-----------------------|------------|-------------|------------|
|   | Amount                | Proportion | Amount                | Proportion | Amount      | Proportion |
| <b>Total assets</b>   | <b>326,599,622</b>    |            | 291,117,442           |            | 35,482,180  | 12.19%     |
| Cash and bank balances  | 90,555,816            | 27.73%     | 65,640,360            | 22.56%     | 24,915,456  | 37.96%     |
| Clearing settlement funds   | 25,472,872            | 7.80%      | 21,516,357            | 7.39%      | 3,956,515   | 18.39%     |
| Deposits with exchanges and non-bank financial institutions         | 2,655,369             | 0.81%      | 2,183,090             | 0.75%      | 472,279     | 21.63%     |
| Derivative financial assets   | 279,902               | 0.09%      | 155,876               | 0.05%      | 124,026     | 79.57%     |
| Placements to banks and other financial institutions                | 382,833               | 0.12%      | 0                     | 0.00%      | 382,833     | N/A        |
| Advance to financing customers                                      | 24,344,922            | 7.45%      | 21,171,919            | 7.27%      | 3,173,003   | 14.99%     |
| Account receivables   | 1,011,537             | 0.31%      | 874,406               | 0.30%      | 137,131     | 15.68%     |
| Financial assets held under resale agreements                       | 11,502,955            | 3.52%      | 14,460,425            | 4.97%      | (2,957,470) | -20.45%    |
| Financial assets at fair value through profit or loss               | 90,584,006            | 27.73%     | 72,701,117            | 24.98%     | 17,882,889  | 24.60%     |
| Debt instruments at fair value through other comprehensive income   | 58,599,581            | 17.94%     | 62,645,975            | 21.52%     | (4,046,394) | -6.46%     |
| Equity instruments at fair value through other comprehensive income | 4,138,153             | 1.27%      | 10,936,458            | 3.76%      | (6,798,305) | -62.16%    |
| Debt instruments at amortized cost                                  | 3,594,039             | 1.10%      | 6,243,897             | 2.14%      | (2,649,858) | -42.44%    |
| Deferred tax assets   | 1,438,838             | 0.44%      | 1,455,922             | 0.50%      | (17,084)    | -1.17%     |
| Investments in associates   | 6,553,668             | 2.01%      | 5,771,194             | 1.98%      | 782,474     | 13.56%     |
| Right-of-use assets   | 774,013               | 0.24%      | 847,355               | 0.29%      | (73,342)    | -8.66%     |
| Investment property   | 352,411               | 0.11%      | 40,461                | 0.01%      | 311,950     | 770.99%    |
| Properties and equipment  | 2,234,866             | 0.68%      | 2,225,662             | 0.76%      | 9,204       | 0.41%      |

## Section III Report of the Board

Unit: '000 Currency: RMB

| Items  | As of the end of 2021 |            | As of the end of 2020 |            | Changes     |            |
|--|-----------------------|------------|-----------------------|------------|-------------|------------|
|  | Amount                | Proportion | Amount                | Proportion | Amount      | Proportion |
| Other intangible assets                                      | 250,647               | 0.08%      | 215,313               | 0.07%      | 35,334      | 16.41%     |
| Contractual assets   | 0                     | 0.00%      | 1,742                 | 0.00%      | (1,742)     | -100.00%   |
| Goodwill   | 32,135                | 0.01%      | 32,135                | 0.01%      | 0           | 0.00%      |
| Other account receivables, other receivables and prepayments | 1,841,059             | 0.56%      | 1,997,778             | 0.69%      | (156,719)   | -7.84%     |
| Total liabilities  | 262,456,516           |            | 230,886,298           |            | 31,570,218  | 13.67%     |
| Due to banks and other financial institutions                | 8,485,677             | 3.23%      | 9,670,114             | 4.19%      | (1,184,437) | -12.25%    |
| Short-term financing bills payable                           | 7,096,803             | 2.70%      | 16,255,486            | 7.04%      | (9,158,683) | -56.34%    |
| Account payables to brokerage clients                        | 90,012,125            | 34.30%     | 66,642,671            | 28.86%     | 23,369,454  | 35.07%     |
| Financial assets sold under repurchase agreements            | 62,741,993            | 23.91%     | 52,860,883            | 22.89%     | 9,881,110   | 18.69%     |
| Financial liabilities at fair value through profit or loss   | 16,588,356            | 6.32%      | 14,576,073            | 6.31%      | 2,012,283   | 13.81%     |
| Derivative financial liabilities                             | 733,829               | 0.28%      | 504,957               | 0.22%      | 228,872     | 45.33%     |
| Contractual liabilities                                      | 91,413                | 0.03%      | 404,124               | 0.18%      | (312,711)   | -77.38%    |
| Current tax liabilities                                      | 638,543               | 0.24%      | 570,867               | 0.25%      | 67,676      | 11.85%     |
| Accrued staff cost   | 2,431,922             | 0.93%      | 2,608,009             | 1.13%      | (176,087)   | -6.75%     |
| Borrowings   | 558,645               | 0.21%      | 579,732               | 0.25%      | (21,087)    | -3.64%     |
| Lease liabilities  | 781,842               | 0.30%      | 856,910               | 0.37%      | (75,068)    | -8.76%     |
| Bond payables  | 67,509,217            | 25.72%     | 62,265,473            | 26.97%     | 5,243,744   | 8.42%      |
| Deferred tax liabilities                                     | 19,202                | 0.01%      | 20,179                | 0.01%      | (977)       | -4.84%     |
| Other account payables, other payables and accruals          | 4,766,949             | 1.82%      | 3,070,820             | 1.33%      | 1,696,129   | 55.23%     |
| Total equity   | 64,143,106            |            | 60,231,144            |            | 3,911,962   | 6.49%      |

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

## Section III Report of the Board

### 2. *Assets*

As at the end of the Reporting Period, the Group's total assets reached RMB326.600 billion, an increase of RMB35.482 billion or 12.19% from the end of last year, which was mainly attributable to the increase in bank balance and financial assets at fair value through profit or loss. In the Group's assets, currencies, clearing settlement funds, deposits with exchanges and non-bank financial institutions and placements to banks and other financial institutions amounted to RMB119.067 billion, an increase of RMB29.727 billion from the end of last year, accounting for 36.46% of total assets. Financial investment and derivative financial assets amounted to RMB157.196 billion, an increase of RMB4.512 billion from the end of last year, accounting for 48.13% of total assets. Advance to financing customers, financial assets held under resale agreements and account receivables amounted to RMB36.859 billion, an increase of RMB0.353 billion from the end of last year, accounting for 11.28% of total assets. Long-term equity investment, fixed assets and others amounted to RMB13.478 billion, an increase of RMB0.890 billion from the end of last year, accounting for 4.13% 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 RMB262.457 billion, an increase of RMB31.570 billion or 13.67% from the end of last year. The gearing ratio, net of account payables to brokerage clients, was 72.89%, a decrease of 0.24 percentage point 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 RMB146.393 billion, an increase of RMB4.761 billion from the end of last year, accounting for 55.77% of total liabilities. Financial liabilities held for trading and derivative financial liabilities amounted to RMB17.322 billion, an increase of RMB2.241 billion from the end of last year, accounting for 6.60% of total liabilities. Account payables to brokerage clients amounted to RMB90.012 billion, an increase of RMB23.369 billion from the end of last year, accounting for 34.30% of total liabilities. Accrued staff cost, current tax liabilities, contractual liabilities and others amounted to RMB8.730 billion, an increase of RMB1.199 billion from the end of previous year, accounting for 3.33% of total liabilities.

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### 4. Borrowings and bond financing

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB83.650 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 2021 | As of the end of 2020 |
|---|-----------------------|-----------------------|
| Bond payables                                 | 67,509,217            | 62,265,473            |
| Borrowings                                    | 558,645               | 579,732               |
| Short-term financing bills payables           | 7,096,803             | 16,255,486            |
| Due to banks and other financial institutions | 8,485,677             | 9,670,114             |
| Total   | 83,650,342            | 88,770,805            |

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.

### 5. Overseas assets

The Company has overseas assets of RMB18.960 billion, accounting for 5.81% of the total assets.

### 6. Transactions between the Company and its overseas subsidiaries

In accordance with relevant requirements of the Measures for the Administration of Overseas Establishment and Acquisition of, and Shareholding in, Operating Institutions of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》), the transactions between the Company and its overseas subsidiaries are as follows: as of the end of 2021, the Company's internal transactions with its overseas subsidiaries in both asset and liability items amounted to RMB39 million, involving accounts receivable, other assets, payments for agency securities sales and other liabilities.

### 7. Major assets subject to restriction as of the end of the Reporting Period

For details, please refer to Note 18 to the consolidated financial statements herein.



## Section III Report of the Board

### (v) Explanations on change in the scope of consolidation of the statements

1. As compared with the end of last year, the Group added five entities into its scope of consolidation, which included four and one structured entities newly consolidated by Orient Finance Holdings and Orient Futures, respectively.
2. As compared with the end of last year, the Group excluded eleven entities from its scope of consolidation during the year, which included one, one and six structured entities excluded by the Parent Company, Orient Futures and Orient Finance Holdings, respectively, and three subsidiaries excluded by Orient Securities Capital Investment.

### (vi) 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 July 2021, the Company contributed additional capital of RMB450 million to Orient Securities Innovation Investment, a wholly-owned subsidiary, and completed the industrial and commercial registration of change of registered capital from RMB5.8 billion to RMB6.25 billion. This capital increase has been considered and approved at the president working meeting of the Company. The purpose of the capital increase was to further strengthen the synergy within the Group, actively participate in the strategic placing on the Science and Technology Innovation Board and the ChiNext, seize development opportunities, effectively enhance the market competitiveness and risk resistance of Orient Securities Innovation Investment, and further optimize the overall business layout and income structure of the Company.

In August 2021, the Company contributed additional capital of RMB950 million to Orient Securities Innovation Investment, a wholly-owned subsidiary, and completed the industrial and commercial registration of change of registered capital from RMB6.25 billion to RMB7.2 billion. This capital increase has been considered and approved at the president working meeting of the Company. The purpose of the capital increase was to further strengthen the synergy within the Group, meet the needs of business development of such subsidiary, seize development opportunities, effectively enhance the market competitiveness and risk resistance of Orient Securities Innovation Investment, and further optimize the overall business layout and income structure of the Company.

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In November 2021, the Company contributed additional capital of RMB500 million to Orient Futures, a wholly-owned subsidiary, and completed the industrial and commercial registration of change of registered capital from RMB2.3 billion to RMB2.8 billion. This aforesaid capital increase has been considered and approved at the Board meeting and the president working meeting of the Company. The purpose of the capital increase is to enhance the comprehensive competitiveness of Orient Futures, expand the scale of investment and operation, broaden business channels, supplement the net capital of the futures company and meet the needs of development planning.

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

During the Reporting Period, the Company did not establish any new securities branches, and the total number of securities branches of the Company was 177 branches.

(3) *New futures branches established by the Company*

During the reporting period, the Company's futures subsidiary established 2 new futures branches.

Zhengzhou Shangdu Road branch of Orient Futures Co., Ltd at No. 7 and 8, 2/F, Caixin Building, No. 27 Yongping Road Community, Shangdu Road, Zhengdong New Area, Zhengzhou, Henan Province, the PRC.

Nanjing branch of Orient Futures Co., Ltd at Room 706 (Room 1006, 10/F for Lift), No. 188 Lushan Road, Jianye District, Nanjing, Jiangsu Province, the PRC.

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

DFZQ Jiaxing Zhongshan South Road Securities Branch was relocated within the same city. The branch was relocated from No. 1776 Zhongshan West Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC to No. 864, 866 and 868 Guangyi Road, Jiaxing Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC. The name of the branch was changed to DFZQ Jiaxing Guangyi Road Securities Branch.

DFZQ Beijing Dajiaoting South Street Securities Branch was relocated within the same city. The branch was relocated from No. 106, 1/F & No. 2017, 2/F, Building 1, No. 5, Dajiaoting South Street, Chaoyang District, Beijing, the PRC to Room A111, 1/F & Room A212, 2/F, Block 17, No. 8 Guanghua Road, Chaoyang District, Beijing, the PRC. The name of the branch was changed to DFZQ Beijing Guomao Securities Branch.

(5) *Relocation of the Company's futures branches*

Shanghai Xinzha Road Branch of Orient Futures Co., Ltd was relocated within the same city. The branch was relocated from Room 407, Block 1, No. 1418 Xinzha Road, Jing'an District, Shanghai, the PRC to Room 1107, No. 458 Fushan Road, China (Shanghai) Pilot Free Trade Zone. The name of the branch was changed to Shanghai Fushan Road Outlet of Orient Futures Co., Ltd.

## Section III Report of the Board

Changsha Branch of Orient Futures Co., Ltd was relocated within the same city. The branch was relocated from 7/F, Zhongtian Power Building, No. 471, West Labor Road, Yuhua District, Changsha, Hunan Province, the PRC to 2118, Kaibin Commercial Plaza, No. 419 Shaoshan Middle Road, Yuhua District, Changsha, Hunan Province. The name of the branch remains unchanged.

Tianjin Branch of Orient Futures Co., Ltd was relocated within the same city. The branch was relocated from 1-1-803, Rongqiao Center, Building 1, Shanglanyuan, Intersection of Changjiang Avenue and Naikai Liuma Road, Nankai District, Tianjin, the PRC to 1-1-2406, Rongqiao Center, Building 1, Shanglanyuan, Intersection of Changjiang Avenue and Naikai Liuma Road, Nankai District, Tianjin, the PRC. The name of the branch remains unchanged.

Shanghai Branch of Orient Futures Co., Ltd was relocated within the same city. The branch was relocated from 35/F and 7/F, Building 2, No. 318, Zhongshan South Road, Huangpu District, Shanghai, the PRC to Room 3105, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC. The name of the branch remains unchanged.

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

In strict compliance with the relevant requirements on account management by the CSRC and CSDCC, the Company further optimized its long-term account management mechanism, and made further standardized clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which had been put in separated reserve category. In 2021, the Company has totally standardized 27 unqualified capital accounts, 13 unqualified securities accounts; 1,969 activated small-amount-dormant capital accounts, 3,467 activated small-amount-dormant securities accounts; 22 activated dormant capital accounts without risk management, and 25 activated dormant securities accounts without risk management, all of which have been put in separated reserve category.

As of December 31, 2021, the Company had 2,683,234 capital accounts and 4,483,342 securities accounts, of which 2,191,015 and 3,910,025 were qualified capital accounts and qualified securities accounts respectively, 10,258 and 1,198 were unqualified capital accounts and unqualified securities accounts respectively, 448,345 and 557,757 were small-amount-dormant capital accounts and small-amount-dormant securities accounts respectively, and 33,616 and 14,362 were dormant capital accounts without risk management and dormant securities accounts without risk management respectively.

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

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

The Company always attaches importance to the development of innovative business and takes it as an important way to realize its strategic plan. During the Reporting Period, the Company carried out in-depth innovative business and achieved favourable results, which were mainly reflected as follows:

- 1) The Company's income from innovative business always maintains a high proportion of its total operating income. After years of development, the innovative business has developed new revenue sources and profit drivers for the Company. During the Reporting Period, the Company's income from innovative business accounted for 44.4% of the total income, providing strong support for the Company's performance growth during the year.
- 2) Certain innovative businesses of the Company have developed brand influence and made innovative breakthroughs in other areas. During the Reporting Period, the Company's asset management actively developed in equity, fixed income+ and asset allocation businesses, actively explored innovative business models and continued to maintain industry-leading position in terms of net income from asset management business. The Company released its sustainable development plan and became the first in the industry to set specific quantitative governance targets; for green finance, the Company jointly published the "DFZQ Carbon Neutrality Index" and helped enterprises issue carbon neutrality asset-backed commercial papers and green financial bonds, etc. The Company's first corporate interest rate derivatives transaction and first foreign exchange agency transaction were successfully completed.
- 3) The Company continued to obtain awards for its innovative business. During the Reporting Period, the Company received various awards for its innovative business. In particular, the Green Asset-backed Commercial Paper (Carbon Neutrality Bond) of Shanghai Shenergy Financial Leasing Co., Ltd. underwritten by the Company as a lead underwriter won the second prize of the Shanghai Financial Innovation Achievement Award. The project of "Exploration and Implementation of Cross-Language Service Governance Framework in Securities Industry" of the Company won the second prize of the annual outstanding project of the Research and Development Center for Financial Technology in Securities and Futures Industry. The project of "A New Generation of Institutional Trading Service Platform based on Distributed Architecture" of the Company won the third prize under the 7th Securities and Futures Science and Technology Awards.

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- 4) The Company further expanded its qualifications for innovative business. As a comprehensive securities firm, the Company has a complete set of business qualifications and licenses, and enjoys first-mover advantages in certain innovative business sectors. During the Reporting Period, the Company became the first securities company in the second batch of qualification for trial operation of publicly offered fund investment advisory business to pass the on-site regulatory inspection and be permitted to conduct business. The successful implementation of such innovative business marked a new starting point for the wealth management transformation and upgrading of the Company, and was of great significance to the Company in rapidly consolidating its advantages in the wealth management market and expanding to new development sectors. China Universal also obtained the qualification for trial operation of fund investment advisory business and officially launched the investment advisory business.

### (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.

## Section III Report of the Board

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 reports, 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*

During the Reporting Period, based on the regulatory requirements and for the purpose of its own risk management, the Company continued to improve the 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. In addition, based on changes in market, business development, technology and regulatory environment, the Company constantly improved the risk control indicator system and continuously optimized the functions of the system for dynamic monitoring of risk control indicators, including setting up a Group risk consolidation management system to dynamically generate Group risk control indicators on a T+1 day basis, so as to synchronously cover various business activities conducted by the Company and effectively support the monitoring of risk control indicators of 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.

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### (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 are 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 ways including issuance of long-term subordinated bonds.

### (3) *Establishment of stress testing mechanism*

The Company has established the regular stress testing mechanism and conducts comprehensive stress tests and special stress tests on a regular or irregular basis based on market changes, business scale and risk levels 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 due to major external investment or acquisition, major external guarantee, major fixed asset investment, profit distribution or other capital expenditure, negative adjustment to the ratings of securities firms, concentrated maturity or redemption of liabilities or other relevant activities, or when the Company needs to determine the scale of significant business or commence significant innovative business or internal or external material risks are expected to or have occurred. Furthermore, suggestions on adjustment to business scale based on the analysis of testing results and the Company's risk tolerance should be provided for the reference of the management when making decisions.

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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 registered with, 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".



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(3) *The Company's liabilities structure*

Please refer to “Section III, 5, (iv) 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, 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 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 continuously improved its liquidity risk management monitoring system and strengthened the monitoring approaches in terms of risk exposure and cash flow so as to increase the effectiveness of daily monitoring and enable front-end management of liquidity risk coverage ratio and net stable funding ratio. 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.

## Section III Report of the Board

### (vii) Analysis on investments

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

As at the end of the Reporting Period, investment in associates of the Group amounted to RMB6.554 billion, representing an increase of RMB0.782 billion, or 13.56%, from the end of last year, which was mainly attributable to the Group's share of results of associates of RMB1.444 billion and the cash dividend or profit declared to be paid by associates of RMB0.693 billion. For details of investment in subsidiaries, please refer to Note 38 to the consolidated financial statements herein.

1. During the Reporting Period, the Company had no material equity investments.
2. During the Reporting Period, the Company had no material non-equity investments.
3. During the Reporting Period, the Company had no major investment or purchase of capital assets.
4. 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               | 87,947,400                                | 90,584,006                           | 17,698,179                                   | 46,028                               | 2,981,104                         |
| 2. Debt instruments at fair value through other comprehensive income   | 57,017,596                                | 58,599,581                           | (4,322,433)                                  | 306,358                              | 216,608                           |
| 3. Equity instruments at fair value through other comprehensive income | 3,863,040                                 | 4,138,153                            | (7,366,579)                                  | 568,274                              | 647,805                           |
| 4. Derivative financial instruments                                    | (36,804)                                  | (453,927)                            | 144,522                                      | (269,939)                            | (956,862)                         |

### (viii) Material assets and equity acquisition and disposal

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

## Section III Report of the Board

### (ix) Analysis on major subsidiaries and associates

1. Orient Futures Co., Ltd, with a registered capital of RMB2.8 billion, is 100% owned by the Company. As at December 31, 2021, total assets of Orient Futures amounted to RMB71.621 billion, and its net assets amounted to RMB4.354 billion. In 2021, its operating income (income from principal business) amounted to RMB10.030 billion, the profit from principal business amounted to RMB0.786 billion, and the net profit amounted to RMB0.592 billion.

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, 2021, total assets of Orient Securities Capital Investment amounted to RMB5.133 billion, and its net assets amounted to RMB4.986 billion. In 2021, its operating income amounted to RMB0.578 billion, and the net profit amounted to RMB0.256 billion.

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, 2021, total assets of Orient Securities Asset Management amounted to RMB5.443 billion, and its net assets amounted to RMB3.675 billion. In 2021, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB3.747 billion, RMB1.872 billion and RMB1.438 billion, respectively.

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

4. Orient Securities Investment Banking Co., Ltd., with a registered capital of RMB0.8 billion, is 100% owned by the Company. As at December 31, 2021, total assets of Orient Investment Banking amounted to RMB2.319 billion, and its net assets amounted to RMB1.616 billion. In 2021, its operating income and net profit amounted to RMB1.308 billion and RMB0.265 billion, 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.

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5. Shanghai Orient Securities Innovation Investment Co., Ltd. has a registered capital of RMB7.2 billion and was 100% owned by the Company. As at December 31, 2021, total assets of Orient Securities Innovation Investment amounted to RMB8.139 billion, and its net assets amounted to RMB6.976 billion. In 2021, its operating income and net profit amounted to RMB0.735 billion and RMB0.503 billion, 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 HKD2.754 billion and was 100% owned by the Company. As at December 31, 2021, total assets of Orient Finance Holdings amounted to HKD20.410 billion, and its net assets amounted to HKD2.268 billion. In 2021, its operating income and net loss amounted to HKD-5 million and HKD0.288 billion, 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 RMB0.133 billion and its 35.412% equity interests is held by the Company. As at December 31, 2021, total assets of China Universal amounted to RMB13.459 billion, and its net assets amounted to RMB8.799 billion. In 2021, its operating income (income from principal businesses) amounted to RMB9.379 billion, the profit from principal businesses and net profit was RMB4.351 billion and RMB3.263 billion, respectively.

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

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

When determining whether to consolidate structured entities, the Company considers total variable returns from such structured entities attributable to the companies within the consolidation scope, the risk exposures and other factors, and has incorporated 21 structured entities into the consolidation scope, including 5 structured entities newly consolidated during the year, and 8 structured entities were excluded due to reasons such as due liquidation and loss of control caused by changes in shareholding.

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

Unit: '000 Currency: RMB

| Items             | December 31, 2021 or<br>the year of 2021 |
|-------------------|--|
| Total assets      | 7,918,863                                |
| Total liabilities | 398,211                                  |
| Total net assets  | 7,520,652                                |
| Operating income  | -57,771                                  |
| Net profit        | -115,034                                 |

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

### (xi) Use of Capital Raised

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.

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Use of proceeds as committed in the H share prospectus of the Company is as follows:

- (1) approximately 35% to be used to further develop the Company's brokerage and securities finance business;
- (2) approximately 30% to be used to develop the Company's overseas business;
- (3) approximately 15% to be used to expand the Company's investment management business;
- (4) approximately 10% to be used to develop the Company's securities sales and trading business;
- (5) approximately 5% to be used for capital expenditure to upgrade information systems and expand the network of light business branches;
- (6) approximately 5% to be used for working capital and other general corporate purposes.

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: HKD2.560 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, HKD0.265 billion for capital expenditure, and HKD0.416 billion for working capital and others. The Company utilized a cumulative of HKD7.295 billion of proceeds raised through H shares. Save for the above use of funds, approximately HKD0.132 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 Company's development strategy and actual requirements in the next two years. (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.

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

#### (i) Industrial layout and trend

In recent years, with the gradual decline in commission rates and the increasing saturation of the market, competition in the traditional business market has become increasingly fierce and securities companies have begun to actively seek diversification. Currently, the securities industry in China is consolidating at a faster pace and the competitive landscape of the industry is showing a trend of concentration and diversification with the following characteristics:

##### *Increased concentration*

Since the implementation of the risk regulation system by the CSRC with a focus on net capital, the development of various new businesses also poses higher requirements on the scale of net capital. In recent years, the “Matthew effect” in the securities industry has become increasingly pronounced, with industry resources rapidly concentrating on high-quality securities firms with large scale and strong capital strength, and the securities industry is becoming more concentrated rapidly. With the increasing market concentration in China’s securities industry, the securities industry has formed a competitive landscape dominated by securities companies with large capital size, with the long-tail effect gradually emerging where the strong stay strong.

In the medium to long term, the acceleration of merger, acquisition and consolidation in the securities industry is in line with the policy guidance and the industry development pattern. Firstly, the gradual acceleration of merger, acquisition and consolidation in the securities industry is an important manifestation of the financial supply-side reform, which is conducive to optimising the institutional system, market system and product system of the securities industry and thus providing more efficient financial services with higher quality for the development of the real economy. Secondly, merger, acquisition and consolidation can help strengthen the overall competitiveness of the securities industry and help domestic securities companies face up to the comprehensive competition from international investment banks; lastly, based on the development experience of mature capital markets, the gradual consolidation of the securities industry is in line with the objective law and is a necessary stage in the development of the industry. For large securities companies, merger, acquisition and consolidation can further secure their leading position in the industry; for small and medium-sized securities companies, on the premise of generating synergies, they can quickly achieve their own leapfrogging growth through merger, acquisition and consolidation and take opportunity of tight corners to make swift progress.

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### *Differentiated development*

At present, the securities industry is characterised by similar business scope and income structure with low levels of differentiation. In general, the differences in profit models of Chinese securities companies are still not significant and the situation of homogeneous competition remains fundamentally unchanged. Nevertheless, as the business boundaries of the securities industry continue to grow and securities business qualifications gradually expand, increased competition in the securities industry is forcing securities companies to actively explore distinctive and specialised development paths, with the development trend of differentiation already emerging. Securities companies will continue to explore innovative businesses and innovative products, their income structure will gradually improve, and the profit model of the securities industry will also show a trend of differentiation. In particular, the income contribution of asset-heavy businesses such as capital intermediary and capital-based businesses will increase significantly, further benefiting large securities firms with stronger capital strength.

### *Comprehensive financial services*

With the transformation and development of China's economy and the rapid growth of direct financing, clients' demand for financial services has become more diversified, personalised and refined, posing higher requirements on the professionalism and diversity of securities firms' services. As such, securities firms must change towards a "customer-centric" approach. Firstly, they need to change their business philosophy and shift from relying on licence advantages to value guidance and resource allocation, and focus on building core competitiveness such as pricing ability, sales ability and product design ability to meet the long-term development requirements of the capital market. Secondly, they need to have an industry mindset and build a comprehensive financial service system with focus on venture capital, equity financing, bond financing, merger and acquisition and restructuring, asset securitisation, capital intermediary, asset management, etc. based on customer needs, thereby satisfying customers' all-round and whole-life cycle investment and financing needs.

### *Empowered with financial technology*

As the world enters the era of digital economy, the application of financial technology has become an important way for the securities industry to achieve high-quality development. Transforming from serving business to empowering and leading business, financial technology continuously renovates and improves customer experience, changes transaction models, inspires new business models and enhances the intelligent level of investment decision-making, risk-based pricing and product design. Financial technology has profoundly changed the direction of customer demand, and an all-in-one service approach has become necessary to meet customer demand; the "platform-based" development based on Internet mindset has downplayed the traditional channel concept of financial institutions and enabled a network connection through platform-based operation system. It can be expected that with the continuous guidance and support of regulatory policies, the pressure from "cross-sector" operations of internet companies and the demand for online services arising from the prevention and control of COVID-19 pandemic, securities companies will continue to strengthen their overall planning of and investment in financial technology in order to promote innovation in financial products and services.



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### *International development*

Since the implementation of the Rules for the Establishment of Foreign Invested Securities Companies in 2002, foreign financial institutions have been setting up representative offices and joint venture securities companies in China. To further encourage the opening up of China's securities industry, China issued the Administrative Measures for Foreign Invested Securities Companies in 2018, which stated that "foreign investors are allowed to hold joint venture securities companies" and "the business scope of joint venture securities companies will be gradually expanded". Since the CSRC's announcement in April 2020 to remove the limitation on shareholding of foreign shareholders in securities companies nationwide, there have been frequent reports of major foreign companies expanding their operations in China.

Since 2018, certain securities companies have been granted the qualification of trial operation of cross-border business, and the policy direction of encouraging securities companies to "go global" has emerged on the back of the two-way opening of the capital market. The income contribution of international business is becoming increasingly significant for certain securities companies that have started their international business early with highly developed business. With favourable policy direction, international business development has been gradually deepened.

Securities companies will seize the opportunity of capital market reform arising from the comprehensive opening up of the industry, fully utilize their advantages in professional operation and client resources to build a collaboration platform of domestic and overseas resources, and form a virtuous cycle of complementary cooperation between the local market and cross-border operation in order to meet the needs of the real economy for diversified and cross-regional global resource deployment and asset allocation. In the future, international business will gradually become an important part of securities companies' efforts in building a diversified income structure and differentiated competitive advantages.

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

In 2021, the Company published and implemented the 2021-2024 strategic plan. In line with such 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 that provides integrated financial services for customers", adheres to the core values of "Customer First, People Oriented, Professionalism Based and Innovation Centered", upholds the corporate values of "being united, enterprising, pragmatic and efficient", striving to achieve the new round of strategic development goals.

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The goals of 2021-2024 strategic plan of the Company are to pursue professional and high-quality development of as a first-class modern investment bank, strive to enhance its core competitiveness, endeavor to approach the first-tier level of the industry in terms of scale, strength and operational efficiency, and make more contribution to the capital market reform and development and the construction of Shanghai as an international financial center. Specific objectives under the plan are to effectively promote business transformation, significantly increase and improve the number and quality of customers, continuously enhance operational efficiency, accelerate digital transformation, develop a young and professional talent team, and carry out effective compliance and risk management.

Focusing on the above strategic objectives, the Company will rely on the strategic drivers of “digital transformation, collective management and internationalization”, and follow the overall strategic framework of “focusing on three major customer systems, building four major business segments and enhancing six management effectiveness”. During the planning period, the Company will take a customer-oriented approach to reconstruct the service system focusing on three types of customers; build four major business segments based on comprehensive financial services; and improve six major management support systems with the goal of enhancing management efficiency and effectiveness. With the above measures, the Company will actively strive to achieve the new round of strategic goals.

### (iii) Business plan

In 2022, the Company’s general idea is to uphold the general keynote of “maintaining stability with steady progress”, facilitate the Company’s high-quality development, promote reform with practical efforts, seek development with innovation, deepen changes in core areas, achieve the organic combination of “strengthening the core competitiveness of main business, maintaining effective capital operation and improving market valuation”, and strive to achieve “three stability and three progress”. The overall strategy is to build on the good start of the new strategic plan, take performance improvement as the direction, strengthen the responsibility as the guarantee, focus on “two enhancements, two consolidation and one breakthrough”, comprehensively facilitate development driven by three major strategies, capture opportunities to promote the construction of four major business clusters, deepen the reform in five major areas of capital, talent, mechanism, management and technology, and eliminate major risk of violation of law and regulations, thus facilitating the Company to achieve further success.

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The Company will further promote the vertical management of compliance risk control, substantiate its responsibility for overall compliance risk management and ensure stable operation without major risk events. The Company will make effective top-level design to promote reform and strengthen basic management to enhance management effectiveness. The Company will fully implement relevant tasks under the new plan, accelerate development driven by three major strategies, optimized group management, coordinate the overall resource allocation of the Company, establish “One Orient” and promote business management synergy; focus on making breakthrough based on actual situation and fully improve the efficiency of financial technology empowerment to achieve the goal of digital transformation; promote the mutual conversion of domestic and overseas business advantages, and steadily promote integrated business management. The Company will also seize the momentum to promote rapid business development, build four business clusters with a customer centric approach, and capture the opportunities of the era to promote the development of wealth management business; utilize the advantages in investment research business to enhance the quality of institutional full-chain services; establish a comprehensive collaboration system for corporate clients led by the investment banking business; and make great efforts to reinforce the foundation and maintain the brand of distinctive asset management business.

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

#### 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.

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The Company adopts daily mark-to-market, concentration analysis and quantitative risk model to manage business scale, 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 2021, the global economy gradually recovered from the bottom, but the overall pattern showed an uneven and unsynchronised recovery. China led the global economic recovery with an effective pandemic prevention mechanism and the advantage of a complete industrial chain, and continued to maintain its resilience and stability with favourable momentum, yet also faced triple pressure from contracting demand, supply shock and weakening expectation. Style rotation intensified in the stock market where prime sectors such as food and beverages, pharmaceuticals and bio-technology, and household appliances retreated sharply, and carbon neutrality became the main focus of the market throughout the year with related new energy vehicles, photovoltaics and other high-end manufacturing sectors rising rapidly. The A-share market in general showed a significant divergence between a structural bull market and a potential market crash. Against this backdrop, the Shanghai Composite Index closed the year at 3639.78 points, up 4.80% from the same period of last year, while the SZSE Component Index closed at 14857.35 points, up 2.67% for the year. 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.

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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 2021, characterised by abundant liquidity and rapid credit crunch, market allocation forces continued to drive down interest rates, with the interest rate curve steepening in the front followed by a flattening trend. In the first half of the year, the domestic economy performed relatively well, but the main contributor came from external demand, while domestic demand has been relatively weak, and the economy was still affected by the pandemic. Therefore, monetary policy as a whole remained accommodative, and liquidity fluctuated at some points, but generally stayed relatively abundant around the midpoint of the 7-day reverse repo. In the second half of the year, the real estate market rapidly declined, coupled with the pandemic and supply disturbances, the domestic economic growth rate retreated. The requirement reserve ratio cut in July brought increased expectation of monetary easing, and credit crunch did not see a significant improvement, driving bond yields to keep fluctuating downwards. The Company's position holding of debt slightly increased as compared to last year and the debts accounting for 75.01% 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 increased to 4.30 years from 3.38 years as at the end of previous year. As at the end of the Reporting Period, the basic point value was RMB37.1983 million, representing an 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.

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### ③ Foreign exchange risk

After significant fluctuations in international financial markets in 2020, the RMB exchange rate became less volatile in 2021, with the RMB continuing its strong performance against the US dollar and major non-USD currencies. Throughout the year, the RMB/USD spot exchange rate largely fluctuated in both directions within the range of 6.35-6.58, first depreciating and then rising following the USD index in the first half of the year, and then mainly showing a sideways trend in the second half of the year.

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 2021, 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 VaR of the Company’s overall market risk was RMB147 million with a confidence level of 95%.

### (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.

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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 transactions 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, pledged bonds management, 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, concentration management and supervisory reporting, and handled risk projects through mandatory close-out mechanism and legal proceedings. In addition, the Company has established the same business and same customer management mechanism based on external guidelines and in line with the Company's actual business development, to carry out unified measurement, monitoring and management of credit business, improve the Group credit management system for the Company's credit business and further refine credit risk management.

### (3) *Liquidity risk*

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds at a reasonable cost in time to pay its debts when falling due, fulfill other payment obligations and meet the capital demand for normal business development.

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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. For management of daily liquidity position, the Company reserves sufficient high-quality liquid assets, sets corresponding limits on liquidity reserve assets and monitors cash flow shortfall on a daily basis to ensure the smooth operation of the Company's business and the timely repayment of liabilities as they fall due. The Company carefully determines the qualitative principles and quantitative indicators of liquidity risk appetite at the beginning of each year, 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 and irregular liquidity stress testing and emergency exercise, continuously updates and improves the stress scenario and report, analyses the results of the stress tests to identify risk spots and vulnerabilities, and applies the results of the stress tests in the Company's relevant decision-making processes. During the Reporting Period, the Company continued to improve its liquidity risk management system, utilized the information system to effectively identify, measure, monitor and control the liquidity risk, and ensured that the Company's liquidity coverage ratio and net stable funding ratio continued to meet regulatory requirements. During the Reporting Period, the Company put more efforts into liquidity risk management of subsidiaries, improved the liquidity risk management capabilities of subsidiaries and explored to establish an intra-group liquidity risk management system.

### (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.

For operational risk management, the Company conducted careful review on the operational procedure based on its internal control procedure and 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 updated the assessment on the identified operational risks, and monitored the key operational risks by establishing key risk indicators. The Company has realized operational risk losses data 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 risks. The Company has completed the implementation of operational risk management of its subsidiaries to align with the Parent Company.



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(5) *Money laundering and terrorism financing risk*

Money laundering and terrorism financing risk refers to the risk that the products or services of financial institutions are manipulated by criminals to engage in money laundering and terrorism financing activities, which will adversely affect the Company in terms of law, reputation, compliance and operation.

During the Reporting Period, the Company did not have any money laundering risk incidents. The Company continued to improve its anti-money laundering work by continuously improving the anti-money laundering internal control rules, upgrading the anti-money laundering system, optimising the work mechanism, strengthening compliance inspection and diversifying the education and training work. Based on regulatory requirements and operational needs, the Company continued to carry out customer information management to lay a good foundation for subsequent work. The Company conducted group-level money laundering risk assessment and allocated appropriate resources based on the assessment results to prevent money laundering risks actively and efficiently.

(6) *Reputational risk*

Reputation risk mainly refers to the risk that due to the Company's operation or external events, and the violation of honest practice requirements, professional ethics, business norms, industry rules and regulations and other related behaviours by the staff, resulting in negative reviews of the Company by investors, issuers, regulatory authorities, self-regulatory organisations, the general public and the media, thereby damaging the brand value, adversely affecting the normal operation of the Company, and even affecting market stability and social stability.

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During the Reporting Period, the Company did not encounter any material public sentiment events that had an impact on the reputation of the Company, certain sensitive events had been addressed efficiently and appropriately. The Company primarily manages its reputational risk by the following means: (i) in order to effectively manage the Company's reputational risk, improve the comprehensive risk management system, prevent staff moral risks and maintain the image of the securities industry and market stability, the Company revised the Reputational Risk Management Measures of 東方證券股份有限公司 and incorporated the reputational situation into the human resources management system. (ii) With third party support, the Company upgraded its public sentiment monitoring system and built a reputational risk management system to carry out relevant work. As of now, the public sentiment monitoring system has gathered billions of data in the financial field covering the whole network, with a total accumulated data volume of over 2.19 billion, a total push volume of over 230 million, over 200 servers, and over 100 partnering institutions; of which over 870 million were news website data, over 438 million were WeChat data, over 438 million were APP data, and over 220 million were blog and forum data with a coverage of over 1 million self-media. In addition, the Company utilised the "Reputation Cloud" reputational risk management system to assist in the monitoring, research, analysis, response and handling of the Company's public sentiment information and meet the Company's needs for effective prevention of, response to and handling of reputational risks. Based on massive media data accumulation, semantic intelligent analysis and big data processing, the "Reputation Cloud" system enables the whole process management of monitoring, early warning and tracking of reputational risk events, including early warning in advance, timely handling during the event, and tracking of response effectiveness afterwards; and quantifies and visualises the reputational risk management capability. (iii) The Company has established a comprehensive public sentiment reporting system. Public sentiment is reported to the key management of the Company in the form of monthly public sentiment briefings and reported to the Board of the Company as well as Shenergy Group through the risk control department to ensure that the Board and the management are aware of the reputational risk level of the Company in a timely manner. Special public sentiment analysis reports are prepared for sudden and sensitive public sentiment, which are generally reported to the Company's management and relevant departments in a timely manner in the form of daily reports.

In addition to the risks above, the Company also faces compliance risks, legal risks and moral risks in the course of operation management which are covered by the Company's comprehensive risk management system, with the relevant responsible departments identified, corresponding management systems established and corresponding technical measures implemented.

## Section III Report of the Board

### 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 sound and endogenous comprehensive risk management system and effective internal control system, which covers the whole process of decision-making, implementation, supervision and feedback and effectively ensures 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, risk appetite, risk tolerance 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, 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 its 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.

## Section III Report of the Board

Based on the requirements of industry culture construction, 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 and specifies performance assessment standards to effectively ensure that the Company's various business developments comply with regulatory requirements.

### 3. *Investment in 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 investment was RMB293,122.8 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 RMB874,630.4 thousand.

## Section III Report of the Board

### (v) Others

#### 1. *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.

#### 2. *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 and the waiver granted by the Hong Kong Stock Exchange.

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

Mr. Zhou Donghui, a non-executive Director of the Company, has been a non-executive director of Haitong Securities Co., Ltd. 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.

#### 4. *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).

#### 5. *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.

## Section III Report of the Board

### 6. *Share option scheme*

The Company did not set any share option scheme.

### 7. *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 2021, the percentage of the revenue attributable to the five largest clients of the Company did not exceed 5% of the Group's total revenue.

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

### 8. *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 IV, IX. Information on the Staff of the Parent Company and Major Subsidiaries as at the End of the Reporting Period" of this report. For the relationships between the Company and its major customers and suppliers, please refer to "Section III, VI, (v), 7. Major clients and suppliers" of this report.

### 9. *Proposal on profit distribution*

For the proposal on profit distribution, please refer to "Section IV, X. Proposal on Profit Distribution or on Transfer of Capital Reserve Fund into Share Capital" of this report.

## Section III Report of the Board

### 10. 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.

## Section III Report of the Board

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.



## Section III Report of the Board

### (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%.

## Section III Report of the Board

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).

### 11. *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).

## Section III Report of the Board

### 12. *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.

### 13. *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.

### 14. *Equity-linked agreement*

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

### 15. *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, 2021, and did not raise any objection to the accounting policies and practices adopted by the Company.

### 16. *Directors, Supervisors and Senior Management*

For details of the composition and changes of directors, supervisors and senior management of the Company during the Reporting Period, please refer to “Section IV, IV. Directors, Supervisors and Senior Management”.

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

The Board is of the view that during the Reporting Period, the Company conducted its business activities and made relevant decisions in strict compliance with the Company Law, the Securities Law, the Regulations Governing the Supervision and Administration of Securities Companies, the Code of Governance for Securities Companies, the Code of Governance for Listed Companies, the Corporate Governance Code and other relevant laws and regulations as well as the Articles of Association. The Company is not aware of any violation of laws, regulations and the Articles of Association by its Directors, Supervisors and senior management in the performance of their duties or damage to the interests of the Company and its shareholders. For details of penalties imposed on the Company during the Reporting Period, please refer to “Section VI, X. Violation of laws and regulations by, punishment on and rectification of the listed company and its directors, supervisors, senior management, controlling shareholders and de facto controller” of this annual report.

## Section III Report of the Board

### **18. *Share Capital and Equity and Debt Issuance***

For the Company's share capital and share and debenture issuance as of December 31, 2021, please refer to "Section VII Changes in Shares and Information on Shareholders" and "Section IX Information on Bonds" of this annual report.

### **19. *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.

## **VII. 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 IV 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 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 of listed company where the general meeting, the Board, the Supervisory Committee and the management perform their own functions and responsibilities corresponding to their respective positions in a collaborative manner with effective check and balance, 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 legitimate and valid, with the information disclosed in a true, accurate, complete, timely and fair manner.

During the Reporting Period, according to the new Securities Law, the Guidelines on Articles of Association of Listed Companies and relevant regulatory requirements, the Company amended and optimized its Articles of Association twice, and amended the Administrative Measures for Connected Transactions of the Company, the Administrative Measures for Insider Registration and Confidentiality of the Company and other internal rules and regulations according to relevant regulations based on the Company's actual situation, which had been considered and approved by the Board and at general meetings of the Company. By the continuous improvement in the above systems, the Company has witnessed a continuously standardized corporate governance structure, and an increasingly improved corporate governance level.

## Section IV Corporate Governance

During the Reporting Period, as considered and approved at the 2021 first extraordinary general meeting of the Company and the first meeting of the fifth session of the Board of Directors, the president of the Company was elected to concurrently serve as the chairman of the Company, which caused the Company to comply with all provisions of the Corporate Governance Code other than code provision A.2.1 then in force (which was amended as code provision C.2.1 since 1 January 2022). The division of responsibilities between the chairman and the president has been clearly defined in the Rules of Procedure of the Board of Directors and the Rules of Work of the President adopted by the Board of Directors of the Company, and given that the Company's major decisions are still made jointly by over ten persons including other executive Directors, non-executive Directors, independent non-executive Directors and employee representative Director under the fifth session of the Board, and the Board committees and independent non-executive Directors are able to play an active, professional and supervisory role to effectively address potential governance issues that may arise from the chairman also being the president, the Company has therefore met the requirements of the most recommended best practices set out in the Corporate Governance Code.

During the Reporting Period, the Company convened 40 meetings in total, including 3 general meetings, 10 meetings of the Board, 6 meetings of the Supervisory Committee, 2 meetings of the Strategic Development Committee, 6 meetings of the Compliance and Risk Management Committee, 7 meetings of the Remuneration and Nomination Committee and 6 meetings of the Audit Committee under the Board of Directors.

### (ii) Formulation and implementation of insider registration and management system

During the Reporting Period, the Company made corresponding amendments to the System regarding Insider Registration, Management and Confidentiality of the Company according to the newly revised Regulations on System regarding Insider Registration and Management of Listed Companies of the CSRC. 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.

## Section IV Corporate Governance

### (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 include:

- (1) to develop 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 legal and regulatory requirements;
- (4) to develop, 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 laws, administrative regulations and the requirements of the CSRC on governance of listed companies.

## II. SPECIFIC MEASURES TAKEN BY THE COMPANY'S CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER TO ENSURE THE INDEPENDENCE OF ASSETS, STAFF, FINANCE, INSTITUTIONS AND BUSINESS OF THE COMPANY, AND SOLUTIONS ADOPTED TO ENSURE THE COMPANY'S INDEPENDENCE, WORK PROGRESS AND FOLLOW-UP WORK PLANS

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.

## Section IV Corporate Governance

### (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 or dismiss 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 which are 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 independently according to the laws and has business licenses, properties, operating equipment and trademarks necessary to conduct business.



## Section IV Corporate Governance

### (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.

The Company does not have the controlling shareholder, the de facto controller and other entities under their control are not engaged in the same or similar business as those of the Company, and the Company is not impacted by any horizontal competition or significant changes in horizontal competition.

## Section IV Corporate Governance

### III. BRIEF INTRODUCTIONS TO GENERAL MEETINGS

| Session of the meeting   | Date of convening | Reference of the website specified for resolutions disclosure  | Disclosure date of resolutions | Resolutions of the meeting                                 |
|--|-------------------|--|--------------------------------|--|
| 2021 first extraordinary general meeting   | March 5, 2021     | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a><br><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | March 6, 2021<br>March 5, 2021 | All resolutions were passed<br>All resolutions were passed |
| 2020 annual general meeting, 2021 first A Shares class meeting and 2021 first H Shares class meeting | May 13, 2021      | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a><br><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | May 14, 2021<br>May 13, 2021   | All resolutions were passed<br>All resolutions were passed |
| 2021 second extraordinary general meeting  | July 20, 2021     | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a><br><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | July 21, 2021<br>July 20, 2021 | All resolutions were passed<br>All resolutions were passed |

#### 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; 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; consider and approve changes in use of proceeds; amendments to the Articles of Association and so on.

During the Reporting Period, the Company convened the 2021 first extraordinary general meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on March 5, 2021, at which one special resolution, being the "Resolution in Relation to the Amendments to Certain Articles of the Articles of Association of the Company", and two ordinary resolutions, being the "Resolution in Relation to the Election of the Board of the Company" and the "Resolution in Relation to the Election of the Supervisory Committee of the Company", were considered and approved. 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 March 6, 2021.

## Section IV Corporate Governance

During the Reporting Period, the Company convened the 2020 annual general meeting, 2021 first A share class meeting and 2021 first H share class meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on May 13, 2021. At the 2020 annual general meeting, nine special resolutions were considered and approved, including the “Proposal Regarding the Amendments to Certain Articles of the Articles of Association of the Company”, the “Proposal Regarding the General Mandate to Issue Offshore Debt Financing Instruments of the Company”, the “Proposal Regarding the Use of Proceeds from Previous Fund-Raising Activities”, the “Proposal on the Company’s Compliance with Requirements on Rights Issue”, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on the Plan of Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on Feasibility Analysis Report on Use of Proceeds to be Raised From Rights Issue by the Company”, the “Proposal on Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties” and the “Proposal on the Submission to the General Meeting of the Company for Full Authorization to the Board to Deal with Relevant Matters in Relation to the Rights Issue” and eleven ordinary resolutions were considered and approved, including the “Report of the Board of Directors of the Company for the Year 2020”, the “Report of the Supervisory Committee of the Company for the Year 2020”, the “Final Accounts Report of the Company for the Year 2020”, the “Profit Distribution Proposal of the Company for the Year 2020”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2021”, the “Annual Report of the Company for the Year 2020”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2021”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2021”, the “Proposal in Relation to the Election of Independent Non-executive Director of the Company”, the “Proposal Regarding the Allowances for Independent Supervisors of the Company” and the “Proposal Regarding the Engagement of Auditing Firms for the Year 2021”. At the 2021 first A share class meeting, six special resolutions were considered and approved, including the “Proposal on the Company’s Compliance with Requirements on Rights Issue”, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on the Plan of Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on Feasibility Analysis Report on Use of Proceeds to be Raised From Rights Issue by the Company”, the “Proposal on Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties” and the “Proposal on the Submission to the General Meeting of the Company for Full Authorization to the Board to Deal with Relevant Matters in Relation to the Rights Issue”. At the 2021 first H share class meeting, the “Proposal on the Company’s Compliance with Requirements on Rights Issue”, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on the Plan of Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on Feasibility Analysis Report on Use of Proceeds to be Raised From Rights Issue by the Company”, the “Proposal on Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties” and the “Proposal on the Submission to the General Meeting of the Company for Full Authorization to the Board to Deal with Relevant Matters in Relation to the Rights Issue” were considered and approved. 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 14, 2021.

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During the Reporting Period, the Company convened the 2021 second extraordinary general meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on July 20, 2021, at which two special resolutions, being the “Resolution on the Absorption of and Merger With Orient Securities Investment Banking Co., Ltd., a Wholly-owned Subsidiary” and the “Resolution on the Change of Business Scope of the Company”, and one ordinary resolution of “Resolution in Relation to the Amendments to the Management Measures of Related-Party Transactions of the Company”, were considered and approved. 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 July 21, 2021.

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.

### IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (i) Changes in shareholding and remunerations of current and resigned Directors, Supervisors and senior management during the Reporting Period

| Name         | Position <sup>(Note)</sup>       | 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 | Unit: share(s)  |  |
|--------------|----------------------------------|--------|---------------|---|-----------------------------------|--|------------------------------------|---|---------------------|---|--|
|              |                                  |        |               |   |                                   |  |                                    |   |                     | 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 |
| Song Xuefeng | CPC Party committee secretary    | Male   | 1970          | 2020-09-09                              | /                                 | 0  | 0                                  | 0                                       | Nil                 | 0   | Yes  |
| Jin Wenzhong | Executive Director               | Male   | 1964          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 309.50  | No   |
|              | Deputy Party committee secretary |        |               | 2010-09-08                              | /                                 |  |                                    |   |                     |   |  |
|              | Executive Director               |        |               | 2010-09-27                              | 2024-03-04                        |  |                                    |   |                     |   |  |
|              | Chairman                         |        |               | 2021-03-05                              | 2024-03-04                        |  |                                    |   |                     |   |  |
| Yu Xuechun   | Non-executive Director           | Male   | 1964          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0   | Yes  |
|              |                                  |        |               | 2020-05-15                              | 2024-03-04                        |  |                                    |   |                     |   |  |
| Liu Wei      | Non-executive Director           | Male   | 1973          | 2018-03-14                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0   | Yes  |
| Zhou Donghui | Non-executive Director           | Male   | 1969          | 2020-05-15                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0   | Yes  |
| Cheng Feng   | Non-executive Director           | Male   | 1971          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0   | Yes  |
| Ren Zhixiang | Non-executive Director           | Male   | 1969          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0   | Yes  |
| Zhu Jing     | Employee representative Director | Female | 1969          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 277.45  | No   |

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| Name          | Position <sup>(Notes)</sup>            | 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 | Unit: share(s)   |  |
|---------------|--|--------|---------------|---|-----------------------------------|--|------------------------------------|---|---------------------|--|--|
|               |  |        |               |   |                                   |  |                                    |   |                     | Total pre-tax remuneration from the Company during the Reporting Period (RMB'0000) | Whether received remuneration from any related party of the Company or not |
| Xu Zhiming    | Independent non-executive Director     | Male   | 1961          | 2016-07-08                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 16.00  | No   |
| Jin Qinglu    | Independent non-executive Director     | Male   | 1972          | 2017-10-16                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 19.00  | No   |
| Wu Hong       | Independent non-executive Director     | Male   | 1956          | 2020-12-08                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 19.00  | No   |
| Feng Xingdong | Independent non-executive Director     | Male   | 1977          | 2020-12-08                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 16.00  | No   |
| Luo Xinyu     | Independent non-executive Director     | Male   | 1974          | 2021-05-13                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 10.67  | No   |
| Zhang Qian    | Chairman of Supervisory Committee      | Male   | 1974          | 2018-05-23                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0  | Yes  |
|               | Shareholder representative Supervisor  |        |               | 2018-03-06                              | 2024-03-04                        |  |                                    |   |                     |  |  |
|               | Deputy Party committee secretary       |        |               |   |                                   |  |                                    |   |                     |  |  |
| Du Weihua     | Vice chairman of Supervisory Committee | Male   | 1964          | 2020-01-10                              | /                                 | 0  | 0                                  | 0                                       | Nil                 | 333.69   | No   |
|               | Employee representative Supervisor     |        |               | 2020-02-19                              | 2024-03-04                        |  |                                    |   |                     |  |  |
|               | Employee representative Supervisor     |        |               | 2020-02-14                              | 2024-03-04                        |  |                                    |   |                     |  |  |
| Wu Junhao     | Non-executive Director                 | Male   | 1965          | 2011-03-29                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0  | Yes  |
|               | Shareholder representative Supervisor  |        |               | 2021-03-05                              | 2024-03-04                        |  |                                    |   |                     |  |  |
| Zhang Jian    | Shareholder representative Supervisor  | Male   | 1965          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0  | Yes  |
| Shen Guangjun | Shareholder representative Supervisor  | Male   | 1979          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0  | Yes  |
| Tong Jie      | Shareholder representative Supervisor  | Female | 1968          | 2018-03-06                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 0  | Yes  |
| Xia Lijun     | Independent supervisor                 | Male   | 1976          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 8.33   | No   |
| Ruan Fei      | Employee representative Supervisor     | Female | 1971          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 246.82   | No   |
| Ding Yan      | Employee representative Supervisor     | Female | 1979          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 225.95   | No   |

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|               |                                       |        |               |   |                                   |  |                                    |   |                     |                             | Unit: share(s)   |  |
|---------------|---------------------------------------|--------|---------------|---|-----------------------------------|--|------------------------------------|---|---------------------|-----------------------------|--|--|
| Name          | Position <sup>(Note)</sup>            | 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 | Reporting Period (RMB'0000) | Total pre-tax remuneration received from the Company during the Reporting Period | Whether received remuneration from any related party of the Company or not |
|               |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Shu Hong      | Vice president                        | Male   | 1967          | 2014-04-16                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 333.69                      | No   |  |
|               | Chief information officer             |        |               | 2019-06-13                              | 2021-11-01                        |  |                                    |   |                     |                             |  |  |
|               | Financial controller                  |        |               | 2021-11-01                              | 2024-03-04                        |  |                                    |   |                     |                             |  |  |
| Zhang Jianhui | Vice president                        | Male   | 1968          | 2015-07-24                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 303.69                      | No   |  |
|               | Financial controller                  |        |               | 2012-01-11                              | 2021-11-01                        |  |                                    |   |                     |                             |  |  |
| Lu Weiming    | Vice president                        | Male   | 1971          | 2020-09-11                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 567.95                      | No   |  |
| Yang Bin      | Vice president                        | Male   | 1972          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 393.30                      | No   |  |
|               | Chief risk officer                    |        |               | 2015-05-08                              | 2024-03-04                        |  |                                    |   |                     |                             |  |  |
|               | Chief Compliance officer              |        |               | 2015-05-08                              | 2024-03-04                        |  |                                    |   |                     |                             |  |  |
| Xu Haining    | Vice president                        | Female | 1970          | 2021-03-05                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 382.80                      | No   |  |
|               | Assistant to the president            |        |               | 2018-11-22                              | 2021-03-05                        |  |                                    |   |                     |                             |  |  |
| Wang Rufu     | Secretary to the Board                | Male   | 1973          | 2016-11-28                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 270.12                      | No   |  |
| Lu Dayin      | Chief information officer             | Male   | 1972          | 2021-11-01                              | 2024-03-04                        | 0  | 0                                  | 0                                       | Nil                 | 24.27                       | No   |  |
| Li Xiang      | Non-executive Director                | Male   | 1971          | 2014-10-29                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0                           | Yes  |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Xia Jinghan   | Non-executive Director                | Female | 1969          | 2018-03-12                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0                           | Yes  |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Xu Jianguo    | Non-executive Director                | Male   | 1964          | 2016-11-08                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0                           | Yes  |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| He Xuan       | Independent non-executive Director    | Male   | 1982          | 2020-12-08                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 4.00                        | No   |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Huang Laifang | Shareholder representative Supervisor | Female | 1969          | 2018-03-06                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0                           | Yes  |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Liu Wenbin    | Shareholder representative Supervisor | Male   | 1975          | 2011-03-29                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0                           | No   |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Yin Keding    | Shareholder representative Supervisor | Male   | 1964          | 2014-10-30                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0                           | Yes  |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Wu Zhengkui   | Shareholder representative Supervisor | Male   | 1974          | 2012-03-19                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 0                           | No   |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Zhou Wenwu    | Employee representative Supervisor    | Male   | 1961          | 2015-08-11                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 23.50                       | No   |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Yao Yuan      | Employee representative Supervisor    | Male   | 1973          | 2014-10-29                              | 2021-03-05                        | 0  | 0                                  | 0                                       | Nil                 | 24.25                       | No   |  |
| (resigned)    |                                       |        |               |   |                                   |  |                                    |   |                     |                             |  |  |
| Total         | /                                     | /      | /             | /                                       | /                                 |  |                                    |   | /                   | 3,809.98                    | /  |  |

## Section IV Corporate Governance

### Notes:

1. The Company held the 2021 first extraordinary general meeting on March 5, 2021, at which the non-employee Directors and non-employee representative Supervisors of the fifth session of the Board and the Supervisory Committee were elected, and will compose the fifth session of the Board and the Supervisory Committee together with employee representative Directors and employee representative Supervisors elected at the meeting of employee representatives held on February 9, 2021. The fifth session of the Board of the Company comprises Mr. Song Xuefeng and Mr. Jin Wenzhong as executive Directors, Mr. Yu Xuechun, Mr. Liu Wei, Mr. Zhou Donghui, Mr. Cheng Feng and Mr. Ren Zhixiang as non-executive Directors, Ms. Zhu Jing as the employee representative Director, and Mr. Xu Zhiming, Mr. Jin Qinglu, Mr. Wu Hong and Mr. Feng Xingdong as independent non-executive Directors. The fifth session of the Supervisory Committee of the Company comprises Mr. Zhang Qian, Mr. Wu Junhao, Mr. Zhang Jian, Mr. Shen Guangjun and Ms. Tong Jie as shareholder representative Supervisors, Mr. Xia Lijun as the independent Supervisor, and Mr. Du Weihua, Ms. Ruan Fei and Ms. Ding Yan as employee representative Supervisors. The Company held the first meeting of the fifth session of the Board on March 5, 2021, at which Mr. Jin Wenzhong was elected as the chairman of the fifth session of the Board and president of the Company, the members and chairmen of the special committees of the fifth session of the Board were elected, and a new session of senior management of the Company were appointed. The Company held the first meeting of the fifth session of the Supervisory Committee on March 5, 2021, at the meeting, Mr. Zhang Qian and Mr. Du Weihua were elected as chairman and vice chairman of the Supervisory Committee of the Company, respectively.
2. Remunerations of the Company's Directors, Supervisors and senior management received from the Company during the Reporting Period include salary in 2021, 2020 annual performance bonus and the portion required to be granted in 2021 out of incentives for the term from 2016 to 2018 and from 2019 to 2020.
3. During the Reporting Period, the Company's Directors, Supervisors and senior management did not directly hold the Company's shares and options (for details of H Shares indirectly held through asset management schemes, please refer to "Section IV, XI, The Company's Share Incentive Scheme, Employee Stock Ownership Plan or Other Employee Incentives Plans and Their Impacts" in this report), and the Company did not implement any share incentive scheme.

## Section IV Corporate Governance

| Name         | Primary working experience  |
|--------------|---|
| Song Xuefeng | <p>Mr. Song Xuefeng, born in 1970, is a member of the Communist Party of China, a doctorate in management, a senior economist and a certified public accountant. He currently serves as the secretary of the CPC party committee and an executive Director of the Company, a member of the CPC party committee and vice president of Shenergy (Group) Company Limited, a director of China SME Development Fund Co., Ltd. and the chairman of Shanghai Orient Securities Asset Management Co., Ltd.. Mr. Song served as the manager of the financial department of Shenergy Company Limited, a deputy manager and manager of financial department of Shenergy Company Limited from March 2001 to May 2008, an assistant to the general manager and finance manager, chief accountant and finance manager, deputy general manager and chief accountant at Shenergy Company Limited from March 2005 to April 2011, the chairman of the supervisory committee of Shenergy Company Limited from May 2011 to June 2020 (a temporary assistant mayor of Zigong, Sichuan from November 2010 to November 2011), and the assistant to general manager of Shenergy (Group) Company Limited from January 2012 to August 2014. Mr. Song has been serving as a vice president of Shenergy (Group) Company Limited since August 2014, a member of the CPC party committee of Shenergy (Group) Company Limited since December 2016, the secretary of the CPC party committee of the Company since September 2020, and an executive Director of the Company since March 2021.</p> |
| Jin Wenzhong | <p>Mr. Jin Wenzhong, born in 1964, is a member of the CPC, holds a master's degree in economics and is an economist. He currently serves as the deputy secretary of the CPC party committee, chairman of the Board, executive Director and president of the Company, the chairman of Shanghai Orient Securities Capital Investment Co., Ltd., a director of Orient Futures Co., Ltd., the chairman of Orient Securities Investment Banking Co., Ltd. and a director of Shanghai Orient Securities Innovation Investment Co., Ltd.. He 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 the Company from December 1997 to September 2010 and the general manager of the securities investment business department from March 2016 to March 2017. He has been serving as the deputy CPC party committee secretary, executive director, and president of the Company since September 2010, acting as the chairman of the Board of the Company from October 2020 to March 2021, and serving as the chairman of the Board of the Company since March 2021.</p>  |



## Section IV Corporate Governance

| Name       | Primary working experience   |
|------------|--|
| Yu Xuechun | <p>Mr. Yu Xuechun, born in 1964, is a member of the CPC, holds a bachelor's degree in engineering, and is a senior engineer. He currently serves as a non-executive Director of the Company, the deputy chief economist, general manager of strategic development department and an employee representative supervisor of Shenergy (Group) Company Limited, the general manager of Shenergy Hongkong Holding Limited, the chairman of supervisory committee of Shenergy Company Limited, a director of Shanghai Brilliance Credit Rating &amp; Investors Service Co., Ltd. and a director of Shanghai Shenergy Nengchuang Energy Development Co., Ltd.. He served as an engineer of Shanghai Electric Automation Research Institute and Shanghai Nanyang International Industrial Co., Ltd., the deputy director of marketing department, office manager and deputy office director of Shenergy Company Limited from November 1995 to April 2005, the deputy office director, deputy manager of asset management department, manager of asset management department and office director of Shenergy (Group) Company Limited from May 2005 to March 2020, an employee representative supervisor of Shenergy (Group) Company Limited since September 2012, and the deputy chief economist and general manager of strategic development department of Shenergy (Group) Company Limited since March 2020.</p>  |
| Liu Wei    | <p>Mr. Liu Wei, born in 1973, is a member of the CPC, holds a master's degree in law and is a senior economist. He currently serves as a non-executive Director of the Company, a member of the discipline inspection committee of Shenergy (Group) Company Limited, the secretary of the CPC party committee of Shenergy Company Limited, and a director of Shanghai Shenergy ICY Capital Co., Ltd. Mr. Liu served as a clerk of the Enforcement Division, a clerk of the Economic Division, an assistant judge of the Economic Division, and an assistant judge of the Office of People's Court of Huangpu District of Shanghai from July 1996 to December 2001, an assistant judge of the Office, the deputy section chief of the General Section of the Office, the director of the President's Office of the Office, a judge, 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 the CPC Shanghai Municipal Committee from May 2013 to September 2017, and the general manager of human resource department of Shenergy (Group) Company Limited from September 2017 to April 2021. Mr. Liu has been serving as a member of the discipline inspection committee of Shenergy (Group) Company Limited since May 2020, the director of organization department under the CPC party committee of Shenergy (Group) Company Limited from December 2020 to April 2021, and the secretary of the CPC party committee of Shenergy Company Limited since April 2021.</p> |

## Section IV Corporate Governance

| Name         | Primary working experience  |
|--------------|---|
| Zhou Donghui | <p>Mr. Zhou Donghui, born in 1969, is a member of the CPC, holds a bachelor's degree in accounting and is a senior accountant. He currently serves as a non-executive Director of the Company, a director and general manager of Shanghai Haiyan Investment Management Company Limited, a director of Haitong Securities Co., Ltd. and a director of China Pacific Insurance (Group) Co., Ltd. and other positions. He served as a clerk and deputy chief of the financial department of Shanghai Tobacco (Group) Company from July 1991 to September 2000, the deputy manager and manager of the financial department of China Tobacco Shanghai Import and Export Co., Ltd. from September 2000 to September 2008, the deputy director of the investment management department of Shanghai Tobacco (Group) Company from September 2008 to April 2011, the deputy general manager of Shanghai Haiyan Investment Management Company Limited from August 2010 to April 2011, the deputy director of financial department and deputy director of fund management center of Shanghai Tobacco Group Co., Ltd. from April 2011 to February 2015, the standing deputy director of investment department of Shanghai Tobacco Group Co., Ltd. and standing deputy general manager of Shanghai Haiyan Investment Management Company Limited from February 2015 to July 2015, the director of investment management department of Shanghai Tobacco Group Co., Ltd. and a director and general manager of Shanghai Haiyan Investment Management Company Limited from July 2015 to September 2016, and has served as a director and general manager of Shanghai Haiyan Investment Management Company Limited since September 2016.</p> |

## Section IV Corporate Governance

| Name       | Primary working experience   |
|------------|--|
| Cheng Feng | <p>Mr. Cheng Feng, born in 1971, is a member of the CPC and holds a master's degree in business administration. He currently serves as a non-executive Director of the Company, a member of the CPC party committee and the deputy general manager of Shanghai United Media Group, the chairman of Shanghai Shangbao Asset Management Co., Ltd., the chairman of Shanghai Oriental Press Co., Ltd., the chairman of Shanghai Real Power Capital Co., Ltd., the chairman of Shanghai Culture Assets And Equity Exchange Co., Ltd., the executive vice chairman of Shanghai XinHua Media Co., Ltd., a director of Shanghai Oriental Pearl Real Estate Co., Ltd., an executive director of Shanghai Realty Times Co., Ltd., a director of China Universal Asset Management Company Limited, an executive director of Shanghai Jiefang Media Information Development Co., Ltd., an executive director of Shanghai Wenhui Xinmin Industrial Co. Ltd., the chairman of Shanghai Shangbao Chuanyue Properties Development Co., Ltd., an executive director of Shanghai Shenwen Industry Co.,Ltd., the chairman of Shanghai Oriental Ticketing Co., Ltd., the chairman of Shanghai Shangbao Industrial Co., Ltd., the chairman of supervisory committee of Shanghai Jiemian CLS Technologies Co., Ltd., the chairman of Shanghai Ruiyi Investment Management Co., Ltd., the chairman of Shanghai Ruili Financial Information Service Co., Ltd. and a supervisor of Shanghai CLS Fintech Co., Ltd. He served as a clerk, executive, member and deputy secretary of the CPC youth league committee, deputy secretary of the CPC youth league committee (in charge of works) and secretary of the CPC youth league committee of the Office of Foreign Economic of Shanghai Foreign Economic and Trade Commission from March 1995 to February 2001, the vice president of Shanghai Electrical Machinery Group Import &amp; Export Co., Ltd. from February 2001 to June 2002, the deputy director of Office of Technology Import as well as deputy director (in charge of works) and director of Office of Technological Development and Technology Trade of Shanghai Foreign Economic and Trade Commission from June 2002 to April 2005, the office director, director of information center and general manager of administration department of Shanghai International Group Co., Ltd. from April 2005 to June 2009, the deputy secretary of the CPC party committee, general manager, secretary of the CPC party committee and chairman of Shanghai International Group Financial Services Co., Ltd. from June 2009 to March 2013, the secretary of the CPC party committee and chairman of Shanghai State-owned Assets Operation Co., Ltd. from March 2013 to October 2013, and a member of the CPC party committee and deputy general manager of Shanghai United Media Group since October 2013.</p> |

## Section IV Corporate Governance

| Name         | Primary working experience   |
|--------------|--|
| Ren Zhixiang | Mr. Ren Zhixiang, born in 1969, is a member of the CPC and holds a doctorate degree in economics. He currently serves as a non-executive Director of the Company, the deputy secretary of the CPC party committee and director and general manager of Zheneng Capital Holdings Co., Ltd., a director of Zhejiang Fuzhe Investment Co., Ltd., the vice chairman of Zheshang Property and Casualty Insurance Co., Ltd. and a director of China Zheshang Bank Co., Ltd. He served as an office clerk, engineer and secretary of the CPC youth league committee of Zhejiang Water Conservancy and Hydropower Engineering Bureau from August 1995 to August 2001, a senior researcher and deputy general manager of investment banking division of Zhejiang International Trust & Investment Company Ltd. from June 2004 to February 2007, a senior director of asset management department of Zhejiang Provincial Energy Group Co., Ltd. from February 2007 to October 2010, the chief economist, deputy director and director of strategy management and legal department of Zhejiang Provincial Energy Group Co., Ltd. from October 2010 to October 2019, the deputy secretary to the CPC party committee and general manager of Zheneng Capital Holdings Co., Ltd. since October 2019, and a director of Zheneng Capital Holdings Co., Ltd. since June 2020.  |
| Zhu Jing     | Ms. Zhu Jing, born in 1969, is a member of the CPC and holds a master's degree in economics. She currently serves as an employee representative Director, the general manager of strategic development department and the director of union office of the Company, a director and general manager of Orient Finance Holdings (Hong Kong) Limited, a director of Orient Futures Co., Ltd., a director of Orient Securities International Financial Group Co., Ltd., a director of Chengtay Financial Leasing (Shanghai) Co., Ltd., a director of Great Wall Fund Management Co., Ltd. and a supervisor of Shanghai Orient Securities Asset Management Co., Ltd. She served as a staff of Xi'an Mining Machinery Factory from July 1992 to May 1995, the manager and deputy general manager of securities management department of Shanghai Caitong International Investment Management Co., Ltd. from May 1995 to February 1999, a staff, business planning director, senior operation director and assistant to general manager of brokerage business department, assistant to general manager and deputy general manager of operational management department and deputy director of the Board office of the Company from March 1999 to January 2015, the general manager of strategic development department of the Company since February 2015, and the director of union office of the Company since September 2021. |

## Section IV Corporate Governance

| Name       | Primary working experience  |
|------------|---|
| Xu Zhiming | <p>Mr. Xu Zhiming, born in 1961, holds a doctorate degree in economics. He currently serves as an independent non-executive Director of the Company, a founding partner of China Broadband Capital, a director of Donlink Group Co., Ltd., a director of Guangzhou Donlink Industrial Investment Group Co., Ltd., a director of Beijing Lianhang Hezhong Media Technology Co., Ltd., a director of Beijing Baoxuan Culture Media Co., Ltd. and an independent director of Tianjin Capital Environmental Protection Group Company Limited. He successively 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.</p> |
| Jin Qinglu | <p>Mr. Jin Qinglu, born in 1972, is a member of the CPC and holds a doctorate degree in accountancy. He currently serves as an independent non-executive Director of the Company, the dean of the School of Accountancy, a professor of accountancy and a doctoral supervisor of Shanghai University of Finance and Economics and an independent director of Harbin Bank Co., Ltd.. He served as an assistant professor of accountancy in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to June 2011, then an associate professor of accountancy in the School of Accountancy of Shanghai University of Finance and Economics from July 2011 to June 2012, and a professor of accountancy in the School of Accountancy of Shanghai University of Finance and Economics since July 2012. He served as the associate dean of the Institute of Accounting and Finance of Shanghai University of Finance and Economics from February 2014 to November 2018, the associate 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.</p>   |

## Section IV Corporate Governance

| Name          | Primary working experience   |
|---------------|--|
| Wu Hong       | <p>Mr. Wu Hong, born in 1956, is a member of the CPC and holds a degree of bachelor of laws. He currently serves as an independent non-executive Director of the Company, a professor and a doctoral supervisor of East China University of Political Science and Law, an independent director of Shanghai Pudong Development Bank Co., Ltd., an independent director of Zhejiang Tailong Commercial Bank Co., Ltd. and an independent director of Western Leadbank Fund Management Co., Ltd. He has been working in East China University of Political Science and Law since July 1984, and used to serve as the dean of School of Economic Laws of East China University of Political Science and Law, the vice president of China Banking Law Society, an executive member of China Commercial Law Society, the president of Finance Law Committee under the Shanghai Law Society, the vice president of Shanghai Finance Law Society, the vice president of Shanghai International Commercial Law Society, and successively served as a member of the Proposition Committee of the Chinese National Judicial Examination, a legislative consultation expert of the Standing Committee of Shanghai Municipal People's Congress and a member of the Shanghai Consumer Council.</p> |
| Feng Xingdong | <p>Mr. Feng Xingdong, born in 1977, is a member of the CPC and holds a doctorate degree in statistics. He currently serves as an independent non-executive Director of the Company, the dean, a professor of statistics and doctoral supervisor of School of Statistics and Management of Shanghai University of Finance and Economics. He served as an assistant professor of statistics and an associate professor of statistics of School of Statistics and Management of Shanghai University of Finance and Economics from June 2011 to June 2015, a professor and doctoral supervisor of School of Statistics and Management of Shanghai University of Finance and Economics since July 2015, and the dean of School of Statistics and Management of Shanghai University of Finance and Economics since November 2019.</p>  |

## Section IV Corporate Governance

| Name       | Primary working experience   |
|------------|--|
| Luo Xinyu  | <p>Mr. Luo Xinyu, born in 1974, holds a master's degree. He is currently an independent non-executive Director of the Company, the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd., chairman of Shanghai State-owned Capital Training Center Co., Ltd., a director of Shanghai Pudong Technology Investment Co., Ltd., a director of Kunshan Culture Business Tourism Group Co., Ltd., a supervisor of Shanghai Guosheng Guxian Venture Capital Investment Management Co., Ltd., an executive director of Shanghai Shengzhizi Corporate Management Co., Ltd., the director of Boao State-owned Fund 50 Persons Development Center, and vice president of China Enterprise Reform and Development Society. He once served as a reporter from the Propaganda Department of Shaodong County Committee in Hunan Province, a reporter from China Youth Daily, and a reporter from Xinhua News Agency Shanghai Branch. From July 2004 to July 2009, he served as the general manager of the membership department of Shanghai United Assets and Equity Exchange, from July 2009 to April 2020, he successively served as the deputy director of the board office and the strategy and investment decision committee of Shanghai Guosheng (Group) Co., Ltd. and served as the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd. since June 2018.</p>  |
| Zhang Qian | <p>Mr. Zhang Qian, born in 1974, a member of the CPC, holds a master's degree in business administration, and is a senior economist. Currently, he is a shareholder representative Supervisor and chairman of the Supervisory Committee of the Company, the deputy secretary of the CPC party committee and the president of the trade union of Shenergy (Group) Company Limited. Mr. Zhang joined Shenergy (Group) Company Limited in July 1996, and 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, the secretary of the CPC party branch and the general manager of Shenergy Group Finance Co., Ltd. from August 2009 to July 2016, the vice president of Shenergy (Group) Company Limited from September 2015 to May 2020, a member of the CPC party committee and vice president of Shenergy (Group) Company Limited from May 2020 to March 2021. Mr. Zhang has been serving as the deputy secretary of the CPC party committee of Shenergy (Group) Company Limited since March 2021 and the president of the trade union of Shenergy (Group) Company Limited since June 2021.</p> |

## Section IV Corporate Governance

| Name      | Primary working experience   |
|-----------|--|
| Du Weihua | <p>Mr. Du Weihua, born in 1964, is a member of the CPC and holds a master's degree in economics and is an associate professor. Currently, he is the deputy secretary of the CPC party committee, the secretary of the discipline inspection commission, the vice chairman of the Supervisory Committee, an employee representative Supervisor and chairman of the work union of the Company, a supervisor of Shanghai Orient Securities Capital Investment Co., Ltd., a supervisor of Shanghai Orient Securities Innovation Investment Co., Ltd., a supervisor of Orient Futures Co., Ltd. and the director-general in Shanghai Orient Securities Xindeyizhang Public Welfare Foundation. 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 secretary of the CPC party committee and the secretary of the discipline inspection commission of the Company since January 2020 and the vice chairman of the Supervisory Committee and an employee representative Supervisor of the Company since February 2020.</p> |
| Wu Junhao | <p>Mr. Wu Junhao, born in 1965, a member of the CPC, holds a master's degree in management and is a senior economist. Currently, he is a shareholder representative Supervisor of the Company, the general manager of the financial management department of Shenergy (Group) Company Limited, the chairman of supervisory committee of Shanghai Shenergy ICY Equity Investment Co., Ltd., a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., a supervisor of Shanghai ICY Capital Co., Ltd., 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. and a supervisor of China Everbright Bank Company Limited. 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 general manager of financial management department in Shenergy (Group) Company Limited since April 2011.</p>  |



## Section IV Corporate Governance

| Name          | Primary working experience  |
|---------------|---|
| Zhang Jian    | <p>Mr. Zhang Jian, born in 1965, a member of the CPC, holds a master's degree in business administration. Currently, he is a shareholder representative Supervisor of the Company, the deputy general manager and a member of the CPC party committee of China Post Group Corporation Limited, Shanghai Branch. He served as a clerk, deputy section chief and deputy director of Nantong Post and Telecommunication Office from July 1984 to July 2004, the deputy director and senior accountant of Taizhou Post Office from July 2004 to November 2007, the deputy director and president of the trade union of Nantong Post Office from November 2007 to March 2008, the director of Taizhou Post Office from March 2008 to December 2008, the director and secretary of the CPC party committee of Taizhou Post Office from December 2008 to June 2011, the director and secretary of the CPC party committee of Nantong Post Office from June 2011 to February 2014, the general manager and secretary of the CPC party committee of Jiangsu Post Company, Nantong Branch from February 2014 to June 2015, the general manager and secretary of the CPC party committee of China Post Group Corporation, Nantong Branch from June 2015 to February 2016, and the deputy general manager and a member of the CPC party committee of China Post Group Corporation Limited, Shanghai Branch since February 2016.</p> |
| Shen Guangjun | <p>Mr. Shen Guangjun, born in 1979, a member of the CPC, holds a master's degree in accountancy. Currently, he is a shareholder representative Supervisor of the Company, the deputy chief accountant of Shanghai Construction Group Co., Ltd., the deputy managing director of Shanghai Construction Group (Hainan) Investment Co., Ltd., a supervisor of Shanghai Construction Environmental Technology Co., Ltd. and a director of Shanghai Pudong BOC Fullerton Community Bank Co., Ltd.. He served as a staff, assistant to manager, deputy manager and general manager of asset and finance department of Shanghai Municipal Engineering Design General Institute (Group) Co., Ltd. from April 2004 to May 2017, the deputy chief accountant and general manager of asset and finance department of Shanghai Municipal Engineering Design General Institute (Group) Co., Ltd. from May 2017 to February 2018, the assistant to president (assistant to director), deputy chief accountant (in charge of affairs) and general manager of asset and finance department of Shanghai Municipal Engineering Design General Institute (Group) Co., Ltd. from February 2018 to June 2019, the chief accountant of the overseas business department of Shanghai Construction Group Co., Ltd. from June 2019 to March 2021, and the deputy chief accountant of Shanghai Construction Group Co., Ltd. since March 2021.</p> |

## Section IV Corporate Governance

| Name      | Primary working experience   |
|-----------|--|
| Tong Jie  | <p>Ms. Tong Jie, born in 1968, holds a bachelor's degree in financial accounting and is a senior accountant. Currently, she is a shareholder representative Supervisor of the Company, the chief financial officer of Shanghai Jinqiao Export Processing Zone Development Co., Ltd., a director of Shanghai Xinjinqiao Plaza Industrial Co., Ltd., a director of Shanghai Huade Meiju Construction and Decoration Materials Warehousing Co., Ltd. and a director of Shanghai Huade Meiju Supermarket 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, deputy manager of the financial department, deputy 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.</p>  |
| Xia Lijun | <p>Mr. Xia Lijun, born in 1976, a member of the CPC, holds a doctorate degree in accountancy and is a certified public accountant. Currently, he is the independent Supervisor of the Company, a professor, a doctoral supervisor and the head of Department of Accountancy of Antai College of Economics and Management of Shanghai Jiao Tong University, a member of the Guiding Committee of Professional Education of Accountancy of the Ministry of Education of the PRC, the president-elect of Higher Engineering College Committee under Accounting Society of China, an executive member of Accounting Education Committee under Accounting Society of China, a member of China Audit Society, an executive member of Accounting Society of Shanghai, the vice president of Shanghai Cost Research Society, an independent director of Orient Fortune Information Co., Ltd., an independent director of Zhejiang Shengtai Garment Group Co., Ltd., an independent director of Shanghai Sanyou Medical Co., Ltd., an independent director of Huatai Baoxing Fund Management Co., Ltd., an independent director of Shenzhen Huitai Medical Equipment Co., Ltd., an independent director of Shanghai Tongji Science &amp; Technology Industrial Co., Ltd. and an executive director of Shanghai Bacai Information Technology Co., Ltd.. She served as a lecturer, master's supervisor, professor and doctoral supervisor of School of Accountancy of Shanghai University of Finance and Economics from July 2006 to March 2011, and a professor, a doctoral supervisor and the head of Department of Accountancy of Antai College of Economics and Management of Shanghai Jiao Tong University since March 2011.</p> |

## Section IV Corporate Governance

| Name     | Primary working experience   |
|----------|--|
| Ruan Fei | <p>Ms. Ruan Fei, born in 1971, is a member of the CPC, holds a master's degree in finance, and is a senior accountant and senior economist. Currently, she is an employee representative Supervisor of the Company, the secretary to the Supervisory Committee, office director of the Supervisory Committee and director of the discipline inspection office of the Company. She served as a researcher of the development research department of China Worldbest Group Co., Ltd. from January 1997 to June 1998, a researcher of the securities research institute of the Company from June 1998 to March 2005, the assistant to office director and deputy office director of the Company from March 2005 to March 2012, the secretary to the Supervisory Committee and office director of the Supervisory Committee of the Company since March 2012, and the director of the discipline inspection office of the Company since December 2012.</p>  |
| Ding Yan | <p>Ms. Ding Yan, born in 1979, is a member of the CPC, holds a master's degree in economic laws and a degree of master of science, and is an economist. Currently, she is an employee representative Supervisor of the Company, the deputy general manager (in charge of affairs) of the audit department of the Company and a supervisor of Orient Securities Investment Banking Co., Ltd.. She served as a clerk and deputy chief clerk of the banking management department and the office of People's Bank of China, Shanghai branch from August 2001 to August 2005, the deputy chief clerk, chief clerk and section chief of the secretariat of general management department and the anti-money laundering division of financial services department II of People's Bank of China, Shanghai headquarter from August 2005 to January 2017, the assistant to general manager and deputy general manager of the audit department of the Company from January 2017 to April 2020, the deputy general manager (in charge of affairs) of the audit department of the Company since April 2020.</p>  |
| Shu Hong | <p>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 financial controller of the Company, and the chief information officer of Orient Securities Investment Banking Co., Ltd.. Mr. Shu Hong served as the manager for the computer network center system development department of Shenyin &amp; Wanguo Securities Co., Ltd. from January 1993 to October 1998, and the head of the Information Technology Center and general manager of the Company from October 1998 to March 2004. He also served as the assistant to president and general manager of the Information Technology Center, the assistant to president and general manager of the brokerage business department, the director of IT technology and assistant to president, operating controller and assistant to president, and operating controller of the Company from December 2001 to April 2014 and the chief information officer of the Company from June 2019 to November 2021. Mr. Shu has been serving as vice president of the Company since April 2014 and serving as the financial controller of the Company since November 2021.</p> |

## Section IV Corporate Governance

| Name          | Primary working experience  |
|---------------|---|
| Zhang Jianhui | <p>Mr. Zhang Jianhui, born in 1968, a member of CPC, is a holder of a master's degree in economics and business administration and an accountant. Currently, he is a vice president of the Company, the chairman of Shanghai Orient Securities Innovation Investment Co., Ltd., chairman of Orient Finance Holdings (Hong Kong) Limited, 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. 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, the financial controller of the Company from May 2014 to November 2021, and concurrently served as the general manager of the general office of financial planning of the Company from June 2015 to August 2019 and the general manager of the fund management department from August 2020 to November 2021. Mr. Zhang has been serving as the vice president of the Company since July 2015.</p> |
| Lu Weiming    | <p>Mr. Lu Weiming, born in 1971, a member of CPC, is a holder of a master's degree in economics and an economist. Currently, he is a vice president of the Company and a director of Shanghai Orient Securities Capital Investment Co., Ltd.. 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, the director of the securities investment business department, the assistant to the general manager, deputy general manager and deputy general manager (in charge of affairs) of the fixed income business department of the Company from March 1998 to October 2014, the general manager of the Company's fixed income business department from October 2014 to August 2021, an assistant to the president of the Company from September 2017 to September 2020, the general manager of the financial derivatives business department of the Company from January 2021 to March 2021 and a vice president of the Company since September 2020.</p>   |

## Section IV Corporate Governance

| Name       | Primary working experience  |
|------------|---|
| Yang Bin   | <p>Mr. Yang Bin, born in 1972, a member of CPC, is a holder of a master's degree in economics. Currently, he is a vice president, the chief risk officer and chief compliance officer of the Company, a director of Orient Futures Co., Ltd, a director of Shanghai Orient Securities Innovation Investment Co., Ltd., a director of Orient Finance Holdings (Hong Kong) Limited, a director of Orient Securities Investment Banking 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, legal affairs office director of Shanghai Bureau of the CSRC from February 2007 to May 2015, and concurrently served as the general manager of audit department of the Company from August 2017 to April 2020 and the general manager of the compliance and legal management department of the Company from June 2020 to June 2021. Mr. Yang has served as the chief risk officer of the Company since June 2015, the chief compliance officer of the Company since July 2015 and a vice president of the Company since March 2021.</p>  |
| Xu Haining | <p>Ms. Xu Haining, born in 1970, a member of CPC, holds a doctorate in business administration and is an accountant. Currently, she is a vice 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 Haitu 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 the assistant to the president of the Company from September 2017 to March 2021, and has been serving as the general manager of the Company's wealth management business department since October 2014 and a vice president of the Company since March 2021.</p> |

## Section IV Corporate Governance

| Name      | Primary working experience  |
|-----------|---|
| Wang Rufu | <p>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, 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 and the representative of securities affairs from March 2008 to October 2014, the director of the Board office of the Company since October 2014, the secretary to the Board of the Company since November 2016. He has been concurrently serving as the joint company secretary since November 2019.</p>  |
| Lu Dayin  | <p>Mr. Lu Dayin, born in 1972, a member of CPC, is a holder of doctorate degree in management and a senior economist. Currently, he is the chief information officer of the Company, the secretary of the CPC party committee and chairman of Orient Futures Co., Ltd., the chairman of Orient Runhe Asset Management Co., Ltd., the chairman of Orient Futures International (Singapore) Pte Ltd, the legal representative and vice president of Shanghai Futures Association. Mr. Lu served as a computer specialist, assistant to manager and deputy manager of the business outlet of Shenyin &amp; Wanguo Securities Co., Ltd. from July 1994 to June 2001, a staff, assistant to general manager and deputy general manager of the information technology center of the Company from June 2001 to July 2002, the deputy general manager (in charge of works) of e-commerce business department of the Company from July 2002 to March 2004, the deputy general manager of brokerage business department from March 2004 to October 2009, the deputy general manager and general manager of Orient Futures Co., Ltd. from October 2009 to January 2021, and has been serving as the secretary of the CPC party committee of Orient Futures Co., Ltd. since November 2020, the chairman of Orient Futures Co., Ltd. since December 2020 and the chief information officer of the Company since November 2021.</p> |

## Section IV Corporate Governance

| Name                   | Primary working experience  |
|------------------------|---|
| Li Xiang<br>(resigned) | <p>Mr. Li Xiang, born in 1971, a member of CPC, holds a degree of bachelor of arts. Currently, he is a member of CPC party committee and the deputy general manager of Shanghai United Media Group, the secretary of CPC party committee and chairman of Shanghai Orient Webcasting Co., Ltd., the chairman of Shanghai Xinhua Publishing Group Limited, 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 of Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司), the executive director of Shanghai Xinrong Asset Management Co., Ltd. (上海新融資產管理有限公司), the executive director of Shanghai Xinhua Finance Investment Co., Ltd. (上海新華金融投資管理有限公司), the executive director 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 of Shanghai Xinrong Cultural &amp; Industrial Service Co., Ltd. (上海新融文化產業服務有限公司), the executive director of Shanghai Yicheng Property Co., Ltd. (上海怡成房產有限公司), the chairman of the board of directors 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, 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. He has been a member of CPC party committee and the deputy general manager of Shanghai United Media Group since November 2017, and a non-executive Director of the Company from October 2014 to March 2021.</p> |

## Section IV Corporate Governance

| Name                      | Primary working experience   |
|---------------------------|--|
| Xia Jinghan<br>(resigned) | <p>Ms. Xia Jinghan, born in 1969, a member of CPC party, holds a master's degree in economics. Currently, she is 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. She served as a non-executive Director of the Company from March 2018 to March 2021.</p> |



## Section IV Corporate Governance

| Name                     | Primary working experience  |
|--------------------------|---|
| Xu Jianguo<br>(resigned) | <p>Mr. Xu Jianguo, born in 1964, a member of CPC, holds a master's degree in accountancy. Currently, he is 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., a director of Shanghai Micro Electronics Equipment Group Co., Ltd., the chairman of Shanghai Haiya Industry Co., Ltd., the chairman of Shanghai Kaihai Industry Co., Ltd. a director of Shanghai Electric Group Hong Kong Limited, a director of Tianjin Steel Pipe Manufacturing Co., Ltd., a director of Shanghai Electric Group Henglian Corporate Development Co., Ltd. and a supervisor of Shanghai Electric Group Steel Pipe 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. 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. He served as a non-executive Director of the Company from November 2016 to March 2021.</p> |
| He Xuan<br>(resigned)    | <p>Mr. He Xuan, born in 1982, is a member of CPC, and holds a degree of executive master of business administration. He currently serves as the executive vice president of Securities Association of Guizhou, the chairman of U-shine Fund Management Co., Ltd., an executive director and general manager of Guizhou Rongchuang Investment Consulting Co., Ltd., and an executive director of Guizhou U-shine Property Management Co., Ltd. He served as an auditor of Shanghai Social Security Fund Management Center from July 2004 to July 2005, the senior manager and deputy general manager of Shanghai Changhai Road Branch of Hua Chuang Securities Co., Ltd. from July 2006 to December 2010, and the head of preparation team and chairman of U-shine Fund Management Co., Ltd. since November 2011. He served as an independent non-executive Director of the Company from December 2020 to March 2021.</p>  |

## Section IV Corporate Governance

| Name                        | Primary working experience   |
|-----------------------------|--|
| Huang Laifang<br>(resigned) | <p>Ms. Huang Laifang, born in 1969, holds a master's degree in business administration and is a senior economist. Currently, she is 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 deputy general manager of Shanghai Post Office under China Post Group Corporation, and the chairman of Shanghai Jieshida Postal Service Co., Ltd.. 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 Co., Ltd. since January 2019.</p> |

## Section IV Corporate Governance

| Name                      | Primary working experience   |
|---------------------------|--|
| Yin Keding<br>(resigned)  | 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 the chief accountant of Shanghai Construction Group Co., Ltd., a director of SCG Kunshan Zhonghuan Construction Co., Ltd. and a director of SCG Property Co., Ltd.. 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.   |
| Wu Zhengkui<br>(resigned) | Mr. Wu Zhengkui, born in 1974, a member of CPC, holds a master's degree in accounting and is an accountant. Currently, he is 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 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 director of Jiada Greenland Technology Innovation Co., Ltd., the financial director of Shanghai Xinhua Publishing (Group) 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, a director of Shanghai Urban Construction Design Co., Ltd., a director of Zhongmin Waitan Real Estate Development Co., Ltd. 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. |

## Section IV Corporate Governance

| Name                     | Primary working experience   |
|--------------------------|--|
| Liu Wenbin<br>(resigned) | Mr. Liu Wenbin, born in 1975, a member of CPC, holds a doctorate degree and is a senior accountant. Currently, he is a senior vice president and the chief financial officer of Pactera Technology International Ltd.. Mr. Liu served as the accountant and finance manager of the subsidiary of Great Wall Information Industry Co., Ltd. from June 2000 to September 2006, deputy head of finance department, head of finance department, deputy chief accountant and financial controller of Great Wall Information Industry Co., Ltd. from October 2006 to January 2017, and the financial controller of China Great Wall Technology Group Co., Ltd. from February 2017 to January 2020. He has been serving as a senior vice president and the chief financial officer of Pactera Technology International Ltd. since February 2020.  |
| Zhou Wenwu<br>(resigned) | Mr. Zhou Wenwu, born in 1961, a member of CPC, is a holder of a bachelor's degree in Economics. Currently, he is 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, the commissioner for Liaoning administrative department, assistant to the general manager and deputy general manager for the fund management department of the Company from November 2000 to December 2014, and the vice chairman of the trade union of the Company from November 2014 to September 2021, and has been serving as the vice chairman of Huangpu District Federation of Trade Unions (黃浦區總工會) since April 2016. |
| Yao Yuan<br>(resigned)   | 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 the general manager of securities financing business department of the Company. Mr. Yao served as an accountant of Yangpu Securities Branch of Shanghai Pudong Development Bank from September 1993 to March 1998, as well as the auditing clerk, supervisor, senior supervisor, senior executive, assistant to the general manager and deputy general manager of audit department of the Company 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, the general manager of the risk management department of the Company from March 2017 to April 2020, the general manager of the compliance and legal management department of the Company from March 2017 to June 2020, and the general manager of securities financing business department of the Company since June 2020.  |

## Section IV Corporate Governance

### (ii) Employment of current and resigned Directors, Supervisors and senior management during the Reporting Period

#### 1. 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 |
|---------------------|---|--|---|-----------------------------------|
| Song Xuefeng        | Shenergy (Group) Company Limited  | Vice president   | August 2014                             | Up to now                         |
| Yu Xuechun          | Shenergy (Group) Company Limited  | Member of the CPC Party committee  | December 2016                           | Up to now                         |
|                     |   | Deputy chief economist and general manager of strategic development department | March 2020                              | Up to now                         |
| Liu Wei             | Shenergy (Group) Company Limited  | Employee representative supervisor   | September 2012                          | Up to now                         |
|                     |   | Member of the discipline inspection committee                                  | May 2020                                | Up to now                         |
|                     |   | General manager of human resource department                                   | September 2017                          | April 2021                        |
|                     |   | Director of the organization department under the CPC party committee          | December 2020                           | April 2021                        |
| Zhou Donghui        | Shanghai Haiyan Investment Management Company Limited                             | Director and general manager   | July 2015                               | Up to now                         |
| Cheng Feng          | Shanghai United Media Group   | Member of the CPC Party committee and deputy general manager                   | October 2013                            | Up to now                         |
| Ren Zhixiang        | Zheneng Capital Holdings Limited  | Deputy secretary of the CPC party committee and general manager                | October 2019                            | Up to now                         |
| Zhang Qian          | Shenergy (Group) Company Limited  | Director   | June 2020                               | Up to now                         |
|                     |   | Deputy secretary of the CPC party committee                                    | March 2021                              | Up to now                         |
|                     |   | President of trade union   | June 2021                               | Up to now                         |
|                     |   | Vice president   | September 2015                          | March 2021                        |
| Wu Junhao           | Shenergy (Group) Company Limited  | Member of the CPC party committee  | May 2020                                | Up to now                         |
|                     |   | General manager of financial management department                             | April 2011                              | Up to now                         |
| Zhang Jian          | China Post Group Corporation, Shanghai Branch                                     | Member of the CPC Party committee and deputy general manager                   | February 2016                           | Up to now                         |
| Shen Guangjun       | Shanghai Construction Group Co., Ltd.   | Deputy chief accountant  | March 2021                              | 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                         |
| Li Xiang (resigned) | Shanghai United Media Group   | Member of the CPC Party committee and deputy general manager                   | November 2017                           | Up to now                         |

## Section IV Corporate Governance

| 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 |
|---|---|--|---|-----------------------------------|
| Xia Jinghan (resigned)  | Zheneng Capital Holdings Limited              | CPC Party committee secretary and chairman   | November 2016                           | Up to now                         |
| Xu Jianguo (resigned)   | Shanghai Electric (Group) Corporation         | Chief of financial budget department   | April 2013                              | Up to now                         |
|   |   | Chief of comprehensive management department                                       | August 2018                             | Up to now                         |
| Huang Laifang (resigned)  | China Post Group Corporation, Shanghai Branch | CPC Party committee member, deputy general manager and President of the work union | February 2016                           | Up to now                         |
| Yin Keding (resigned)<br>Employment at the shareholder entities | Shanghai Construction Group Co., Ltd.<br>Nil  | Chief accountant   | December 2012                           | Up to now                         |

### 2. 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 |
|------------------|---|---------------------------------------|---|-----------------------------------|
| Song Xuefeng     | China SME Development Fund Co., Ltd.                            | Director                              | June 2020                               | Up to now                         |
|                  | Shanghai Orient Securities Asset Management Co., Ltd.           | Chairman                              | December 2020                           | Up to now                         |
|                  | Shanghai Shenergy Nengchuang Energy Development Co., Ltd.       | Chairman                              | October 2017                            | June 2021                         |
| Jin Wenzhong     | Shanghai Orient Securities Capital Investment Co., Ltd.         | Chairman                              | March 2012                              | Up to now                         |
|                  | Orient Securities Investment Banking Co., Ltd.                  | Chairman                              | September 2020                          | Up to now                         |
|                  | Shanghai Orient Securities Innovation Investment Co., Ltd.      | Director                              | November 2012                           | Up to now                         |
|                  | Orient Futures Co., Ltd.  | Director                              | December 2014                           | Up to now                         |
| Yu Xuechun       | Orient Finance Holdings (Hong Kong) Limited                     | Chairman                              | June 2020                               | January 2021                      |
|                  | Shenergy Hongkong Holding Limited                               | General manager                       | July 2020                               | Up to now                         |
|                  | Shenergy Company Limited  | Chairman of the supervisory committee | June 2020                               | Up to now                         |
|                  | Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. | Director                              | July 2010                               | Up to now                         |
|                  | Shanghai Shenergy Nengchuang Energy Development Co., Ltd.       | Director                              | June 2021                               | Up to now                         |

## Section IV Corporate Governance

| 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 |
|------------------|--|----------------------------|---|-----------------------------------|
| Liu Wei          | Shenergy Group Business Services Co., Ltd.                             | Supervisor                 | June 2020                               | May 2021                          |
| Zhou Donghui     | Shanghai Shenergy ICY Capital Co., Ltd.                                | Director                   | November 2020                           | Up to now                         |
|                  | Shanghai Tobacco Machinery Co., Ltd.                                   | Vice chairman              | August 2015                             | Up to now                         |
|                  | Shanghai Jieqiang Tobacco Sugar & Wine (Group) Co., Ltd.               | Vice chairman              | August 2015                             | Up to now                         |
|                  | Shanghai Deqiang Industry Co., Ltd.                                    | Vice chairman              | August 2015                             | Up to now                         |
|                  | Shanghai Gaoyang International Tobacco Co., Ltd.                       | Director                   | July 2017                               | Up to now                         |
|                  | China Tobacco Shanghai Import and Export Co., Ltd.                     | Director                   | October 2016                            | Up to now                         |
|                  | Shanghai Tobacco Group Huangpu Tobacco Sugar & Wine Co., Ltd.          | Director                   | August 2019                             | Up to now                         |
|                  | Shanghai Tobacco Group Xuhui Tobacco Sugar & Wine Co., Ltd.            | Director                   | May 2016                                | Up to now                         |
|                  | Shanghai Tobacco Group Hongkou Tobacco Sugar & Wine Co., Ltd.          | Director                   | May 2016                                | Up to now                         |
|                  | Shanghai Tobacco Group Yangpu Tobacco Sugar & Wine Co., Ltd.           | Director                   | August 2015                             | Up to now                         |
|                  | Shanghai Tobacco Group Minhang Tobacco Sugar & Wine Co., Ltd.          | Director                   | August 2015                             | Up to now                         |
|                  | Shanghai Tobacco Group Baoshan Tobacco Sugar & Wine Co., Ltd.          | Director                   | May 2016                                | Up to now                         |
|                  | Shanghai Tobacco Group Pudong Tobacco Sugar & Wine Co., Ltd.           | Director                   | August 2015                             | Up to now                         |
|                  | Shanghai Tobacco Group Songjiang Tobacco Sugar & Wine Co., Ltd.        | Director                   | August 2015                             | Up to now                         |
|                  | Shanghai Tobacco Group Qingpu Tobacco Sugar & Wine Co., Ltd.           | Director                   | August 2015                             | Up to now                         |
|                  | Shanghai Tobacco Group Chongming Tobacco Sugar & Wine Co., Ltd.        | Director                   | August 2015                             | Up to now                         |
|                  | Shanghai Baiyulan Tobacco Material Co., Ltd.                           | Director                   | August 2019                             | Up to now                         |
|                  | Shanghai Wangbaohe Hotel Co., Ltd.                                     | Director                   | August 2015                             | Up to now                         |
|                  | Shanghai Tobacco Group Real Estate Development and Operation Co., Ltd. | Director                   | August 2015                             | Up to now                         |

## Section IV Corporate Governance

| 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 |
|--|---|---------------------------------------|---|-----------------------------------|
| Cheng Feng   | Shanghai Haiyan Tobacco, Sugar and Wine Co., Ltd.           | Director                              | August 2015                             | Up to now                         |
|  | Shanghai Tobacco Group Suzhou China Garden Hotel Co., Ltd.  | Director                              | August 2015                             | Up to now                         |
|  | Shenzhen New Tobacco Product Co., Ltd.                      | Director                              | May 2018                                | Up to now                         |
|  | Zhongwei Capital Holding Co., Ltd.                          | Supervisor                            | February 2016                           | Up to now                         |
|  | AECC Commercial Aircraft Engine Co., Ltd.                   | Supervisor                            | March 2015                              | Up to now                         |
|  | Haitong Securities Co., Ltd.                                | Director                              | June 2020                               | Up to now                         |
|  | China Pacific Insurance (Group) Co., Ltd.                   | Director                              | January 2021                            | Up to now                         |
|  | Shanghai Shangbao Asset Management Co., Ltd.                | Chairman                              | February 2014                           | Up to now                         |
|  | Shanghai Oriental Press Co., Ltd.                           | Chairman                              | April 2017                              | Up to now                         |
|  | Shanghai Real Power Capital Co., Ltd.                       | Chairman                              | May 2015                                | Up to now                         |
|  | Shanghai Culture Assets And Equity Exchange Co., Ltd.       | Chairman                              | April 2016                              | Up to now                         |
|  | Shanghai XinHua Media Co., Ltd.                             | Executive vice chairman               | September 2017                          | Up to now                         |
|  | Shanghai Oriental Pearl Real Estate Co., Ltd.               | Director                              | October 2014                            | Up to now                         |
|  | Shanghai Realty Times Co., Ltd.                             | Executive director                    | February 2016                           | Up to now                         |
|  | China Universal Asset Management Company Limited            | Director                              | November 2016                           | Up to now                         |
|  | Shanghai Jiefang Media Information Development Co., Ltd.    | Executive director                    | April 2016                              | Up to now                         |
|  | Shanghai Wenhui Xinmin Industrial Co. Ltd.                  | Executive director                    | September 2014                          | Up to now                         |
|  | Shanghai Shangbao Chuanyue Properties Development Co., Ltd. | Chairman                              | August 2014                             | Up to now                         |
|  | Shanghai Shenwen Industry Co.,Ltd.                          | Executive director                    | April 2015                              | Up to now                         |
|  | Shanghai Oriental Ticketing Co., Ltd.                       | Chairman                              | February 2016                           | Up to now                         |
|  | Shanghai Shangbao Industrial Co., Ltd.                      | Chairman                              | October 2020                            | Up to now                         |
|  | Shanghai Jiemian CLS Technologies Co., Ltd.                 | Chairman of the supervisory committee | November 2016                           | Up to now                         |
|  | Shanghai Ruiyi Investment Management Co., Ltd.              | Chairman                              | October 2016                            | Up to now                         |
| Shanghai Ruili Financial Information Service Co., Ltd. | Chairman  | November 2015                         | Up to now                               |                                   |
| Shanghai CLS Fintech Co., Ltd.                         | Supervisor  | June 2019                             | Up to now                               |                                   |



## Section IV Corporate Governance

| 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 |
|------------------|---|---------------------------------------|---|-----------------------------------|
| Ren Zhixiang     | Zhejiang Fuzhe Investment Co., Ltd.                                   | Director                              | November 2019                           | Up to now                         |
|                  | Zheshang Property and Casualty Insurance Co., Ltd.                    | Vice chairman                         | January 2021                            | Up to now                         |
| Zhu Jing         | China Zheshang Bank Co., Ltd.   | Director                              | December 2020                           | Up to now                         |
|                  | Orient Finance Holdings (Hong Kong) Limited                           | Director                              | August 2015                             | Up to now                         |
|                  |   | General manager                       | April 2019                              | Up to now                         |
|                  | Orient Futures Co., Ltd   | Director                              | February 2016                           | Up to now                         |
|                  | Orient Securities International Financial Group Co., Ltd.             | Director                              | August 2018                             | Up to now                         |
|                  | Chengtay Financial Leasing (Shanghai) Co., Ltd.                       | Chairman of the supervisory committee | February 2019                           | November 2021                     |
|                  |   | Director                              | November 2021                           | Up to now                         |
| Xu Zhiming       | Great Wall Fund Management Co., Ltd.                                  | Director                              | June 2020                               | Up to now                         |
|                  | Shanghai Orient Securities Asset Management Co., Ltd.                 | Supervisor                            | August 2020                             | Up to now                         |
|                  | China Broadband Capital   | Founding partner                      | March 2006                              | Up to now                         |
|                  | Donlink Group Co., Ltd.   | Director                              | September 2015                          | Up to now                         |
|                  | Guangzhou Donlink Industrial Investment Group Co., Ltd.               | Director                              | September 2015                          | Up to now                         |
|                  | Beijing Lianhang Hezhong Media Technology Co., Ltd.                   | Director                              | November 2007                           | Up to now                         |
|                  | Beijing Baoxuan Culture Media Co., Ltd.                               | Director                              | December 2007                           | Up to now                         |
| Jin Qinglu       | Tianjin Capital Environmental Protection Group Company Limited        | Independent director                  | November 2021                           | Up to now                         |
|                  | School of Accountancy of Shanghai University of Finance and Economics | Dean                                  | November 2018                           | Up to now                         |
| Wu Hong          | Harbin Bank Co., Ltd.   | Independent director                  | March 2021                              | Up to now                         |
|                  | Shanghai Pudong Development Bank Co., Ltd.                            | Independent director                  | December 2020                           | Up to now                         |
|                  | Shanghai Pudong Development Group Finance Co., Ltd.                   | Independent director                  | May 2010                                | June 2021                         |
|                  | Zhejiang Tailong Commercial Bank Co., Ltd.                            | Independent director                  | November 2016                           | Up to now                         |
|                  | Western Leadbank Fund Management Co., Ltd.                            | Independent director                  | December 2020                           | Up to now                         |

## Section IV Corporate Governance

| 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 |
|------------------|---|---------------------------------------|---|-----------------------------------|
| Feng Xingdong    | School of Statistics and Management of Shanghai University of Finance and Economics | Dean                                  | November 2019                           | Up to now                         |
| Luo Xinyu        | Shanghai State-owned Capital Operation Research Institute Co., Ltd.                 | General manager (president)           | June 2018                               | Up to now                         |
|                  | Shanghai State-owned Capital Training Center Co., Ltd.                              | Chairman                              | July 2020                               | Up to now                         |
|                  | Shanghai Pudong Technology Investment Co., Ltd.                                     | Director                              | September 2017                          | Up to now                         |
|                  | Kunshan Culture Business Tourism Group Co., Ltd.                                    | Director                              | May 2019                                | Up to now                         |
|                  | Shanghai Guosheng Guxian Venture Capital Investment Management Co., Ltd.            | Supervisor                            | December 2012                           | Up to now                         |
|                  | Shanghai Shengzhizi Corporate Management Co., Ltd.                                  | Executive director                    | May 2020                                | Up to now                         |
| Zhang Qian       | Chengdu Xinshen Venture Capital Co., Ltd.   | Director                              | April 2011                              | December 2021                     |
|                  | Shanghai Shenergy Energy Service Co., Ltd.  | Chairman                              | November 2019                           | December 2021                     |
| Du Weihua        | Shanghai Orient Securities Capital Investment Co., Ltd.                             | Supervisor                            | June 2020                               | Up to now                         |
|                  | Shanghai Orient Securities Innovation Investment Co., Ltd.                          | Supervisor                            | June 2020                               | Up to now                         |
|                  | Orient Futures Co., Ltd   | Supervisor                            | September 2020                          | Up to now                         |
|                  | Shanghai DFZQ Xindeyizhang Public Welfare Foundation                                | Director-general                      | April 2020                              | 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                              | December 2021                     |
|                  | 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 Leasing Co., Ltd.                                       | Chairman of the supervisory committee | December 2016                           | January 2021                      |
|                  | Shanghai Shenergy ICY Equity Investment Co., Ltd.                                   | Chairman of the supervisory committee | December 2016                           | Up to now                         |

## Section IV Corporate Governance

| 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 |
|------------------|--|--|---|-----------------------------------|
| Shen Guangjun    | Shanghai Construction Group Investment Co., Ltd.                                 | Deputy general manager   | March 2021                              | February 2022                     |
|                  | Shanghai Construction Group (Hainan) Investment Co., Ltd.                        | Executive deputy general manager                                     | July 2021                               | Up to now                         |
|                  | Shanghai Construction Environmental Technology Co., Ltd.                         | Supervisor   | October 2021                            | Up to now                         |
|                  | Shanghai Pudong BOC Fullerton Community Bank Co., Ltd.                           | Director   | June 2021                               | Up to now                         |
| Tong Jie         | Shanghai Xinqiniao Plaza Industrial Co., Ltd.                                    | Director   | January 2017                            | Up to now                         |
|                  | Shanghai Huade Meiju Construction and Decoration Materials Warehousing Co., Ltd. | Director   | November 2021                           | Up to now                         |
|                  | Shanghai Huade Meiju Supermarket Co., Ltd.                                       | Director   | December 2021                           | Up to now                         |
| Xia Lijun        | Antai College of Economics and Management of Shanghai Jiao Tong University       | Professor, doctoral supervisor and head of Department of Accountancy | March 2011                              | Up to now                         |
|                  | Huatai Baoxing Fund Management Co., Ltd.   | Independent director   | July 2016                               | Up to now                         |
|                  | Zhejiang Shengtai Garment Group Co., Ltd.  | Independent director   | October 2018                            | Up to now                         |
|                  | Shanghai Sanyou Medical Co., Ltd.  | Independent director   | July 2019                               | Up to now                         |
|                  | Shenzhen Huitai Medical Equipment Co., Ltd.                                      | Independent director   | November 2019                           | Up to now                         |
|                  | Orient Fortune Information Co., Ltd.   | Independent director   | January 2020                            | Up to now                         |
|                  | Shanghai Tongji Science & Technology Industrial Co., Ltd.                        | Independent director   | April 2020                              | Up to now                         |
|                  | Visionox Technology Inc.   | Independent director   | May 2020                                | April 2021                        |
|                  | Shanghai Bacai Information Technology Co., Ltd.                                  | Executive director   | April 2018                              | Up to now                         |
|                  | Ding Yan   | Orient Securities Investment Banking Co., Ltd.                       | Supervisor                              | August 2020                       |
| Shu Hong         | Shanghai Qizhong Golf Club Company Limited                                       | Director   | January 2009                            | Up to now                         |
|                  | Orient Securities Investment Banking Co., Ltd.                                   | Chief information officer  | December 2019                           | Up to now                         |

## Section IV Corporate Governance

| 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                  | Chairman                                | January 2021                            | Up to now                         |
|                  | Orient Securities International Financial Group Limited      | Chairman                                | August 2018                             | Up to now                         |
|                  | Shanghai Orient Securities Capital Investment Co., Ltd.      | Director                                | August 2015                             | Up to now                         |
|                  | China Securities Credit Investment Co., Ltd.                 | Supervisor                              | May 2015                                | Up to now                         |
|                  | Shanghai ICY New Energy Venture Capital Investment Co., Ltd. | Supervisor                              | October 2010                            | Up to now                         |
| Lu Weiming       | Shanghai Orient Securities Capital Investment Co., Ltd.      | Director                                | June 2020                               | Up to now                         |
| Yang Bin         | Orient Futures Co., Ltd                                      | Director                                | August 2015                             | Up to now                         |
|                  | Shanghai Orient Securities Innovation Investment Co., Ltd.   | Director                                | October 2020                            | Up to now                         |
|                  | Orient Finance Holdings (Hong Kong) Limited                  | Director                                | August 2018                             | Up to now                         |
|                  | Orient Securities Investment Banking Co., Ltd.               | Director                                | October 2015                            | Up to now                         |
|                  | Shanghai Orient Securities Asset Management Co., Ltd.        | Director                                | March 2018                              | Up to now                         |
| Wang Rufu        | Great Wall Fund Management Co., Ltd.                         | Supervisor                              | February 2017                           | Up to now                         |
|                  | China Universal Asset Management Company Limited             | Supervisor                              | September 2015                          | Up to now                         |
|                  | Shanghai ICY New Energy Venture Capital Investment Co., Ltd. | Director                                | March 2015                              | Up to now                         |
| Lu Dayin         | Orient Futures Co., Ltd                                      | Secretary of CPC party committee        | November 2020                           | Up to now                         |
|                  |  | Chairman                                | December 2020                           | Up to now                         |
|                  | Orient Runhe Asset Management Co., Ltd.                      | Chairman                                | November 2014                           | Up to now                         |
|                  | Orient Futures International (Singapore) Pte Ltd             | Chairman                                | January 2019                            | Up to now                         |
|                  | Shanghai Futures Association                                 | Legal representative and vice president | December 2019                           | Up to now                         |

## Section IV Corporate Governance

| 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 (resigned)                                 | Shanghai Xinhua Publishing Group Limited                 | Secretary of CPC party committee and chairman              | May 2014                                | January 2021                      |           |
|   | Shanghai XinHua Media Co., Ltd.                          | Secretary of CPC party committee and director              | June 2017                               | Up to now                         |           |
|   | Shanghai Call Center Co., Ltd.                           | Director   | July 2009                               | Up to now                         |           |
|   | Shanghai Oriental Pearl Real Estate Co., Ltd.            | Director   | July 2015                               | Up to now                         |           |
|   | Shanghai Shangbao Asset Management Co., Ltd.             | Director   | September 2015                          | Up to now                         |           |
|   | Shanghai Read Information Technology Co., Ltd.           | Director   | May 2016                                | Up to now                         |           |
|   | Shanghai Oriental Press Co., Ltd.                        | Director   | July 2016                               | Up to now                         |           |
|   | Shanghai Post Full-time Logistics Distribution Co., Ltd. | Director   | June 2016                               | Up to now                         |           |
|   | Shanghai Dong Jie Advertising Media Co., Ltd.            | Director   | June 2016                               | Up to now                         |           |
|   | Shanghai Evening News Media Co., Ltd.                    | Chairman   | November 2017                           | Up to now                         |           |
|   | Shanghai Xinrong Asset Management Co., Ltd.              | Executive director   | January 2018                            | Up to now                         |           |
|   | Shanghai Xinhua Finance Investment Co., Ltd.             | Executive director   | January 2018                            | Up to now                         |           |
|   | Shanghai Xinhua Media Communication Center Co., Ltd.     | Executive director   | January 2018                            | Up to now                         |           |
|   | Shanghai Xinrong Cultural & Industrial Service Co., Ltd. | Executive director   | January 2018                            | Up to now                         |           |
|   | Shanghai Yicheng Property Co., Ltd.                      | Executive director   | January 2018                            | Up to now                         |           |
|   | Shanghai Jiefang Real Estate Co., Ltd.                   | Chairman   | January 2018                            | Up to now                         |           |
|   | China City Internet Television Company Limited           | Director   | September 2018                          | Up to now                         |           |
|   | Xia Jinghan (resigned)                                   | Zhejiang Energy Group Co., Ltd.                            | General counsel                         | April 2014                        | Up to now |
|   |  | Zhejiang Zheneng Assets Operation and Management Co., Ltd. | Chairman                                | June 2014                         | Up to now |
|   |  | Zheneng Equity Investment Fund Management Co., Ltd.        | Executive director                      | June 2017                         | Up to now |
| Zhejiang Zheneng Carbon Assets Management Co., Ltd. |  | Chairman   | July 2017                               | Up to now                         |           |
| Xu Jianguo (resigned)                               | Shanghai Highly (Group) Co., Ltd.                        | Chairman of the supervisory committee                      | December 2017                           | Up to now                         |           |
|   | Shanghai Life Insurance Co., Ltd.                        | Director   | March 2015                              | Up to now                         |           |

## Section IV Corporate Governance

| 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 |           |
|--|---|---|---|-----------------------------------|-----------|
| He Xuan (resigned)                         | Shanghai Electric Group Finance LLC                                       | Director  | April 2013                              | Up to now                         |           |
|  | Haitong Securities Co., Ltd.  | Director  | October 2016                            | Up to now                         |           |
|  | Shanghai Micro Electronics Equipment Group Co., Ltd.                      | Director  | June 2016                               | Up to now                         |           |
|  | Shanghai Haiya Industry Co., Ltd.   | Chairman  | March 2019                              | Up to now                         |           |
|  | Shanghai Kaihai Industry Co., Ltd.  | Chairman  | June 2019                               | Up to now                         |           |
|  | Shanghai Electric Group Hong Kong Limited                                 | Director  | September 2019                          | Up to now                         |           |
|  | Tianjin Steel Pipe Manufacturing Co., Ltd.                                | Director  | March 2020                              | Up to now                         |           |
|  | Shanghai Electric Group Henglian Corporate Development Co., Ltd.          | Director  | June 2020                               | Up to now                         |           |
|  | Shanghai Electric Group Steel Pipe Co., Ltd.                              | Supervisor  | October 2019                            | Up to now                         |           |
|  | U-shine Fund Management Co., Ltd.   | Chairman  | March 2013                              | Up to now                         |           |
|  | Guizhou Rongchuang Investment Consulting Co., Ltd.                        | Executive director and general manager                  | March 2010                              | Up to now                         |           |
|  | Guizhou U-shine Property Management Co., Ltd.                             | Executive director                                      | January 2015                            | Up to now                         |           |
|  | Huang Laifang (resigned)  | Shanghai Post Office Museum                             | Curator                                 | September 2016                    | Up to now |
|  |   | Shanghai Post Office under China Post Group Corporation | Deputy general manager                  | September 2018                    | Up to now |
| Shanghai Jiashida Postal Service Co., Ltd. |   | Chairman  | January 2019                            | Up to now                         |           |
| Yin Keding (resigned)                      | Shanghai Pudong BOC Fullerton Community Bank Co., Ltd.                    | Director  | January 2014                            | June 2021                         |           |
|  | SCG Property Co., Ltd.  | Director  | April 2014                              | Up to now                         |           |
|  | Shanghai Municipal Engineering Design General Institute (Group) Co., Ltd. | Director  | August 2014                             | July 2021                         |           |
|  | SCG Kunshan Zhonghuan Construction Co., Ltd.                              | Chairman  | July 2016                               | Up to now                         |           |
| Wu Zhengkui (resigned)                     | Greenland Holding Group Company Limited                                   | Deputy general manager of the financial department      | March 2012                              | Up to now                         |           |
|  | Greenland Energy Group Co., Ltd.  | Director  | December 2009                           | Up to now                         |           |
|  | Greenland Financial Investment Holding Group Co., Ltd.                    | Supervisor  | April 2011                              | Up to now                         |           |
|  | Shanghai Yunfeng (Group) Co., Ltd.  | Director  | January 2008                            | Up to now                         |           |
|  | Shanghai Xinlv Fuxing City Development Co., Ltd.                          | Director  | March 2013                              | Up to now                         |           |

## Section IV Corporate Governance

| 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 Xinhua Financial Investment Co., Ltd.                         | Supervisor  | February 2005                           | Up to now                         |
|                              | Shanghai Xinhua Media Exchange Center Co., Ltd.                        | Supervisor  | February 2007                           | Up to now                         |
|                              | Shanghai Greenland Equity Investment Management Co., Ltd.              | Supervisor  | November 2011                           | Up to now                         |
|                              | Nanjing Guozi Greenland Financial Center Co., Ltd.                     | Director  | September 2009                          | Up to now                         |
|                              | Shanghai Greenland Shengfan City Investment Asset Management Co., Ltd. | Supervisor  | January 2016                            | Up to now                         |
|                              | Greenland Holding Group (Shanghai) International Investment Co., Ltd.  | Supervisor  | January 2014                            | Up to now                         |
|                              | Greenland Innovation Investment Co., Ltd.                              | Supervisor  | March 2016                              | Up to now                         |
|                              | Shanghai Greenland Financing Guarantee Co., Ltd.                       | Supervisor  | February 2012                           | Up to now                         |
|                              | Jiaoda Greenland Technology Innovation Co., Ltd.                       | Director  | September 2017                          | Up to now                         |
|                              | Shanghai Xinhua Publishing (Group) Co., Ltd.                           | Chief financial officer                           | January 2007                            | Up to now                         |
|                              | Shanghai Greenland Transportation Investment Co., Ltd.                 | Supervisor  | January 2016                            | Up to now                         |
|                              | Greenland City Investment Group Co., Ltd.                              | Supervisor  | January 2016                            | Up to now                         |
|                              | Greenland Hong Kong Holdings Limited                                   | Executive director                                | August 2013                             | Up to now                         |
|                              | Shanghai Urban Construction Design Co., Ltd.                           | Director  | July 2019                               | Up to now                         |
|                              | Zhongmin Waitan Real Estate Development Co., Ltd.                      | Director  | February 2019                           | Up to now                         |
|                              | Jinzhou Bank Co., Ltd.   | Supervisor  | October 2019                            | Up to now                         |
| Liu Wenbin (resigned)        | Pactera Technology International Ltd.                                  | Senior vice president and chief financial officer | February 2020                           | Up to now                         |
| Zhou Wenwu (resigned)        | Huangpu District Federation of Trade Unions                            | Vice chairman (concurrent)                        | April 2016                              | Up to now                         |
| Employment at other entities | Nil  |   |   |                                   |

## Section IV Corporate Governance

### (iii) Remunerations of Directors, Supervisors and senior management

|  |   |
|--|---|
| Decision-making procedures for remunerations of the Directors, Supervisors and senior management                               | 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 annual fixed salary and performance bonus. The annual fixed salary is determined based on the position, and the performance bonus is linked with the Company's operating results, the annual performance appraisal and the term performance appraisal of the senior management members. The remuneration of senior management members shall be implemented upon approval by the Remuneration and Nomination Committee of the Board. The remuneration performance management of other senior management personnel shall be implemented in accordance with the relevant rules of the Company. Remuneration of independent Supervisors shall be determined by the Supervisory Committee and approved at the general meeting. |
| Basis for determining the remunerations of the Directors, Supervisors and senior management                                    | Remunerations of the Company's independent non-executive Directors and remuneration of independent Supervisors are determined with reference to that of the listed peers in the same industry; remunerations of the Company's executive Directors, employee representative Directors, employee representative Supervisors and senior management who receive remuneration from the Company are based on the remuneration and assessment system of the Company. In particular, the remuneration structure and standard of the chairman, president, vice president and management members holding positions of vice president are determined in accordance with the Assessment, Incentive and Restraint Mechanism Plan for Senior Management.  |
| 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 | RMB38.0998 million  |



## Section IV Corporate Governance

### (iv) Changes of Directors, Supervisors and senior management

| Name                   | Position                                     | Particulars of changes | Reasons for change  |   |
|------------------------|--|------------------------|---|---|
| Song Xuefeng           | Executive Director                           | Election               | In March 2021, the 2021 first extraordinary general meeting of the Company was convened, at which the non-employee representative Directors of the fifth session of the Board were elected, which formed the fifth session of the Board together with the employee representative Director elected at the general meeting of employees' representatives in February 2021. The fifth session of the Board of the Company comprises Mr. Song Xuefeng and Mr. Jin Wenzhong as executive Directors, Mr. Yu Xuechun, Mr. Liu Wei, Mr. Zhou Donghui, Mr. Cheng Feng and Mr. Ren Zhixiang as non-executive Directors, Ms. Zhu Jing as employee representative Director, and Mr. Xu Zhiming, Mr. Jin Qinglu, Mr. Wu Hong and Mr. Feng Xingdong as independent non-executive Directors. On the same day, the first meeting of the fifth session of the Board of the Company was convened, at which Mr. Jin Wenzhong was elected as the chairman of the fifth session of the Board of the Company and appointed as the president of the Company.                                  |   |
| Jin Wenzhong           | Executive Director and Chairman of the Board | Election               |   |   |
|                        | President                                    | Appointment            |   |   |
| Yu Xuechun             | Non-executive Director                       | Election               |   |   |
| Cheng Feng             | Non-executive Director                       | Election               |   |   |
| Ren Zhixiang           | Non-executive Director                       | Election               |   |   |
| Zhu Jing               | Employee representative Director             | Election               |   |   |
| Luo Xinyu              | Independent non-executive Director           | Election               |   | In May 2021, the 2020 annual general meeting of the Company was convened, at which Mr. Luo Xinyu was elected as an independent non-executive Director of the fifth session of the Board of the Company. |
| Li Xiang (resigned)    | Non-executive Director                       | Resignation            |   | In March 2021, the term of office of the fourth session of the Board of the Company expired.  |
| Xia Jinghan (resigned) | Non-executive Director                       | Resignation            |   |   |
| Xu Jianguo (resigned)  | Non-executive Director                       | Resignation            |   |   |
| He Xuan (resigned)     | Independent non-executive Director           | Resignation            |   |   |
| Wu Junhao              | Non-executive Director                       | Resignation            | In March 2021, the term of office of the fourth session of the Board of the Company expired.  |   |
|                        | Shareholder representative Supervisor        | Election               | In March 2021, the 2021 first extraordinary general meeting of the Company was convened, at which the non-employee representative Supervisors of the fifth session of the Supervisory Committee were elected, which formed the fifth session of the Supervisory Committee together with the employee representative Supervisors elected at the general meeting of employees' representatives in February 2021. The fifth session of the Supervisory Committee of the Company comprises Mr. Zhang Qian, Mr. Wu Junhao, Mr. Zhang Jian, Mr. Shen Guangjun and Ms. Tong Jie as shareholder representative Supervisors, Mr. Xia Lijun as independent Supervisor, and Mr. Du Weihua, Ms. Ruan Fei and Ms. Ding Yan as employee representative Supervisors. On the same day, the first meeting of the fifth session of the Supervisory Committee of the Company was convened, at which Mr. Zhang Qian was elected as the chairman of the Supervisory Committee of the Company and Mr. Du Weihua was elected as the vice chairman of the Supervisory Committee of the Company. |   |
| Zhang Jian             | Shareholder representative Supervisor        | Election               |   |   |
| Shen Guangjun          | Shareholder representative Supervisor        | Election               |   |   |
| Xia Lijun              | Independent Supervisor                       | Election               |   |   |
| Ruan Fei               | Employee representative Supervisor           | Election               |   |   |
| Ding Yan               | Employee representative Supervisor           | Election               |   |   |

## Section IV Corporate Governance

| Name                     | Position  | Particulars of changes | Reasons for change   |
|--------------------------|---|------------------------|--|
| Huang Laifang (resigned) | Shareholder representative<br>Supervisor                              | Resignation            | In March 2021, the term of office of the fourth session of the Supervisory Committee expired.  |
| Liu Wenbin (resigned)    | Shareholder representative<br>Supervisor                              | Resignation            |  |
| Yin Keding (resigned)    | Shareholder representative<br>Supervisor                              | Resignation            |  |
| Wu Zhengkui (resigned)   | Shareholder representative<br>Supervisor                              | Resignation            |  |
| Zhou Wenwu (resigned)    | Employee representative<br>Supervisor                                 | Resignation            |  |
| Yao Yuan (resigned)      | Employee representative<br>Supervisor                                 | Resignation            |  |
| Yang Bin                 | Vice president, chief<br>risk officer and chief<br>compliance officer | Appointment            | At the first meeting of the fifth session of the Board of the Company held in March 2021, the fifth session of senior management members of the Company were appointed.  |
| Xu Haining               | Vice president  | Appointment            | In November 2021, the eighth meeting of the fifth session of the Board of the Company was convened. Based on the operating needs of the Company, the Board considered and agreed to adjust and appoint the senior management members of the Company. In particular, Mr. Zhang Jianhui, vice president of the Company, ceased to be the financial controller of the Company and Mr. Shu Hong, vice president of the Company, was appointed as the financial controller of the Company; Mr. Shu Hong, vice president of the Company, ceased to be the chief information officer of the Company and Mr. Lu Dayin was appointed as the chief information officer of the Company. |
| Shu Hong                 | Financial controller  | Appointment            |  |
| Zhang Jianhui            | Chief information officer   | Resignation            |  |
| Lu Dayin                 | Chief information officer   | Appointment            |  |

### (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.

## Section IV Corporate Governance

### V. BOARD MEETINGS CONVENED DURING THE REPORTING PERIOD

| Meeting   | Date             | Resolutions  |
|---|------------------|--|
| 25th meeting of the fourth session of the Board | February 5, 2021 | Six resolutions, being the “Proposal Regarding the Amendments to Certain Articles of the Articles of Association”, the “Proposal on Election of New Session of the Board of the Company”, the “Company’s 2020 Annual Operational Work Report”, the “Proposal on the Company’s Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2021”, the “Proposal Regarding Abolition of the Capital Management Measures of the Company” and the “Proposal on Convening the 2021 First Extraordinary General Meeting of the Company”, were considered and approved.   |
| First meeting of the fifth session of the Board | March 5, 2021    | 11 resolutions, being the “Proposal on Election of Chairman of the Fifth Session of the Board of the Company”, the “Proposal on Election of Members and Chairman of the Special Committees of the Fifth Session of the Board of the Company”, the “Proposal on Appointment of President of the Company”, the “Proposal on Appointment of Vice President of the Company”, the “Proposal on Appointment of Chief Information Officer of the Company”, the “Proposal on Appointment of Chief Financial Officer of the Company”, the “Proposal on Appointment of Chief Risk Officer and Chief Compliance Officer of the Company”, the “Proposal on Appointment of Secretary to the Board of the Company”, the “Proposal on Appointment of Joint Company Secretaries of the Company”, the “Proposal on Appointment of Authorised Representative for the Hong Kong Stock Exchange” and the “Proposal on Appointment of Securities Affairs Representatives of the Company”, were considered and approved. |

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| Meeting  | Date           | Resolutions  |
|--|----------------|--|
| Second meeting of the fifth session of the Board | March 30, 2021 | <p>33 resolutions were considered and approved, including the “Report of the Board of Directors of the Company for the Year 2020”, the “Final Accounts Report of the Company for the Year 2020”, the “Profit Distribution Proposal of the Company for the Year 2020”, the “Report on Execution of Risk Control Indicators by the Company in 2020”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2021”, the “Proposal Regarding the General Mandate to Issue Offshore Debt Financing Instruments of the Company”, the “Company’s 2020 Annual Compliance Report”, the “Company’s 2020 Annual Risk Management Work Report”, the “Company’s 2020 Annual Internal Control Assessment Report”, the “2020 Anti-Money Laundering Report of the Company”, the “Special Audit Report on the Company’s Anti-Money Laundering Work in 2020”, the “Annual Report of the Company for the Year 2020”, the “Company’s 2020 Special Report on Information Technology Management”, the “Proposal on the Company’s 2020 Annual Social Responsibility Report”, the “Proposal on Formulation of the Strategic Plan (2021-2024) of the Company”, the “Proposal Regarding Appointment of Additional Independent Non-executive Director of the Company”, the “Proposal on Election of Members of the Audit Committee of the Board of the Company”, the “Proposal Regarding the Audit of the Related Transactions of the Company in 2020”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2021”, the “Proposal on the Signing of the 2021-2023 Connected Transaction Framework Agreement with Shenergy (Group) Company Limited”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2021”, the “Proposal Regarding the Engagement of Auditing Firms for the Year 2021”, the “Proposal on Meeting the Rights Issue Conditions of the Company”, the “Proposal Regarding the Company’s Plan of Public Issuance of Securities through Rights Issue”, the “Proposal Regarding the Company’s Preliminary Plan of Public Issuance of Securities through Rights Issue”, the “Proposal of Feasibility Analysis Report on Use of Proceeds to be Raised From Rights Issue of the Company”, the “Proposal on Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties”, the “Proposal to Seek Approval from the General Meeting of the Company to Authorize the Board of Directors to Deal with Matters in Relation to the Rights Issue of the Company with Full Discretion, the “Proposal Regarding the Report on Use of Proceeds from Previous Fund-Raising Activities of the Company”, the “Proposal Regarding the Amendments to Certain Articles of the Articles of Association”, the “Proposal on Amendments to the Administrative Measures for Insider Registration and Confidentiality of the Company”, the “Proposal on the Assessment, Incentive and Restraint Mechanism Plan for Senior Management of the Company” and the “Proposal on Convening the 2020 Annual General Meeting, 2021 First A Share Class Meeting and 2021 First H Share Class Meeting of the Company”. The “Company’s 2020 Annual Work Report of the Independent Directors” and the “2020 Report on Performance of Duties of the Audit Committee of the Board of the Company” were presented at the meeting.</p> |

## Section IV Corporate Governance

| Meeting   | Date               | Resolutions  |
|---|--------------------|--|
| Third meeting of the fifth session of the Board   | April 29, 2021     | Two resolutions, being the “First Quarterly Report of the Company for the Year 2021” and the “Proposal on Amendments to the Basic Rules for Comprehensive Risk Management of the Company”, were considered and approved.   |
| Fourth meeting of the fifth session of the Board  | June 21, 2021      | Four resolutions, being the “Proposal Regarding the Company’s Absorption of and Merger With Orient Securities Investment Banking Co., Ltd., a Wholly-owned Subsidiary, the “Proposal Regarding the Change of Business Scope of the Company”, the “Proposal Regarding the Amendments to the Management Measures of Related-Party Transactions of the Company” and the “Proposal on Convening the 2021 Second Extraordinary General Meeting of the Company”, were considered and approved. |
| Fifth meeting of the fifth session of the Board   | August 27, 2021    | Four resolutions, being the “Interim Report of Orient Securities Company Limited for the Year 2021”, the “Report on Execution of Risk Control Indicators of Net Capital by the Company for the First Half of 2021”, the “Company’s 2021 Interim Compliance Report” and “the Company’s 2021 Interim Risk Management Work Report”, were considered and approved. The “Company’s 2021 Half-year Operational Work Report” was presented at the meeting.                                      |
| Sixth meeting of the fifth session of the Board   | September 28, 2021 | The “Proposal on Adjustment to Certain Content of the Annual Plan of Asset and Liability Allocation of the Company” was considered and approved.   |
| Seventh meeting of the fifth session of the Board | October 28, 2021   | The “Third Quarterly Report of the Company for the Year 2021” was considered and approved.   |
| Eighth meeting of the fifth session of the Board  | November 1, 2021   | Two resolutions, being the “Proposal on Adjustment of Duties of Senior Management and Appointment of Chief Financial Officer and Chief Information Officer of the Company” and the “Proposal on Amendments to the Administrative Measures for Compliance Management Effectiveness Assessment of the Company”, were considered and approved.  |
| Ninth meeting of the fifth session of the Board   | December 29, 2021  | Four resolutions, being the “Proposal on Special Mandate for Write-off of Doubtful Debts of the Company”, the “Proposal on Formulation of Administrative Measures for Write-off of Doubtful Debts of the Company”, the “Proposal on Amendments to the Company’s Audit Work Rules” and the “Proposal on Amendments to the Reputational Risk Management Measures of the Company”, were considered and approved.  |

During the Reporting Period, the Board held a total of ten meetings and all Directors voted in favour of the proposals considered by the Board, with no abstentions or objections.

## Section IV Corporate Governance

### VI. 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.

During the Reporting Period, the Company elected the new session of Board of Directors. As of the end of the Reporting Period, the fifth session of the Board had 13 existing Directors. The biographical details of the Directors as at the date of this report are set out in “IV, Directors, Supervisors and Senior Management” in this section. 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 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.

## Section IV Corporate Governance

### (i) Attendances of Directors at Board meetings and general meetings

| Name of Director | Independent Director or not | Number of Board meetings requiring attendance during the year | Attendance at the Board meetings |                               |                     |         | Attendance at general meetings                   |  |
|------------------|-----------------------------|---|----------------------------------|-------------------------------|---------------------|---------|--|--|
|                  |                             |   | Attendance in person             | Attendance via correspondence | Attendance by proxy | Absence | Absent from two consecutive meetings (in person) | Number of attendance at general meetings |
| Song Xuefeng     | No                          | 9   | 9                                | 7                             | 0                   | 0       | No   | 1  |
| Jin Wenzhong     | No                          | 10  | 10                               | 8                             | 0                   | 0       | No   | 3  |
| Yu Xuechun       | No                          | 9   | 9                                | 7                             | 0                   | 0       | No   | 0  |
| Liu Wei          | No                          | 10  | 10                               | 8                             | 0                   | 0       | No   | 0  |
| Zhou Donghui     | No                          | 10  | 10                               | 8                             | 0                   | 0       | No   | 0  |
| Cheng Feng       | No                          | 9   | 9                                | 7                             | 0                   | 0       | No   | 0  |
| Ren Zhixiang     | No                          | 9   | 9                                | 7                             | 0                   | 0       | No   | 1  |
| Zhu Jing         | No                          | 9   | 9                                | 7                             | 0                   | 0       | No   | 2  |
| Xu Zhiming       | Yes                         | 10  | 10                               | 8                             | 0                   | 0       | No   | 0  |
| Jin Qinglu       | Yes                         | 10  | 10                               | 8                             | 0                   | 0       | No   | 1  |
| Wu Hong          | Yes                         | 10  | 10                               | 8                             | 0                   | 0       | No   | 0  |
| Feng Xingdong    | Yes                         | 10  | 10                               | 8                             | 0                   | 0       | No   | 1  |
| Luo Xinyu        | Yes                         | 6   | 6                                | 5                             | 0                   | 0       | No   | 0  |
| Wu Junhao        | No                          | 1   | 1                                | 1                             | 0                   | 0       | No   | 0  |
| Li Xiang         | No                          | 1   | 1                                | 1                             | 0                   | 0       | No   | 0  |
| Xia Jinghan      | No                          | 1   | 1                                | 1                             | 0                   | 0       | No   | 0  |
| Xu Jianguo       | No                          | 1   | 1                                | 1                             | 0                   | 0       | No   | 0  |
| He Xuan          | Yes                         | 1   | 1                                | 1                             | 0                   | 0       | No   | 0  |

No Directors were absent from two consecutive Board meetings in person.

|   |    |
|---|----|
| Number of Board meetings convened during the year           | 10 |
| Of which: Number of meetings held on-site                   | 2  |
| Number of meetings via correspondence                       | 8  |
| Number of meetings held both on-site and via correspondence | 0  |

### (ii) No Directors have raised objections to relevant matters of the Company

## Section IV Corporate Governance

### (iii) Others

#### *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*

According to code provision A.2.1 then in force (which was amended as code provision C.2.1 since 1 January 2022) of the Corporate Governance Code, 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. As Mr. Pan Xinjun resigned as the chairman of the Company in October 2020, Mr. Jin Wenzhong, the president, was elected by all Directors to act as the chairman of the Company, and after election of the Board of the Company on March 5, 2021, Mr. Jin Wenzhong has become the chairman and president of the Company. The Rules of Procedure for Board Meetings and Work Rules for the President considered and approved by the Board of the Company clearly define duties of the chairman and the president respectively, and the major decisions will be jointly made by other executive Directors, non-executive Directors, independent non-executive Directors and employee representative Director, being over ten members of the fifth session of the Board, and the Board committees and independent non-executive Directors will continue to play an active, professional and supervisory role to effectively address potential governance issues that may arise from the chairman also being the president.

Chairman 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 is mainly responsible for daily operation and management of the Company, including organizing and implementing the resolutions of the Board and daily decision-making.



## Section IV Corporate Governance

### 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 "VII. Special Committees of the Board" in this section. 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 "IV, (i). Changes in shareholding and remunerations of current and resigned Directors, Supervisors and senior management during the Reporting Period" in this section 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.

## Section IV Corporate Governance

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 11, 2021     | /          | The Company                                  | Macroeconomy and Capital Market Analysis Report; Current Situation, Problems and Suggestions for Development of Wealth Management Business of Securities Firms   | /                 |
| All Directors     | February 24, 2021    | /          | The Company                                  | Analysis on the Operation of Securities Companies in 2020  | /                 |
| All Directors     | April 9, 2021        | /          | The Company                                  | Compilation of Study Materials on Amendments to the Criminal Law (for Listed Companies)  | /                 |
| Ren Zhixiang      | May 19-21, 2021      | Three days | The Hong Kong Chartered Governance Institute | Advanced Seminar for Directors and Supervisors of Domestic and Overseas Listed Companies in China and 55th Seminar on Enhanced Continuing Professional Development for Joint Members of the Hong Kong Institute of Chartered Secretaries | Guiyang           |
| All Directors     | June 24, 2021        | /          | The Company                                  | Anti-Money Laundering Management Manual for Senior Management of Financial Institutions  | /                 |
| Xu Zhiming        | August 11-19, 2021   | Nine days  | SSE  | Second Follow-up Training for Independent Directors of Listed Companies in 2021  | Online            |
| Wu Hong           | August 11-19, 2021   | Nine days  | SSE  | Second Follow-up Training for Independent Directors of Listed Companies in 2021  | Online            |
| Luo Xinyu         | August 11-19, 2021   | Nine days  | SSE  | Second Follow-up Training for Independent Directors of Listed Companies in 2021  | Online            |
| Feng Xingdong     | November 12-19, 2021 | Eight days | SSE  | Third Follow-up Training for Independent Directors of Listed Companies in 2021   | Online            |

## Section IV Corporate Governance

| Name of Directors | Date                                 | Duration | Organizer   | Content   | Place of training |
|-------------------|--------------------------------------|----------|---|---|-------------------|
| All Directors     | December 20, 2021                    | One day  | The Company   | The Relationship Between ESG and Corporate Sustainability, Corporate Governance and Construction of Board of Directors and Supervisory Committee of State-owned Enterprises | Shanghai/Online   |
| Yu Xuechun        | December 31, 2021 – January 31, 2022 | Two days | Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies | 2021 Online Training for Directors and Supervisors of Listed Companies in Shanghai  | Online            |
| Ren Zhixiang      | December 31, 2021 – January 31, 2022 | Two days | Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies | 2021 Online Training for Directors and Supervisors of Listed Companies in Shanghai  | Online            |
| Jin Qinglu        | December 31, 2021 – January 31, 2022 | Two days | Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies | 2021 Online Training for Directors and Supervisors of Listed Companies in Shanghai  | Online            |

## VII. SPECIAL COMMITTEES OF THE BOARD

### (1) Members of the special committees of the Board

| Special committee                        | Name of member  |
|--|---|
| Strategic Development Committee          | Song Xuefeng (chairman), Jin Wenzhong, Cheng Feng, Xu Zhiming, Zhu Jing   |
| Compliance and Risk Management Committee | Jin Wenzhong (chairman), Yu Xuechun, Cheng Feng, Ren Zhixiang, Wu Hong    |
| Remuneration and Nomination Committee    | Wu Hong (chairman), Liu Wei, Zhou Donghui, Jin Qinglu, Feng Xingdong      |
| Audit Committee                          | Jin Qinglu (chairman), Yu Xuechun, Zhou Donghui, Feng Xingdong, Luo Xinyu |

## Section IV Corporate Governance

### (2) During the Reporting Period, the Strategic Development Committee convened two meetings

| Date           | Content  | Key opinion and recommendation   | Performance of other duties |
|----------------|--|--|-----------------------------|
| March 29, 2021 | At the 2021 first meeting (on-site meeting) of the Strategic Development Committee of the fifth session of the Board, the “Proposal on Formulation of the Strategic Plan (2021-2024) of 東方證券股份有限公司” was considered and approved.   | The meeting required the Company to strengthen the integration of strategic plans with business plans and performance appraisals, break down targets and tasks, refine development initiatives and strengthen strategy implementation to ensure the effective implementation of strategic plans and the comprehensive achievement of strategic objectives. | –                           |
| June 21, 2021  | At the 2021 second meeting (resolve by correspondence) of the Strategic Development Committee of the fifth session of the Board, the “Proposal Regarding the Company’s Absorption of and Merger With Orient Securities Investment Banking Co., Ltd., a Wholly-owned Subsidiary” and the “Proposal Regarding the Change of Business Scope of the Company” were considered and approved. | –  | –                           |

## Section IV Corporate Governance

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 the Board's approval; studying and advising on material capital operations and asset management projects that are subject to the 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.

Attendance of the members of the Strategic Development Committee during the Reporting Period:

| <b>Name</b>             | <b>Number of actual attendances/number of attendances as required</b> |
|-------------------------|---|
| Song Xuefeng (chairman) | 2/2   |
| Jin Wenzhong            | 2/2   |
| Cheng Feng              | 2/2   |
| Xu Zhiming              | 2/2   |
| Zhu Jing                | 2/2   |
| Wu Junhao               | 0/0   |

### (3) During the Reporting Period, the Compliance and Risk Management Committee convened six meetings

| <b>Date</b>      | <b>Content</b>   | <b>Key opinion and recommendation</b> | <b>Performance of other duties</b> |
|------------------|--|---------------------------------------|------------------------------------|
| February 5, 2021 | At the 2021 first meeting (via correspondence) of the Compliance and Risk Management Committee of the fourth session of the Board, the "Proposal on the Company's Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2021" was considered and approved. | -                                     | -                                  |

## Section IV Corporate Governance

| Date           | Content   | Key opinion and recommendation   | Performance of other duties |
|----------------|---|--|-----------------------------|
| March 29, 2021 | <p>At the 2021 first meeting (on-site meeting) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Report on Execution of Risk Control Indicators by the Company in 2020”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2021”, the “Company’s 2020 Annual Compliance Report”, the “Company’s 2020 Annual Risk Management Work Report”, the “2020 Compliance Management Effectiveness Assessment Report of the Company” and the “2020 Comprehensive Risk Management Assessment Work Report of the Company” were considered and approved, and the 2020 annual performance appraisal on the Chief Risk Officer and Chief Compliance Officer was conducted.</p> | <p>The meeting required the Company to manage the relationship between development and compliance and risk control, between timeliness and efficiency and between external supervision and internal control, and to achieve a balance between rigidity and characteristics, and between classified guidance and implementation of adjustments.</p> | -                           |

## Section IV Corporate Governance

| Date            | Content   | Key opinion and recommendation  | Performance of other duties |
|-----------------|---|---|-----------------------------|
| April 29, 2021  | At the 2021 second meeting (via correspondence) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Proposal on Amendments to the Basic Rules for Comprehensive Risk Management of the Company” was considered and approved.  | -   | -                           |
| August 26, 2021 | At the 2021 third meeting (on-site meeting) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Report on Execution of Risk Control Indicators of Net Capital by the Company for the First Half of 2021”, the “Company’s 2021 Interim Compliance Report” and the “Company’s 2021 Interim Risk Management Work Report” were considered and approved. | The meeting required the Company to strengthen compliance risk control penetration management system construction and vertical management, strengthen risk control in key areas and prevent systematic risks. | -                           |

## Section IV Corporate Governance

| Date             | Content   | Key opinion and recommendation | Performance of other duties |
|------------------|---|--------------------------------|-----------------------------|
| November 1, 2021 | At the 2021 fourth meeting (via correspondence) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Proposal on Amendments to the Administrative Measures for Compliance Management Effectiveness Assessment of the Company” was considered and approved.                                     | -                              | -                           |
| December 8, 2021 | At the 2021 fifth meeting (via correspondence) of the Compliance and Risk Management Committee of the fifth session of the Board, the “2021 Compliance Management Effectiveness Assessment Work Plan of 東方證券股份有限公司” and the “2021 Comprehensive Risk Management Assessment Work Plan of 東方證券股份有限公司” were considered and approved. | -                              | -                           |



## Section IV Corporate Governance

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 to 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.

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

| <b>Name</b>             | <b>Number of actual attendances/number of attendances as required</b> |
|-------------------------|---|
| Jin Wenzhong (chairman) | 6/6   |
| Yu Xuechun              | 5/5   |
| Cheng Feng              | 4/5   |
| Ren Zhixiang            | 5/5   |
| Wu Hong                 | 5/6   |
| Li Xiang                | 1/1   |
| Xia Jinghan             | 1/1   |

## Section IV Corporate Governance

### (4) During the Reporting Period, the Remuneration and Nomination Committee convened seven meetings

| Date             | Content   | Key opinion and recommendation | Performance of other duties |
|------------------|---|--------------------------------|-----------------------------|
| January 8, 2021  | At the 2021 first meeting (via correspondence) of the Remuneration and Nomination Committee of the fourth session of the Board, the “Proposal on Granting One-off Incentive to Relevant Senior Management” was considered and approved. | -                              | -                           |
| February 5, 2021 | At the 2021 second meeting (via correspondence) of the Remuneration and Nomination Committee of the fourth session of the Board, the “Proposal on Election of New Session of the Board of the Company” was considered and approved.     | -                              | -                           |

## Section IV Corporate Governance

| Date          | Content   | Key opinion and recommendation | Performance of other duties |
|---------------|---|--------------------------------|-----------------------------|
| March 5, 2021 | <p>At the 2021 first meeting (via correspondence) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Proposal on Appointment of President of the Company”, the “Proposal on Appointment of Vice President of the Company”, the “Proposal on Appointment of Chief Information Officer of the Company”, the “Proposal on Appointment of Chief Financial Officer of the Company”, the “Proposal on Appointment of Chief Risk Officer and Chief Compliance Officer of the Company” and the “Proposal on Appointment of Secretary to the Board of the Company” were considered and approved.</p> | -                              | -                           |

## Section IV Corporate Governance

| Date           | Content   | Key opinion and recommendation  | Performance of other duties |
|----------------|---|---|-----------------------------|
| March 30, 2021 | <p>At the 2021 second meeting (on-site meeting) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Proposal on 2021 Operating Results Appraisal Target for the Company and Senior Management Members”, the “Proposal Regarding Appointment of Additional Independent Non-executive Director of the Company”, the “Proposal on the Assessment, Incentive and Restraint Mechanism Plan for Senior Management of the Company” and the Appraisal Results of the Chief Risk Officer and Chief Compliance Officer were considered and approved.</p> | <p>The meeting considered that the plan of assessment, incentive and restraint mechanism formulated by the Company according to the market-oriented principles was scientific and reasonable in design through mechanisms such as deferral, deduction and recourse, which further optimized the performance assessment indicator system and scoring system of the senior management and increased the efforts of incentive and restraint for the senior management.</p> | -                           |

## Section IV Corporate Governance

| Date             | Content   | Key opinion and recommendation | Performance of other duties |
|------------------|---|--------------------------------|-----------------------------|
| August 27, 2021  | At the 2021 third meeting (via correspondence) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Proposal on the Three-Year (2021-2023) Operating Results Assessment Target of the Company” and the “Proposal on the Three-Year (2021-2023) Operating Results Assessment Target of the Senior Management of the Company” were considered and approved. | -                              | -                           |
| November 1, 2021 | At the 2021 fourth meeting (via correspondence) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Proposal on Adjustment of Duties of Senior Management and Appointment of Chief Financial Officer and Chief Information Officer of the Company” was considered and approved.  | -                              | -                           |

## Section IV Corporate Governance

| Date             | Content   | Key opinion and recommendation | Performance of other duties |
|------------------|---|--------------------------------|-----------------------------|
| December 8, 2021 | At the 2021 fifth meeting (via correspondence) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Proposal on Conducting 2019-2020 Appraisal for Senior Management at President and Vice President Level of the Company” was considered and approved. | -                              | -                           |

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 will 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 as well as the business characteristics and future development needs of the Company. 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. All appointments of members of the Board will continue to focus on the efficiency and performance of the Board while fully reflecting the benefits of Board diversity.

## Section IV Corporate Governance

### *Nomination Policy for Directors*

According to the requirements in Article 140 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, including but not limited to the gender, age, cultural, educational background, and professional experience of the Directors; identifies qualified individuals as candidates for Directors and senior management, reviews their qualifications and making recommendations; makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular, the chairman and the president); assesses the independence of independent Directors; studies and reviews 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.

## Section IV Corporate Governance

### *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.

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

| <b>Name</b>        | <b>Number of actual attendances/number of attendances as required</b> |
|--------------------|---|
| Wu Hong (chairman) | 7/7   |
| Liu Wei            | 7/7   |
| Zhou Donghui       | 7/7   |
| Jin Qinglu         | 7/7   |
| Feng Xingdong      | 5/5   |
| He Xuan            | 2/2   |



## Section IV Corporate Governance

### (5) During the Reporting Period, the Audit Committee convened six meetings

| Date           | Content   | Key opinion and recommendation   | Performance of other duties |
|----------------|---|--|-----------------------------|
| March 30, 2021 | <p>At the 2021 first meeting (on-site meeting) of the Audit Committee of the fifth session of the Board, the Internal Control Evaluation Report in 2020, the “Annual Report of the Company for the Year 2020”, the “Proposal Regarding the Audit of the Related Transactions of the Company in 2020”. the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2021”, the “Proposal on the Signing of the 2021-2023 Connected Transaction Framework Agreement with Shenergy (Group) Company Limited”, the “Proposal Regarding the Engagement of Auditing Firms for the Year 2021”, the “Report on the Company’s 2020 Annual Audit and Audit Results” and the “Proposal on Confirmation of the Company’s List of Related Parties for 2020” were considered and approved. The “2020 Report on Performance of Duties of the Audit Committee of the Board of the Company” and the “Company’s 2020 Annual Internal Control Assessment Report” were presented at the meeting.</p> | <p>The meeting carried out thorough discussion and analysis on the three-stage classification criteria for impairment of share pledge business, the basis of assumptions for significant risk identification, the procedural arrangements for key audit matters, and the graphical presentation of relevant financial reports.</p> | -                           |

## Section IV Corporate Governance

| Date             | Content   | Key opinion and recommendation  | Performance of other duties |
|------------------|---|---|-----------------------------|
| April 29, 2021   | At the 2021 second meeting (via correspondence) of the Audit Committee of the fifth session of the Board, the “First Quarterly Report of the Company for the Year 2021” was considered and approved.  | -   | -                           |
| August 27, 2021  | At the 2021 third meeting (on-site meeting) of the Audit Committee of the fifth session of the Board, the “2021 Interim Report of the Company” and the “Proposal on Confirmation of the Company’s List of Related Parties in the First Half of 2021” were considered and approved, and the “2021 IFRS Interim Review Summary Report” was presented. | The meeting carried out thorough discussion and analysis on the changes in fair value, the components of growth in fee income, the impairment method and reversal of financial assets, the audit penetration of subsidiaries, the issuance of offshore debt and the use of funds, the scope of interviews with management and the possible impact of the new accounting standards on the Company. | -                           |
| October 28, 2021 | At the 2021 fourth meeting (via correspondence) of the Audit Committee of the fifth session of the Board, the “Third Quarterly Report of the Company for the Year 2021” was considered and approved.  | -   | -                           |

## Section IV Corporate Governance

| Date              | Content   | Key opinion and recommendation   | Performance of other duties |
|-------------------|---|--|-----------------------------|
| December 8, 2021  | At the 2021 fifth meeting (on-site meeting) of the Audit Committee of the fifth session of the Board, the “A + H Share Audit Plan of the Company for 2021” and the “2021 Internal Control Evaluation Work Plan of the Company” were considered and approved.  | The meeting conducted discussions on the selection of key audit matters for the audit plan, the differences between the A-share and H-share audits, the situation of stock pledge business, the staffing of audit personnel, the progress of rectification of internal control deficiencies in previous years and the application of new accounting standards, and required attention and focus on such matters. | -                           |
| December 29, 2021 | At the 2021 sixth meeting (via correspondence) of the Audit Committee of the fifth session of the Board, the “Proposal on Special Mandate for Write-off of Doubtful Debts of the Company”, the “Proposal on Formulation of Administrative Measures for Write-off of Doubtful Debts of the Company” and the “Proposal on Amendments to the Company’s Audit Work Rules” were considered and approved. | -  | -                           |

## Section IV Corporate Governance

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 policies 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.

## Section IV Corporate Governance

Attendance of the members of the Audit Committee during the Reporting Period:

| <b>Name</b>           | <b>Number of actual attendances/number of attendances as required</b> |
|-----------------------|---|
| Jin Qinglu (chairman) | 6/6   |
| Yu Xuechun            | 6/6   |
| Zhou Donghui          | 6/6   |
| Feng Xingdong         | 6/6   |
| Luo Xinyu             | 4/4   |
| Wu Junhao             | 0/0   |
| Xu Jianguo            | 0/0   |
| He Xuan               | 0/0   |

(6) The special committees of the Board did not have any objections

### VIII. 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.

## Section IV Corporate Governance

### (i) Attendances of Supervisors at the meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee of the Company convened a total of 6 meetings with all Supervisors attended in person or by proxy, the details of attendances are set out in the table below:

| Name of Supervisors                                  | Position  | Required attendance | Attendance of meetings of the Supervisory Committee |                               |                     | Absence | Voting result              |
|--|---|---------------------|---|-------------------------------|---------------------|---------|----------------------------|
|  |   |                     | Attendance in person                                | Attendance via correspondence | Attendance by proxy |         |                            |
| Zhang Qian   | Chairman of the Supervisory Committee and shareholder representative Supervisor   | 6                   | 5   | 4                             | 1                   | 0       | in favour of all proposals |
| Du Weihua  | Vice chairman of the Supervisory Committee and employee representative Supervisor | 6                   | 6   | 4                             | 0                   | 0       | in favour of all proposals |
| Wu Junhao  | Shareholder representative Supervisor   | 5                   | 4   | 3                             | 1                   | 0       | in favour of all proposals |
| Zhang Jian   | Shareholder representative Supervisor   | 5                   | 5   | 3                             | 0                   | 0       | in favour of all proposals |
| Shen Guangjun  | Shareholder representative Supervisor   | 5                   | 5   | 3                             | 0                   | 0       | in favour of all proposals |
| Tong Jie   | Shareholder representative Supervisor   | 6                   | 6   | 4                             | 0                   | 0       | in favour of all proposals |
| Xia Lijun  | Independent Supervisor  | 5                   | 5   | 3                             | 0                   | 0       | in favour of all proposals |
| Ruan Fei   | Employee representative Supervisor  | 5                   | 5   | 3                             | 0                   | 0       | in favour of all proposals |
| Ding Yan   | Employee representative Supervisor  | 5                   | 5   | 3                             | 0                   | 0       | in favour of all proposals |
| Huang Laifang  | Shareholder representative Supervisor   | 1                   | 1   | 1                             | 0                   | 0       | in favour of all proposals |
| Yin Keding   | Shareholder representative Supervisor   | 1                   | 1   | 1                             | 0                   | 0       | in favour of all proposals |
| Wu Zhengkui  | Shareholder representative Supervisor   | 1                   | 1   | 1                             | 0                   | 0       | in favour of all proposals |
| Liu Wenbin   | Shareholder representative Supervisor   | 1                   | 1   | 1                             | 0                   | 0       | in favour of all proposals |
| Zhou Wenwu   | Employee representative Supervisor  | 1                   | 1   | 1                             | 0                   | 0       | in favour of all proposals |
| Yao Yuan   | Employee representative Supervisor  | 1                   | 1   | 1                             | 0                   | 0       | in favour of all proposals |
| Number of meetings of Supervisory Committee convened |   |                     |   |                               |                     | 6       |                            |
| Including: Meetings convened on-site                 |   |                     |   |                               |                     | 2       |                            |
| Meetings convened via correspondence                 |   |                     |   |                               |                     | 4       |                            |

## Section IV Corporate Governance

### (ii) Meetings of the Supervisory Committee

On February 5, 2021, the 18th meeting of the fourth session of the Supervisory Committee was convened via correspondence, at which the “Proposal on Election of the Supervisory Committee of the Company”, the “Evaluation Report on Performance of Duties by Directors of the Company for the Year 2020”, the “Evaluation Report on Performance of Duties by Supervisors of the Company for the Year 2020” and the “Evaluation Report on Performance of Duties by Senior Management of the Company for the Year 2020” were considered and approved.

On March 5, 2021, the first meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “Proposal on Election of Chairman of the Supervisory Committee of the Company”, the “Proposal on Election of Vice Chairman of the Supervisory Committee of the Company”, the “Proposal on Appointment of Secretary to the Supervisory Committee of the Company”, the “Proposal on Allowance of Independent Directors” and the “Proposal on Formulation of Supervisory Committee Performance Manual of 東方證券股份有限公司”.

On March 30, 2021, the second meeting of the fifth session of the Supervisory Committee was convened on-site, at which the “Work Report of Supervisory Committee of the Company for the Year 2020”, the “Company’s 2020 Annual Financial Report”, the “Profit Distribution Proposal of the Company for the Year 2020”, the “Company’s 2020 Annual Compliance Report”, the “2020 Anti-Money Laundering Report of the Company”, the “Company’s 2020 Annual Risk Management Work Report”, the “Special Audit Report on the Company’s Anti-Money Laundering Work in 2020”, the “Company’s 2020 Annual Internal Control Assessment Report”, the “Report on Assessment of Compliance Management Effectiveness of the Company in 2020”, the “Proposal Regarding the Audit of the Related Transactions of the Company in 2020”, the “Proposal on the Signing of the 2021-2023 Connected Transaction Framework Agreement with Shenergy (Group) Company Limited”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2021”, the “Proposal on the Use of Proceeds Raised Previously”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2021”, the “Proposal on the Company’s 2020 Annual Social Responsibility Report” and the “Annual Report of the Company for the Year 2020” were considered and approved.

On April 29, 2021, the third meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “First Quarterly Report of the Company for the Year 2021” was considered and approved.

On August 27, 2021, the fourth meeting of the fifth session of the Supervisory Committee was convened on-site, at which the “2021 Interim Report of the Company”, the “Company’s 2021 Interim Financial Work Report”, the “Company’s 2021 Interim Compliance Report”, the “Company’s 2021 Interim Risk Management Work Report”, the “Proposal on Formulating the Measures for Reporting of Operational Management Information to the Supervisory Committee by 東方證券股份有限公司” and the “Proposal on Formulating the Guidelines for Supervisors of Subsidiaries of 東方證券股份有限公司” were considered and approved.

On October 28, 2021, the fifth meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “Third Quarterly Report of the Company for the Year 2021” was considered and approved.

## Section IV Corporate Governance

### IX. INFORMATION ON THE STAFF OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES AS AT THE END OF THE REPORTING PERIOD

#### (i) Staff

As of 31 December 2021, the Company had a total of 7,835 employees (including brokers), including 5,609 in the Parent Company and 2,226 in its wholly-owned and controlling subsidiaries. The employee structure is as follows:

|   | Unit: person |
|---|--------------|
| Number of staff employed by the Parent Company  | 5,609        |
| Number of staff employed by the major subsidiaries  | 2,226        |
| Total number of staff employed  | 7,835        |
| 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 |
|------------------------|------------------------------------|
| Business staff         | 6,182                              |
| IT staff               | 495                                |
| Finance staff          | 267                                |
| Other staff            | 891                                |
| Total                  | 7,835                              |

#### Education

| Level of education                | Number |
|-----------------------------------|--------|
| Doctor                            | 94     |
| Master                            | 2,561  |
| Bachelor                          | 4,488  |
| Junior college graduate and below | 692    |
| Total                             | 7,835  |

#### (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.



## Section IV Corporate Governance

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 continued to focus on the training of various types of talents, increased investment in the training of various types of talents and actively implemented various training programs in accordance with the operating plan at the beginning of the year and based on the medium and long-term mission of “cultivating cadres and talents, facilitating organizational development and transmitting values and concepts”. 44 face-to-face internal trainings were organized, involving 7,568 people. The Company recommended employees to attend 532 online and offline training courses held by various regulatory departments and professional training institutions, with 4,647 participants. The Company also vigorously organised internal online learning with more than 218 sessions involving over 120,000 people.

In 2022, the Company will continue to accelerate the improvement of the talent training system, innovate the talent training mechanism, create high-quality training programs, and contribute to the career development of employees and the sustainable development of the Company by building a diversified curriculum system and implementing customized, product-based and high-quality training programs. First, the Company will continue to strengthen customized training products for middle and senior management, reserve talents, branch heads and other cadres and talent teams, and increase investment in the training of key talents. Second, the Company will improve the multi-level course system based on the different career development stages of employees, and provide customized training courses for various talent pools to ensure the knowledge replenishment and professional improvement of outstanding talents. Third, the Company will increase its efforts in developing internal courses based on the needs of different departments, and provide customized training products to facilitate relevant departments to improve organizational management and performance. Fourth, the Company will further optimise its online learning platform and improve the learning methods and experience of its staff.

### (iv) Labor outsourcing

|   |               |
|---|---------------|
| Total working hours involved in labor outsourcing (hours) | 950,487       |
| Total remuneration paid for labor outsourcing (RMB)       | 82,899,228.73 |

## Section IV Corporate Governance

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

The Company adopts a custodian agency management mode for the management of brokers. As of December 31, 2021, there were 887 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 healthy 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 IV Corporate Governance

### X. PROPOSAL ON PROFIT DISTRIBUTION OR ON TRANSFER OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

#### (i) Formulation, implementation or adjustment of cash dividends policy

In strict compliance with Article 251 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.

## Section IV Corporate Governance

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 Company's profit in 2020 was distributed by way of cash dividend. Based on the total share capital of 6,993,655,803 Shares as at December 31, 2020, a cash dividend of RMB2.50 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders who are registered on the record date of cash distribution in 2020, with a total cash dividend of RMB1,748,413,950.75, accounting for 64.21% of the net profit attributable to the owners of the Parent Company in 2020 consolidated statements.

The profit distribution plan of the Company was submitted to the shareholders' general meeting of the Company for consideration and approval after it had been considered and approved by the Board of the Company following expression of views by the independent Directors of the Company. When the above proposal was considered at the general meeting, separate votes were counted for minority shareholders.

The profit distribution policy implemented by the Company is in compliance with laws and regulations, the Articles of Association and the provisions of the "Shareholders' Returns Plan for the Next Three Years (2020-2022) of 東方證券股份有限公司", the criteria and ratio of dividend distribution are clear and well-defined, and the relevant decision-making procedures and mechanisms are complete; the independent Directors have performed their duties and responsibilities in the decision-making on profit distribution, and the legitimate rights and interests of minority shareholders have been fully safeguarded.

The 2020 profit distribution plan for 2020 of the Company was implemented on July 8, 2021.

## Section IV Corporate Governance

### (ii) Specific explanation on cash dividends policy

|  |   |
|--|---|
| Was it in compliance with the requirements of the Articles of Association and the resolution of the general meeting                                      | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Was the dividend distribution criteria and proportion well-defined and clear   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Was the related decision-making process and mechanism in place   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Did independent Directors fulfill their duties and play their roles  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Were the minority shareholders given opportunities to sufficiently voice their opinions and make requests and were their legal interests fully protected | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

### (iii) 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

|   |  |
|---|--|
| Reasons for not proposing a cash profit distribution plan when earnings were made during the Reporting Period and the Parent Company had positive profit available for distribution to shareholders   | Use of undistributed profits and schedule of use   |
| The Company's rights issue is currently in progress. According to Article 18 of the Administrative Measures for Securities Issuance and Underwriting of the CSRC, "Where a listed company intends to issue securities and there is a proposal on profit distribution or a proposal on transfer of capital reserve fund into share capital that has not been submitted to the shareholders' general meeting for voting or has been voted on and approved at the shareholders' general meeting but has not been implemented, the issue shall be made after the implementation of such proposal." If the Company makes a profit distribution for 2021, the Company cannot carry out rights issue until the profit distribution is completed. Therefore, in consideration of the interests of shareholders and the development of the Company, the Company will not make any profit distribution for 2021 or transfer of capital reserve fund into share capital. | The Company intends to make profit distribution in accordance with the requirements of the relevant laws and regulations and the Articles of Association as soon as possible after the completion of the Rights Issue. |

## Section IV Corporate Governance

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

#### Employee Stock Ownership Plan

In order to establish and improve the benefit co-sharing mechanism between employees and the Company, improve the cohesion among employees and the competitiveness of the Company, attract and retain quality talents, promote the long-term, sustainable and healthy development of the Company, and maximize the interests of the Company, shareholders and employees, the Company implemented the H-share employee stock ownership plan in 2020.

At the 20th meeting of the 4th session of the Board, the 15th meeting of the 4th session of the Supervisory Committee and the 2020 first extraordinary general meeting, the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 and the Proposal in relation to the Authorization to the Board to Fully Handle Matters Related to the Employee Stock Ownership Plan were considered and approved. On July 7, 2020, the 4th plenary meeting of the third session of the employee congress of the Company was convened, at which the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 was considered and approved. The actual number of participants in the employee stock ownership plan of the Company is 3,588, and the total amount of funds raised is RMB316,657,000, of which the subscription amount of Directors, Supervisors and senior management personnel of the Company accounts for 8.27% of the total amount of the employee stock ownership plan.

On July 23, 2020, the first meeting of the holders of the Company's employee stock ownership plan was convened through online voting, at which the Proposal on Election of Members of the Employee Stock Ownership Plan Management Committee of 東方證券股份有限公司 and the Proposal on Authorizing the Employee Stock Ownership Plan Management Committee of 東方證券股份有限公司 to Handle Matters Related to the Employee Stock Ownership Plan were considered and approved.

The H share employee stock ownership plan of the Company has completed the acquisition of all subject shares and relevant transfer and registration on December 24, 2020. In particular, "DFZQ ESOP Single Asset Management Scheme No. 1" and "DFZQ ESOP Single Asset Management Scheme No. 2" acquired a total of 65,906,800 H shares of the Company in the secondary market, accounting for 0.942% of the total share capital of the Company and 6.417% of the H share capital of the Company, at total consideration of RMB0.30 billion, and the remaining fund will be used for liquidity management.

According to the Employee Stock Ownership Plan of 東方證券股份有限公司, the lock-up period of the subject shares purchased under the H share employee stock ownership plan of the Company shall be 12 months, which had been expired on December 24, 2021. The asset management agency of the employee stock ownership plan will decide whether to sell the shares based on the preference of the holders of the employee stock ownership plan.

## Section IV Corporate Governance

The Company will strictly adhere to the market trading rules, continuously monitor the implementation of the employee stock ownership plan of the Company, and perform its obligation of information disclosure under relevant regulations in a timely manner.

The Company had no other incentive measures during the Reporting Period.

**(i) There were no equity incentives granted to Directors or senior management during the Reporting Period**

**(ii) 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.

## XII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

**(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.

## Section IV Corporate Governance

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.



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### (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 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 the risk management and internal control system of the Group. During the Reporting Period, according to the new regulations issued by regulatory authorities at different levels and based on the requirements related to culture construction of securities industry and honest practice management, the Company updated and improved the internal control systems, mainly including the Articles of Association of Orient Securities Company Limited (Revised in 2021), the Procurement Management Measures of Orient Securities Company Limited (Trial), the Rules and Regulations Management Measures of Orient Securities Company Limited and the Subsidiaries Management Measures of Orient Securities Company Limited (Revised in 2021).

### (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.

## Section IV Corporate Governance

### (v) Operations of risk management and internal control system

As of the end of 2021, 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, 2021 and issued the 2021 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.

## Section IV Corporate Governance

### (vii) Work plan on internal control for 2022 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 and other relevant laws, regulations, rules and systems, 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 2022.

There were no material deficiencies in the Company's internal controls during the Reporting Period.

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

In 2021, based on the Company's general plan and under the leadership of the chief risk officer and compliance officer, the compliance and legal management department closely followed the work requirements of the Board and the Supervisory Committee of the Company, successfully carried out various compliance management works, and maintained effective operations of its compliance management system. The Company had no major violations of the laws and regulations throughout the year. The Company was rated Grade AA of Class A by the CSRC, and maintained a rating of Grade A of Class A or above for 13 consecutive years, including Grade AA of Class A for seven years, and the 2020 annual anti-money laundering work of the Company was rated BBB by People's Bank of China, Shanghai branch, and jointly ranked first in the industry.

### 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.

## Section IV Corporate Governance

### 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.

## Section IV Corporate Governance

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.

## Section IV Corporate Governance

The person-in-charge of each department, branch and subsidiary of the Company shall be responsible for carrying out the compliance management objectives and shall strengthen the supervisory management for practice conduct of its staff, and bear the leading responsibilities for compliance operation in such unit, whose duties include: organizing implementation of the internal rules and procedures, 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 assume 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.

## Section IV Corporate Governance

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.

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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.



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In 2021, the Company carried out self-examination of its rules and regulations and identified a total of 79 rules and regulations to be revised by different units, formulated a clear revision plan, and continuously followed up and urged each unit to implement the revision of rules and regulations. As at the end of the year, a total of 76 rules and regulations have been revised, and relevant departments have provided explanations for the 3 rules and regulations that have not been revised.

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 2021, the Company conducted compliance and legal review on 183 newly-established or revised systems at the level of the Company and department, ensuring such systems to advance with the times.

### 5. Compliance report system

The Company has established a sound and effective compliance report system and developed a smooth channel for communication of compliance information among branches, subsidiaries, business departments, compliance and legal management department, the operational management and the Board, thereby ensuring timely, accurate and complete transmission and feedback of relevant information.

All departments, branches and subsidiaries report to the compliance officer and the compliance and legal management department on the legal compliance of their respective operation and management and the implementation of compliance management works in accordance with the Company's requirements. According to the Company's requirements, the compliance officer reports to the Board and the principal person in charge of operational management on the legal compliance of the Company's operation and management and the implementation of compliance management; and reports on relevant matters in a timely manner in accordance with the requirements of the CSRC and its branches and self-regulatory organizations. 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 provides the compliance reporting methods for various levels of the Company. Currently, the Company has established a whole set of report systems including daily reports, monthly reports, annual reports, extraordinary reports and special reports, which mainly include:

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In respect of annual reports and interim reports, the Company shall submit its annual compliance reports of the preceding year to the regulators together with its annual report according to the relevant requirements. Annual compliance reports shall be written in forms and merits as required, and subject to the consideration and approval by the Board and signed 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. For interim reports, the Company shall prepare interim compliance reports after the end of half year and submit such reports to the Board and the Supervisory Committee of the Company for consideration and approval.

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 monthly 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. 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 extraordinary reports and special reports.

### **XIV. CHECK AND AUDIT BY THE COMPLIANCE AND AUDIT DEPARTMENT OF THE COMPANY**

During the Reporting Period, the audit department closely focused on the Company's business strategies, adhered to risk orientation, strictly ensured the audit quality, explored the depth of audit inspection, strengthened collaborative interaction, rectification and implementation, and continuously enhanced the value of audit work.

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During the Reporting Period, the audit department completed a total of 97 audit projects, including 8 special audit projects, 2 headquarter-level audit projects, 5 subsidiary inspection projects, 65 regular operating branch-level audit projects and 17 audit projects on resignation of heads of departments and branches. Meanwhile, the audit department has implemented the financial responsibility audit requirements in various audit projects (the number of projects will not be counted twice). In addition, the audit department led in arranging and completing the Company's annual internal control appraisal, assessment on effectiveness of compliance management, assessment on comprehensive risk management and assessment on risk 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, adhered to the risk-based approach, explored the depth of audit inspection, 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 rectification of the problems found in the audit work, strengthened the summary, analysis and application of the audit inspection results, strengthened risk prevention in high-risk areas and key segments, 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.

### **XV. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD**

The Company adopted a dynamic control model for its subsidiaries based on standardised corporate governance and market-oriented operation with focus on resource collaboration through integrated management. The Company strictly performed its duties as a shareholder and required its subsidiaries to give full play to the dual advantages of party leadership and modern corporate governance. On the basis of maintaining the professional and market-oriented development of the subsidiaries' businesses, the Company emphasized the collaboration of resources such as customers, talents and brands and comprehensive centralized penetration and integrated management, which strongly enhanced the operational efficiency of the subsidiaries and facilitated standard internal governance, and significantly improved the effectiveness of control and management of the Group.

By formulating the Measures for Management of Subsidiaries, the Measures for Compliance Management of Subsidiaries and the Measures for Risk Management of Subsidiaries, the Company has standardized the requirements for party building, corporate governance, management of material matters, strategic management and control, human resources management, financial management and compliance risk management of its subsidiaries. The Company has further strengthened its internal control standards in accordance with regulatory requirements and has integrated the compliance, internal control and risk management of its subsidiaries at all levels into a unified management system, with vertical management of the compliance and risk management of its subsidiaries.

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During the Reporting Period, the strategic objectives and development directions of the subsidiaries were in line with the Company's development strategies and overall objectives, and the Company's management procedures and control measures over the subsidiaries were appropriate and effective and in line with the requirements of internal and external regulations.

### XVI. 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 31, 2022.

|   |                              |
|---|------------------------------|
| Was the audit report on internal control disclosed: | Yes                          |
| Opinion on the audit report on internal control:    | Standard unqualified opinion |

### XVII. RECTIFICATION OF SELF-INSPECTED PROBLEMS IN SPECIAL ACTIONS ON CORPORATE GOVERNANCE OF LISTED COMPANIES

In accordance with the plan of the "Opinions of the State Council on Further Improving the Quality of Listed Companies" and the requirements of the "Announcement on Special Actions on Corporate Governance of Listed Companies" of the CSRC, the Company actively organised a comprehensive self-inspection on all 119 matters covered in the "Checklist for Special Self-inspection on Corporate Governance of Listed Companies", which was successfully reported to the system of the CSRC at the end of March 2021 after being signed and confirmed by all Directors, and no feedback or rectification comments were received subsequently, reflecting the affirmation of the regulatory authorities on the level of corporate governance of the Company. Meanwhile, in accordance with the requirements of this special action, the Company strengthened the internal force of corporate governance, improved corporate governance rules and regulations, and enhanced training for the "key minority" during the Reporting Period, so as to further improve the governance structure of the listed company with each division having its own responsibilities, coordinated operation and effective checks and balances.

## Section IV Corporate Governance

### XVIII. OTHERS

#### (i) Company secretaries

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 director 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.

In February 2022, Ms. Leung Wing Han Sharon resigned from her position as the joint company secretary of the Company due to personal work adjustment. At the 11th meeting of the fifth session of the Board of the Company convened on 28 February 2022, the "Proposal on the Change of Joint Company Secretary" was considered and approved, and it was agreed that Mr. Ngai Wai Fung recommended by SWCS Corporate Services Group (Hong Kong) Limited be appointed as the joint company secretary of the Company.

#### (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 Supervisors 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 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 31, 2022.

## Section IV Corporate Governance

### (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, 2021.

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 has 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.

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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 2021 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 reflect 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 of "Orient Securities Investor Relation Platform", 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 2021, the Company conducted a total of 104 roadshow and communication activities of various kinds. In particular, in order to actively respond to the call of the CSRC, the stock exchanges and other regulatory authorities and to fully protect the rights and interests of various investors, the Company held its 2020 annual and 2021 interim results presentations. A channel for asking questions was opened in advance of the results presentations, and various investor questions were widely solicited, and the results presentations were carried out in the form of video livestreaming with a total view count of over 100,000 on the livestreaming page, which effectively enhanced the Company's market attention. In addition, during the Reporting Period, the Company received 24 small-scale research activities, participated in 40 securities dealers' strategy meetings, answered the investor hotline and addressed questions from investors, patiently answered 80 questions from various investors through "SSE E-Information" platform, and published 36 articles related to the Company's business operation on the WeChat official account of "Orient Securities Investor Relation Platform", thereby increasing recognition by investors and facilitating synergies between investors and the Company through multiple channels.

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During the Reporting Period, the Company was granted the award of “Best Practice Case of Annual Report Presentation 2020” by the China Association for Public Companies, the “Best IR H Share Company (A+H Shares)” in the “4th New Fortune Best IR H Share Companies Awards”, the “Best Investor Relations Award” and the “Best Board Award for Main Board Companies” at the 12th China Listed Companies Investor Relations Forum organized by Securities Times.

### (vii) Amendments to the Articles of Association

On March 5, 2021, the Resolution in Relation to the Amendments to Certain Articles of the Articles of Association of the Company was considered and approved at the 2021 first extraordinary general meeting. On May 13, 2021, the Proposal Regarding the Amendments to Certain Articles of the Articles of Association of the Company was considered and approved at the 2020 annual general meeting.



## Section V Environmental and Social Responsibilities

### I. INFORMATION ON ENVIRONMENTAL PROTECTION

The Company operates in financial securities industry and is a non-key emission company 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.

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. During the Reporting Period, the Company did not identify any violations related to environmental protection in its operations that had a significant impact on the Company.

#### (i) Information on activities that are conducive to protecting the ecosystem, preventing and controlling pollution, and performing environmental responsibility

The Company attaches extra importance in protecting the ecosystem, preventing pollution and performing its environmental responsibility, and promotes the concept of green development in multiple ways internally and externally by carrying out employee environmental protection activities and launching a series of campaigns.

In 2021, the Company launched a series of environmental initiatives for its employees through various internal communication channels, and organized the “Earth Hour” campaign to switch off the lights and the environmental protection photography exhibition under the theme of “Care for the Earth Together at This Moment”. In addition, the Company also carried out various environmental protection activities such as coffee grounds recycling, used clothes recycling, and plastic reduction activities for employees to redeem environmentally friendly recycled goods, calling on employees to practice sustainable lifestyle and consumption behaviour.

For external parties such as customers and partners, the Company promoted the concept of green development to stakeholders through multiple channels. In 2021, the Company launched the “Carbon Neutrality” campaign through its official WeChat account and created a “Sustainable Development” section on its official website to showcase the Company’s actions and achievements in energy saving, emission reduction and addressing climate change.

## Section V Environmental and Social Responsibilities

### (ii) Measures taken to reduce its carbon emissions during the Reporting Period and their effects

The Company always advocates and promotes a low-carbon and environmentally friendly business philosophy and work style, and promotes sustainable office operations. In 2021, the Company officially released its Carbon Neutrality Target and Action Plan, which set out the carbon neutrality target for its own operations and investment and financing, which is to achieve carbon neutrality for its operations by 2025 and net zero emissions for its investment portfolio by 2060.

In terms of specific measures taken by the Company, the Company called on all staff to eliminate energy waste at source, improved energy utilization efficiency, reduced the production of hazardous waste and promoted the reuse of used office supplies. In addition, the Company actively promoted the “Zero Waste” building project. In particular, the Company has commissioned qualified units to recycle hazardous waste generated from office operations, and has assigned staff to manage meeting materials and office consumables such as plastic products, in order to practise low-carbon activities.

In addition, as a finance enterprise, the Company utilises its financial expertise to provide support for the development of green and environmental protection enterprises through investment and financing. In terms of financing business, in 2021, the Company helped Huzhou City Investment and Development Group Co., Ltd. issue the first carbon neutrality corporate bond for construction of green buildings in China, and underwrote the issuance of the first carbon neutrality green corporate bond of China Three Gorges Corporation. In its investment business, the Company takes environmental and climate change into consideration in its investment decisions while pursuing value-based investment returns. For enterprises with negative ESG-related issues such as major environment pollution accidents in recent years and coal and steel enterprises with slow progress in low-carbon transition, the Company makes prudent decision on whether to include them in its investment whitelist, thereby promoting green development of the real economy through the power of finance.

## II. WORK ON SOCIAL RESPONSIBILITIES

By upholding the idea of “Enjoying Beautiful Life”, the Company strives to provide high-quality and comprehensive financial services to create value and make investment returns in a people-oriented and harmonious manner, thereby creating sustainable and comprehensive value for shareholders, customers, employees, government and regulatory authorities, partners, and environmental community stakeholders. In 2021, the Company established the sustainable development professional committee and task force to promote social responsibility management in a systematic and integrated manner.

For details of the Company’s performance of social responsibility, please refer to the “2021 Environmental, Social and Governance Report of DFZQ” disclosed on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on 30 March 2022.

## Section V Environmental and Social Responsibilities

### III. INFORMATION ON CONSOLIDATING AND EXPANDING THE RESULTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

The Company actively responds to the national call and securities industry guidelines, thoroughly implements the spirit of relevant documents, and promotes rural revitalisation in various aspects such as industry assistance, educational support and consumption-driven support.

The Company and its subsidiaries had signed twinning assistance agreements with 19 former 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, Xichou County in Yunnan Province and Li County in Gansu Province, to carry out relevant supporting tasks.

During the Reporting Period, the Company made external donation of RMB39.5940 million. In particular, the parent company and DFZQ Xindeyizhang Public Welfare Foundation carried out 25 projects to consolidate poverty alleviation results and promote rural revitalization, including one comprehensive assistance project, five industrial assistance projects, ten educational assistance projects and nine public welfare assistance projects, with total investment of approximately RMB16.75 million.

#### 1. Implementing the Tea Industry Supporting Project in Hubei Wufeng

The Company and its subsidiaries carried out tea industry supporting project in Wufeng, Hubei for the fourth consecutive year. Leveraging the influence of its asset management brand “Dongfanghong”, the Company once again created new packaging for Wufeng’s “Dongfanghong Selected Mingqian Spring Tea” and “Dongfanghong Yi Black Tea”, which helped Wufeng to establish long-term market competitiveness and price premium for its tea products.

#### 2. Steadily Promoting the “Orient Guniang” Industrial Support in Morin Banner, Inner Mongolia

The Company carried out the “Orient Guniang” industrial supporting project in Morin Banner, Inner Mongolia for the fifth consecutive year. The Company and its partner completed the first livestreaming at the place of origin in Morin Banner to further expand the project’s influence. In addition, the Company also combined the supporting project with the lifestyle concept of low-carbon and environmental protection, and launched the “Orient Guniang” products in collaboration with Bottloop, the domestic sustainable lifestyle brand, thereby empowering brand co-creation with environmentally friendly trendy products and contributing to rural revitalisation.

## Section V Environmental and Social Responsibilities

### 3. Actively Carrying out “Double-hundred” Pair-up Assistance

Since it started to provide pair-up assistance to Pingmeng Village in Gula Township, Funing County, Yunnan Province, the Company actively promoted the supporting tasks in various aspects such as improving the appearance of the village, promoting special industries and economic development, and promoting the development of social undertakings, including donating money for industry development projects, construction of village road, donating street lights, donating computers to Pingmeng Community Service Center and Pingmeng Village Primary School and supporting the local residents to develop beekeeping business.

### 4. Constant Progress in Education Supporting Projects

The Company continued to carried out education supporting projects in Morin Banner, Inner Mongolia. Through student application and approval by schools and local poverty alleviation authorities, the Company was enabled to determine the specific number of students who needed assistance, thereby providing continuous financial support to impoverished students. During the Reporting Period, a total of 288 students suffering poverty in the No. 1 Middle School of Ni Er Ji, Morin Banner, Inner Mongolia benefited from the Company involving an aggregate of capital donation of RMB0.864 million.

In the future, the Company will continue to adhere to the idea of focusing on industrial assistance, continue to carry out key industrial assistance projects in various former poverty-stricken counties, and comprehensively facilitate sustainable development in rural areas by focusing on education assistance, “double-hundred” pair-up assistance and public welfare assistance, thereby contributing to the national strategy of rural revitalisation.

## Section VI Significant Events

### I. 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 initial public offering | To solve the problem of horizontal competition | Shenergy Group | Shenergy Group has issued the Commitment Letter of Avoiding horizontal 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 | No                | Yes                           | /                              | /  |
| Undertakings in relation to initial public offering | To solve the problem of connected transactions | Shenergy Group | Shenergy Group and the companies and enterprises under its direct or indirect control will take every effort to avoid and regulate related party transactions with DFZQ and its subsidiaries; for those related party transactions that cannot be avoided or are necessary, the price of the related party transactions will be determined in accordance with the principles of fairness, openness and equity to ensure the fairness of the related party transactions. If Shenergy Group breaches the above undertaking to regulate related party transactions with the issuer, Shenergy Group shall cease to receive shareholders' dividends from the issuer from the date of the breach of the relevant undertaking and shall not transfer its shares in the issuer until the corresponding measures have been taken and implemented in accordance with the above undertaking; if the issuer or other investors suffer loss as a result of the failure to comply with the undertaking to regulate the related party transactions, compensation shall be made to the issuer or other investors in accordance with relevant laws. | After the public offering and listing of A Shares of the Company | No                | Yes                           | /                              | /  |

## Section VI Significant Events

| 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.   | 48 months after the Company's non-public offering and listing of A shares in 2017 | Yes               | Yes                           | /                              | /  |
| Undertakings in relation to refinancing | Other                     | Shenergy Group | The undertaking regarding the effective implementation of the immediate return remedial measures for the Company's the Rights Issue. Shenergy Group has undertaken not to interfere with the Company's operation and management activities beyond its authority and not to embezzle the interests of the Company.  | During the period when Shenergy Group remains as the largest shareholder          | Yes               | Yes                           | /                              | /  |
| Undertakings in relation to refinancing | Other                     | Shenergy Group | Shenergy Group has undertaken to subscribe in cash for the full amount of the shares of rights issue available to Shenergy Group under the rights issue plan based on the number of shares held after the close of business on the record date for the rights issue, in accordance with the price and proportion of rights issue determined through negotiation between the Company and the sponsor (underwriter). | During the period of the Rights Issue   | 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**

There were no profit predictions for the Company's assets or projects.

**(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 VI Significant Events

### II. APPROPRIATION OF FUNDS ON A NON-OPERATING BASIS BY CONTROLLING SHAREHOLDERS OR OTHER RELATED PARTIES DURING THE REPORTING PERIOD

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

### III. NON-COMPLIANCE GUARANTEE

During the Reporting Period, the Company did not provide any non-compliance guarantee.

### IV. EXPLANATIONS OF THE BOARD OF THE COMPANY ON "NON-STANDARD AUDIT REPORT" OF ACCOUNTING FIRM

During the Reporting Period, there were no explanations of the Board of the Company 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

During the Reporting Period, there were no changes in accounting policies and accounting estimates of the Company.

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

During the Reporting Period, 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.

## Section VI Significant Events

### 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) |   | 5   |
| 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) |   | 6   |

|  | 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 2020 annual general meeting, the Company re-appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its domestic auditor for 2021, 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 2021, with internal control auditing fees of RMB0.42 million. The Company re-appointed Deloitte Touche Tohmatsu as the Company's overseas auditor for 2021 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 RMB0.75 million. Deloitte Touche Tohmatsu Certified Public Accountants LLP provides auditing services to subsidiaries of the Group, and the auditing fees in total amounted to RMB2.4105 million.



## Section VI Significant Events

### Explanations on changes of accounting firms during the audit period

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

|                                  | 2021  | 2020  | 2019  |
|----------------------------------|---|---|---|
| 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 DELISTING

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

## VIII. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

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

## Section VI Significant Events

### IX. 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.

#### 1. Existing litigations and arbitrations

As of the end of the Reporting Period, the existing 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:

Unit: RMB

| Plaintiff | Defendant   | Category of the litigation and arbitration | Reason   | Amount involved   | Progress  |
|-----------|---|--|--|---|---|
| DFZQ      | Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (上海韻泰登碩投資中心(有限合夥)) and the guarantors, being Shanghai Fuxing Industrial Group Co., Ltd. (上海阜興實業集團有限公司) and Shanghai Yutai Investment Management Co., Ltd. (上海韻泰投資管理有限公司). | Litigation                                 | Shanghai Yutai Dengshuo Investment Center (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Blivex (保力新)" ("Jianrui Woneng (聖瑞沃能)", 300116) held by it in September 2016 and Shanghai Fuxing Industrial Group Co., Ltd. and Shanghai Yutai Investment Management 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 | According to the enforcement certificates issued by the notary public's office to Yutai Dengshuo and Fuxing Industrial, the case was filed with enforcement procedure in Shanghai No.2 Intermediate People's Court in August 2018. By early 2020, partial repayment was enforced through the courts. A separate lawsuit was filed against Yutai Investment for the shortfall in the guarantee contract, which was accepted by the Shanghai Financial Court in March 2020. Due to the involvement of the principal debtors, Yutai Dengshuo and Fuxing Industrial, in other cases, the Shanghai Financial Court has adjourned the hearing of the Yutai Investment guarantee contract litigation, pending notice from the court.   |
| DFZQ      | Xu Lilei  | Litigation                                 | Xu Lilei 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 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | According to the enforcement certificate issued by the notary public's office to Xu Lilei, the case was filed with enforcement procedure in Beijing No. 3 Intermediate Court in October 2019. In December, the execution settlement agreement was reached between the Company and 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, and applied to the Nanning Intermediate Court, the first sealing court for the pledged shares, to negotiate the transfer of the right of disposal. The Nanning Central Court has withheld the transfer on the grounds that the first sealing case has not yet been concluded. The first sealing on the dispute between Huangshi Group and Xu Lilei over performance compensation entered into a retrial in September 2020, with the Company responding as a third party, and the Nanning Intermediate Court issued a judgment in February 2021 finding that the Company had a pledge over the relevant disputed shares and is entitled to claim cash compensation from Xu Lilei for the portion of shares that cannot be repurchased by Huangshi Group under the contract. Huangshi Group appealed against this, and in November 2021, the Guangxi High Court made a second instance ruling that the pledge held by the Company could not prevent Huangshi Group's request for repurchase at RMB1, and the Company intended to apply for a retrial. |

## Section VI Significant Events

Unit: RMB

| Plaintiff | Defendant  | Category of the litigation and arbitration | Reason   | Amount involved   | Progress   |
|-----------|--|--|--|---|--|
| 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 lawsuit was filed in the Shanghai Financial Court and in March 2021, a judgment of first instance was rendered in favour of our claim against the debtor, Shenzhen Laohuhui, and the guarantor, Feng Biao, and the entire amount of the debt. Subsequently, Shenzhen Laohuhui appealed and the Shanghai High Court issued a second instance judgment in September 2021, upholding the original judgment. In December 2021, the case was filed with enforcement procedure in the Shanghai Financial Court and is now in the process of enforcement.   |
| DFZQ      | Kedi Food Group Co., Ltd (科迪食品集團股份有限公司) and Zhang Qinghai, the guarantor   | Litigation                                 | Kedi Food Group Co., Ltd conducted the share collateralized repurchase transaction with the Company by the restricted shares of "ST Kedi" ("Kedi Dairy (科迪乳業)", 002770) held by it in December 2015 and Zhang Qinghai, 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 RMB232 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid                   | In May 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in February 2021 in favour of all the Company's claims except for the notary's fees and the other party did not appeal. In March 2021, the debtor entered into bankruptcy reorganisation procedures and the administrator completed the confirmation of the Company's claims other than the liquidated damages. In December 2021, the Company and the administrator entered into the Agreement on Arrangement for Settlement of Claims. In addition, in respect of the guarantee liability of Zhang Qinghai, the other defendant in the case, the Company filed an enforcement case in the Shanghai Financial Court in March 2021, which is now in the process of enforcement. |
| DFZQ      | Linlu Investment (Shanghai) Co., Ltd. (霖露投資(上海)有限公司) and Chen Zhonghua, Ji Jun and his spouse, the guarantors        | Litigation                                 | Linlu Investment (Shanghai) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "ST Jiaxin" ("Huayi Jiaxin (華誼嘉信)", 300071) held by it in August 2016 and Chen Zhonghua, the legal representative and Ji Jun, a shareholder, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.                          | Principal of RMB109 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid                   | In June 2020, the lawsuit was filed in the Shanghai Financial Court, and in September 2020, a mediation was reached and a civil settlement letter was issued by the court. As the debtor failed to fulfill its payment obligations under the settlement letter, an enforcement case was filed in the Shanghai Financial Court in March 2021, and the court received an enforcement objection from Huayi Jiaxin, a listed company that is not a party to the case, after completing the pre-auction valuation of the pledged shares in September. In December 2021, the court issued a ruling rejecting the enforcement objection. The case is now in the process of enforcement.   |
| DFZQ      | Shandong Oriental Ocean Group Co., Ltd. (山東東方海洋集團有限公司) and its guarantors Che Shi, Song Zhenghua, Che Zhiyuan, etc.  | Litigation                                 | Shandong Oriental Ocean Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "ST Oriental Ocean" (002086) held by it since October 2017 and Che Shi, Song Zhenghua and Che Zhiyuan provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.  | Principal of RMB175 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid                   | In July 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in January 2021 in favour of the Company and the other party did not appeal. The case was filed with enforcement procedure in the Shanghai Financial Court in April 2021 and was subsequently executed through a judicial auction to repay the amount of the pledged shares involved. The shortfall is pending the disposal of other seized properties by the court, which is now in the process of enforcement.  |
| DFZQ      | Shantou Chenghai Humei Storage Battery Co., Ltd. (汕頭市澄海區匯美蓄電池有限公司) and its guarantors Chen Zaixi, Chen Yinqing, etc. | Litigation                                 | Shantou Chenghai Humei Storage Battery Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "ST Dynavolt" (002684) held by it since May 2016 and Chen Zaixi, Chen Yinqing, Chen Lewu, Lin Shaojun and Guangdong Mengshi Industrial Group Co., Ltd. (廣東猛獅工業集團有限公司) provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default. | Principal of RMB569 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid                   | In August 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in July 2021 in favour of the Company's claim, which was not appealed by the other party. In November 2021, the case was filed with enforcement procedure in the Shanghai Financial Court, which is now in the process of enforcement.  |

## Section VI Significant Events

Unit: RMB

| Plaintiff | Defendant  | Category of the litigation and arbitration | Reason   | Amount involved  | Progress   |
|-----------|--|--|--|--|--|
| DFZQ      | Jingjin Rongchuang Corrugated Pipe (Tianjin) Co., Ltd. (京津榮創波紋管(天津)有限公司)   | Litigation                                 | Jingjin Rongchuang Corrugated Pipe (Tianjin) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Shouhang Hi-tech (首航高科)" (002665) held by it since September 2017. The above-mentioned transaction has been in default.  | Principal of RMB93 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid   | In November 2020, the lawsuit was filed in the Shanghai Financial Court and in May 2021, the first instance judgment was rendered in favour of the Company's claim. The other party appealed and withdrew, and the case was filed with enforcement procedure in the Shanghai Financial Court in August 2021, and an auction was ordered in December, and is currently awaiting to be put up for auction.   |
| DFZQ      | Cai Tingxiang  | Litigation                                 | Cai Tingxiang conducted the share collateralized repurchase transaction with the Company by the shares of "Great Wall of Culture (文化長城)" (300089) held by him since September 2017. The above-mentioned transaction has been in default.   | Principal of RMB169 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid  | According to the enforcement certificates issued by the notary public's office to Cai Tingxiang, the case was filed with enforcement procedure in Guangdong Chaozhou Intermediate Court in January 2021. After two failed auctions, the court ruled in October 2021 that the debt shall be settled with shares and issued a final ruling.  |
| DFZQ      | Zuhai Zhongzhu Group Co., Ltd. (珠海中珠集團股份有限公司) and Zuhai S.E.Z. Dezheng Group Co., Ltd. (珠海經濟特區德正集團有限公司), the guarantor | Litigation                                 | Zuhai Zhongzhu Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Zhongzhu (ST 中珠)" ("Zhongzhu Medical (中珠醫療)", 600568) held by it since November 2017, which was guaranteed by Zuhai S.E.Z. Dezheng Group Co., Ltd. with its immovable assets. The above-mentioned transaction has been in default.  | Principal of RMB461 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid  | In April 2021, the lawsuit was filed in the Shanghai Financial Court, which was sat and is currently pending the first instance judgment.  |
| DFZQ      | Xu Wei and Teng Yingqi, the guarantor  | Litigation                                 | Xu Wei conducted the share collateralized repurchase transaction with the Company by the shares of "Tensyn (騰信股份)" (300392) held by him since September 2017 and Teng Yingqi provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.   | Principal of RMB483 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid  | In May 2021, the lawsuit was filed in the Shanghai Financial Court, which was sat and is currently pending the first instance judgment.  |
| DFZQ      | Shihezi Demeike Investment Partnership (Limited Partnership) (石河子德梅柯投資合夥企業(有限合夥)) and Chen Ze, the guarantor           | Litigation                                 | Shihezi Demeike Investment Partnership (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the shares of "ST Huachang (ST 華昌)" ("Huachangda (華昌達)", 300278) held by it since February 2015 and Chen Ze, its executive partner, provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default. | Principal of RMB143 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid  | According to the enforcement certificates issued by the notary public's office to Shihezi Demeike, the case was filed with enforcement procedure in Hubei Shiyan Intermediate Court in May 2021 and is now in the process of enforcement. In addition, in respect of the guarantor's liability, the lawsuit was filed in the Shanghai Financial Court in March 2021 and the first instance judgment was rendered in November 2021 in favour of the Company in respect of all claims except for the part of the outstanding attorney's fees, and is currently pending the service of the first instance judgment by notice. |
| DFZQ      | Zhang Hailin   | Litigation                                 | Zhang Hailin conducted the share collateralized repurchase transaction with the Company by the shares of "Hainan Ruize (海南瑞澤)" (002596) held by him since January 2018. The above-mentioned transaction has been in default.   | Principal of RMB70.9 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | According to the enforcement certificates issued by the notary public's office to Zhang Hailin, the case was filed with enforcement procedure in Guangdong Guangzhou Intermediate Court in April 2021. A settlement was reached with Zhang Hailin in June 2021. As Zhang Hailin failed to repay the amount in accordance with the settlement agreement, the Company applied for resumption of enforcement in October, which is now in the process of enforcement.  |
| DFZQ      | Yunnan Jiutian Investment Holding Group Co., Ltd. (雲南九天投資控股集團有限公司)   | Litigation                                 | Through the "Dongwu-Pingan-Dongfang No. 5 Targeted Asset Management Plan", Yunnan Jiutian Investment Holding Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Yijian (ST 易見)" (former "Hejia Share (禾嘉股份)" and "Yijian Share (易見股份)", 600093) held by it since October 2016. The above-mentioned transaction has been in default.                     | Principal of RMB428 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid  | In September 2021, the lawsuit was filed in the Shanghai Financial Court and is currently pending to be scheduled for trial.   |

## Section VI Significant Events

Unit: RMB

| Plaintiff | Defendant   | Category of the litigation and arbitration | Reason  | Amount involved  | Progress  |
|-----------|---|--|---|--|---|
| DFZQ      | Zeng Zhuo   | Litigation                                 | Zeng Zhuo conducted the share collateralized repurchase transaction with the Company by the shares of "Xinning Logistics (新寧物流)" (300013) held by him since July 2016. The above-mentioned transaction has been in default.                         | Principal of RMB165.75 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | According to the enforcement certificates issued by the notary public's office to Zeng Zhuo, the case was filed with enforcement procedure in Suzhou Kunshan District Court in November 2021. An application for enforcement of security interest was filed with the Shenzhen Futian District Court in November 2021 in respect of the unnotarised transactions and is currently pending the ruling result.   |
| DFZQ      | Shanghai Zhonglu (Group) Co., Ltd. (上海中路(集團)有限公司) | Litigation                                 | Shanghai Zhonglu (Group) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Zhonglu Share (中路股份)" (600818) held by it since November 2014. The above-mentioned transaction has been in default. | Principal of RMB598.81 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | Two cases were filed due to different versions of the master transaction agreement. The lawsuit of the transaction under the old version of the master agreement was filed in the Shanghai Financial Court in November 2021 and is currently being served by notice. The lawsuit of the transaction under the new version of the master agreement was filed in the Shanghai Huangpu District Court in November 2021 and is currently in the pre-litigation mediation stage. |

### 2. Closed litigations and arbitrations

During the Reporting Period, the closed litigations and arbitrations of the Company are as follows:

Unit: RMB

| Plaintiff | Defendant   | Category of the litigation and arbitration | Reason   | Amount involved   | Progress  |
|-----------|---|--|--|---|---|
| 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 "ST Deao (ST德奧)" ("Deao Freight (德奧通航)", 002260) held by it in August 2016. The above-mentioned transaction has been in default. | Principal of RMB124 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 lawsuit was filed in the Shanghai Financial Court and in May 2019, the first instance judgment was rendered in favour of the Company and the other party did not appeal. In July, the case was filed with enforcement procedure in the Shanghai Financial Court and the court made a ruling of termination of enforcement in November 2020 as it was unable to determine when the listed company would resume trading, and in January 2021, the Company applied for renewal of freezing of the shares involved. |
| 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 "ST Guanfu (ST冠福)" ("Guanfu Limited (冠福股份)", 002102) held by him in March 2014. The above-mentioned transaction has been in default.                      | Principal of RMB5,091 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 lawsuit was filed in the Shanghai Financial Court and in March 2020, the first instance judgment was rendered in favour of the Company and the other party did not appeal. In April 2020, the case was filed with enforcement procedure in the Shanghai Financial Court, and the pledged shares involved were subsequently sold at a judicial auction in the first half of 2021 and repayment was made. Enforcement was terminated for the case.  |

## Section VI Significant Events

Unit: RMB

| Plaintiff | Defendant  | Category of the litigation and arbitration | Reason   | Amount involved   | Progress  |
|-----------|--|--|--|---|---|
| DFZQ      | Lin Wenchang   | Litigation                                 | Lin Wenchang conducted the share collateralized repurchase transaction with the Company by the restricted shares of "ST Guanfu (ST冠福)" ("Guanfu Limited (冠福股份)", 002102) held by him in June 2016. The above-mentioned transaction has been in default.  | Principal of RMB283 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, the case was filed with enforcement procedure in the Quanzhou Intermediate Court. In May 2021, the pledged shares involved were sold at a judicial auction by the court and the repayment was made in the second half of 2021. Enforcement was terminated for the case.  |
| DFZQ      | Zhang Qingwen  | Litigation                                 | Zhang Qingwen conducted the share collateralized repurchase transaction with the Company by the circulating shares of "ST Bangxun (ST邦讯)" ("Bangxun Technology (邦讯技术)", 300312) held by him in December 2015. The above-mentioned transaction has been in default.   | Principal of RMB186 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 filed with enforcement procedure in the Beijing No.1 Intermediate People's Court. After two failed judicial auctions, the court ruled in June 2021 that the debt shall be settled with shares and the enforcement shall be terminated.  |
| DFZQ      | Dai Furong   | Litigation                                 | Dai Furong conducted the share collateralized repurchase transaction with the Company by the circulating shares of "ST Bangxun (ST邦讯)" ("Bangxun Technology (邦讯技术)", 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 cases based on transactions: The litigation related to the transaction with principal amount of RMB25.1 million was filed in the Shanghai Huangpu Court in September 2019, and the first instance judgment was rendered in favour of the Company in June 2020, which was later appealed by the other party. In December 2020, the Company received the second instance judgment which upheld the original decision. In January 2021, the case was filed with enforcement procedure in the Shanghai Huangpu Court, which was later ruled by the court in June 2021 that the debt shall be settled with shares due to failed judicial auction, and the enforcement shall be terminated. The case for remaining transactions was filed with enforcement procedure in the Beijing No.1 Intermediate People's Court in October 2019 pursuant to the enforcement certificate from the notary public's office. Subsequently, after two failed judicial auctions, the court ruled in June 2021 that the debt shall be settled with shares and the enforcement shall be terminated. |
| 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 (青岛中程)" (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. | 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 in the Shanghai Financial Court in October 2019 and a mediation was reached between the Company and the defendant in August 2020 and a civil settlement letter was produced. The case was later filed with enforcement procedure in the Shanghai Financial Court in January 2021 as the defendant failed to perform. In July 2021, repayment was made after the judicial auction of the pledged shares involved was completed, and settlement was made with the defendant in respect of the shortfall and was performed. Enforcement was terminated for the case.   |

## Section VI Significant Events

Unit: RMB

| Plaintiff | Defendant   | Category of the litigation and arbitration | Reason   | Amount involved  | Progress  |
|-----------|---|--|--|--|---|
| DFZQ      | Shanghai Huaimao Equity Investment Fund Management Partnership (Limited Partnership) (上海淮茂股權投資基金管理合夥企業(有限合夥)) | Litigation                                 | Shanghai Huaimao Equity Investment Fund Management Partnership (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Gangtai Holdings (剛泰控股)" (600687) held by it in January 2016 and Shanghai Dingbai Equity Investment Fund Management Partnership (Limited Partnership) provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default. | Principal of RMB415.92 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In April 2020, the case was filed with enforcement procedure in the Shanghai Financial Court and during the enforcement period, the court has sold the pledged shares through compulsory sale in the secondary market and disposed of the pledged shares involved through the new large-scale judicial disposal platform of the SSE according to relevant regulations on shareholding reduction, and the proceeds from disposal were used for repayment. In January 2021, the court made a ruling of termination of enforcement. Subsequently, the court ruled to add Innovative Finance Equity Investment Co., Ltd. (新華商金控(上海)股權投資有限公司) as an executed party, and upon the issuer's application, the Shanghai Financial Court filed a case to resume enforcement in April 2021. In September 2021, the court ruled to terminate the current enforcement procedure as the respondent had no property available for enforcement. |
| DFZQ      | Nantong Yuanding Investment Co., Ltd. (南通元鼎投資有限公司)  | Litigation                                 | Nantong Yuanding Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Gangtai Holding (剛泰控股)" (600687) held by it since October 2016. The above-mentioned transaction has been in default.  | Principal of RMB306.33 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In August 2020, the case was filed with enforcement procedure in the Nantong Intermediate Court. During the enforcement period, the court has disposed of the pledged shares involved through compulsory sale in the secondary market and judicial auction according to relevant regulations on shareholding reduction. In respect of the portion subject to judicial auction, the court ruled that the debt shall be settled with shares due to failed auction. In February 2021, the court made a ruling of termination of enforcement after receipt of payment and transfer of shares for debt settlement.   |
| DFZQ      | Lin Wenzhi and his spouse and the transaction guarantor Fujian Tongfu Industrial Co., Ltd.                    | Litigation                                 | Lin Wenzhi conducted two tranches of share collateralized repurchase transactions with the Company by the circulating shares of "ST Guanfu" ("Guanfu Limited (冠福股份)", 002102) held by him since September 2014. The above-mentioned transaction has been in default.   | Principal of RMB91 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 lawsuit was filed in the Shanghai Financial Court and in March 2020, the first instance judgment was rendered in favour of the Company and the other party did not appeal. In April 2020, the case was filed with enforcement procedure in the Shanghai Financial Court, and the pledged shares involved were eventually sold at a judicial auction in April 2021 and repayment was made. Ruling of termination of enforcement was received in the next month.  |
| 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. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Delisted Dalian Holdings (退市大控)" ("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    | In June 2017, the case was filed with enforcement procedure in the Liaoning High Court and assigned to the jurisdiction of the Dalian Intermediate Court. During the enforcement period, the listed company of the pledged shares involved was delisted. In March 2020, Changfu Ruihua was subject to a bankruptcy application by other creditors which was accepted by the Dalian Xigang District Court. The original enforcement case of the Company was transferred to the bankruptcy court and the Company's claims validated in July 2020. The case is currently pending the continuation of bankruptcy proceedings by the administrator.  |

## Section VI Significant Events

Unit: RMB

| Plaintiff | Defendant  | Category of the litigation and arbitration | Reason  | Amount involved   | Progress   |
|-----------|--|--|---|---|--|
| DFZQ      | Xusen International Holding (Group) Co., Ltd. (旭森國際控股(集團)有限公司)   | Litigation                                 | Xusen International Holding (Group) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "ST Global (ST環球)" ("Shangying Global (商贏環球)", 600146) held by it since September 2016. The above-mentioned transaction has been in default.  | Principal of RMB239 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid | In December 2020, the case was filed with enforcement procedure in the Shanghai Financial Court. The executed party filed an objection, which was rejected by the Shanghai Financial Court in February 2021. During the same period, the Shanghai No. 3 Intermediate Court accepted the bankruptcy and liquidation case of Xusen International and the Shanghai Financial Court made a ruling of termination of enforcement and transferred the case to the bankruptcy court. In November 2021, the bankruptcy court decided to convert the bankruptcy liquidation to bankruptcy reorganisation upon the debtor's application. In December, the pledged shares involved were sold through auction by the bankruptcy court. The Company is currently waiting for payment and will continue to participate in the bankruptcy reorganisation process. |
| 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 lawsuit was filed in the Shanghai Financial Court and in February 2021, a judgment of first instance was rendered in favour of our claim against the debtor, Dongfang Junsheng, and the guarantors, Feng Biao and Gao Zhonglin, and the entire amount of the debt. Subsequently, Dongfang Junsheng appealed and the Shanghai High Court issued a second instance judgment in July 2021, upholding the original judgment. In October 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In November 2021, the court ruled to terminate the current enforcement procedure as the respondent had no property available for enforcement.   |

**Note:** The table above shows litigations that have been disclosed in the 2020 annual report and concluded in 2021.



## Section VI Significant Events

### X. VIOLATION OF LAWS AND REGULATIONS BY, PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

1. On February 19, 2021, the CSRC issued the Decision on the Issuance of Warning Letter to Orient Securities Investment Banking Co., Ltd. The above regulatory letter determined that Orient Investment Banking, as the sponsor of the initial public offering and listing of Shanghai Zhijiang Biotechnology Co., Ltd., did not sufficiently verify the issuer's revenue recognition policy, fixed assets, related party transactions and capital appropriation by related parties, and had insufficient internal control effectiveness, which violated the requirements of Article 4 and Article 34 of the Administrative Measures for the Sponsorship of Securities Issuance and Listing. Orient Investment Banking attached great importance to the above issues, and the compliance accountability team started the accountability procedure immediately, investigated the matter and held the relevant persons accountable for compliance issues. The rectification measures taken by Orient Securities Investment Banking include: (i) improving due diligence requirements for sponsorship projects and enhancing the quality of working papers. Orient Securities Investment Banking further improved the internal control structure of its investment banking business, refined the due diligence procedures and methodological requirements, and standardized the main requirements and contents of the working papers in all aspects of securities issuance and listing sponsorship business; and (ii) strengthening training and education and performance assessment to enhance the awareness of responsibility of project personnel. Orient Securities Investment Banking continued to strengthen the construction of compliance and risk control culture, effectively utilised the warning effect of assessment and accountability, and strengthened staff's compliant, diligent and responsible practice standards and awareness.
2. On July 6, 2021, the Shanghai Bureau of the CSRC issued the Decision on the Issuance of Warning Letter to DFZQ (Hu Zheng Jian Jue [2021] No. 93) to the Company. The above regulatory letter determined that the Company had not followed the principle of least access in the management of information system access and had not established an effective review process for the modification of business parameters in the information system, reflecting the defects in the internal control process of the Company's information technology system and the inadequacy of relevant compliance review and risk control. The Company attached great importance to the above issues and took immediate rectification measures. First, the Company organised compliance accountability for the person in charge of the securities and finance business department and relevant responsible staff, and implemented the accountability mechanism. Second, the Company held a special discussion meeting with relevant departments, and required the securities and finance business department to implement rectification measures for the incident and ensured that the rectification measures were in place. According to the Company's requirement of "learning from the past", the system operation department and operation management department took the lead in organizing special self-inspection of system management and authority management to identify risks and potential problems, so as to prevent the recurrence of similar incidents. Third, the Company prepared a special rectification report and submitted it to the Shanghai Bureau of the CSRC.

## Section VI Significant Events

3. On December 28, 2021, the Shanghai Bureau of the CSRC issued the Decision on Imposition of Correctional and Regulatory Measures on Orient Futures Co., Ltd (Hu Zheng Jian Jue [2021] No. 233) to Orient Futures. The above regulatory letter determined the following facts of Orient Futures: (i) certain branch heads held concurrent positions in other for-profit organisations; and (ii) certain customers developed by non-company employees and marketing staff did not have accurate relationships with customers. The above facts reflected that the Company had failed to effectively establish and implement an internal control and risk management system, which violated the requirements of Article 56 of the Measures for Supervision and Administration of Futures Companies (CSRC Order No. 155). Orient Futures attached great importance to the above issues, requested a comprehensive self-inspection, and held the person in charge of the relevant branch accountable. Orient Futures will continue to strengthen human resource management before and after staff recruitment, continuously carry out compliance culture promotion and supervision and management of employees' professional conduct, strengthen supervision and inspection efforts, optimize the methods of supervision and inspection, and further improve its internal control management.
4. The Company has no controlling shareholders or de factor controllers. During the Reporting Period, the Company and its Directors, Supervisors and senior management personnel were not investigated by competent authorities, taken compulsory measures by judicial organs or discipline inspection departments, transferred to judicial authorities or investigated for criminal responsibilities, filed for investigation or administrative punishment by CSRC, banned from the market, recognized as inappropriate candidates, given major administrative punishment by other administrative departments such as environmental protection, safety supervision and taxation departments, or publicly condemned by stock exchanges.

### **XI. 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.

## Section VI Significant Events

### XII. MATERIAL RELATED-PARTY TRANSACTIONS

#### (i) Related-party 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 March 30, 2021 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 “Proposal regarding the projected routine related-party transactions of the Company in 2021” considered and approved at the 2020 annual general meeting and the “Resolution on the Signing of the 2021-2023 Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” considered and approved at the second meeting of the fifth 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/<br>connected person       | Projected amount | Actual amount |
|--|--|---|--|------------------|---------------|
| Securities and financial 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        | 815.63        |
|  | Underwriting fee income                    | The Company charges securities underwriting fees for providing securities underwriting services.  |  |                  | 147.03        |
|  | 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. |  | 1,200.00         | 20.44         |
| Trading in securities and financial products | Bond trading                               | The Company conducts transactions in the interbank market such as spot trading of bonds, bond repurchase and interest rate swaps.                           |  | 220,000.00       | 4,600.00      |
| Purchase of goods and receiving of services  | Business and management fee                | The Company receives its services such as property management and gas supply.   |  | 5,000.00         | 2,239.24      |

*Note:* In 2021, 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.

## Section VI Significant Events

### 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 2021 Daily Related Transactions” reviewed and approved at the 2020 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 related parties with services such as trading of securities and futures on their behalf, financial advisory and other services. | China Universal Asset Management Company Limited   |   | 32,940.15  |        |
|  |   |  | Great Wall Fund Management Co., Ltd.   |   | 445.04   |        |
|  |   |  | BAIC Group Industrial Investment Co., Ltd.   | Subject to the actual amount due to unpredictable transaction volume.           | 50.00  |        |
|  |   |  | Shanghai Shangbao Asset Management Co., Ltd.   |   | 42.45  |        |
|  |   |  | Shanghai Construction Group Co., Ltd.  |   | 24.43  |        |
|  |   |  | Zheneng Capital Holdings Limited   |   | 10.92  |        |
|  |   |  | Related/connected natural person   |   | 4.79   |        |
|  |   | Underwriting fee income  | The Company charges securities underwriting fees for providing securities underwriting services. | Shanghai Construction Group Co., Ltd.   | Subject to the actual amount due to unpredictability of volume of underwriting securities. | 385.50 |
|  | Chengtay Financial Leasing (Shanghai) Co., Ltd.               |  |  |   | 23.58  |        |
|  | Shanghai Jinqiao Export Processing Zone Development Co., Ltd. |  |  |   | 5.40   |        |
|  | Interest income   | The Company holds the bonds issued by the related parties 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. | 482.45   |        |
| Shanghai Shangbao Asset Management Co., Ltd. |   |  |  | 154.72  |  |        |
| Shanghai Xinhua Distribution Group Co., Ltd. |   |  |  | 116.70  |  |        |

## Section VI Significant Events

| Type of transaction | Items of transaction  | Brief description of related business or matters   | Related party   | Projected amount  | Actual amount   |       |       |
|---------------------|---|--|---|---|---|-------|-------|
|                     |   |  | Great Wall Fund Management Co., Ltd.                          |   | 877.97  |       |       |
|                     |   |  | Shanghai Construction Group Co., Ltd.                         |   | 797.09  |       |       |
|                     |   |  | Orient Fortune Information Co., Ltd.                          |   | 493.02  |       |       |
|                     |   |  | China Pacific Insurance (Group) Co., Ltd.                     |   | 293.00  |       |       |
|                     | Investment income   | The Company obtained investment income from purchasing securities, funds, insurance and other products issued by the related parties.  | Chengtay Financial Leasing (Shanghai) Co., Ltd.               | Subject to the actual amount due to unpredictability of size and yields of securities and other products. | 103.67  |       |       |
|                     |   |  | Shanghai Sanyou Medical Co., Ltd.                             |   | 13.34   |       |       |
|                     |   |  | China Zheshang Bank Co., Ltd.                                 |   | (0.55)  |       |       |
|                     |   |  | Zhejiang Energy Group Co., Ltd.                               |   | (0.94)  |       |       |
|                     |   |  | Greenland Holdings Group Co., Ltd.                            |   | (3.90)  |       |       |
|                     |   |  | Shanghai Jinqiao Export Processing Zone Development Co., Ltd. |   | (5.26)  |       |       |
|                     |   |  | Jiangsu Financial Leasing Co., Ltd.                           |   | (7.69)  |       |       |
|                     |   |  | Haitong Securities Co., Ltd                                   |   | (269.08)  |       |       |
|                     |   |  |   |   | Shanghai Construction Group Co., Ltd.   |       | 24.60 |
|                     |   |  |   |   | Zheneng Capital Holdings Limited  |       | 1.88  |
|                     | Interest expense on clients' depositsInterest expense on clients' depositsInterest expense on clients' deposits | The Company pays interest on the deposits from clients for providing the related parties with services such as trading of securities and futures on their behalf and other services. | China Universal Asset Management Company Limited              |   | 0.85  |       |       |
|                     |   |  | Greenland Holdings Group Co., Ltd.                            | Subject to the actual amount due to unpredictability of insurance type, time and amount                   | 0.47  |       |       |
|                     |   |  | Chengtay Financial Leasing (Shanghai) Co., Ltd.               |   | 0.20  |       |       |
|                     |   |  | Shanghai Shangbao Asset Management Co., Ltd.                  |   | 0.13  |       |       |
|                     |   |  | Shanghai Orient Xindeyizhang Public Welfare Foundation        |   | 0.04  |       |       |
|                     |   |  | Shanghai Tobacco Machinery Co., Ltd.                          |   | 0.01  |       |       |
|                     |   |  | Related/connected natural person                              |   | 1.73  |       |       |
|                     | 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 | 43.57 |       |

## Section VI Significant Events

| Type of transaction                          | Items of transaction            | Brief description of related business or matters  | Related party   | Projected amount  | Actual amount |
|--|---------------------------------|---|---|---|---------------|
|  | Business and management fee     | The Company purchases advisory services from it.  | Shanghai Orient Xindeyizhang Public Welfare Foundation        | Subject to the actual amount due to unpredictability of transaction and the volume. | 0.86          |
|  | Fees and commissions receivable | The Company provides seat rental services to it.  | China Universal Asset Management Company Limited              | Subject to the actual amount due to unpredictability of transaction volume.         | 334.25        |
|  |                                 |   | Shanghai Construction Group Co., Ltd.                         |   | 22,058.45     |
|  |                                 |   | China Pacific Property Insurance Co., Ltd.                    |   | 10,000.00     |
|  |                                 |   | Chengtay Financial Leasing (Shanghai) Co., Ltd.               |   | 8,816.31      |
|  |                                 |   | Shanghai Qizhong Golf Club Co., Ltd.                          |   | 5,196.91      |
|  |                                 |   | Shanghai Sanyou Medical Co., Ltd.                             |   | 4,303.80      |
|  |                                 |   | Shanghai Shangbao Asset Management Co., Ltd.                  | Subject to the actual amount due to unpredictability of transaction and the volume. | 4,000.00      |
|  |                                 |   | Great Wall Fund Management Co., Ltd.                          |   | 3,456.86      |
|  |                                 |   | Orient Fortune Information Co., Ltd.                          |   | 2,727.32      |
|  |                                 |   | Haitong Securities Co., Ltd.                                  |   | 236.85        |
|  |                                 |   | China Pacific Insurance (Group) Co., Ltd.                     |   | 169.01        |
|  |                                 |   | China Zheshang Bank Co., Ltd.                                 |   | 25.42         |
|  |                                 |   | Greenland Holdings Group Co., Ltd.                            |   | 24.15         |
|  |                                 |   | Jiangsu Financial Leasing Co., Ltd.                           |   | 9.77          |
|  |                                 |   | Shanghai Jinqiao Export Processing Zone Development Co., Ltd. |   | 7.79          |
| Trading in securities and financial products | Securities transactions         | Balance of the stocks, bonds, funds and other products which are issued by the related parties and subscribed for by the Company as at the end of the period. |   |   |               |

### 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 2021, 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.

## Section VI Significant Events

### 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 Services

Securities and financial products services include but not limited to, the following services: securities, futures brokerage; lease of trading seats; sales of securities and financial products; underwriting and sponsoring; financial advisor; custodian asset management; settlement and sale of foreign exchange; securities financing business; asset custody; securities and financial advisory and consulting, etc.

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:

- Securities and futures brokerage services – As the commission rate for brokerage services is generally transparent and standardized in the market, such rate shall be determined after arm's length negotiations between the parties with reference to the requirements of relevant laws and regulations, the commission rate applicable to independent third party customers and the estimated size of broker transaction;
- Lease of trading seats – The service fee of lease of trading seats shall be determined after arm's length negotiations between the parties with reference to the fees applicable to independent third party customers;
- 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;
- Underwriting and sponsoring services – The underwriting and sponsoring services market is highly competitive and the service rates and related fees are highly transparent and standardized. The service fees shall be determined after arm's length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account various factors, including prevailing market conditions, the size of the proposed issue, general market rates for recent issues of similar nature and size, and the fees applicable to independent third parties for similar services;

## Section VI Significant Events

- Financial advisory services – The fees for financial advisory services are highly transparent and standardized in the market, and shall be determined after arm’s length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account factors such as prevailing market conditions, the nature and scale of the transaction and the fees applicable to independent third parties for similar services;
- Custodian asset management services – The rates for asset management services are highly transparent and standardized in the market, and the service fees will be determined after arm’s length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account factors such as the size of the assets entrusted, the complexity of providing specific services and the fees applicable to independent third parties for similar services;
- Settlement and sale of foreign exchange – The transaction exchange rate for the settlement and sale of foreign exchange services shall be determined after arm’s length negotiations between the parties, taking into account factors such as the prevailing exchange rates in interbank foreign exchange market, the scale of the transaction and the exchange rate standards applicable to independent third parties for similar services;
- Securities financing services – The fees for securities financing services shall be determined after arm’s length negotiations between the parties with reference to the fees applicable to independent third parties;
- Asset custody services – The fees for asset custody services shall be determined by fair negotiations with reference to the prevailing market rates for transactions of similar type and size; and
- Other securities and financial services such as securities and financial advisory and consulting – The fees for such services shall be determined after arm’s length negotiations between the parties in accordance with relevant applicable laws and regulations, with reference to the prevailing market price, the nature of the transaction, the cost of services to each party and the fees applicable to independent third parties for similar services.



## Section VI Significant Events

### *1.3.2 Securities and Financial Products Transactions*

Securities and financial products transactions include, but are not limited to, the following transactions: 1. transactions related to equity products, non-equity products and their derivatives: including, but not limited to, stocks, bonds, funds, trusts, wealth management products, asset management plans, asset securitization products, swaps, futures, options, forwards and other financial products; 2. transactions related to financing: the financing between financial institutions, including, but not limited to, interbank lending; repurchase; mutual holding of debt instruments such as income certificates, short-term financing bills, subordinated bonds and corporate bonds; 3. other securities and financial products transactions as permitted by the regulatory authorities.

The pricing principles for securities and financial products transactions shall be determined by mutual agreement in accordance with the requirements of relevant applicable laws and regulations and with reference to the prevailing market rates. In particular:

1. Securities and financial products transactions are mainly conducted through the interbank bond market and exchanges (including exchange-traded bond markets and futures exchanges). The pricing of such transactions is subject to relevant laws and regulations and under strict supervision and shall be conducted at prevailing market prices.

The securities and financial products traded in the interbank bond market and exchange-traded bond market mainly include most fixed income products and certain transactions under repurchase agreements. The prices for transactions in the interbank bond market and the exchange-traded bond market are determined based on the quoted prices in the interbank bond market and the exchange-traded bond market, respectively, with reference to the valuation of the relevant securities and financial products published by the China Central Depository and Clearing Co., Ltd. (“CCDC”) and the yield curves and trading volume published by the China Foreign Exchange Trading Center and National Inter-bank Funding Center (“NIFC”).

## Section VI Significant Events

The interbank bond market is a quote-driven market highly regulated by the People's Bank of China in accordance with the "Measures for the Administration of Bond Transactions in the National Interbank Bond Market (《全國銀行間債券市場債券交易管理辦法》)". Transactions in the interbank bond market must be reported to NIFC and are jointly regulated by NIFC, CCDC and the National Association of Financial Market Institutional Investors ("NAFMII"). According to relevant laws and regulations, the prevailing market prices in the interbank bond market are determined with reference to the bid and ask prices quoted by NIFC, and all transactions, whether conducted through authorized money brokers or market makers or by OTC negotiations, must be reported to NIFC and reflected in the quoted prices provided by NIFC and CCDC. NAFMII is a self-regulatory organization responsible for overseeing interbank transactions. Abnormal pricing may be subject to disciplinary action from NAFMII under its self-regulatory rules (being the Self-Regulatory Rules for Bond Transactions in the Interbank Bond Market (《銀行間債券市場債券交易自律規則》)).

The exchange-traded bond market is an order-driven market regulated by the CSRC. Transactions in the exchange-traded bond market shall be conducted based on the prevailing market prices quoted by the exchange.

Securities and financial products traded on an exchange mainly include stocks and bonds. Transactions on the exchange shall be conducted based on the prevailing market prices on the exchange.

In the ordinary course of business, the Group may also enter into OTC transactions of securities and financial products with related/connected parties. The pricing of OTC derivative transactions is mainly determined with reference to derivative pricing models such as Monte Carlo simulation and B-S model. In the event that related/connected parties subscribe for the Group's securities and financial products, the subscription price shall be determined after taking into account the underlying asset/business conditions of the investment and the subscription price of other investors.

## Section VI Significant Events

2. For borrowing and lending among financial institutions, transactions shall be conducted with reference to the Shanghai Interbank Offered Rate at the prevailing rates quoted in the interbank money market, and pricing shall comply with relevant laws and regulations and be subject to strict supervision.

The Group enters into repurchase transactions with the financial institutions under related/connected parties in the ordinary course of business at interest rates applicable to independent third parties or on terms better than normal commercial terms, and the pricing of which shall be determined after taking into account the securities pledged, the maturity of the financing and prevailing market interest rates.

In terms of subscriptions by the Group of the securities and financial products set up by related/connected parties, and subscriptions by related/connected parties of the securities and financial products set up by the Group, the subscription price shall be the same as the subscription price for other investors. Such subscription price shall be determined by the financial institutions which set up the securities and financial products after considering the underlying asset/business conditions of the investment.

### *1.3.3 Purchase of Goods and Acceptance of Services*

The purchase of goods and acceptance of services includes services received by the Group and provided by Shenergy Group and its associates within their scope of operation, including but not limited to: receiving goods and services such as electricity, town gas, natural gas, gas stoves, gas appliances and gas kitchen equipment; and receiving property management, gas transmission and distribution, gas project planning, design and construction and other services.

The pricing basis for the purchase of goods and acceptance of services are determined after arm's length negotiations between the parties in their ordinary course of business in accordance with the requirements of relevant applicable laws and regulations with reference to the prevailing market prices and on normal commercial terms. The Group has reached an agreement in principle with Shenergy Group and its associates on relevant pricing mechanism and the prices will be determined as follows: 1. Should there be a government pricing directive, the government directive price shall prevail; or 2. In the absence of any government pricing directive currently applicable, the government directive price previously promulgated by the competent government authority shall be adopted as the basic price and adjusted with reference to the procurement or service costs of Shenergy Group and its associate; the price as adjusted by item 2 above shall be fair and reasonable.

## Section VI Significant Events

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

The Group has formulated internal guidelines and policies on connected/related party transactions which provided detailed regulations on key aspects such as identification, initiation, pricing, decision-making and disclosure of connected/related party transactions and set out the approval procedures for connected/related party transactions.

The terms of the proposed securities and financial services, securities and financial products transactions and purchase of goods and services transactions (including pricing terms) shall be similar to those offered by/available to independent third parties for similar services and shall be subject to the same internal selection, approval and monitoring procedures and pricing policies as those applicable to independent third parties.

The departments or subsidiaries of the Company that conducted the related party/connected transactions shall review the necessity, reasonableness, and fairness of the pricing of the related party/connected transactions, and are responsible for monitoring whether the actual transaction amount exceeds the annual cap, and properly maintaining and storing any documents and records related to connected/related party transactions; the compliance department of the Company reviews the compliance of the proposed connected/related party transactions; the Board office, the planned financial management department and other relevant departments of the Company regularly compile the data to ensure that the actual amount does not exceed the annual cap and remind relevant departments to manage and control the related connected/related party transactions; the audit department of the Company conducts annual audit on the actual connected/related party transactions.

The independent non-executive Directors and auditors of the Company will review the continuing connected/related party transactions of the Company on an annual basis, and the Board (including the independent non-executive Directors) shall confirm that the terms of the transactions are fair and reasonable and on normal commercial terms or better terms in the ordinary course of business of the Group and in the interests of the Company and the shareholders as a whole. The Company's auditors shall confirm that the continuing connected transactions (1) have been approved by the board of directors of the listed issuer; (2) have been conducted in accordance with the pricing policy of the listed issuer group in all material respects; (3) have been conducted in accordance with the agreements governing the transactions in all material respects; and (4) have not exceeded the cap.

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

During the Reporting Period, the Company had no related-party/connected transactions incurred as a result of acquisition or disposal of assets or equity interests.

## Section VI Significant Events

### (iii) Material related-party transactions in relation to joint external investment

During the Reporting Period, the Company had no related-party/connected transactions in relation to joint external investment.

### (iv) Credits and debts with related parties

During the Reporting Period, the Company had no credits and debts with related/connected parties.

### (v) Financial business between the Company and related financial companies, the Company's controlling financial companies and related parties

During the Reporting Period, there was no financial business between the Company and related/connected financial companies, the Company's controlling financial companies and related/connected parties.

## XIII. 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)             | 0 |
| Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries) | 0 |

#### Guarantees provided by the Company and its subsidiaries for subsidiaries

|  |        |
|--|--------|
| Total amount of guarantees provided for subsidiaries during the Reporting Period             | 64.57  |
| Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B) | 162.27 |

## Section VI Significant Events

### Total amount of guarantees provided by the Company (including those provided for subsidiaries)

|  |        |
|--|--------|
| Total amount of guarantees (A+B)   | 162.27 |
| Percentage of total guarantees over net assets of the Company (%)  | 25.30  |
| 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) | 161.45 |
| Amount of total guarantees exceeding 50% of net assets (E)   |        |
| Total amount of above three types of guarantees (C+D+E)  | 161.45 |

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 RMB82 million and non-financing guarantee of RMB6,375 million. In particular,

1. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided full guarantee for Orient Finance Holdings (Hong Kong), its wholly-owned subsidiary, to obtain a credit facility of HKD100 million from Industrial and Commercial Bank of China (Asia) Limited.
2. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a guarantee of up to US\$1 billion for Orient International Investment Products Limited, its wholly-owned overseas subsidiary, to establish a note scheme to issue structured notes.

*Note:* The amount of guarantees denominated in USD was converted at the spot exchange rate of USD1 to RMB6.3757 as at the end of December 2021; and the amount of guarantees denominated in HKD was converted at the spot exchange rate of HKD1 to RMB0.81760 as at the end of December 2021.

## Section VI Significant Events

### (iii) Other material contracts

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

**XIV. THERE WERE NO OTHER SIGNIFICANT EVENTS THAT HAD A MATERIAL IMPACT ON INVESTORS' VALUE JUDGEMENTS AND INVESTMENT DECISIONS DURING THE REPORTING PERIOD**

## Section VII Changes in Shares and Information on Shareholders

### I. CHANGES IN SHARE CAPITAL

#### (i) Changes in Shares

##### 1. Changes in Shares

Unit: share

|  | Before the change |                | Changes (+,-)       |             |  |              | After the change |                  |                |
|--|-------------------|----------------|---------------------|-------------|--|--------------|------------------|------------------|----------------|
|  | Number of shares  | Percentage (%) | Issue of new shares | Bonus issue | Share conversion from capital reserve fund | Others       | Sub-total        | Number of shares | Percentage (%) |
| I. Restricted shares   | 230,000,000       | 3.29           |                     |             |  | -230,000,000 | -230,000,000     |                  |                |
| 1. Shares held by state  |                   |                |                     |             |  |              |                  |                  |                |
| 2. Shares held by state-owned legal persons                      | 230,000,000       | 3.29           |                     |             |  | -230,000,000 | -230,000,000     |                  |                |
| 3. Shares held by other domestic investors                       |                   |                |                     |             |  |              |                  |                  |                |
| Including: Shares held by domestic non-state-owned legal persons |                   |                |                     |             |  |              |                  |                  |                |
| Shares held by domestic natural persons                          |                   |                |                     |             |  |              |                  |                  |                |
| 4. Shares held by foreign investors                              |                   |                |                     |             |  |              |                  |                  |                |
| Including: Shares held by foreign legal persons                  |                   |                |                     |             |  |              |                  |                  |                |
| Shares held by foreign natural persons                           |                   |                |                     |             |  |              |                  |                  |                |
| II. Circulating non-restricted shares                            | 6,763,655,803     | 96.71          |                     |             |  |              | 230,000,000      | 6,993,655,803    | 100.00         |
| 1. RMB denominated ordinary shares                               | 5,736,575,803     | 82.03          |                     |             |  |              | 230,000,000      | 5,966,575,803    | 85.32          |
| 2. Foreign shares listed in the PRC                              |                   |                |                     |             |  |              |                  |                  |                |
| 3. Foreign shares listed overseas                                | 1,027,080,000     | 14.68          |                     |             |  |              | 1,027,080,000    | 14.68            |                |
| 4. Others  |                   |                |                     |             |  |              |                  |                  |                |
| III. Total number of shares                                      | 6,993,655,803     | 100.00         |                     |             |  |              |                  | 6,993,655,803    | 100.00         |



## Section VII Changes in Shares and Information on Shareholders

### 2. Explanations on changes in shares

The lock-up period of 230,000,000 non-public issued restricted shares held by Shenergy (Group) Company Limited expired on December 28, 2021 and such shares were made available for circulation. As of the end of the Reporting Period, the Company had 6,993,655,803 shares not subject to trading restriction, accounting for 100% of the total number of shares.

3. There was no effect of changes in shares on financial indicators such as earnings per share and net assets per share for the most recent year and the most recent period.

4. There were no other disclosures deemed necessary by the Company or required by securities regulatory authorities.

### (ii) Changes in restricted shares

Unit: 100 million shares

| Name of shareholder              | Number of restricted shares at the beginning of the year | Number of restricted shares released during the year | Increase in restricted shares during the year | Number of restricted shares at the end of the year | Reason for restriction                      | Expiry date of restriction |
|----------------------------------|--|--|---|--|---|----------------------------|
| Shenergy (Group) Company Limited | 2.30   | 2.30   |   |  | Lock-up under non-public issuance of shares | 2021-12-28                 |
| Total                            | 2.30   | 2.30   |   |  | /   | /                          |

## Section VII Changes in Shares and Information on Shareholders

### II. ISSUANCE AND LISTING OF SECURITIES

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

Unit: 100 million shares Currency: RMB

| 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   | 10.03                            | 10                                  | 2015-03-23      | 10 /  |                                    |
| H Shares  | 2016-06-22   | HKD8.15                          | 9.57                                | 2016-07-08      | 9.57 /  |                                    |
| H Shares (over-allotment)   | 2016-07-28   | HKD8.15                          | 0.70                                | 2016-08-03      | 0.70 /  |                                    |
| A Shares (non-public issuance)  | 2017-12-28   | 14.21                            | 7.78                                | 2017-12-29      | 7.78 /  |                                    |
| Bonds (including corporate bonds, corporate debentures and debt financing instruments of non-financial enterprises) |              |                                  |                                     |                 |   |                                    |
| Corporate bonds   | 2017-06-09   | 5.50%                            | 10                                  | 2017-07-19      | 10  | 2022-06-09                         |
| Corporate bonds   | 2017-08-03   | 4.98%                            | 40                                  | 2017-08-15      | 40  | 2027-08-03                         |
| Corporate bonds   | 2019-11-25   | 3.50%                            | 49                                  | 2019-11-28      | 49  | 2022-11-25                         |
| Corporate bonds   | 2020-03-24   | 2.70%                            | 20                                  | 2020-03-30      | 20  | 2021-03-24                         |
| Corporate bonds   | 2020-03-24   | 2.95%                            | 30                                  | 2020-03-30      | 30  | 2022-03-24                         |
| Corporate bonds   | 2020-06-18   | 3.45%                            | 40                                  | 2020-06-24      | 40  | 2023-06-18                         |
| Corporate bonds   | 2020-08-19   | 3.50%                            | 40                                  | 2020-08-26      | 40  | 2023-08-19                         |
| Corporate bonds   | 2020-09-28   | 3.75%                            | 35                                  | 2020-10-12      | 35  | 2023-09-28                         |
| Corporate bonds   | 2020-11-04   | 3.65%                            | 35                                  | 2020-11-10      | 35  | 2023-11-04                         |
| Corporate bonds   | 2021-01-27   | 3.60%                            | 40                                  | 2021-02-02      | 40  | 2024-01-27                         |
| Corporate bonds   | 2021-11-24   | 3.08%                            | 40                                  | 2021-11-29      | 40  | 2024-11-24                         |
| Short-term corporate bonds  | 2021-08-11   | 2.68%                            | 30                                  | 2021-08-17      | 30  | 2022-07-27                         |
| Short-term corporate bonds  | 2021-09-06   | 2.68%                            | 19                                  | 2021-09-10      | 19  | 2022-09-01                         |
| Subordinated bonds  | 2016-11-14   | 3.45%                            | 40                                  | 2016-11-25      | 40  | 2021-11-14                         |
| Subordinated bonds  | 2017-04-26   | 5.10%                            | 15                                  | 2017-05-11      | 15  | 2022-04-26                         |
| Subordinated bonds  | 2017-05-15   | 5.35%                            | 15                                  | 2017-05-31      | 15  | 2022-05-15                         |
| Subordinated bonds  | 2019-03-19   | 4.20%                            | 60                                  | 2019-03-26      | 60  | 2022-03-19                         |

## Section VII Changes in Shares and Information on Shareholders

Unit: 100 million shares Currency: RMB

| 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 |
|--|--------------|----------------------------------|-------------------------------------|-----------------|---|------------------------------------|
| Subordinated bonds                             | 2019-06-14   | 4.20%                            | 40                                  | 2019-06-20      | 40  | 2022-06-14                         |
| Subordinated bonds                             | 2020-08-26   | 4.75%                            | 50                                  | 2020-09-07      | 50  | 2025-08-26                         |
| Subordinated bonds                             | 2021-03-08   | 3.95%                            | 25                                  | 2021-03-11      | 25  | 2024-03-08                         |
| Subordinated bonds                             | 2021-04-16   | 3.70%                            | 30                                  | 2021-04-22      | 30  | 2024-04-16                         |
| Subordinated bonds                             | 2021-04-16   | 4.20%                            | 15                                  | 2021-04-22      | 15  | 2026-04-16                         |
| Short-term financing bonds                     | 2020-10-20   | 2.88%                            | 30                                  | 2020-10-21      | 30  | 2021-01-15                         |
| Short-term financing bonds                     | 2021-10-22   | 2.88%                            | 20                                  | 2021-10-25      | 20  | 2022-10-21                         |
| USD bonds                                      | 2017-11-30   | 3.625%                           | 5                                   | 2017-12-01      | 5   | 2022-11-30                         |
| USD bonds                                      | 2018-03-22   | 3.625%                           | 2.5                                 | 2018-07-23      | 2.5   | 2022-11-30                         |
| USD bonds                                      | 2019-08-20   | 6M<br>LIBOR+1.25%                | 3                                   | 2019-08-21      | 3   | 2022-08-20                         |
| Euro bonds                                     | 2019-08-20   | 0.625%                           | 2                                   | 2019-08-21      | 2   | 2022-08-20                         |
| Singapore dollar bonds                         | 2019-09-27   | 2.90%                            | 2                                   | 2019-09-30      | 2   | 2022-09-27                         |
| USD bonds                                      | 2020-10-13   | 2.40%                            | 1.6                                 | Non-listed      | N/A   | 2023-10-13                         |

*Note:* In the table above, the issue prices of H Shares and H Shares (over-allotment), the amounts issued and amounts permitted to be listed for trading of USD bonds, Euro bonds and Singapore dollar bonds are denominated in Hong Kong dollar, US dollar, Euro and Singapore dollar, respectively.

Explanations on the issuance of securities during the Reporting Period:

### 1. Short-term financing bonds

According to the “Announcement of the National Interbank Lending Center Authorising the Announcement of the Maximum Balance of Short-term Financing Bonds of Securities Companies” (Zhong Hui Jiao Announcement [2021] No. 43) issued by the National Interbank Lending Center on September 16, 2021, the current maximum balance of short-term financing bonds of securities companies of the Company is RMB13.9 billion, which is valid until the next announcement.

On October 22, 2021, the Company successfully issued the short-term financing bonds (first tranche) of DFZQ in 2021, with the actual issue size of RMB2 billion, a term of 364 days, and the final coupon rate of 2.88%.

## Section VII Changes in Shares and Information on Shareholders

### 2. Publicly offered corporate bonds

In June 2020, the Company received the Reply on Approving the Registration of Public Issuance of Corporate Bonds to Professional Investors by Orient Securities Company Limited (Zheng Jian Xu Ke [2020] No. 1329) (《關於同意東方證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2020]1329號)) from the CSRC, which approved the Company to publicly issue corporate bonds of no more than RMB20 billion to professional investors, which can be listed and transferred on the SSE upon issuance. The above quota will expire in December 2022.

On January 27, 2021, the Company completed the public issuance of corporate bonds (for professional investors) (first tranche) of DFZQ in 2021, with the actual issue size of RMB4 billion, a term of 3 years and the final coupon rate of 3.60%.

In September 2021, the Company received the Reply on Approving the Registration of Public Issuance of Corporate Bonds to Professional Investors by Orient Securities Company Limited (Zheng Jian Xu Ke [2021] No. 3091) (《關於同意東方證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2021]3091號)) from the CSRC, which approved the Company to publicly issue corporate bonds of no more than RMB30 billion to professional investors, which can be listed and transferred on the SSE upon issuance. The above quota will expire in September 2023.

On November 24, 2021, the Company completed the public issuance of corporate bonds (for professional investors) (second tranche) of DFZQ in 2021, with the actual issue size of RMB4 billion, a term of 3 years and the final coupon rate of 3.08%.

### 3. Publicly offered short-term corporate bonds

In October 2020, the Company received the Reply on Approving the Registration of Public Issuance of Short-term Corporate Bonds to Professional Investors by Orient Securities Company Limited (Zheng Jian Xu Ke [2020] No. 2673) (《關於同意東方證券股份有限公司向專業投資者公開發行短期公司債券註冊的批覆》(證監許可[2020]2673號)) from the CSRC, which approved the Company to publicly issue short-term corporate bonds of no more than RMB17 billion to professional investors, which can be listed and transferred on the SSE upon issuance. The above quota will expire in October 2022.

On August 11, 2021, the Company completed the public issuance of short-term corporate bonds (for professional investors) (first tranche) of DFZQ in 2021, with the actual issue size of RMB3 billion, a term of 350 days and the coupon rate of 2.68%.

On September 6, 2021, the Company completed the public issuance of short-term corporate bonds (for professional investors) (second tranche) of DFZQ in 2021, with the actual issue size of RMB1.9 billion, a term of 360 days and the coupon rate of 2.68%.

## Section VII Changes in Shares and Information on Shareholders

### 4. Subordinated bonds

In February 2021, the Company received the Reply on Approving the Registration of Public Issuance of Subordinated Corporate Bonds to Professional Investors by Orient Securities Company Limited (Zheng Jian Xu Ke [2021] No. 465) (《關於同意東方證券股份有限公司向專業投資者公開發行次級公司債券註冊的批覆》(證監許可[2021]465號)) from the CSRC, which approved the Company to publicly issue subordinated corporate bonds of no more than RMB10 billion to professional investors, which can be listed and transferred on the SSE upon issuance. The above quota will expire in February 2023.

On March 8, 2021, the Company completed the public issuance of subordinated bonds (first tranche) of DFZQ in 2021, with the actual issue size of RMB2.5 billion, a term of 3 years and the coupon rate of 3.95%.

On April 16, 2021, the Company completed the public issuance of subordinated bonds (second tranche) of DFZQ in 2021, including type one with the actual issue size of RMB3 billion, a term of 3 years and the coupon rate of 3.70%; and type two with the actual issue size of RMB1.5 billion, a term of 5 years and the coupon rate of 4.20%.

### (ii) Changes in total number of 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 total number of ordinary shares, number of A shares and number of H shares of the Company, 230,000,000 non-public issued restricted shares held by Shenergy (Group) Company Limited commenced trading due to expiry of their lock-up period on December 28, 2021. As of the end of the Reporting Period, the Company had 6,993,655,803 shares not subject to trading restriction, accounting for 100% of the total number of shares. For details of changes in the Company's assets and liabilities structure, please refer to "Section III, V, Analysis on principal components of consolidated statement of financial position" in this report.

### (iii) No shares were held by the existing internal employees of the Company

## 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)   | 244,621 |
| Total number of holders of ordinary shares as at the end of the month preceding the month when the annual report was disclosed (accounts) | 257,689 |

## Section VII Changes in Shares and Information on Shareholders

### (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

| Name of shareholder (Full name)   | Shareholdings of the top ten shareholders               |   |                |                                  |   |                  |                                       |
|---|---|---|----------------|----------------------------------|---|------------------|---------------------------------------|
|   | 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, flagged or frozen Status of shares | Number of shares | Nature of shareholders                |
| Shenergy (Group) Company Limited  | 0   | 1,767,522,422   | 25.27          | 0                                | Nil   | -                | State-owned legal person              |
| HKSCC Nominees Limited  | 10,400  | 1,026,979,130   | 14.68          | 0                                | Unknown                                     | -                | Off-shore legal person                |
| Shanghai Haiyan Investment Management Company Limited   | 0   | 345,486,596   | 4.94           | 0                                | Nil   | -                | State-owned legal person              |
| Shanghai United Media Group   | 1,438,900   | 239,182,906   | 3.42           | 0                                | Nil   | -                | State-owned legal person              |
| China Post Group Corporation Limited  | 0   | 178,743,236   | 2.56           | 0                                | Nil   | -                | State-owned legal person              |
| China Securities Finance Corporation Limited  | -31,084,800   | 178,025,625   | 2.55           | 0                                | Nil   | -                | Unknown                               |
| Zheneng Capital Holdings Limited<br>(浙能資本控股有限公司)  | -69,930,000   | 138,770,000   | 1.98           | 0                                | 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)   | -6,695,300  | 126,445,204   | 1.81           | 0                                | Nil   | -                | Domestic non-state owned legal person |
| Hong Kong Securities Clearing Company Limited   | -44,276,680   | 92,009,393  | 1.32           | 0                                | Nil   | -                | Off-shore legal person                |
| China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | -10,228,579   | 81,353,623  | 1.16           | 0                                | Nil   | -                | Other                                 |

## Section VII Changes in Shares and Information on Shareholders

### Shareholdings of the top ten shareholders of non-restricted shares

| Name of shareholder   | Number of circulating non-restricted shares held | Type and number of shares      |               |
|---|--|--------------------------------|---------------|
|   |  | Type                           | Number        |
| Shenergy (Group) Company Limited  | 1,767,522,422                                    | RMB ordinary shares            | 1,767,522,422 |
| HKSCC Nominees Limited  | 1,026,979,130                                    | Overseas listed foreign shares | 1,026,979,130 |
| Shanghai Haiyan Investment Management Company Limited   | 345,486,596                                      | RMB ordinary shares            | 345,486,596   |
| Shanghai United Media Group   | 239,182,906                                      | RMB ordinary shares            | 239,182,906   |
| China Post Group Corporation Limited  | 178,743,236                                      | RMB ordinary shares            | 178,743,236   |
| China Securities Finance Corporation Limited  | 178,025,625                                      | RMB ordinary shares            | 178,025,625   |
| Zheneng Capital Holdings Limited<br>(浙能資本控股有限公司)  | 138,770,000                                      | RMB ordinary shares            | 138,770,000   |
| Shanghai Jinqiao Export Processing Zone Development Co., Ltd.<br>(上海金橋出口加工區開發股份有限公司)  | 126,445,204                                      | RMB ordinary shares            | 126,445,204   |
| Hong Kong Securities Clearing Company Limited   | 92,009,393                                       | RMB ordinary shares            | 92,009,393    |
| China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | 81,353,623                                       | RMB ordinary shares            | 81,353,623    |
| Special repurchase account of the top ten shareholders  | N/A  |                                |               |
| Voting by proxy, as proxy or abstention of voting rights by the above shareholders  | N/A  |                                |               |
| Related party relationship or parties acting in concert among above shareholders  | N/A  |                                |               |

- (iii) 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.

## Section VII Changes in Shares and Information on Shareholders

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

As at December 31, 2021, 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 <sup>(Note 1)</sup> | Approximate percentage of total share capital of relevant class in issue of the Company (%) <sup>(Note 2)</sup> | Approximate percentage of total share capital in issue of the Company (%) <sup>(Note 2)</sup> |
|---|---------------|-------------------------------------|--------------------------------------|---|---|
| Shenergy (Group) Company Limited  | A Share       | Beneficial owner                    | 1,767,522,422 (L)                    | 29.62   | 25.27   |
| China National Tobacco Corporation <sup>(Note 3)</sup>                    | A Share       | Interests in controlled corporation | 345,486,596 (L)                      | 5.79  | 4.94  |
| Shanghai Tobacco (Group) Company <sup>(Note 3)</sup>                      | A Share       | Interests in controlled corporation | 345,486,596 (L)                      | 5.79  | 4.94  |
| Shanghai Haiyan Investment Management Company Limited <sup>(Note 3)</sup> | A Share       | Beneficial owner                    | 345,486,596 (L)                      | 5.79  | 4.94  |
| Shanghai Wealspring Asset Management Co., Ltd. (上海寧泉資產管理有限公司)             | H Share       | Investment manager                  | 123,213,200 (L)                      | 12.00   | 1.76  |
| Zhu Lijia <sup>(Note 4)</sup>   | H Share       | Interests in controlled corporation | 94,940,800 (L)                       | 9.24  | 1.36  |
| Sun Hongyan <sup>(Note 4)</sup>   | H Share       | Interests in controlled corporation | 94,940,800 (L)                       | 9.24  | 1.36  |
| Hung Jia Finance Limited <sup>(Note 4)</sup>                              | H Share       | Interests in controlled corporation | 94,940,800 (L)                       | 9.24  | 1.36  |
| Kaiser Century Investments Limited <sup>(Note 4)</sup>                    | H Share       | Beneficial owner                    | 94,940,800 (L)                       | 9.24  | 1.36  |



## Section VII Changes in Shares and Information on Shareholders

| Name of shareholder   | Type of share | Nature of interests                 | Number of shares <sup>(Note 1)</sup> | Approximate percentage of total share capital of relevant class in issue of the Company (%) <sup>(Note 2)</sup> | Approximate percentage of total share capital in issue of the Company (%) <sup>(Note 2)</sup> |
|---|---------------|-------------------------------------|--------------------------------------|---|---|
| Bank of Communications Co., Ltd. <sup>(Note 5)</sup>  | H Share       | Interests in controlled corporation | 93,991,600 (L)                       | 9.15  | 1.34  |
| Bank of Communications (Nominee) Company Limited <sup>(Note 5)</sup>  | H Share       | Interests in controlled corporation | 93,991,600 (L)                       | 9.15  | 1.34  |
| BOCOM International Asset Management Limited <sup>(Note 5)</sup>  | H Share       | Interests in controlled corporation | 93,991,600 (L)                       | 9.15  | 1.34  |
| BOCOM International Holdings Company Limited <sup>(Note 5)</sup>  | H Share       | Interests in controlled corporation | 93,991,600 (L)                       | 9.15  | 1.34  |
| BOCOM International Global Investment Limited <sup>(Note 5)</sup>   | H Share       | Beneficial owner                    | 93,991,600 (L)                       | 9.15  | 1.34  |
| China Universal Asset Management Company Limited (on behalf of China Universal – DFZQ ESOP Single Asset Management Scheme No. 1 and China Universal – DFZQ ESOP Single Asset Management Scheme No. 2) <sup>(Note 6)</sup> | H Share       | Asset manager                       | 61,838,400 (L)                       | 6.02  | 0.88  |

### Notes:

- (L) represents the long position.
- As at December 31, 2021, 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.
- 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.

## Section VII Changes in Shares and Information on Shareholders

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. 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.
6. According to the Company's employee stock ownership plan, China Universal Asset Management Company Limited (as the asset manager) purchases and holds the shares of the Company through China Universal – DFZQ ESOP Single Asset Management Scheme No. 1 and China Universal – DFZQ ESOP Single Asset Management Scheme No. 2.

Save as disclosed above, as at December 31, 2021, 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, 2021, 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.

## Section VII Changes in Shares and Information on Shareholders

### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(i) **Controlling shareholder**

*Specific explanation in the case of the Company having no 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**

*Specific explanation in the case of the Company having no 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. WHETHER THE NUMBER OF SHARES PLEDGED BY THE CONTROLLING SHAREHOLDER OR THE LARGEST SHAREHOLDER OF THE COMPANY AND PERSONS ACTING IN CONCERT WITH IT IN AGGREGATE REPRESENTS MORE THAN 80% OF THE NUMBER OF SHARES HELD BY THEM IN THE COMPANY

As at the end of the Reporting Period, no controlling shareholder or the largest shareholder and parties acting in concert with it had pledged an aggregate number of shares representing more than 80% of the number of shares held by them in the Company.

## Section VII Changes in Shares and Information on Shareholders

### VI. 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 activities   |
|----------------------------------|--|-----------------------|--------------------|--------------------|---|
| Shenergy Group                   | Huang Dinan  | November 18, 1996     | 913100001322718147 | 200                | 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.

### VII. EXPLANATION ON THE RESTRICTION OF SHAREHOLDING REDUCTION

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

### VIII. IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

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 VIII Information on Preference Shares

During the Reporting Period, the Company did not have any matters relating to preference shares.

## Section IX Information on Bonds

### I. CORPORATE BONDS, CORPORATE DEBENTURES AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

#### 1. Basic information of corporate bonds

Unit: 100 million Currency: RMB

| Name of bonds  | Abbreviation            | Code   | Date of issuance   | Dated date         | Maturity date      | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism  | Risk of termination of listing and trading |
|--|-------------------------|--------|--------------------|--------------------|--------------------|---------------|-------------------|-------------------------------------|---------------|--|--|--|
| 2017 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)                  | 17 Orient Securities 02 | 145577 | June 9, 2017       | June 9, 2017       | June 9, 2022       | 10            | 5.50              | Simple interest payable annually    | SSE           | For qualified investors                    | Quotation, price asking and transaction under agreement          | No   |
| 2017 Corporate Bonds publicly issued by DFZQ   | 17 Orient Bonds         | 143233 | August 2, 2017     | August 3, 2017     | August 3, 2027     | 40            | 4.98              | Simple interest payable annually    | SSE           | For qualified investors                    | Auction, quotation, price asking and transaction under agreement | No   |
| 2019 Corporate Bonds publicly issued by DFZQ (first tranche)                               | 19 Orient Bonds         | 163024 | November 21, 2019  | November 25, 2019  | November 25, 2022  | 49            | 3.50              | Simple interest payable annually    | SSE           | For qualified investors                    | Auction, quotation, price asking and transaction under agreement | No   |
| 2020 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)                  | 20 Orient Securities 02 | 166373 | March 20, 2020     | March 24, 2020     | March 24, 2022     | 30            | 2.95              | Simple interest payable annually    | SSE           | For qualified investors                    | Quotation, price asking and transaction under agreement          | No   |
| 2020 Corporate Bonds non-publicly issued by DFZQ (second tranche)                          | 20 Orient Securities 03 | 167010 | June 16, 2020      | June 18, 2020      | June 18, 2023      | 40            | 3.45              | Simple interest payable annually    | SSE           | For qualified investors                    | Quotation, price asking and transaction under agreement          | No   |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)  | 20 Orient Bonds 01      | 163927 | August 17, 2020    | August 19, 2020    | August 19, 2023    | 40            | 3.50              | Simple interest payable annually    | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 20 Orient Bonds 02      | 175182 | September 24, 2020 | September 28, 2020 | September 28, 2023 | 35            | 3.75              | Simple interest payable annually    | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |

## Section IX Information on Bonds

| Name of bonds  | Abbreviation                               | Code   | Date of issuance | Dated date       | Maturity date    | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism  | Risk of termination of listing and trading |
|--|--|--------|------------------|------------------|------------------|---------------|-------------------|-------------------------------------|---------------|--|--|--|
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)    | 20 Orient Bonds 03                         | 175350 | November 2, 2020 | November 4, 2020 | November 4, 2023 | 35            | 3.65              | Simple interest payable annually    | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |
| 2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)    | 21 Orient Bonds 01                         | 175690 | January 25, 2021 | January 27, 2021 | January 27, 2024 | 40            | 3.60              | Simple interest payable annually    | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |
| 2017 Subordinated Bonds issued by DFZQ (first tranche) (Type 2)                              | 17 Orient Securities Subordinated Bonds 02 | 145514 | April 26, 2017   | April 26, 2017   | April 26, 2022   | 15            | 5.1               | Simple interest payable annually    | SSE           | For qualified investors                    | Quotation, price asking and transaction under agreement          | No   |
| 2017 Subordinated Bonds issued by DFZQ (second tranche) (Type 2)                             | 17 Orient Securities Subordinated Bonds 04 | 145554 | May 15, 2017     | May 15, 2017     | May 15, 2022     | 15            | 5.35              | Simple interest payable annually    | SSE           | For qualified investors                    | Quotation, price asking and transaction under agreement          | No   |
| 2019 Subordinated Bonds non-publicly issued by DFZQ (first tranche)                          | 19 Orient Securities Subordinated Bonds 01 | 151278 | March 15, 2019   | March 19, 2019   | March 19, 2022   | 60            | 4.2               | Simple interest payable annually    | SSE           | For qualified investors                    | Quotation, price asking and transaction under agreement          | No   |
| 2019 Subordinated Bonds non-publicly issued by DFZQ (second tranche)                         | 19 Orient Securities Subordinated Bonds 02 | 151683 | June 12, 2019    | June 14, 2019    | June 14, 2022    | 40            | 4.2               | Simple interest payable annually    | SSE           | For qualified investors                    | Quotation, price asking and transaction under agreement          | No   |
| 2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche) <sup>(Notes)</sup> | 20 Orient Securities Y1                    | 175032 | August 24, 2020  | August 26, 2020  | -                | 50            | 4.75              | Simple interest payable annually    | SSE           | For institutional investors                | Auction, quotation, price asking and transaction under agreement | No   |
| 2021 Subordinated Bonds publicly issued by DFZQ (first tranche)                              | 21 Orient Securities C1                    | 175779 | March 4, 2021    | March 8, 2021    | March 8, 2024    | 25            | 3.95              | Simple interest payable annually    | SSE           | For institutional investors                | Auction, quotation, price asking and transaction under agreement | No   |
| 2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 1)                    | 21 Orient Securities C2                    | 175993 | April 14, 2021   | April 16, 2021   | April 16, 2024   | 30            | 3.7               | Simple interest payable annually    | SSE           | For institutional investors                | Auction, quotation, price asking and transaction under agreement | No   |

## Section IX Information on Bonds

| Name of bonds   | Abbreviation            | Code   | Date of issuance  | Dated date        | Maturity date     | Bonds balance | Interest rate (%) | Repayment of principal and interest                               | Trading venue | Investor suitability arrangements (if any) | Trading mechanism  | Risk of termination of listing and trading |
|---|-------------------------|--------|-------------------|-------------------|-------------------|---------------|-------------------|---|---------------|--|--|--|
| 2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 2)                             | 21 Orient Securities C3 | 175994 | April 14, 2021    | April 16, 2021    | April 16, 2026    | 15            | 4.2               | Simple interest payable annually                                  | SSE           | For institutional investors                | Auction, quotation, price asking and transaction under agreement | No   |
| 2021 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)  | 21 Orient Securities S1 | 188546 | August 9, 2021    | August 11, 2021   | July 27, 2022     | 30            | 2.68              | Principal and interest to be repaid upon maturity in one lump sum | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |
| 2021 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 21 Orient Securities S2 | 188700 | September 2, 2021 | September 6, 2021 | September 1, 2022 | 19            | 2.68              | Principal and interest to be repaid upon maturity in one lump sum | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |
| 2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)            | 21 Orient Bonds 02      | 185035 | November 22, 2021 | November 24, 2021 | November 24, 2024 | 40            | 3.08              | Simple interest payable annually                                  | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |
| 2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (first tranche)          | 22 Orient Securities C1 | 185233 | January 11, 2022  | January 13, 2022  | January 13, 2025  | 25            | 3.16              | Simple interest payable annually                                  | SSE           | For professional investors                 | Auction, quotation, price asking and transaction under agreement | No   |

**Note:** The 2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche) shall be re-priced every 5 interest-accruing years. At the end of each repricing cycle, the Company is entitled to extend the term of such tranche of bonds for another re-pricing cycle (i.e. an extension of 5 years) or redeem such tranche of bonds in full.

There was no trading risk of delisting of the Company's bonds during the Reporting Period.

There were no overdue bonds of the Company during the Reporting Period.



## Section IX Information on Bonds

### *Payment of interests of bonds during the Reporting Period*

| <b>Name of bond</b>  | <b>Explanation on payment of interests</b>  |
|--|---|
| 2019 Subordinated Bonds non-publicly issued by DFZQ (first tranche)                        | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2020 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 1)                  | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2020 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)                  | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2017 Subordinated Bonds issued by DFZQ (first tranche) (Type 2)                            | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2017 Subordinated Bonds issued by DFZQ (second tranche) (Type 2)                           | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2017 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)                  | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2019 Subordinated Bonds non-publicly issued by DFZQ (second tranche)                       | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2020 Corporate Bonds no-publicly issued by DFZQ (second tranche)                           | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2017 Corporate Bonds publicly issued by DFZQ   | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)  | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche)                  | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)  | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2016 Subordinated Bonds issued by DFZQ (first tranche)                                     | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |
| 2019 Corporate Bonds publicly issued by DFZQ (first tranche)                               | The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus |

## Section IX Information on Bonds

2. During the Reporting Period, no issuer or investor option clauses or investor protection clauses were triggered or enforced in respect of the corporate bonds.

### 3. Intermediaries providing services for issuance and subsistence of bonds

| Name of intermediary                                      | Office address  | Name of signing accountant      | Contact       | Tel          |
|---|---|---------------------------------|---------------|--------------|
| Orient Securities Investment Banking Co., Ltd.            | 24/F, No. 318 South Zhongshan Road, Huangpu District, Shanghai                                    | /                               | Wang Yibin    | 021-23153888 |
| China Galaxy Securities Co., Ltd.                         | 11/F, Qinghai Finance Building, No. 8 Xiyong Street, Fengtai District, Beijing                    | /                               | Chen Qu       | 010-80927231 |
| Dongguan Securities Co., Ltd.                             | 25/F, Pudong Kerry City Office Building, No. 1155 Fangdian Road, Shanghai                         | /                               | Zhao Yujie    | 021-50150057 |
| China Chengxin International Credit Rating Co., Ltd.      | Building 5, Yinhe SOHO, No.2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing | /                               | Zhao Tingting | 010-66428877 |
| Deloitte Touche Tohmatsu Certified Public Accountants LLP | 30/F, Bund Center, No. 222 East Yan'an Road, Huangpu District, Shanghai                           | Ma Hingfai, Shi Man, Pan Zhuyun | Pan Zhuyun    | 021-61418888 |

During the Reporting Period, there was no change in the above intermediaries.

## Section IX Information on Bonds

### 4. Use of proceeds as at the end of the Reporting Period

Unit: 100 million Currency: RMB

| Name of bond   | Total proceeds | Amount utilized | Amount unutilized | Operation of special account for proceeds (if any) | Rectification of non-compliance in the use of proceeds (if any) | Compliance with the use, plan of use and other agreements as committed in the prospectus |
|--|----------------|-----------------|-------------------|--|---|--|
| 2017 Subordinated Bonds issued by DFZQ (first tranche) (Type 2)                            | 15             | 15              | 0                 |  |   | Yes  |
| 2017 Subordinated Bonds issued by DFZQ (second tranche) (Type 2)                           | 15             | 15              | 0                 |  |   | Yes  |
| 2017 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)                  | 10             | 10              | 0                 |  |   | Yes  |
| 2017 Corporate Bonds publicly issued by DFZQ   | 40             | 40              | 0                 |  |   | Yes  |
| 2019 Subordinated Bonds non-publicly issued by DFZQ (first tranche)                        | 60             | 60              | 0                 |  |   | Yes  |
| 2019 Subordinated Bonds non-publicly issued by DFZQ (second tranche)                       | 40             | 40              | 0                 |  |   | Yes  |
| 2019 Corporate Bonds publicly issued by DFZQ (first tranche)                               | 49             | 49              | 0                 |  |   | Yes  |
| 2020 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)                  | 30             | 30              | 0                 |  |   | Yes  |
| 2020 Corporate Bonds non-publicly issued by DFZQ (second tranche)                          | 40             | 40              | 0                 |  |   | Yes  |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)  | 40             | 40              | 0                 |  |   | Yes  |
| 2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche)                  | 50             | 50              | 0                 |  |   | Yes  |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 35             | 35              | 0                 |  |   | Yes  |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)  | 35             | 35              | 0                 |  |   | Yes  |
| 2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)  | 40             | 40              | 0                 |  |   | Yes  |

## Section IX Information on Bonds

| Name of bond  | Total proceeds | Amount utilized | Amount unutilized | Operation of special account for proceeds (if any) | Rectification of non-compliance in the use of proceeds (if any) | Compliance with the use, plan of use and other agreements as committed in the prospectus |
|---|----------------|-----------------|-------------------|--|---|--|
| 2021 Subordinated Bonds publicly issued by DFZQ (first tranche)                                       | 25             | 25              | 0                 |  |   | Yes  |
| 2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 1)                             | 30             | 30              | 0                 |  |   | Yes  |
| 2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 2)                             | 15             | 15              | 0                 |  |   | Yes  |
| 2021 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)  | 30             | 30              | 0                 |  |   | Yes  |
| 2021 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 19             | 19              | 0                 |  |   | Yes  |
| 2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)            | 40             | 40              | 0                 |  |   | Yes  |

5. There were no adjustments to the credit rating results of the corporate bonds during the Reporting Period.
6. There were no changes in guarantees, repayment plans and other repayment guarantees in respect of the corporate bonds during the Reporting Period.

### 7. Other information on corporate bonds

For details of offshore bonds issued by the Company, please refer to Note 49 to the consolidated financial statements in this annual report.

## Section IX Information on Bonds

(i) 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  | 2021             | 2020      | Increase or decrease in the current period as compared with the corresponding period of last year (%) | Reason for change   |
|---|------------------|-----------|---|---|
| Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses | <b>5,306,970</b> | 2,662,488 | 99.32   | Increase in operating income and decrease in provision for credit impairment                          |
| Current ratio   | <b>1.50</b>      | 1.31      | 14.50   | Increase in current assets  |
| Quick ratio   | <b>1.50</b>      | 1.31      | 14.50   | Increase in liquid assets   |
| Gearing ratio (%)   | <b>72.89</b>     | 73.13     | Decreased by 0.24 percentage point  | Mainly due to increase in owners' equity resulting from earnings recorded during the Reporting Period |
| EBITDA to total debts ratio   | <b>0.07</b>      | 0.05      | 40.00   | Increase in EBITDA  |
| Interest coverage ratio   | <b>2.43</b>      | 1.60      | 51.88   | Mainly due to decrease in interest expense from the Company's own liabilities                         |
| Cash interest coverage ratio  | <b>(2.52)</b>    | 9.96      | (125.30)  | Mainly due to increase in operating cash outflows   |
| EBITDA interest coverage ratio  | <b>2.60</b>      | 1.74      | 49.43   | Mainly due to decrease in interest expense from the Company's own liabilities                         |
| Loan repayment rate (%)   | <b>100.00</b>    | 100.00    |   |   |
| Interest repayment ratio (%)  | <b>100.00</b>    | 100.00    |   |   |

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)

### II. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company had no convertible corporate bonds.

## Section X Information Disclosures of Securities Company

### I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

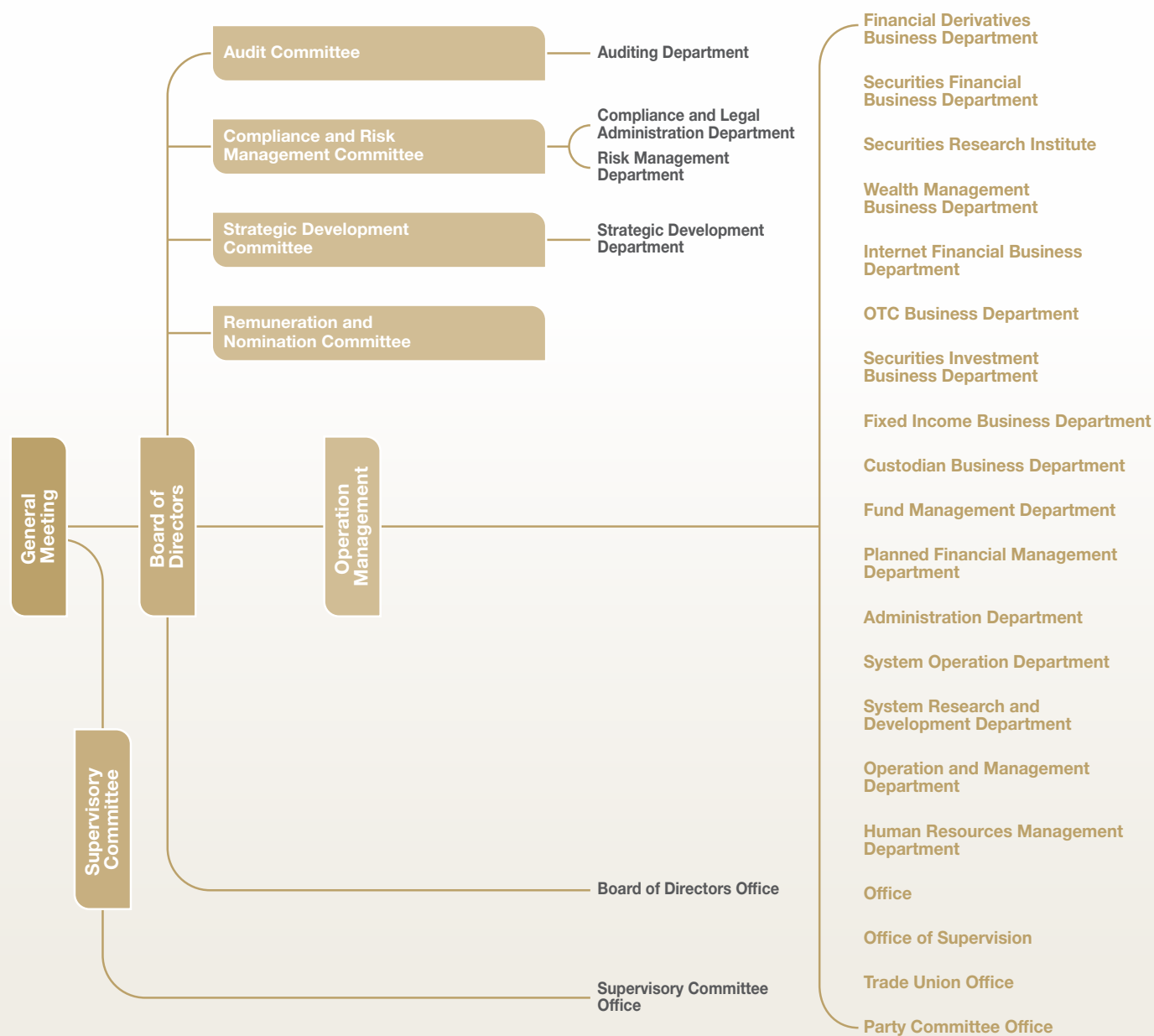
| No. | Issued by  | Title of document   | Number of document               | Issuing date       |
|-----|--|---|----------------------------------|--------------------|
| 1   | CSRC   | Approval Regarding the Registration of Subordinated Corporate Bonds Publicly Issued by 東方證券股份有限公司 to Professional Investors | Zheng Jian Xu Ke [2021] No. 465  | February 8, 2021   |
| 2   | Securities and Fund Institution Supervision Department | Reply on Matters related to Pilot Operation of Fund Investment Advisory Business by 東方證券股份有限公司                              | Ji Gou Bu Han [2021] No. 1686    | June 2, 2021       |
| 3   | CSRC   | Approval Regarding the Registration of Corporate Bonds Publicly Issued by 東方證券股份有限公司 to Professional Investors              | Zheng Jian Xu Ke [2021] No. 3091 | September 22, 2021 |

### II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2021, the Company was rated as a Grade AA, Category A company.

# Appendix I: Organizational Structure of the Company

## 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 177 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 South Road Securities Branch of 東方證券股份有限公司 | Room 101, No. 88 Zunyi South 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         |



## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)  | Date of establishment |
|--|---|-----------------------|
| 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   | Room 107, 1/F and 16/F, No.488 Yaohua Road, Pudong New Area, Shanghai                             | June 23, 1998         |
| 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 Zhoudong 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 Xuhui District Yishan Road Securities Branch of 東方證券股份有限公司    | Unit 107, 1/F and Unit 201, 2/F, Building 85, No.700 Yishan Road, Xuhui 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         |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)  | Date of establishment |
|--|---|-----------------------|
| 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        | 2/F, 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         |
| 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     | Zone A, 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 Province (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                        | 3-6/F, No.25-2 Liaozhong Street, Wanghua District, Fushun, Liaoning Province  | August 18, 1998       |
| Beijing Anli Road Securities Branch of 東方證券股份有限公司                              | No.202 and No.203, 2/F and No.301, 3/F, Building 27, No.8 Beichen East Road, 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 and 1/F, No.2 Jianshe Road, Chenghua District, Chengdu, Sichuan Province            | April 11, 2001        |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches                                  | Registered address (PRC)   | Date of establishment |
|--|--|-----------------------|
| 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 Province  | December 18, 2001     |
| Fushun Xinhua Street Securities Branch of 東方證券股份有限公司         | Outlet No. 7 and 9, Building 20, Xinhua Street, Shuncheng District, Fushun, Liaoning Province  | 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 Province  | April 21, 2002        |
| Changsha Laodong West Road Securities Branch of 東方證券股份有限公司   | Shop at Southeast Corner, 1/F of Podium and Zone A, 7/F, Zhongtian Power Building, No. 471 Laodong West Road, Yuhua District, Changsha               | June 7, 2002          |
| Hangzhou Wuxing Road Securities Branch of 東方證券股份有限公司         | No. 185 Wuxing Road, Jianggan District, Hangzhou, 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 Province  | August 12, 2005       |
| Tianjin Xikang Road Securities Branch of 東方證券股份有限公司          | 2/F, No. 42 Xikang Road, Xinxing Street, 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 Province  | May 10, 2006          |
| Guilin Zhongshan Middle Road Securities Branch of 東方證券股份有限公司 | North Zone, 4/F, Jintai Building, No. 16 Zhongshan Middle Road, Xiangshan District, Guilin   | May 10, 2006          |
| Wuhan Sanyang Road Securities Branch of 東方證券股份有限公司           | Room 2, 1/F, South Zone of Room 1, 5/F, Block A, Jinyang New City, No. 118 Sanyang Road, Siwei Subdistrict, Jiang'an District, Wuhan, Hubei Province | 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 Province   | 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              | 1-4/F, No. 25 Nanba Middle Road, Tiexi District, Shenyang, Liaoning Province  | May 15, 2006          |
| Shenyang Changjiang South Street Securities Branch of 東方證券股份有限公司        | East Side of 1/F, 8/F, No. 169 Changjiang South Street, Huanggu District, Shenyang, Liaoning Province   | May 15, 2006          |
| Nanning Jinhua 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, Jinhua 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 Province  | May 16, 2006          |
| Shanghai Pudong New Area Zhangyang Road Securities Branch of 東方證券股份有限公司 | 2/F, Zone A, No. 638 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone   | 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 Province                      | May 18, 2006          |
| Shenyang Shifu Road Securities Branch of 東方證券股份有限公司                     | Gates 2 and 3, No.423 Shifu Road, Shenhe District, Shenyang, Liaoning Province  | 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, 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 Province   | August 1, 2006        |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)   | Date of establishment |
|--|--|-----------------------|
| Guangzhou Pingyue Road Securities Branch of 東方證券股份有限公司                         | No. 161 Pingyue Road, Guangzhou, Guangdong Province  | 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, 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, Fujian Province                           | August 24, 2007       |
| Shanghai Songjiang District Huting North Road Securities Branch of 東方證券股份有限公司  | Rooms 901-8, 901-9 and 901-10 of No. 1 and Room 127 of No. 5, Lane 199 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          |
| Shanghai Jinshan District Weiqing West Road Securities Branch of 東方證券股份有限公司    | Rooms 301-311, No. 17, Lane 128 & No. 132, 134, Weiqing West Road, Jinshan District, Shanghai  | June 30, 2011         |
| Shanghai Qingpu District East Garden Road Securities Branch of 東方證券股份有限公司      | Block D, No. 1606 East 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                      | Office 801, 802 & 803, City Plaza, No. 99 Wangjiang West Road, Shushan District, Hefei, Anhui Province                                       | 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, 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     |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)  | Date of establishment |
|--|---|-----------------------|
| 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 Province                 | 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 Province   | 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 Province                        | April 23, 2014        |
| Xiangtan Huxiang North Road Securities Branch of 東方證券股份有限公司            | 0101002-0101003, Block D1-2, Lot D, Xiangyinxicheng, No.3 Huxiang North Road, Baota Subdistrict, Yuetang District, Xiangtan | 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 Province  | April 25, 2014        |
| Shaoxing Shangyu Liangzhu Avenue Securities Branch of 東方證券股份有限公司       | No. 2389 North Section, Shangyu District, Shaoxing, Zhejiang Province   | May 16, 2014          |
| Yiwu Gongren West Road Securities Branch of 東方證券股份有限公司                 | Room 103, 1/F and Room 301 & 302, 3/F, No. 113 Gongren West Road, Yiwu, Zhejiang Province                                   | May 26, 2014          |
| Zhengzhou Huanghe Road Securities Branch of 東方證券股份有限公司                 | No.109 Courtyard, Huanghe road, Jinshui District, Zhengzhou, Henan Province   | May 27, 2014          |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)   | Date of establishment |
|--|--|-----------------------|
| 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 Shengli North Street Securities Branch of 東方證券股份有限公司                | 1-2/F, No.1102 and No.1106 Shengli North Street, Zhenhai Street, Licheng District, Putian, Fujian Province                                 | 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 Province   | 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 Province                        | 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 Province                             | 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 Province                               | 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 Province   | 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          |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)   | Date of establishment |
|--|--|-----------------------|
| Lhasa Jinzhu West Road Securities Branch of 東方證券股份有限公司                               | No.123 Jinzhu West Road, Lhasa   | 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 Province | July 14, 2014         |
| Shanghai Minhang District Suhong Road Securities Branch of 東方證券股份有限公司                | Rooms 109 and 206, No. 29 and 33 Suhong Road, Minhang District, Shanghai   | July 15, 2014         |
| Yantai Yingchun Street Securities Branch of 東方證券股份有限公司                               | Inner No.102, No. 171 Yingchun Street, Laishan District, Yantai, Shandong Province                                     | July 22, 2014         |
| 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, Sichuan Province                                   | August 15, 2014       |
| Shanghai Pudong New Area Qifan Road Securities Branch of 東方證券股份有限公司                  | Room 1517, Block B, South Building, No. 515 Qifan Road, Pudong New Area, Shanghai                                      | September 2, 2014     |
| Nanchong Hongguang Road Securities Branch of 東方證券股份有限公司                              | 1/F and 3/F, No.83 Hongguang Road, Shunqing District, Nanchong, Sichuan Province                                       | 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 Province   | June 18, 2015         |



## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)  | Date of establishment |
|--|---|-----------------------|
| Nantong Gongnong Road Securities Branch of 東方證券股份有限公司                          | No. 181, 183, 185 Gongnong Road, Nantong, Jiangsu Province  | 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 Province   | July 9, 2015          |
| Xiamen Xianyue Road Securities Branch of 東方證券股份有限公司                            | Shop 105 and Shop 108-1, No. 555 Xianyue Road, Siming District, Xiamen, Fujian Province   | 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 Province   | 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 Jiaojiang District Zhongshan East Road Securities Branch of 東方證券股份有限公司 | No. 368 Zhongshan East Road, Jiaojiang District, Taizhou, Zhejiang Province   | 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 Province  | July 30, 2015         |
| Jiaxing Guangyi Road Securities Branch of 東方證券股份有限公司                           | No. 864, 866 and 868 Guangyi Road, Jiaxing Economic and Technological Development Zone, Jiaxing, Zhejiang Province  | July 30, 2015         |
| Quanzhou Jinhui Street Securities Branch of 東方證券股份有限公司                         | Room 502, Block A, Gas Building, No. 25 Jinhui Street, Fengze District, Quanzhou, Fujian Province   | 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 Province | July 31, 2015         |
| 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 Province  | August 5, 2015        |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches                                       | Registered address (PRC)  | Date of establishment |
|---|---|-----------------------|
| Lanzhou Nanchang Road<br>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 Province   | August 5, 2015        |
| Wenzhou Xinhe Street<br>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 Province   | August 7, 2015        |
| Urumqi Nanhu Road<br>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<br>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 Province  | August 7, 2015        |
| Yinchuan Minzu North Street<br>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<br>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 Province  | August 7, 2015        |
| Wuxi Xinsheng Road<br>Securities Branch of 東方證券股份有限公司             | No. 152 Xinsheng Road, Wuxi, Jiangsu Province   | August 7, 2015        |
| Shijiazhuang Tiyu South Street<br>Securities Branch of 東方證券股份有限公司 | No. 233 Tiyu South Street, Yuhua District, Shijiazhuang, Hebei Province   | August 7, 2015        |
| Guiyang Huaguoyuan<br>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 Province | August 7, 2015        |
| Taiyuan High-tech Street<br>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 Province   | December 6, 2016      |
| Baotou Qingnian Road<br>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     |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches  | Registered address (PRC)  | Date of establishment |
|--|---|-----------------------|
| 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 Province   | January 5, 2017       |
| Changshu Lizha Road Securities Branch of 東方證券股份有限公司                    | 1/F & 2/F, 21, 22 & 23, No. 65 Lizha Road, Changshu   | 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 Province  | 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 Province   | 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 Province                                 | 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 Province   | 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 Province | April 24, 2017        |
| 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 Province                                | 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                      | Outlet 16 & 17, Huaxinyuan, No. 258 Liuquan Road, High-tech Zone, Zibo, Shandong Province   | May 17, 2017          |
| Hefei Meishan Road Securities Branch of 東方證券股份有限公司                     | Center area of 1/F and whole floor of 2/F, No.19 Meishan Road, Shushan District, Hefei  | May 17, 2017          |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches                                    | Registered address (PRC)   | Date of establishment |
|--|--|-----------------------|
| 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 Province                     | 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 Province | 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 Province   | 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 Province   | 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 Province            | 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 Province                                      | 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 Province             | 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 Province  | 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 Province  | 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. 319 Shangjin West First Road, Chengdu High-tech Zone, China (Sichuan) Pilot Free Trade Zone  | July 13, 2017         |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches                                       | Registered address (PRC)  | Date of establishment |
|---|---|-----------------------|
| 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 Province    | July 13, 2017         |
| Beijing Guomao Securities Branch of 東方證券股份有限公司                    | Room A111, 1/F & Room A212, 2/F, Block 17, No. 8 Guanghua Road, Chaoyang District, Beijing  | July 13, 2017         |
| 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, 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 Province  | 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 Province                             | 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 Province                               | 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 Province  | 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 Province (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, Xihu Chaisang Spring Zone 2, No. 358 Changjiang Avenue, Jiujiang, 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, 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, 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 Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province  | April 16, 2019        |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches                                   | Registered address (PRC)   | Date of establishment |
|---|--|-----------------------|
| 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, 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 Subdistrict, Yinzhou District, Ningbo, 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, 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, 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, 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, Jiangnan District, Wuhan, 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, Shandong Province  | April 25, 2019        |
| 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, Shandong Province                                 | April 29, 2019        |
| Shenzhen Xinhua 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 Xinhua Road, Xin'an Subdistrict, Bao'an District, Shenzhen, 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, Anhui Province                                      | April 29, 2019        |
| Dongying Fuqian Avenue Securities Branch of 東方證券股份有限公司        | 22/F, Block A, Huali International Financial Plaza, No.128 Fuqian Avenue, Dongying Development Zone, Shandong Province                     | May 19, 2020          |

## Appendix II: Information on Securities Branches of the Company

| Name of securities branches                                   | Registered address (PRC)   | Date of establishment |
|---|--|-----------------------|
| Hangzhou Shixin North Road Securities Branch of 東方證券股份有限公司    | Room 1001, Block 1, Dongfang Zhizun International Center, No. 2028, 2030 and 2032 Shixin North Road, Ningwei Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province | October 9, 2020       |
| Baoding Ruixiang Avenue Securities Branch of 東方證券股份有限公司       | Building No.9, Yunxi Jiucheng Commercial Center, No. 1988 Ruixiang Avenue, Lianchi District, Baoding, Hebei Province   | December 7, 2020      |
| Jincheng Hongxing East Street Securities Branch of 東方證券股份有限公司 | Shop 3, 1/F and 2/F, Block C, Taifu Xinju, Hongxing East Street, Cheng District, Jincheng, Shanxi Province   | December 8, 2020      |
| Yuncheng Hedong East Street Securities Branch of 東方證券股份有限公司   | 1/F, Huixin Building, No. 195 Hedong East Street, Yanhu District, Yuncheng, Shanxi Province  | December 9, 2020      |
| Datong Yuhe West Road Securities Branch of 東方證券股份有限公司         | Shop 2384 of the Outlying Shops, Yujinyuan Phase II, Yuhe West Road, Pingcheng District, Datong, Shanxi Province   | December 11, 2020     |
| Langfang Art Avenue Securities Branch of 東方證券股份有限公司           | No. 409 Art Avenue (No. 101, 1/F, Unit 1, Block 28, Peacock Huijingxuan), Guangyang District, Langfang, Hebei Province   | December 11, 2020     |
| Qingdao Yanji Road Securities Branch of 東方證券股份有限公司            | No. 76-41, Building No. 6, No. 76 Yanji Road, Shibei District, Qingdao   | December 16, 2020     |
| Wenzhou Tangjiaqiao Road Securities Branch of 東方證券股份有限公司      | No. 439 Tangjiaqiao Road, Nanhui Subdistrict, Lucheng District, Wenzhou, Zhejiang Province   | December 18, 2020     |

## Appendix III: Information on Futures Branches of the Company

As at the end of the Reporting Period, the Company had 4 futures branches and 30 futures outlets.

| Name of futures branch offices                                   | 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 Province | January 16, 2009      |
| Shanghai Fushan Road Outlet of Orient Futures Co., Ltd           | Room 1107, No. 458 Fushan Road, China (Shanghai) Pilot Free Trade Zone   | May 19, 2009          |
| Zhengzhou Outlet of Orient Futures Co., Ltd                      | Room 1301, Futures Building, No. 30, Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province   | July 2, 2009          |
| Changsha Outlet of Orient Futures Co., Ltd                       | 2118, Kaibin Commercial Plaza, No. 419 Shaoshan Middle Road, Yuhua District, Changsha, Hunan Province  | November 24, 2009     |
| Beijing Anli Road Outlet of Orient Futures Co., Ltd              | 302 and 303, 3/F, Building No. 27, Courtyard No. 8, Beichen East Road, Chaoyang District, Beijing  | December 28, 2009     |
| Changzhou Outlet of Orient Futures Co., Ltd                      | Room 1618-1658, No. 23, 25, 27 & 29, Yanling West Road, Changzhou, Jiangsu Province  | July 5, 2010          |
| Taiyuan Outlet 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 Province   | November 29, 2010     |
| Shanghai Branch of Orient Futures Co., Ltd                       | Room 3105, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai  | August 3, 2011        |
| Guangzhou Outlet of Orient Futures Co., Ltd                      | Room 2304, No. 365-1, Tianhe North Road, Tianhe District, Guangzhou  | October 17, 2012      |
| Qingdao Outlet of Orient Futures Co., Ltd                        | Room 1501, Unit 1, Building 2, No. 69, Haimen Road, Shinan District, Qingdao, Shandong Province  | May 16, 2013          |
| Ningbo Outlet of Orient Futures Co., Ltd                         | 13-7, No. 288 Jiahui Street, Yinzhou District, Ningbo, Zhejiang Province   | February 24, 2014     |
| Shenzhen Outlet of Orient Futures Co., Ltd                       | 7A, Times Fortune Building, South Eastern Part, Central Area, Futian District, Shenzhen, Guangdong Province  | May 16, 2014          |
| Shanghai Pilot Free Trade Zone Outlet of Orient Futures Co., Ltd | Room 1303, 13/F, No. 5 Bibo Road, China (Shanghai) Pilot Free Trade Zone, Shanghai   | May 29, 2014          |
| Hangzhou Outlet of Orient Futures Co., Ltd                       | Room 907, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang Province   | June 18, 2014         |
| Chengdu Outlet of Orient Futures Co., Ltd                        | No. 330, Huayang Haichang Road, Chengdu Tianfu New District, China (Sichuan) Pilot Free Trade Zone, Sichuan Province   | January 7, 2015       |
| Xi'an Outlet of Orient Futures Co., Ltd                          | 12F-6, Jierui Wisdom Building, No. 5, West Section of South 2nd Ring, Lianhu District, Xi'an, Shaanxi Province   | January 15, 2015      |
| Xiamen Outlet of Orient Futures Co., Ltd                         | Room 908, Fortune Center, No. 100 Lujiang Road, Siming District, Xiamen, Fujian Province   | January 23, 2015      |



## Appendix III: Information on Futures Branches of the Company

| Name of futures branch offices                               | Registered address (PRC)  | Date of establishment |
|--|---|-----------------------|
| Dongying Outlet of Orient Futures Co., Ltd                   | Room 903, Block 1, Guomao Building, No. 53, Fuqian Street, Dongying District, Dongying, Shandong Province   | March 17, 2015        |
| Tianjin Outlet of Orient Futures Co., Ltd                    | 1-1-2406, Rongqiao Center, Building 1, Shanglanyuan, Intersection of Changjiang Avenue and Naikai Liuma Road, Nankai District, Tianjin  | March 23, 2015        |
| Harbin Outlet 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 District, Harbin, Heilongjiang Province | April 3, 2015         |
| Beijing Chaoyangmen Outlet of Orient Futures Co., Ltd        | Room 401-402, 4/F, No. 22 Chaowai Street, Chaoyang District, Beijing  | September 8, 2015     |
| Chongqing Outlet of Orient Futures Co., Ltd                  | 4-3, No. 2 Qingyun Road, Jiangbei District, Chongqing   | May 19, 2016          |
| Hangzhou Jiaogong Road Outlet of Orient Futures Co., Ltd     | Room 1405, Block 1 (Area C), EAC World Trade Lijing Building, West Lake District, Hangzhou, Zhejiang Province   | July 1, 2016          |
| Shantou Outlet of Orient Futures Co., Ltd                    | Room 1105 & 1107, Hanjiang Building, Block 17, West 3rd District, Danyangzhuang, Longhu District, Shantou, Guangdong Province   | July 5, 2018          |
| Quanzhou Outlet of Orient Futures Co., Ltd                   | Unit 1203, Block A, Gas Building, No. 25 Jinhua Street, Fengze District, Quanzhou, Fujian Province  | July 13, 2018         |
| Ningbo Tiantong South Road Outlet of Orient Futures Co., Ltd | Room 1305, Lane 577, Tiantong South Road, Yinzhou District, Ningbo, Zhejiang Province   | July 18, 2018         |
| Shenyang Outlet of Orient Futures Co., Ltd                   | No. 49, Xinghua North Street, Tiexi District, Shenyang, Liaoning Province   | August 7, 2018        |
| Suzhou Outlet of Orient Futures Co., Ltd                     | Room 3602, Block 2, Oriental Gate Building, No. 199 Xinggang Street, Suzhou Industrial Park   | October 11, 2018      |
| Nantong Outlet of Orient Futures Co., Ltd                    | Room 1401, South Building, Yuanrong Plaza, No. 57 Gongnong Road, Chongchuan District, Nantong, Jiangsu Province   | December 10, 2018     |
| Zhejiang Branch of Orient Futures Co., Ltd                   | Room 3806, Yintai International Commercial Center, No. 1600 Kejiguang Street, Changhe Subdistrict, Binjiang District, Hangzhou, Zhejiang Province   | December 17, 2018     |
| Wuxi Outlet of Orient Futures Co., Ltd                       | Room 3007, Yunfu Building, No. 288-2801 Zhongshan Road, Liangxi District, Wuxi, Jiangsu Province  | March 19, 2019        |
| Shandong Branch of Orient Futures Co., Ltd                   | 1-1801, Yinzuo Haowangjiao Plaza, No. 800 Minghu West Road, Tianqiao District, Jinan, Shandong Province   | March 19, 2019        |
| Zhengzhou Shangdu Road Outlet of Orient Futures Co., Ltd     | No. 7 and 8, 2/F, Caixin Building, No. 27 Yongping Road Community, Shangdu Road, Zhengdong New Area, Zhengzhou, Henan Province  | April 22, 2021        |
| Nanjing Outlet of Orient Futures Co., Ltd                    | Room 706 (Room 1006, 10/F for Lift), No. 188 Lushan Road, Jianye District, Nanjing  | July 28, 2021         |

## 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 announcement | Subject   |
|----------------------|---|
| 2021/1/5             | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities  |
| 2021/1/16            | Announcement on Completion of Payment of the Short-term Financing Bonds (Tranche VI) in 2020  |
| 2021/2/2             | H Shares Announcement   |
| 2021/2/6             | Announcement on Preliminary Financial Data for the Year of 2020, Announcement on Provision For Asset Impairment, Announcement on Resolution of the 25th Meeting (Temporary Meeting) of the Fourth Session of the Board, Announcement on Resolution of the 18th Meeting (Temporary Meeting) of the Fourth Session of the Supervisory Committee, Announcement on Amendments to Certain Articles of the Articles of Association, Statement of Nominees of Independent Directors, Statement of Candidates of Independent Directors, Independent Opinions of Independent Directors on Nomination of Candidates of Directors of the Fifth Session of the Board of the Company, Articles of Association (Amended in February 2021) |
| 2021/2/10            | Notice of 2021 First Extraordinary General Meeting, Meeting Materials of the 2021 First Extraordinary General Meeting, Announcement on Results of Election of Employee Representative Director and Employee Representative Supervisor   |
| 2021/2/23            | Announcement on Approval from the CSRC for Registration of Public Issuance of Subordinated Corporate Bonds to Professional Investors  |
| 2021/3/2             | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities  |
| 2021/3/6             | Announcement on Resolutions of the 2021 First Extraordinary General Meeting, Legal Opinions on the 2021 First Extraordinary General Meeting, Announcement on Resolution of the First Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on Resolution of the First Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee, Independent Opinions of Independent Directors on Appointment of Senior Management by the Fifth Session of the Board  |

## Appendix IV: Information Disclosure Index

| Date of announcement | Subject  |
|----------------------|--|
| 2021/3/17            | Announcement on Change of Legal Representative, H Shares Announcement – Date of Board Meeting  |
| 2021/3/24            | Announcement in Relation to the Online Briefing on the Annual Results Of 2020  |
| 2021/3/31            | 2020 Annual Report, Summary of the 2020 Annual Report, Announcement of the Resolution of the Second Meeting of the Fifth Session of the Board, Announcement of the Resolution of the Second Meeting of the Fifth Session of the Supervisory Committee, Announcement on Anticipating 2021 Daily Related Party Transactions of the Company, Financial Statements and Audit Report, the Internal Control Evaluation Report in 2020, the Special Report and Audit Report on the Use of Proceeds Raised Previously, 2020 Corporate Social Responsibility Report, the Announcement on Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties, Statement of Nominees of Independent Directors, the Report of Independent Directors in 2020, Announcement on Renewal of Engagement of Accounting Firm, Proposal on Public Issuance of Securities through Rights Issue, the Internal Control Audit Report, Announcement on Amendments to Certain Articles of the Articles of Association, Announcement on Anticipating the Company's External Guarantee in 2021, Prior Approval Opinions of Independent Directors on Matters Related to the Second Meeting of the Fifth Session of the Board, Independent Opinions of Independent Directors on Relevant Matters of the Second Meeting of the Fifth Session of the Board and the Company's External Guarantee, Independent Opinions of Independent Directors on Relevant Matters of Public Issuance of Securities through Rights Issue of the Company, Articles of Association (Amended in March 2021), the Work Report of the Audit Committee of Board in 2020, the Special Explanations on Funds Occupation of Controlling Shareholders and Other Related Parties, the Special Report on Use of Proceeds Raised Previously as of December 31, 2020, Feasibility Analysis Report on Use of Proceeds to be Raised From Rights Issue, Statement of Candidates of Independent Directors, Announcement on Profit Distribution Plan of 2020, the Administrative Measures for Insider Registration and Confidentiality (Amended in March 2021), Explanation on the Company's Compliance with the Conditions of Rights Issue |
| 2021/4/2             | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities   |

## Appendix IV: Information Disclosure Index

| Date of announcement | Subject  |
|----------------------|--|
| 2021/4/15            | Notice of 2020 Annual General Meeting and 2021 First A Shares Class Meeting  |
| 2021/4/16            | H Shares Announcement – Date of Board Meeting  |
| 2021/4/22            | Meeting Materials of the 2020 Annual General Meeting, 2021 First A Shares Class Meeting and 2021 First H Shares Class Meeting  |
| 2021/4/27            | Announcement on Preliminary Financial Data for the First Quarter of 2021   |
| 2021/4/30            | The First Quarterly Report for the Year 2021, Full Text of the First Quarterly Report for the Year 2021, Announcement of the Resolution of the Third Meeting of the Fifth Session of the Board,  |
| 2021/5/7             | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities   |
| 2021/5/8             | Announcement on Undertaking by the Largest Shareholder to Subscribe in Full for the Shares Available for Placing   |
| 2021/5/14            | Announcement of Resolutions of the 2020 Annual General Meeting, 2021 First A Shares Class Meeting and 2021 First H Shares Class Meeting, Legal Opinion of Grandall Law Firm (Shanghai) on the 2020 Annual General Meeting, 2021 First A Shares Class Meeting and 2021 First H Shares Class Meeting of 東方證券股份有限公司   |
| 2021/6/2             | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities   |
| 2021/6/19            | Announcement on Provision of Guarantee by Orient Finance Holdings (Hong Kong) Limited for its Wholly-owned Subsidiary  |
| 2021/6/22            | Announcement on the Company's Absorption of and Merger with Orient Securities Investment Banking Co., Ltd., a Wholly-owned Subsidiary, Notice of 2021 Second Extraordinary General Meeting, Independent Opinions of Independent Directors on Absorption of and Merger with a Wholly-owned Subsidiary, Announcement on Resolution of the Fourth Meeting (Temporary Meeting) of the Fifth Session of the Board |
| 2021/6/28            | Announcement on Receipt of Reply from the CSRC on Pilot Operation of Fund Investment Advisory Business   |
| 2021/6/30            | Meeting Materials of 2021 Second Extraordinary General Meeting, Announcement on Provision of Guarantee by Orient Finance Holdings (Hong Kong) Limited to its Wholly-owned Subsidiaries to Obtain Bank Credit   |

## Appendix IV: Information Disclosure Index

| Date of announcement | Subject  |
|----------------------|--|
| 2021/7/1             | Announcement on Implementation of the 2020 Annual Distribution of Equity Interests, Announcement on Capital Increase in Shanghai Orient Securities Innovation Investment Co., Ltd., Announcement on Expected Increase in Interim Results for the Year of 2021, H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities                        |
| 2021/7/16            | Announcement on Capital Increase and Decrease in Wholly-owned Subsidiaries   |
| 2021/7/21            | Announcement of Resolutions of 2021 Second Extraordinary General Meeting, Legal Opinion of Grandall Law Firm (Shanghai) on the 2021 Second Extraordinary General Meeting of 東方證券股份有限公司, Announcement on Notice to Creditors in Relation to the Absorption of and Merger with a Wholly-owned Subsidiary, Related Party Transactions Management Measures (Amended in 2021) |
| 2021/7/24            | Announcement on Preliminary Financial Data for the First Half of 2021  |
| 2021/8/4             | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities   |
| 2021/8/4             | Announcement on Progress of Capital Increase in Shanghai Orient Securities Innovation Investment Co., Ltd.   |
| 2021/8/14            | H Shares Announcement – Date of Board Meeting  |
| 2021/8/25            | Announcement in Relation to the Online Briefing on the Interim Results of 2021   |
| 2021/8/28            | 2021 Interim Report, Summary of the 2021 Interim Report, Announcement on Resolution of the Fifth Meeting of the Fifth Session of the Board, Announcement on Resolution of the Fourth Meeting of the Fifth Session of the Supervisory Committee   |
| 2021/9/3             | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities   |
| 2021/9/14            | Announcement on the Participation in 2021 Group Reception Day for Listed Companies in Shanghai   |
| 2021/9/29            | Announcement on Resolution of the Sixth Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on Approval from the CSRC for Registration of Public Issuance of Corporate Bonds to Professional Investors   |
| 2021/10/9            | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities   |
| 2021/10/16           | H Shares Announcement – Date of Board Meeting  |

## Appendix IV: Information Disclosure Index

| Date of announcement | Subject   |
|----------------------|---|
| 2021/10/29           | The Third Quarterly Report for the Year 2021  |
| 2021/11/2            | Announcement on Resolution of the Eighth Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on Changes in Senior Management and Appointment of Chief Financial Officer and Chief Information Officer of the Company, Independent Opinions of Independent Directors on Appointment of Senior Management by the Fifth Session of the Board |
| 2021/11/3            | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities  |
| 2021/11/13           | Announcement on Capital Increase in Orient Futures Co., Ltd   |
| 2021/12/3            | H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities  |
| 2021/12/16           | Announcement on Change in Sponsor and Sponsor Representative  |
| 2021/12/21           | Announcement on Expiry of Lock-up Period of Employee Stock Ownership Plan   |
| 2021/12/22           | Announcement on Acceptance by the CSRC of the Rights Issue Application, Announcement on Listing and Circulation of Non-publicly Issued Restricted Shares, the Special Inspection Opinions of CICC and Orient Securities Investment Banking on Listing and Circulation of Non-publicly Issued Restricted Shares of DFZQ  |
| 2021/12/30           | Announcement on Resolution of the Ninth Meeting (Temporary Meeting) of the Fifth Session of the Board   |

## 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 announcement | Subject  |
|----------------------|--|
| 2021/1/4             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2020  |
| 2021/1/15            | Overseas Regulatory Announcement: Announcement on Completion of Payment of the Short-term Financing Bonds (Tranche VI) in 2020   |
| 2021/2/1             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2021   |
| 2021/2/5             | Elections of the Board and the Supervisory Committee and Amendments to the Articles of Association, Announcement in Relation to the Provision for Assets Impairment, Announcement on Preliminary Financial Data for the Year of 2020, Overseas Regulatory Announcements: Announcement on Resolution of the 25th Meeting (Temporary Meeting) of the Fourth Session of the Board, Announcement on Resolution of the 18th Meeting (Temporary Meeting) of the Fourth Session of the Supervisory Committee, Statement of Nominees of Independent Directors, Statement of Candidates of Independent Directors, Independent Opinions of Independent Directors on Nomination of Candidates of Directors of the Fifth Session of the Board of the Company   |
| 2021/2/9             | Form of Proxy of Holders of H Shares for Use at 2021 First Extraordinary General Meeting to be Held on March 5, 2021   |
| 2021/2/9             | Announcement on Elections of Employee Representative Director and Employee Representative Supervisors, Proposed Amendments to the Articles of Association of the Company, Election of the Board, Election of the Supervisory Committee, and Notice of the 2021 First Extraordinary General Meeting   |
| 2021/2/22            | Overseas Regulatory Announcement: Announcement on Approval from the CSRC for Registration of Public Issuance of Subordinated Corporate Bonds to Professional Investors   |
| 2021/3/1             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2021  |
| 2021/3/5             | Poll Results of Extraordinary General Meeting Held on March 5, 2021, Amendments to the Articles of Association, Appointment of Members of the Fifth Session of the Board, Appointment of Members of the Fifth Session of the Supervisory Committee, Roles of Members of the Fifth Session of the Board, Appointment of President of the Company, Appointment of Joint Company Secretaries, Appointment of Authorized Representatives, Articles of Association, List of Directors and Their Roles and Functions, Overseas Regulatory Announcements: Announcement on Resolution of the First Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee, Independent Opinions of Independent Directors on Appointment of Senior Management by the Fifth Session of the Board, Announcement on Resolution of the First Meeting (Temporary Meeting) of the Fifth Session of the Board, Legal Opinions of Grandall Law Firm (Shanghai) on the 2021 First Extraordinary General Meeting of 東方證券股份有限公司 |

## Appendix IV: Information Disclosure Index

| Date of announcement | Subject   |
|----------------------|---|
| 2021/3/16            | Date of Board Meeting, Overseas Regulatory Announcement: Announcement on Change of Legal Representative   |
| 2021/3/23            | Announcement in Relation to the Online Briefing on the Annual Results of 2020   |
| 2021/3/30            | Results Announcement for the Year Ended December 31, 2020, Proposed Rights Issue of A Shares and H Shares, Announcement (1) General Mandate on Proposed Issuance of Offshore Debt Financing Instruments (2) Projected Intragroup Guarantees for the Year 2021 (3) Proposed Amendments to Certain Articles of the Articles Of Association (4) Proposed Continuing Connected Transactions (5) Proposed Appointment of Independent Non-Executive Director and (6) Appointment of Member of the Special Committee Under the Board, DFZQ 2020 Environmental, Social and Governance Report, Overseas Regulatory Announcements: the Special Report and Audit Report on the Use of Proceeds Raised Previously, the Special Explanations on Funds Occupation of Controlling Shareholders and Other Related Parties, the Internal Control Audit Report, Feasibility Analysis Report on Use of Proceeds to be Raised From Rights Issue, Independent Opinions of Independent Directors on Relevant Matters of Public Issuance of Securities through Rights Issue of the Company, Statement of Candidates of Independent Directors, Statement of Nominees of Independent Directors, Independent Opinions of Independent Directors on Relevant Matters of the Second Meeting of the Fifth Session of the Board and the Company's External Guarantee, Prior Approval Opinions of Independent Directors on Matters Related to the Second Meeting of the Fifth Session of the Board, the Administrative Measures for Insider Registration and Confidentiality (Amended in March 2021), the Internal Control Evaluation Report in 2020, the Work Report of the Audit Committee of Board in 2020, the Report of Independent Directors in 2020, the Special Report on Use of Proceeds Raised Previously as of December 31, 2020, the Announcement on Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties, Proposal on Public Issuance of Securities through Rights Issue, Explanation on the Company's Compliance with the Conditions of Rights Issue, Announcement on Profit Distribution Plan of 2020, Announcement on Renewal of Engagement of Accounting Firm, Announcement on Anticipating 2021 Daily Related Party Transactions of the Company, Announcement of the Resolution of the Second Meeting of the Fifth Session of the Supervisory Committee, Announcement of the Resolution of the Second Meeting of the Fifth Session of the Board |
| 2021/4/1             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2021  |
| 2021/4/14            | Notice of Annual General Meeting, Notice of H Shares Class Meeting, Form of Proxy of Holders of H Shares for Use at the H Shares Class Meeting to be Held on May 13, 2021, Form of Proxy of Holders of H Shares for Use at the Annual General Meeting to be Held on May 13, 2021  |



## Appendix IV: Information Disclosure Index

| Date of announcement | Subject   |
|----------------------|---|
| 2021/4/15            | Date of Board Meeting   |
| 2021/4/21            | 2020 Annual Report, Circular of 2020 Annual General Meeting and H Shareholders Class Meeting  |
| 2021/4/26            | Announcement on Preliminary Financial Data for the First Quarter of 2021  |
| 2021/4/29            | The First Quarterly Report for the Year 2021, Overseas Regulatory Announcement: Announcement of the Resolution of the Third Meeting of the Fifth Session of the Board   |
| 2021/5/6             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2021  |
| 2021/5/7             | Overseas Regulatory Announcement: Announcement on Undertaking by the Largest Shareholder to Subscribe in Full for the Shares Available for Placing  |
| 2021/5/13            | Poll Results of Annual General Meeting and H Shares Class Meeting Held on May 13, 2021, Articles of Association, List of Directors and Their Roles and Functions, Overseas Regulatory Announcement: Legal Opinion of Grandall Law Firm (Shanghai) on the 2020 Annual General Meeting, 2021 First A Shares Class Meeting and 2021 First H Shares Class Meeting of 東方證券股份有限公司   |
| 2021/6/1             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2021  |
| 2021/6/18            | Overseas Regulatory Announcement: Announcement on Provision of Guarantee by Orient Finance Holdings (Hong Kong) Limited for its Wholly-owned Subsidiary   |
| 2021/6/21            | Notice of 2021 Second Extraordinary General Meeting, Proposed Absorption of and Merger with Orient Securities Investment Banking Co., Ltd., a Wholly-owned Subsidiary, Form of Proxy of Holders of H Shares for Use at 2021 Second Extraordinary General Meeting to be Held on July 20, 2021, Overseas Regulatory Announcements: Announcement on Resolution of the Fourth Meeting (Temporary Meeting) of the Fifth Session of the Board, Independent Opinions of Independent Directors on Absorption of and Merger with a Wholly-owned Subsidiary |
| 2021/6/27            | Overseas Regulatory Announcement: Announcement on Receipt of Reply from the CSRC on Pilot Operation of Fund Investment Advisory Business  |
| 2021/6/29            | Proposed Amendments to the Management Measures of Related-Party Transactions of the Company, Proposed Absorption of and Merger with Orient Securities Investment Banking Co., Ltd., a Wholly-owned Subsidiary, Proposed Change of Business Scope of the Company and Notice of the 2021 Second Extraordinary General Meeting, Overseas Regulatory Announcement: Announcement on Provision of Guarantee by Orient Finance Holdings (Hong Kong) Limited to its Wholly-owned Subsidiaries to Obtain Bank Credit                                       |
| 2021/6/30            | Overseas Regulatory Announcements: Announcement on Implementation of the 2020 Annual Distribution of Equity Interests, Announcement on Capital Increase in Shanghai Orient Securities Innovation Investment Co., Ltd.   |

## Appendix IV: Information Disclosure Index

| Date of announcement | Subject   |
|----------------------|---|
| 2021/7/1             | Announcement on Expected Increase in Interim Results of 2021  |
| 2021/7/2             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 June 2021   |
| 2021/7/15            | Overseas Regulatory Announcement: Announcement on Capital Increase and Decrease in Wholly-owned Subsidiaries  |
| 2021/7/20            | Poll Results of Extraordinary General Meeting Held on July 20, 2021, Change of Business Scope of the Company, Overseas Regulatory Announcements: Legal Opinion of Grandall Law Firm (Shanghai) on the 2021 Second Extraordinary General Meeting of 東方證券股份有限公司, Announcement on Notice to Creditors in Relation to the Absorption of and Merger with a Wholly-owned Subsidiary, Related Party Transactions Management Measures (Amended in 2021) |
| 2021/7/23            | Announcement on Preliminary Financial Data for the First Half of 2021   |
| 2021/8/3             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 July 2021, Overseas Regulatory Announcement: Announcement on Progress of Capital Increase in Shanghai Orient Securities Innovation Investment Co., Ltd.   |
| 2021/8/13            | Date of Board Meeting   |
| 2021/8/24            | Announcement in Relation to the Online Briefing on the Interim Results of 2021  |
| 2021/8/27            | Interim Results Announcement for the Six Months Ended June 30, 2021, Overseas Regulatory Announcements: Announcement on Resolution of the Fifth Meeting of the Fifth Session of the Board, Announcement on Resolution of the Fourth Meeting of the Fifth Session of the Supervisory Committee   |
| 2021/9/2             | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 August 2021   |
| 2021/9/13            | Announcement on the Participation in 2021 Group Reception Day for Listed Companies in Shanghai  |
| 2021/9/23            | 2021 Interim Report   |
| 2021/9/28            | Overseas Regulatory Announcements: Announcement on Resolution of the Sixth Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on Approval from the CSRC for Registration of Public Issuance of Corporate Bonds to Professional Investors   |
| 2021/10/8            | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 September 2021  |
| 2021/10/15           | Date of Board Meeting   |
| 2021/10/28           | The Third Quarterly Report for the Year 2021  |

## Appendix IV: Information Disclosure Index

| Date of announcement | Subject  |
|----------------------|--|
| 2021/11/1            | Overseas Regulatory Announcements: Announcement on Resolution of the Eighth Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on Changes in Senior Management and Appointment of Chief Financial Officer and Chief Information Officer of the Company, Independent Opinions of Independent Directors on Appointment of Senior Management   |
| 2021/11/2            | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 October 2021   |
| 2021/11/12           | Overseas Regulatory Announcement: Announcement on Capital Increase in Orient Futures Co., Ltd  |
| 2021/11/16           | Annual Corporate Report for the Year 2020  |
| 2021/12/2            | Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 November 2021  |
| 2021/12/15           | Overseas Regulatory Announcement: Announcement on Change in Sponsor and Sponsor Representative   |
| 2021/12/20           | Announcement on Expiry of Lock-up Period of The Company's Employee Stock Ownership Plan of H Shares  |
| 2021/12/21           | Announcement of Acceptance by the CSRC of the Application for Rights Issue, Overseas Regulatory Announcements: the Special Inspection Opinions of China International Capital Corporation Limited and Orient Securities Investment Banking Co., Ltd. on Listing and Circulation of Non-publicly Issued Restricted Shares of 東方證券股份有限公司, Announcement on Listing and Circulation of Non-publicly Issued Restricted Shares |
| 2021/12/29           | Overseas Regulatory Announcement: Announcement on Resolution of the Ninth Meeting (Temporary Meeting) of the Fifth Session of the Board  |

# 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 305 to 504, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or 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 2021, 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.

# Independent Auditor's Report

## 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  |
|--|---|
| <b>Measurement of expected credit loss (“ECL”) of stock-pledged repurchase agreements under financial assets held under resale agreements</b>  |   |
| <p>We identified the measurement of ECL for the Group’s stock-pledged repurchase agreements under 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.</p> <p>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.</p> <p>As at 31 December 2021, the Group held stock-pledged repurchase agreements under financial assets held under resale agreements of RMB12,651 million, less impairment allowance of RMB5,383 million as disclosed in Note 26 to the consolidated financial statements.</p> | <p>Our procedures in relation to management’s measurement of ECL for stock-pledged repurchase agreements under financial assets held under resale agreements included:</p> <ul style="list-style-type: none"> <li>• Testing and evaluating key controls of the management over the measurement of ECL;</li> <li>• Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model;</li> <li>• Evaluating the determination of the criteria for significant increase in credit risk and credit-impaired financial assets by management and, on a sample basis, testing its application;</li> <li>• 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;</li> <li>• Checking the calculation process of the ECL.</li> </ul> |

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <b>Determination of consolidation scope of structured entities</b>   |   |
| <p>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.</p> <p>The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes, funds and limited partnerships. 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, funds and limited partnerships that is of such significance that it indicates the Group controlled the structured entities.</p> <p>As disclosed in Notes 38 and 33 to the consolidated financial statements, as at 31 December 2021 the total net assets of the consolidated structured entities amounted to RMB7,521 million and the total net assets of the unconsolidated structured entities managed by the Group amounted to RMB410,192 million, respectively.</p> | <p>Our procedures in relation to management's determination of consolidation scope of structured entities included:</p> <ul style="list-style-type: none"> <li>• Testing and evaluating key controls of the management in determining the consolidation scope of structured entities;</li> <li>• 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;</li> <li>• Checking and evaluating, on a sample basis, management's quantitative analysis on the Group's exposure or right to variable returns with its economic interests in the structured entity and examining the data used in these calculations by reference to the related contracts.</li> <li>• 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.</li> </ul> |

# Independent Auditor's Report

## 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

# Independent Auditor's Report

## 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.



# Independent Auditor's Report

## 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, actions taken to eliminate threats or safeguards applied.

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

30 March 2022

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

|  | NOTES | Year ended 31 December |                 |
|--|-------|------------------------|-----------------|
|  |       | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Revenue  |       |                        |                 |
| Commission and fee income  | 6     | 10,399,067             | 7,953,858       |
| Interest income  | 7     | 5,981,386              | 5,538,183       |
|  |       | <b>16,380,453</b>      | 13,492,041      |
| Net investment gains   | 8     | 3,301,001              | 5,175,065       |
| Other income, gains and losses   | 9     | 8,881,348              | 8,979,880       |
| Total revenue, gains/(losses) and other income   |       | <b>28,562,802</b>      | 27,646,986      |
| Depreciation and amortisation  | 10    | (719,989)              | (662,189)       |
| Staff costs  | 11    | (4,994,030)            | (5,062,944)     |
| Commission and fee expenses  | 12    | (998,871)              | (832,327)       |
| Interest expenses  | 13    | (4,517,636)            | (4,759,411)     |
| Other operating expenses   | 14    | (11,155,792)           | (10,871,077)    |
| Impairment losses under expected credit loss model, net of reversal                                | 15    | (1,313,633)            | (3,885,132)     |
| Total expenses   |       | <b>(23,699,951)</b>    | (26,073,080)    |
| Share of results of associates   |       | 1,443,983              | 1,212,458       |
| Profit before income tax   |       | 6,306,834              | 2,786,364       |
| Income tax expense   | 16    | (933,695)              | (64,600)        |
| Profit for the year  |       | <b>5,373,139</b>       | 2,721,764       |
| Attributable to:   |       |                        |                 |
| Equity holders of the Company  |       | 5,371,496              | 2,722,989       |
| Non-controlling interests  |       | 1,643                  | (1,225)         |
|  |       | <b>5,373,139</b>       | 2,721,764       |
| Earnings per share attributable to shareholders of the Company<br>Expressed in RMB Yuan per share) |       |                        |                 |
| – Basic  | 17    | 0.73                   | 0.38            |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

|   | NOTES | Year ended 31 December |                 |
|---|-------|------------------------|-----------------|
|   |       | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Profit for the year   |       | 5,373,139              | 2,721,764       |
| Other comprehensive income/(expense), net of income tax:  |       |                        |                 |
| Items that will not be reclassified subsequently to profit or loss:   |       |                        |                 |
| Fair value gain/(loss) on investment in equity instruments<br>at fair value through other comprehensive income      | 54(4) | 448,732                | (64,468)        |
| Income tax relating to items that will not be reclassified<br>to profit or loss                                     | 54(4) | (112,183)              | 16,117          |
| Subtotal  |       | 336,549                | (48,351)        |
| Items that may be reclassified subsequently to profit or loss:  |       |                        |                 |
| Fair value gain/(loss) on:  |       |                        |                 |
| debt instruments measured at fair value through<br>other comprehensive income                                       | 54(4) | 306,359                | (581,415)       |
| Impairment loss for debt instruments at fair value through<br>other comprehensive income included in profit or loss | 54(4) | (39,019)               | 147,842         |
| Income tax impact relating to items that may be reclassified<br>subsequently  | 54(4) | (66,835)               | 108,393         |
| Share of other comprehensive expense of associates,<br>net of related income tax                                    | 54(4) | (6,788)                | (9,682)         |
| Exchange differences arising on translation   |       | (33,509)               | (109,867)       |
| Subtotal  |       | 160,208                | (444,729)       |
| Other comprehensive income/(expense) for the year,<br>net of income tax   |       | 496,757                | (493,080)       |
| Total comprehensive income for the year   |       | 5,869,896              | 2,228,684       |
| Attributable to:  |       |                        |                 |
| Equity holders of the Company   |       | 5,868,253              | 2,229,909       |
| Non-controlling interests   |       | 1,643                  | (1,225)         |
|   |       | 5,869,896              | 2,228,684       |

# Consolidated Statement of Financial Position

As at 31 December 2021

|  | NOTES | As at 31 December  |                    |
|--|-------|--------------------|--------------------|
|  |       | 2021<br>RMB'000    | 2020<br>RMB'000    |
| Cash and bank balances   | 18    | 90,555,816         | 65,640,360         |
| Clearing settlement funds  | 20    | 25,472,872         | 21,516,357         |
| Deposits with exchanges and financial institutions                     | 21    | 2,655,369          | 2,183,090          |
| Derivative financial assets  | 22    | 279,902            | 155,876            |
| Placements to financial institutions                                   | 23    | 382,833            | –                  |
| Advances to customers  | 24    | 24,344,922         | 21,171,919         |
| Account receivables  | 25    | 1,011,537          | 874,406            |
| Contract assets  |       | –                  | 1,742              |
| Financial assets held under resale agreements                          | 26    | 11,502,955         | 14,460,425         |
| Financial assets at fair value through profit or loss                  | 27    | 90,584,006         | 72,701,117         |
| Debt instruments at fair value through<br>other comprehensive income   | 28    | 58,599,581         | 62,645,975         |
| Equity instruments at fair value through<br>other comprehensive income | 29    | 4,138,153          | 10,936,458         |
| Debt instruments measured at amortised cost                            | 30    | 3,594,039          | 6,243,897          |
| Deferred tax assets  | 31    | 1,438,838          | 1,455,922          |
| Investments in associates  | 32    | 6,553,668          | 5,771,194          |
| Right-of-use assets  | 34    | 774,013            | 847,355            |
| Investment properties  | 35    | 352,411            | 40,461             |
| Property and equipment   | 36    | 2,234,866          | 2,225,662          |
| Other intangible assets  | 37    | 250,647            | 215,313            |
| Goodwill   | 39    | 32,135             | 32,135             |
| Other assets   | 40    | 1,841,059          | 1,997,778          |
| <b>Total assets</b>  |       | <b>326,599,622</b> | <b>291,117,442</b> |

# Consolidated Statement of Financial Position

As at 31 December 2021

|  | NOTES | As at 31 December  |                    |
|--|-------|--------------------|--------------------|
|  |       | 2021<br>RMB'000    | 2020<br>RMB'000    |
| Placements from financial institutions                     | 41    | 8,485,677          | 9,670,114          |
| Short-term financing bill payables                         | 42    | 7,096,803          | 16,255,486         |
| Account payables to brokerage clients                      | 43    | 90,012,125         | 66,642,671         |
| Financial assets sold under repurchase agreements          | 44    | 62,741,993         | 52,860,883         |
| Financial liabilities at fair value through profit or loss | 45    | 16,588,356         | 14,576,073         |
| Derivative financial liabilities                           | 22    | 733,829            | 504,957            |
| Contract liabilities                                       | 46    | 91,413             | 404,124            |
| Current tax liabilities                                    |       | 638,543            | 570,867            |
| Accrued staff costs  | 47    | 2,431,922          | 2,608,009          |
| Borrowings   | 48    | 558,645            | 579,732            |
| Lease liabilities  | 49    | 781,842            | 856,910            |
| Bond payables  | 50    | 67,509,217         | 62,265,473         |
| Deferred tax liabilities                                   | 31    | 19,202             | 20,179             |
| Other liabilities  | 51    | 4,766,949          | 3,070,820          |
| <b>Total liabilities</b>                                   |       | <b>262,456,516</b> | <b>230,886,298</b> |
| Share capital  | 52    | 6,993,656          | 6,993,656          |
| Other equity instrument                                    | 53    | 5,000,000          | 5,000,000          |
| Reserves   | 54    | 43,003,283         | 40,714,243         |
| Retained profits   | 55    | 9,130,172          | 7,494,952          |
| Equity attributable to equity holders of the Company       |       | 64,127,111         | 60,202,851         |
| Non-controlling interests                                  |       | 15,995             | 28,293             |
| <b>Total equity</b>  |       | <b>64,143,106</b>  | <b>60,231,144</b>  |
| <b>Total equity and liabilities</b>                        |       | <b>326,599,622</b> | <b>291,117,442</b> |

The consolidated financial statements pages 305 to 504 were approved and authorised for issue by the Board of Directors on 30 March 2022 and signed on behalf by:

**Jin Wenzhong**  
Chairman of Board

**Shu Hong**  
Chief Financial Officer

The accompanying notes presented on pages 315 to 504 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

| NOTES  | Equity attributable to equity holders of the Company |                         |                      |                      |                      |                                |                      |                      |             |                           |              |
|--|--|-------------------------|----------------------|----------------------|----------------------|--------------------------------|----------------------|----------------------|-------------|---------------------------|--------------|
|  | Reserves   |                         |                      |                      |                      |                                |                      |                      | Subtotal    | Non-controlling interests | Total equity |
|  | Share capital  | Other equity instrument | Capital reserve      | Surplus reserve      | General reserve      | Investment revaluation reserve | Translation reserve  | Retained profits     |             |                           |              |
|  | RMB'000<br>(Note 52)                                 | RMB'000<br>(Note 53)    | RMB'000<br>(Note 54) | RMB'000<br>(Note 54) | RMB'000<br>(Note 54) | RMB'000<br>(Note 54)           | RMB'000<br>(Note 54) | RMB'000<br>(Note 55) | RMB'000     | RMB'000                   | RMB'000      |
| As at January 1, 2021  | 6,993,656  | 5,000,000               | 28,311,404           | 3,676,148            | 8,691,097            | 144,398                        | (108,804)            | 7,494,952            | 60,202,851  | 28,293                    | 60,231,144   |
| Profit for the year  | -  | -                       | -                    | -                    | -                    | -                              | -                    | 5,371,496            | 5,371,496   | 1,643                     | 5,373,139    |
| Other comprehensive income/(expense) for the year  | -  | -                       | -                    | -                    | -                    | 530,266                        | (33,509)             | -                    | 496,757     | -                         | 496,757      |
| Total comprehensive income/(expense) for the year  | -  | -                       | -                    | -                    | -                    | 530,266                        | (33,509)             | 5,371,496            | 5,868,253   | 1,643                     | 5,869,896    |
| Capital returned to non-controlling shareholders upon liquidation of the subsidiaries  | -  | -                       | -                    | -                    | -                    | -                              | -                    | -                    | -           | (11,325)                  | (11,325)     |
| Appropriation to surplus reserve   | -  | -                       | -                    | 323,169              | -                    | -                              | -                    | (323,169)            | -           | -                         | -            |
| Appropriation to general reserve   | -  | -                       | -                    | -                    | 1,337,536            | -                              | -                    | (1,337,536)          | -           | -                         | -            |
| Distribution to holders of other equity instrument   | 56   | -                       | -                    | -                    | -                    | -                              | -                    | (237,500)            | (237,500)   | -                         | (237,500)    |
| Dividends recognised as distribution   | 56   | -                       | -                    | -                    | -                    | -                              | -                    | (1,748,414)          | (1,748,414) | (2,616)                   | (1,751,030)  |
| Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal | -  | -                       | -                    | -                    | -                    | 89,657                         | -                    | (89,657)             | -           | -                         | -            |
| Others   | -  | -                       | 41,921               | -                    | -                    | -                              | -                    | -                    | 41,921      | -                         | 41,921       |
| At 31 December 2021  | 6,993,656  | 5,000,000               | 28,353,325           | 3,999,317            | 10,028,633           | 764,321                        | (142,313)            | 9,130,172            | 64,127,111  | 15,995                    | 64,143,106   |

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2021

| Equity attributable to equity holders of the Company   |               |                         |                 |                 |                 |                                |                     |                  |             |                           |              |            |
|--|---------------|-------------------------|-----------------|-----------------|-----------------|--------------------------------|---------------------|------------------|-------------|---------------------------|--------------|------------|
| NOTES  | Reserves      |                         |                 |                 |                 |                                |                     |                  | Subtotal    | Non-controlling interests | Total equity |            |
|  | Share capital | Other equity instrument | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Translation reserve | Retained profits |             |                           |              |            |
|  | RMB'000       | RMB'000                 | RMB'000         | RMB'000         | RMB'000         | RMB'000                        | RMB'000             | RMB'000          |             |                           |              |            |
|  | (Note 52)     | (Note 53)               | (Note 54)       | (Note 54)       | (Note 54)       | (Note 54)                      | (Note 54)           | (Note 55)        |             |                           |              |            |
| As at January 1, 2020  | 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   |            |
| Profit for the year  | -             | -                       | -               | -               | -               | -                              | -                   | 2,722,989        | 2,722,989   | (1,225)                   | 2,721,764    |            |
| Other comprehensive expense for the year   | -             | -                       | -               | -               | -               | (383,213)                      | (109,867)           | -                | (493,080)   | -                         | (493,080)    |            |
| Total comprehensive (expense)/income for the year  | -             | -                       | -               | -               | -               | (383,213)                      | (109,867)           | 2,722,989        | 2,229,909   | (1,225)                   | 2,228,684    |            |
| Issuance of perpetual subordinated bond  | 53            | -                       | 5,000,000       | -               | -               | -                              | -                   | -                | 5,000,000   | -                         | 5,000,000    |            |
| Appropriation to surplus reserve   |               | -                       | -               | -               | 230,459         | -                              | -                   | (230,459)        | -           | -                         | -            |            |
| Appropriation to general reserve   |               | -                       | -               | -               | -               | 693,421                        | -                   | (693,421)        | -           | -                         | -            |            |
| Dividends recognised as distribution   | 56            | -                       | -               | -               | -               | -                              | -                   | (1,049,048)      | (1,049,048) | (4,675)                   | (1,053,723)  |            |
| Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal |               | -                       | -               | -               | -               | -                              | 28,713              | (28,713)         | -           | -                         | -            |            |
| Additional interests acquired in a subsidiary  | 54            | -                       | -               | 11,928          | -               | -                              | -                   | -                | 11,928      | (11,928)                  | -            |            |
| Others   |               | -                       | -               | 44,546          | -               | -                              | -                   | -                | 44,546      | -                         | 44,546       |            |
| At 31 December 2020  |               | 6,993,656               | 5,000,000       | 28,311,404      | 3,676,148       | 8,691,097                      | 144,398             | (108,804)        | 7,494,952   | 60,202,851                | 28,293       | 60,231,144 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| <b>OPERATING ACTIVITIES</b>  |                        |                 |
| Profit before income tax   | 6,306,834              | 2,786,364       |
| Adjustments for:   |                        |                 |
| Interest expenses  | 4,517,636              | 4,759,411       |
| Share of results of associates   | (1,443,983)            | (1,212,458)     |
| Depreciation and amortisation  | 719,989                | 662,189         |
| Impairment losses under expected credit loss model, net of reversal  | 1,313,633              | 3,885,132       |
| Losses on disposal of property and equipment and right-of-use assets   | 687                    | 228             |
| Foreign exchange gains, net  | (217,107)              | (208,303)       |
| Net realised losses/(gains) arising from disposal of associates  | 2,286                  | (2,938)         |
| Net realised gains and income arising from financial assets at fair value through profit or loss             | (419,796)              | (469,563)       |
| Net realised gains and income arising from debt instruments at fair value through other comprehensive income | (2,873,231)            | (2,899,183)     |
| Dividend income arising from equity instruments at fair value through other comprehensive income             | (647,805)              | (284,615)       |
| Net realised gains and income arising from financial liabilities at FVTPL                                    | (37,684)               | -               |
| Net realised losses arising from derivative financial instruments  | 92,916                 | 81,204          |
| Net realised gains and income arising from debt instruments measured at amortised cost                       | (161,115)              | (248,345)       |
| Unrealised fair value change of financial assets at fair value through profit or loss                        | (46,028)               | (1,363,920)     |
| Unrealised fair value change of financial liabilities at fair value through profit or loss                   | (211,854)              | (327,009)       |
| Unrealised fair value change of derivative financial instruments   | 269,939                | 315,036         |

(continued)



# Consolidated Statement of Cash Flows

## For the year ended 31 December 2021

|   | Year ended 31 December |                  |
|---|------------------------|------------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000  |
| Operating cash flows before movements in working capital  | 7,165,317              | 5,473,230        |
| Increase in advances to customers   | (3,174,735)            | (7,961,536)      |
| Decrease in financial assets held under resale agreements   | 1,424,854              | 5,926,587        |
| Increase in placements to financial institutions  | (382,833)              | –                |
| Increase in financial assets at fair value through profit or loss and derivative financial assets           | (17,938,377)           | (1,858,298)      |
| Increase in deposits and reserve funds and deposits with exchanges  | (4,420,144)            | (686,921)        |
| Increase in bank balances and clearing settlement funds restricted or held on behalf of customers           | (22,970,909)           | (26,393,444)     |
| Increase in account receivables, other assets and contract assets   | (314,508)              | (171,666)        |
| Increase in other liabilities and contract liabilities  | 1,207,331              | 2,153,126        |
| Increase in account payables to brokerage clients   | 23,369,454             | 26,463,493       |
| Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities | 623,028                | 1,843,153        |
| Increase/(decrease) in financial assets sold under repurchase agreements                                    | 9,881,381              | (4,610,149)      |
| (Decrease)/increase in placements from financial institutions   | (1,185,490)            | 3,294,490        |
| Cash generated from operations  | (6,715,631)            | 3,472,065        |
| Income taxes paid   | (1,028,930)            | (224,571)        |
| Interest paid   | (1,713,458)            | (1,533,039)      |
| <b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>   | <b>(9,458,019)</b>     | <b>1,714,455</b> |

(continued)

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2021

|  | NOTE | Year ended 31 December |                  |
|--|------|------------------------|------------------|
|  |      | 2021<br>RMB'000        | 2020<br>RMB'000  |
| <b>INVESTING ACTIVITIES</b>  |      |                        |                  |
| Dividends and interest received from investments                           |      | 4,349,149              | 3,853,316        |
| Proceeds on disposal of property and equipment and other intangible assets |      | 16,080                 | 13,114           |
| Proceeds from disposal or redemption of:                                   |      |                        |                  |
| financial assets at fair value through profit or loss                      |      | 21,557,816             | 12,151,369       |
| equity instruments at fair value through other comprehensive income        |      | 5,335,944              | 1,288,389        |
| debt instruments at fair value through other comprehensive income          |      | 51,606,911             | 101,208,205      |
| debt instrument measured at amortised cost                                 |      | 2,606,202              | 892,303          |
| Capital injection in associates  |      | (77,350)               | (672,813)        |
| Purchases of:  |      |                        |                  |
| financial assets at fair value through profit or loss                      |      | (19,475,771)           | (14,370,375)     |
| equity instruments at fair value through other comprehensive income        |      | (144,580)              | (1,456,442)      |
| debt instruments at fair value through other comprehensive income          |      | (47,056,672)           | (99,271,479)     |
| debt instrument measured at amortised cost                                 |      | (50,000)               | –                |
| Purchases of property and equipment and other intangible assets            |      | (443,308)              | (449,311)        |
| Payments for right-of-use assets   |      | (2,450)                | (3,347)          |
| Proceeds from disposal of or capital reduction from associates             |      | 270,512                | 279,505          |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>                                  |      | <b>18,492,483</b>      | <b>3,462,434</b> |

(continued)

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2021

|   | NOTE | Year ended 31 December |                    |
|---|------|------------------------|--------------------|
|   |      | 2021<br>RMB'000        | 2020<br>RMB'000    |
| <b>FINANCING ACTIVITIES</b>                                       |      |                        |                    |
| Proceeds from bonds and short-term financing bill payables issued |      | 35,601,653             | 77,801,516         |
| Repayments on bonds and short-term financing bill payables issued |      | (37,126,878)           | (81,718,646)       |
| Proceeds from issuance of perpetual subordinated bond             |      | –                      | 5,000,000          |
| Proceeds from borrowings  |      | 2,139,963              | 1,927,800          |
| Repayments of borrowings  |      | (2,393,712)            | (4,180,627)        |
| Repayments of lease liabilities                                   |      | (331,029)              | (300,192)          |
| Dividends paid to shareholders                                    |      | (1,751,030)            | (1,053,723)        |
| Dividends paid to holders of other equity instrument              |      | (237,500)              | –                  |
| Interest of bonds and short-term financing bill payables paid     |      | (2,720,175)            | (3,207,246)        |
| Interest of borrowings paid                                       |      | (39,466)               | (123,572)          |
| Interest paid on lease liabilities                                |      | (30,804)               | (35,670)           |
| Payments on acquisition of additional interests in a subsidiary   |      | –                      | (475,584)          |
| Payments on capital returned to non-controlling shareholders      |      | (11,325)               | –                  |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                      |      | <b>(6,900,303)</b>     | <b>(6,365,944)</b> |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>       |      | <b>2,134,161</b>       | <b>(1,189,055)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>         |      | <b>19,984,516</b>      | <b>21,552,456</b>  |
| Effect of foreign exchange rate changes                           |      | (180,964)              | (378,885)          |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>               | 19   | <b>21,937,713</b>      | <b>19,984,516</b>  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 Orient Edifice, No. 119, South Zhongshan Road, Shanghai, the People’s Republic of China (“PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities and futures brokerage, margin financing and securities lending, securities investment advisory, securities proprietary trading, asset management, agency sale of financial products, security underwriting and sponsorship, and other business activities approved by CSRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

|   |  |
|---|--|
| Amendments to IFRS 16                                       | Covid-19-Related Rent Concessions        |
| Amendments to IFRS 9, IAS 39, IFRS 7,<br>IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

### **Amendments to IFRSs that are mandatorily effective for the current year** *(Continued)*

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **2.1 Impacts on application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions” and early application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”**

The Group has applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions* for the first time and early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* in the current year. retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases (“IFRS 16”) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of IFRS 16 to account for rent concessions provided by certain lessors.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

### Amendments to IFRSs that are mandatorily effective for the current year (Continued)

#### 2.2 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures (“IFRS 7”).

As at 1 January 2021, the Group has several financial assets, financial liabilities and derivatives, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

|   | HKD<br>Hong Kong<br>Interbank<br>Offered Rate<br>(“HIBOR”)<br>RMB’000 | USD<br>London<br>Interbank<br>Offered Rate<br>(“LIBOR”)<br>RMB’000 |
|---|---|--|
| <b>Financial assets</b>                               |   |  |
| Financial assets at fair value through profit or loss | –   | 317,144  |
| <b>Financial liabilities</b>                          |   |  |
| Borrowings  | (168,402)   | (261,116)  |
| Bond payables   | –   | (1,964,550)  |
| <b>Derivatives</b>                                    |   |  |
| Total return swaps                                    | –   | 430,658  |
| Interest rate swaps                                   | –   | 1,957,470  |

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings and bond payables measured at amortised cost. Additional disclosures as required by IFRS 7 are set out in Note 64.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective.

|   |  |
|---|--|
| IFRS 17   | Insurance Contracts and the related Amendments <sup>2</sup>  |
| Amendments to IFRS 3                              | Reference to the Conceptual Framework <sup>1</sup>   |
| Amendments to IFRS 10 and IAS 28                  | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| Amendments to IAS 1                               | Classification of Liabilities as Current or Non-current <sup>2</sup>                               |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>2</sup>   |
| Amendments to IAS 8                               | Definition of Accounting Estimates <sup>2</sup>  |
| Amendments to IAS 12                              | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>      |
| Amendments to IAS 16                              | Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>                           |
| Amendments to IAS 37                              | Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>                                     |
| Amendments to IFRS Standards                      | Annual Improvements to IFRS Standards 2018-2020 <sup>1</sup>                                       |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 date. 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 accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Basis of preparation of consolidated financial statements** *(Continued)*

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.

### **Significant accounting policies**

The principal accounting policies are set out below.

#### ***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 when 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### ***Basis of consolidation*** *(Continued)*

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.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### ***Basis of consolidation*** *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 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, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### ***Basis of consolidation*** *(Continued)*

##### *Changes in the Group's ownership interests in existing subsidiaries* *(Continued)*

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 (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the 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.

#### ***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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Business combinations (Continued)*

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;
- 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; and
- 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Business combinations** *(Continued)*

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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss 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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### ***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 these 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, an investment in an associate is 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. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 recognising 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.

The Group assesses whether there is an objective evidence that the interest in an associate 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Investments in associates** *(Continued)*

When the Group ceases to have significant influence over an associate, 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 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 and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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/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, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **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.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **The Group as a lessee** *(Continued)*

##### *Right-of-use assets*

The cost of right-of-use assets 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”.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *The Group as a lessee (Continued)*

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Significant accounting policies *(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. 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 Revenue from Contracts with Customers ("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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes (other than construction in progress as described below). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

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.

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:

| <b>Classes</b>                         | <b>Estimated residual value rates</b> | <b>Useful lives</b>   |
|--|---------------------------------------|---|
| 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   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### ***Leasehold land and building***

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is 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” 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.

#### ***Investment properties***

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets 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. A leased property which is recognised as a right-of-use asset 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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 reliably the expenditure attributable to the intangible asset during its development.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Intangible assets** *(Continued)*

##### *Internally-generated intangible assets – research and development expenditure (Continued)*

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.

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.

#### **Impairment on property and equipment, right-of-use assets, investment properties 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, investment properties and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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, investment properties 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### ***Impairment on property and equipment, right-of-use assets, investment properties and intangible assets other than goodwill*** *(Continued)*

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### ***Impairment on property and equipment, right-of-use assets, investment properties and intangible assets other than goodwill*** *(Continued)*

Where 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.

#### ***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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Foreign currencies** *(Continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income 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. Such grants are presented under “other income, gains and losses”.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Significant accounting policies (Continued)*

#### *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.

#### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

#### *Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of short-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Taxation (Continued)*

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.

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.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

##### *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.

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 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*.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Financial instruments** *(Continued)*

##### **Financial assets** *(Continued)*

##### Classification and subsequent measurement of financial assets *(Continued)*

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 is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(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. For financial instruments other than purchased or originated credit-impaired financial assets, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Classification and subsequent measurement of financial assets *(Continued)*

(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 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 at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets which are subject to impairment assessment under IFRS 9, including advances to customers, debt instruments 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, contract assets 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 recognises lifetime ECL for account receivables and contract assets. To measure the ECL, account receivables and contract assets 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, in which case 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(Continued)*

##### (i) Significant increase in credit risk *(Continued)*

Despite the foregoing, 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(Continued)*

#### (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.

#### (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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(Continued)*

(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 and 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.

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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Significant accounting policies *(Continued)*

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(Continued)*

##### (v) Measurement and recognition of ECL *(Continued)*

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 investment revaluation reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the 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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

##### *Financial liabilities and equity*

##### *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.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

##### *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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Significant accounting policies *(Continued)*

##### *Financial instruments (Continued)*

##### *Financial liabilities and equity (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, placements from financial institutions, account payable to brokerage clients, other liabilities, bond payables and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity** *(Continued)*

#### **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.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, 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 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.

#### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

#### *Financial liabilities and equity (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.

#### Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 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 at FVTOCI, equity instruments at FVTOCI, or debt instruments measured at amortised 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity** *(Continued)*

#### **Securities lending**

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in “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 or equity instruments at FVTOCI. The corresponding fee income was recorded in commission and fee income.

#### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Significant accounting policies (Continued)*

#### *Revenue from contracts with customers (Continued)*

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Revenue from contracts with customers** *(Continued)*

*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.

#### Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Revenue from contracts with customers** *(Continued)*

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Significant accounting policies** *(Continued)*

#### **Revenue from contracts with customers** *(Continued)*

##### *Principal versus agent* *(Continued)*

##### 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.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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.

### 4.1 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, funds and limited partnerships where the Group involves as manager, the Group considers whether it has the power over the structured entities 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, funds and limited partnerships that is of such significance that it indicates the Group controlled the structured entities. The collective asset management schemes, funds and limited partnerships are consolidated if the Group acts in the role of principal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.1 Critical judgement in applying accounting policies *(Continued)*

#### *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 amortised 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.

### 4.2 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 64.

##### *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 64.

##### *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 64.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 64.

##### *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 64.

##### *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 31.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 organisation, whereby the businesses are organised 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, alternative investments and other financial products and fees earned from providing related investment research activities;
- (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 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 2021 and 2020.

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. Inter-segment balances eliminations mainly include amount due from/to another segment arising from activities’ carried out by a segment for another segment.



# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 5. SEGMENT REPORTING (Continued)

The segment information provided to the CODM for the operating segments for the years ended 31 December 2021 and 2020 are as follows:

#### Operating segment

For the year ended 31 December 2021

|  | Securities<br>sales and<br>trading<br>RMB'000 | Investment<br>management<br>RMB'000 | Brokerage<br>and<br>securities<br>financing<br>RMB'000 | Investment<br>banking<br>RMB'000 | Headquarters<br>and others<br>RMB'000 | Segment<br>total<br>RMB'000 | Eliminations<br>RMB'000 | Consolidated<br>total<br>RMB'000 |
|--|---|-------------------------------------|--|----------------------------------|---------------------------------------|-----------------------------|-------------------------|----------------------------------|
| <b>Segment revenue and results</b>   |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Segment revenue and net investment gains                                     | 5,553,086                                     | 4,109,606                           | 6,891,707  | 1,803,587                        | 2,147,650                             | 20,505,636                  | (824,182)               | 19,681,454                       |
| Segment other income, gains and losses                                       | 63,325  | 55,149                              | 8,529,065  | 2,338                            | 281,218                               | 8,931,095                   | (49,747)                | 8,881,348                        |
| Segment revenue, gains/(losses) and other income                             | 5,616,411                                     | 4,164,755                           | 15,420,772   | 1,805,925                        | 2,428,868                             | 29,436,731                  | (873,929)               | 28,562,802                       |
| Segment expenses   | (2,022,592)                                   | (2,074,607)                         | (13,650,959)   | (1,034,510)                      | (5,045,883)                           | (23,828,551)                | 128,600                 | (23,699,951)                     |
| Segment result   | 3,593,819                                     | 2,090,148                           | 1,769,813  | 771,415                          | (2,617,015)                           | 5,608,180                   | (745,329)               | 4,862,851                        |
| Share of results of associates   | 18,147  | 1,433,439                           | 308  | -                                | 66,213                                | 1,518,107                   | (74,124)                | 1,443,983                        |
| Profit/(loss) before income tax  | 3,611,966                                     | 3,523,587                           | 1,770,121  | 771,415                          | (2,550,802)                           | 7,126,287                   | (819,453)               | 6,306,834                        |
| <b>Segment assets and liabilities</b>  |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Segment assets   | 130,809,105                                   | 13,667,977                          | 142,205,303  | 2,319,293                        | 59,681,191                            | 348,682,869                 | (22,083,247)            | 326,599,622                      |
| Segment liabilities  | 72,499,513                                    | 2,330,010                           | 101,131,089  | 703,443                          | 91,142,855                            | 267,806,910                 | (5,350,394)             | 262,456,516                      |
| <b>Other segment information</b>   |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Amounts included in the measure of segment profit or loss or segment assets: |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Depreciation and amortisation  | 34,791  | 70,682                              | 279,740  | 45,016                           | 290,094                               | 720,323                     | (334)                   | 719,989                          |
| (Reversal of)/Provision for impairment losses                                | (23,894)                                      | 3,975                               | 1,335,164  | (2,992)                          | 1,380                                 | 1,313,633                   | -                       | 1,313,633                        |
| Capital expenditure  | 14,834  | 87,948                              | 253,554  | 54,026                           | 320,793                               | 731,155                     | -                       | 731,155                          |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 5. SEGMENT REPORTING (Continued)

#### Operating segment (Continued)

For the year ended 31 December 2020

|  | Securities<br>sales and<br>trading<br>RMB'000 | Investment<br>management<br>RMB'000 | Brokerage<br>and<br>securities<br>financing<br>RMB'000 | Investment<br>banking<br>RMB'000 | Headquarters<br>and others<br>RMB'000 | Segment<br>total<br>RMB'000 | Eliminations<br>RMB'000 | Consolidated<br>total<br>RMB'000 |
|--|---|-------------------------------------|--|----------------------------------|---------------------------------------|-----------------------------|-------------------------|----------------------------------|
| <b>Segment revenue and results</b>   |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Segment revenue and net investment gains                                     | 5,984,600                                     | 3,301,493                           | 5,858,985  | 1,684,634                        | 2,633,623                             | 19,463,335                  | (796,229)               | 18,667,106                       |
| Segment other income, gains and losses                                       | 580   | 73,639                              | 8,628,894  | 10,722                           | 266,419                               | 8,980,254                   | (374)                   | 8,979,880                        |
| Segment revenue, gains/(losses) and other income                             | 5,985,180                                     | 3,375,132                           | 14,487,879   | 1,695,356                        | 2,900,042                             | 28,443,589                  | (796,603)               | 27,646,986                       |
| Segment expenses   | (1,992,327)                                   | (2,059,813)                         | (15,531,941)   | (998,340)                        | (5,600,958)                           | (26,183,379)                | 110,299                 | (26,073,080)                     |
| Segment result   | 3,992,853                                     | 1,315,319                           | (1,044,062)  | 697,016                          | (2,700,916)                           | 2,260,210                   | (686,304)               | 1,573,906                        |
| Share of results of associates   | 173   | 1,106,346                           | 52   | –                                | (1,392)                               | 1,105,179                   | 107,279                 | 1,212,458                        |
| Profit/(loss) before income tax  | 3,993,026                                     | 2,421,665                           | (1,044,010)  | 697,016                          | (2,702,308)                           | 3,365,389                   | (579,025)               | 2,786,364                        |
| <b>Segment assets and liabilities</b>  |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Segment assets   | 108,038,850                                   | 12,257,302                          | 114,848,731  | 2,599,191                        | 70,597,344                            | 308,341,418                 | (17,223,976)            | 291,117,442                      |
| Segment liabilities  | 57,293,144                                    | 2,411,486                           | 75,823,776   | 1,048,108                        | 95,826,185                            | 232,402,699                 | (1,516,401)             | 230,886,298                      |
| <b>Other segment information</b>   |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Amounts included in the measure of segment profit or loss or segment assets: |   |                                     |  |                                  |                                       |                             |                         |                                  |
| Depreciation and amortisation  | 21,988  | 73,335                              | 258,134  | 40,463                           | 269,077                               | 662,997                     | (808)                   | 662,189                          |
| Provision for impairment losses  | 151,867                                       | 326                                 | 3,727,585  | 13                               | 5,341                                 | 3,885,132                   | –                       | 3,885,132                        |
| Capital expenditure  | 2,368   | 49,925                              | 216,245  | 49,883                           | 343,585                               | 662,006                     | –                       | 662,006                          |

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 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. COMMISSION AND FEE INCOME

|   | Year ended 31 December |           |
|---|------------------------|-----------|
|   | 2021                   | 2020      |
|   | RMB'000                | RMB'000   |
| Commission on securities dealing, broking and handling fee income                       | <b>3,362,383</b>       | 2,704,131 |
| Underwriting, sponsors and financial advisory fee income                                | <b>1,781,302</b>       | 1,638,704 |
| Commission on futures and options contracts dealing,<br>broking and handling fee income | <b>938,431</b>         | 492,707   |
| Asset and fund management fee income  | <b>3,834,990</b>       | 2,792,442 |
| Consultancy fee income  | <b>122,112</b>         | 173,358   |
| Others  | <b>359,849</b>         | 152,516   |
|   | <b>10,399,067</b>      | 7,953,858 |

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 recognised 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 recognised 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 recognised 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 recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised 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 |                  |
|---|------------------------|------------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000  |
| Advances to customers   | 1,436,646              | 1,099,363        |
| Financial assets held under resale agreements                           | 205,500                | 660,906          |
| Deposits with exchanges and<br>financial institutions and bank balances | 1,518,677              | 984,975          |
| Interest income from debt instrument measured at amortised cost         | 161,115                | 247,486          |
| Interest income from debt instruments at FVTOCI                         | 2,656,623              | 2,535,829        |
| Others  | 2,825                  | 9,624            |
|   | <b>5,981,386</b>       | <b>5,538,183</b> |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 8. NET INVESTMENT GAINS

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000  |
| Net realised (losses)/gains from disposal of associates                              | (2,286)                | 2,938            |
| Net realised gains from disposal of debt instruments at FVTOCI                       | 216,608                | 363,354          |
| Dividend income from equity instruments at FVTOCI                                    |                        |                  |
| – relating to investments derecognised during the year                               | 424,618                | 13,640           |
| – relating to investments held at the end of the reporting period                    | 223,187                | 270,975          |
| Net realised gains from disposal of financial assets at FVTPL                        | 928,088                | 2,209,195        |
| Dividend income and interest income from financial assets at FVTPL                   | 2,006,988              | 1,853,322        |
| Net realised gains from derecognition of debt instruments measured at amortised cost | –                      | 859              |
| Net realised gains/(losses) arising from financial liabilities at FVTPL              | 202,778                | (101,495)        |
| Net realised losses arising from derivative financial instruments                    | (686,923)              | (813,616)        |
| Unrealised fair value change of financial assets at FVTPL                            | 46,028                 | 1,363,920        |
| Unrealised fair value change of financial liabilities at FVTPL                       | 211,854                | 327,009          |
| Unrealised fair value change of derivative financial instruments                     | (269,939)              | (315,036)        |
|  | <b>3,301,001</b>       | <b>5,175,065</b> |

### 9. OTHER INCOME, GAINS AND LOSSES

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000  |
| Foreign exchange gains, net              | 217,107                | 208,303          |
| Rental income                            | 4,575                  | 5,853            |
| Government grants ( <i>Note</i> )        | 126,728                | 134,641          |
| Bulk commodity trading income and others | 8,532,938              | 8,631,083        |
|  | <b>8,881,348</b>       | <b>8,979,880</b> |

*Note:* The government grants were received unconditionally from the local governments to support operations on certain purposes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. DEPRECIATION AND AMORTISATION

|   | Year ended 31 December |                 |
|---|------------------------|-----------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Depreciation of property and equipment  | 268,333                | 240,096         |
| Depreciation of right-of-use assets     | 332,645                | 322,093         |
| Depreciation of investment properties   | 1,829                  | 2,664           |
| Amortisation of other intangible assets | 117,182                | 97,336          |
|   | <b>719,989</b>         | 662,189         |

## 11. STAFF COSTS

|                                  | Year ended 31 December |                 |
|----------------------------------|------------------------|-----------------|
|                                  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Salaries, bonus and allowances   | 4,178,003              | 4,437,618       |
| Social welfare                   | 576,598                | 414,814         |
| Contributions to annuity schemes | 239,429                | 210,512         |
|                                  | <b>4,994,030</b>       | 5,062,944       |

*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's contributions to these pension plans are charged to profit or loss in the period to which they relate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. COMMISSION AND FEE EXPENSES

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Securities and futures dealing and broking expenses        | 683,781                | 576,236         |
| Underwriting, sponsors and financial advisory fee expenses | 76,526                 | 56,908          |
| Other service expenses                                     | 238,564                | 199,183         |
|  | 998,871                | 832,327         |

## 13. INTEREST EXPENSES

|   | Year ended 31 December |                 |
|---|------------------------|-----------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Account payables to brokerage clients             | 113,090                | 93,802          |
| Financial assets sold under repurchase agreements | 1,473,946              | 1,295,452       |
| Borrowings  | 30,086                 | 42,176          |
| Placements from financial institutions            | 93,598                 | 117,244         |
| Short-term financing bill payables                | 224,243                | 507,052         |
| Bond payables                                     | 2,552,458              | 2,668,709       |
| Lease liabilities                                 | 30,215                 | 34,976          |
|   | 4,517,636              | 4,759,411       |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. OTHER OPERATING EXPENSES

|  | Year ended 31 December |                   |
|--|------------------------|-------------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000   |
| Advisory expenses  | 131,702                | 107,621           |
| Auditor's remuneration   | 8,226                  | 8,121             |
| Business travel expenses   | 102,664                | 79,276            |
| Communication expenses   | 219,775                | 190,649           |
| Electronic equipment operating expenses                                  | 345,778                | 308,506           |
| Entertainment expenses   | 139,263                | 102,882           |
| Administrative expenses  | 434,838                | 346,203           |
| Operating lease rentals in respect of short-term leases/low value assets | 33,722                 | 39,621            |
| Products distribution expenses   | 1,033,303              | 660,121           |
| Securities and futures investor protection funds                         | 72,493                 | 65,061            |
| Stock exchange management fees   | 91,313                 | 76,492            |
| Sundry expenses  | 75,364                 | 98,260            |
| Tax and surcharges   | 100,876                | 96,943            |
| Donation   | 39,594                 | 35,117            |
| Bulk commodity trading and others  | 8,326,881              | 8,656,204         |
|  | <b>11,155,792</b>      | <b>10,871,077</b> |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000  |
| Expected credit losses in respect of account receivables,<br>other loans and receivables | 17,773                 | 35,358           |
| Expected credit losses in respect of debt instruments at FVTOCI                          | (24,894)               | 147,842          |
| Expected credit losses in respect of debt instruments measured<br>at amortised cost      | (436)                  | (788)            |
| Expected credit losses in respect of advances to customers                               | 2,923                  | 6,446            |
| Expected credit losses in respect of financial assets held under<br>resale agreements    | 1,318,267              | 3,696,274        |
|  | <b>1,313,633</b>       | <b>3,885,132</b> |

## 16. INCOME TAX EXPENSE

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Current tax:   |                        |                 |
| PRC Enterprise Income Tax  | 1,114,978              | 634,104         |
| Hong Kong Profits Tax  | 8,552                  | 18,357          |
|  | <b>1,123,530</b>       | <b>652,461</b>  |
| Adjustments in respect of current income tax in relation to prior years: |                        |                 |
| PRC Enterprise Income Tax  | 2,962                  | (8,729)         |
| Deferred tax   | (192,797)              | (579,132)       |
|  | <b>933,695</b>         | <b>64,600</b>   |

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%.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 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 |                 |
|---|------------------------|-----------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Profit before income tax  | 6,306,834              | 2,786,364       |
| Tax at the statutory tax rate of 25%  | 1,576,708              | 696,591         |
| Effect of share of results of associates  | (286,580)              | (232,178)       |
| Adjustments for prior years   | 2,962                  | (8,729)         |
| Tax effect of expenses not deductible for tax purpose                             | 121,170                | 74,824          |
| Tax effect of income not taxable for tax purpose                                  | (478,541)              | (513,627)       |
| Tax effect of tax losses not recognised   | 42,381                 | 74,334          |
| Utilisation of tax losses previously not recognised                               | (131)                  | (984)           |
| Income tax at concessionary rate  | (197)                  | 105             |
| Effect of different tax rates of subsidiaries operating<br>in other jurisdictions | (5,524)                | (4,914)         |
| Others  | (38,553)               | (20,822)        |
| Income tax expense for the year   | 933,695                | 64,600          |

*Note:* Income not taxable for tax purpose mainly includes interest income from government bonds.

The Group has estimated unutilised tax losses of approximately RMB807 million as at 31 December 2021 (31 December 2020: RMB765 million), 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 |                 |
|---|------------------------|-----------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Earnings for the purpose of basic/diluted earnings per share:       |                        |                 |
| Profit for the year attributable to equity holders of the Company   | 5,371,496              | 2,722,989       |
| Less: profit attributable to holders of perpetual subordinated bond | (237,500)              | (83,288)        |
| Subtotal:   | 5,133,996              | 2,639,701       |
| 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)                                 | 0.73                   | 0.38            |

There were no potential dilutive ordinary shares in issue during the year ended 31 December 2021 and 2020, thus no diluted earnings per share is presented.

## 18. CASH AND BANK BALANCES

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| House accounts                                   | 22,624,963        | 17,123,229      |
| Restricted bank deposits ( <i>Note b</i> )       | 177,611           | 132,708         |
|  | 22,802,574        | 17,255,937      |
| Cash held on behalf of clients ( <i>Note a</i> ) | 67,753,242        | 48,384,423      |
|  | 90,555,816        | 65,640,360      |

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 43*).

*Note b:* The restricted bank deposits as of 31 December 2021 include pledged bank deposits due within one year and litigation frozen fund.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Cash and bank balances   | 22,760,847        | 17,250,262      |
| Clearing settlement funds                                      | 3,279,387         | 2,924,962       |
| Less: clearing settlement funds of                             |                   |                 |
| Shanghai Orient Securities Futures Co., Ltd.                   | (8,000)           | (8,000)         |
| bank deposits with original maturity of more than three months | (3,916,910)       | (50,000)        |
| restricted bank deposits ( <i>Note 18</i> )                    | (177,611)         | (132,708)       |
|  | 21,937,713        | 19,984,516      |

## 20. CLEARING SETTLEMENT FUNDS

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Clearing settlement funds held with clearing houses for: |                   |                 |
| House accounts   | 3,279,387         | 2,924,962       |
| Clients  | 22,193,485        | 18,591,395      |
|  | 25,472,872        | 21,516,357      |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

|  | As at 31 December |                  |
|--|-------------------|------------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000  |
| Deposits with stock exchanges:                             |                   |                  |
| – Shanghai Stock Exchange                                  | 117,930           | 102,299          |
| – Shenzhen Stock Exchange                                  | 66,874            | 60,062           |
| – Hong Kong Stock Exchange                                 | 11,151            | 17,918           |
| – Others   | 2,400             | 1,699            |
| Deposits with futures and commodity exchanges:             |                   |                  |
| – Shanghai Futures Exchange                                | 95,734            | 174,612          |
| – Dalian Commodity Exchange                                | 281,893           | 161,993          |
| – Zhengzhou Commodity Exchange                             | 319,075           | 30,243           |
| – China Financial Futures Exchange                         | 426,596           | 357,258          |
| – Shanghai Gold Exchange                                   | 3,131             | 267              |
| Guarantee fund paid to Shanghai Stock Exchange             | 27,894            | 23,476           |
| Guarantee fund paid to Shenzhen Stock Exchange             | 26,189            | 25,017           |
| Deposits with China Securities Finance Corporation Limited | 587,558           | 512,242          |
| Deposits with Shanghai Clearing House                      | 310,095           | 297,844          |
| Deposits with other financial institutions                 | 378,849           | 418,160          |
|  | <b>2,655,369</b>  | <b>2,183,090</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

|   | As at 31 December |                        |                   |                        |
|---|-------------------|------------------------|-------------------|------------------------|
|   | 2021              |                        | 2020              |                        |
|   | Assets<br>RMB'000 | Liabilities<br>RMB'000 | Assets<br>RMB'000 | Liabilities<br>RMB'000 |
| Stock index futures <sup>(i)</sup>                          | -                 | -                      | 332               | 302                    |
| Treasury bond futures <sup>(ii)</sup>                       | -                 | -                      | -                 | -                      |
| Commodity futures <sup>(ii)</sup>                           | -                 | -                      | -                 | -                      |
| Gold deferred contracts <sup>(ii)</sup>                     | -                 | -                      | -                 | -                      |
| Standard bond forward <sup>(ii)</sup>                       | -                 | -                      | -                 | -                      |
| Interest rate swaps <sup>(iii)</sup>                        | 19,751            | 15,178                 | 1,728             | 11,355                 |
| Derivatives embedded in income certificates <sup>(iv)</sup> | -                 | -                      | -                 | 35                     |
| Total return swaps <sup>(v)</sup>                           | 99,098            | 74,899                 | 6,901             | 3,098                  |
| Stock options <sup>(vi)</sup>                               | 51,356            | 91,203                 | 70,875            | 58,197                 |
| Commodity swaps <sup>(vii)</sup>                            | -                 | 188,785                | -                 | 49,029                 |
| Gold forwards <sup>(viii)</sup>                             | -                 | 10,839                 | -                 | 36,224                 |
| Credit default swap <sup>(ix)</sup>                         | 28,625            | 374                    | 651               | 3,151                  |
| Equity linked derivatives <sup>(x)</sup>                    | 5,280             | 138,915                | 250               | 17,120                 |
| Commodity options <sup>(xi)</sup>                           | -                 | -                      | 12,473            | 1,372                  |
| Currency swaps <sup>(xii)</sup>                             | -                 | -                      | -                 | 15,002                 |
| Gold option arrangements <sup>(xiii)</sup>                  | -                 | -                      | 12,853            | 268,564                |
| Foreign exchange futures                                    | -                 | -                      | 47                | -                      |
| Foreign exchange swap <sup>(xiv)</sup>                      | 1,826             | 9,663                  | -                 | -                      |
| Foreign exchange risk forward <sup>(xv)</sup>               | 73,960            | 200,833                | 49,739            | 41,466                 |
| Interest rate swap options <sup>(xvi)</sup>                 | -                 | -                      | 27                | 42                     |
| Foreign exchange option <sup>(xvii)</sup>                   | -                 | 3,091                  | -                 | -                      |
| Collar options  | 6                 | 49                     | -                 | -                      |
| <b>Total</b>  | <b>279,902</b>    | <b>733,829</b>         | <b>155,876</b>    | <b>504,957</b>         |

- (i) Stock index futures: Under the daily mark-to-market and settlement arrangement, any gains or 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 2020.

The contract value of the Group's SIF contracts as at 31 December 2021 was approximately RMB5,979 million (31 December 2020: RMB3,193 million).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

- (ii) Treasury bond futures, commodity futures, gold deferred contracts and standard bond forward: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury bond futures, commodity futures, gold deferred contracts and standard bond forward were settled daily and the corresponding receipts and payments were included in "clearing settlement funds".

Commodity futures: The notional principal amount of the Group's commodity futures as at 31 December 2021 was approximately RMB23,268 million (31 December 2020: RMB10,588 million).

Treasury bond futures: The notional principal amount of the Group's treasury bond futures as at 31 December 2021 was approximately RMB11,739 million (31 December 2020: RMB8,405 million).

- (iii) Interest rate swaps: The notional principal amount of the Group's interest rate swaps contracts as at 31 December 2021 was RMB441,026 million (31 December 2020: RMB485,237 million). The contract period usually lasts for one to five years. As at 31 December 2021, fixed rate paid ranged from 0.29% to 4.57%, and floating reference rates received were SHIBOR\_3M, FixingRepoRate007 and 6-month USD LIBOR. While fixed rate received ranged from 0.36% to 4.61%, and floating reference rates paid were SHIBOR\_3M and FixingRepoRate007. As at 31 December 2020, fixed rate paid ranged from 0.5% to 4.63%, and floating reference rates received were SHIBOR\_3M, FixingRepoRate007 and 6-month USD LIBOR. While fixed rate received ranged from 1.39% to 4.63%, and floating reference rates paid were SHIBOR\_3M and FixingRepoRate007.
- (iv) Derivatives embedded in income certificates: The call/put options were embedded in the non-derivative host contract and were mainly linked with stock index. The notional principal amount of the Group's embedded option instruments contracts as at 31 December 2021 was nil (31 December 2020: RMB18 million).
- (v) Total return swaps: Derivative transactions, through which the Group and a qualified client agree to conduct a 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 mainly linked with the performance of the underlying CSI 500. The notional principal amount of the Group's total return swaps as at 31 December 2021 was RMB2,583 million (31 December 2020: RMB486 million).
- (vi) Stock options: The stock option purchased was recorded as asset and the stock option sold was recorded as liability. The notional principal amount of the Group's option purchased as at 31 December 2021 was approximately RMB2,245 million (31 December 2020: RMB4,316 million). The notional principal amount of the Group's option sold as at 31 December 2021 was approximately RMB4,870 million (31 December 2020: RMB1,722 million).
- (vii) Commodity swaps: The notional principal amount of the Group's commodity swaps as at 31 December 2021 was approximately RMB9,139 million (31 December 2020: RMB9,803 million).

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

- (viii) Gold forwards: The notional principal amount of the Group's gold forwards as at 31 December 2021 was approximately RMB1,135 million (31 December 2020: RMB516 million).
- (ix) Credit default swap: The notional principal amount of the Group's credit default swap as at 31 December 2021 was approximately RMB310 million (31 December 2020: RMB376 million).
- (x) Equity linked derivatives: The return of these derivatives are linked with the performance of the underlying equity securities. The notional principal amount of the Group's equity linked derivatives as at 31 December 2021 was approximately RMB35,739 million (31 December 2020: RMB1,231 million).
- (xi) Commodity options: The notional principal amount of the Group's commodity options as at 31 December 2021 was nil (31 December 2020: RMB1,281 million).
- (xii) Currency swaps: As at 31 December 2021, the notional amount of the Group's currency swaps contracts with exchange of RMB to HKD or USD was nil (31 December 2020: RMB399 million).
- (xiii) 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.
- (xiv) Foreign exchange swap: Daily mark-to-market and settlement arrangement was implemented. Any gains or losses of the Group's position in foreign exchange swap were settled daily. As at 31 December 2021, the notional amount of the Group's foreign exchange swap contracts with exchange of RMB to USD was approximately RMB39,542 million (31 December 2020: RMB6,306 million).
- (xv) Foreign exchange risk forward: As at 31 December 2021, the notional amount of the Group's foreign exchange risk forward contracts was approximately RMB8,196 million (31 December 2020: RMB3,840 million).
- (xvi) Interest rate swap options: As at 31 December 2021, the notional amount of the Group's interest rate swaps options was nil (31 December 2020: RMB20 million).
- (xvii) Foreign exchange options: As at 31 December 2021, the notional amount of the Group's foreign exchange options was approximately RMB4,477 million (31 December 2020: nil).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's SIF are set out below:

|                     | As at 31 December         |                       |                           |                       |
|---------------------|---------------------------|-----------------------|---------------------------|-----------------------|
|                     | 2021                      |                       | 2020                      |                       |
|                     | Contract value<br>RMB'000 | Fair value<br>RMB'000 | Contract value<br>RMB'000 | Fair value<br>RMB'000 |
| SIF                 | 5,979,337                 | 96,456                | 3,192,945                 | (78,287)              |
| Less: settlement    |                           | 96,456                |                           | (78,317)              |
| Net position of SIF |                           | -                     |                           | 30                    |

Details of the Group's treasury bond futures, commodity futures and gold deferred contracts are set out below:

|   | As at 31 December         |                       |                           |                       |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
|   | 2021                      |                       | 2020                      |                       |
|   | Contract value<br>RMB'000 | Fair value<br>RMB'000 | Contract value<br>RMB'000 | Fair value<br>RMB'000 |
| Treasury bond futures                   | 11,738,716                | (26,708)              | 8,404,926                 | 6,617                 |
| Less: settlement                        |                           | (26,708)              |                           | 6,617                 |
| Net position of treasury bond futures   |                           | -                     |                           | -                     |
| Commodity futures                       | 23,268,343                | 10,947                | 10,588,143                | (20,855)              |
| Less: settlement                        |                           | 10,947                |                           | (20,855)              |
| Net position of commodity futures       |                           | -                     |                           | -                     |
| Gold deferred contracts                 | 392                       | 19                    | 403                       | 11                    |
| Less: settlement                        |                           | 19                    |                           | 11                    |
| Net position of gold deferred contracts |                           | -                     |                           | -                     |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's interest rate swaps are set out below:

|                                     | As at 31 December         |                       |                           |                       |
|-------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
|                                     | 2021                      |                       | 2020                      |                       |
|                                     | Contract value<br>RMB'000 | Fair value<br>RMB'000 | Contract value<br>RMB'000 | Fair value<br>RMB'000 |
| Interest rate swaps                 | 441,025,710               | (6,266)               | 485,237,470               | 122,422               |
| Less: settlement                    |                           | (10,839)              |                           | 132,049               |
| Net position of interest rate swaps |                           | 4,573                 |                           | (9,627)               |

Details of the Group's foreign exchange swap and foreign exchange risk forward are set out below:

|                                       | As at 31 December         |                       |                           |                       |
|---------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
|                                       | 2021                      |                       | 2020                      |                       |
|                                       | Contract value<br>RMB'000 | Fair value<br>RMB'000 | Contract value<br>RMB'000 | Fair value<br>RMB'000 |
| Foreign exchange swap                 | 39,541,654                | 46,794                | 6,305,547                 | 85,350                |
| Less: settlement                      |                           | 54,631                |                           | 85,350                |
| Net position of foreign exchange swap |                           | (7,837)               |                           | –                     |

|   | As at 31 December         |                       |                           |                       |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
|   | 2021                      |                       | 2020                      |                       |
|   | Contract value<br>RMB'000 | Fair value<br>RMB'000 | Contract value<br>RMB'000 | Fair value<br>RMB'000 |
| Foreign exchange risk forward                 | 8,196,101                 | (126,873)             | 3,840,334                 | 19,886                |
| Less: settlement                              |                           | –                     |                           | 11,613                |
| Net position of foreign exchange risk forward |                           | (126,873)             |                           | 8,273                 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's Foreign exchange options and Standard bond forward are set out below:

|  | As at 31 December         |                       |                           |                       |
|--|---------------------------|-----------------------|---------------------------|-----------------------|
|  | 2021                      |                       | 2020                      |                       |
|  | Contract value<br>RMB'000 | Fair value<br>RMB'000 | Contract value<br>RMB'000 | Fair value<br>RMB'000 |
| Foreign exchange options                 | 4,477,250                 | (3,834)               | –                         | –                     |
| Less: settlement                         |                           | (743)                 |                           | –                     |
| Net position of Foreign exchange options |                           | (3,091)               |                           | –                     |

|                                       | As at 31 December         |                       |                           |                       |
|---------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
|                                       | 2021                      |                       | 2020                      |                       |
|                                       | Contract value<br>RMB'000 | Fair value<br>RMB'000 | Contract value<br>RMB'000 | Fair value<br>RMB'000 |
| Standard bond forward                 | 150,000                   | 57                    | –                         | –                     |
| Less: settlement                      |                           | 57                    |                           | –                     |
| Net position of Standard bond forward |                           | –                     |                           | –                     |

## 23. PLACEMENTS TO FINANCIAL INSTITUTIONS

|                                       | As at 31 December |                 |
|---------------------------------------|-------------------|-----------------|
|                                       | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Placements to banks <sup>(Note)</sup> | 382,833           | –               |
|                                       | 382,833           | –               |

*Note:* As at 31 December 2021, the effective interest rates bearing on the outstanding amount of placements to banks vary from 0.30% to 0.45% per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. ADVANCES TO CUSTOMERS

|                             | As at 31 December |                 |
|-----------------------------|-------------------|-----------------|
|                             | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Loans to margin clients     | 24,017,702        | 20,951,466      |
| Other advances to customers | 375,382           | 267,054         |
| Subtotal                    | 24,393,084        | 21,218,520      |
| Less: impairment allowance  | (48,162)          | (46,601)        |
|                             | 24,344,922        | 21,171,919      |

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 43 are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call when the customers have to make up the difference.

Advances to customers were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of all the collaterals held in all clients' margin accounts in respect of margin financing business amounted to approximately RMB82,142 million as at 31 December 2021 (31 December 2020: RMB80,383 million).

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. ADVANCES TO CUSTOMERS (Continued)

The following table shows reconciliation of loss allowances that has been recognised for advances to customers.

|  | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------|---|---|------------------|
| As at 1 January 2021                       | 1,055              | 310   | 45,236  | 46,601           |
| – Transfer to lifetime-not-credit-impaired | (29)               | 33  | (4)   | –                |
| – Transfer to 12m ECL                      | 456                | (456)   | –   | –                |
| – Impairment losses (reversed)/recognised  | (183)              | 328   | 2,778   | 2,923            |
| – Write off                                | –                  | –   | (171)   | (171)            |
| – Foreign exchange differences             | –                  | –   | (1,191)   | (1,191)          |
| As at 31 December 2021                     | 1,299              | 215   | 46,648  | 48,162           |

|  | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------|---|---|------------------|
| As at 1 January 2020                       | 1,173              | 131   | 213,292   | 214,596          |
| – Transfer to lifetime-not-credit-impaired | (92)               | 151   | (59)  | –                |
| – Transfer to 12m ECL                      | 334                | (334)   | –   | –                |
| – Impairment losses (reversed)/recognised  | (359)              | 362   | 6,443   | 6,446            |
| – Write off                                | –                  | –   | (171,874)   | (171,874)        |
| – Foreign exchange differences             | (1)                | –   | (2,566)   | (2,567)          |
| As at 31 December 2020                     | 1,055              | 310   | 45,236  | 46,601           |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. 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 2021

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 24,056,719         | 289,717   | 46,648  | 24,393,084       |

### As at 31 December 2020

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 20,750,014         | 423,270   | 45,236  | 21,218,520       |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. ACCOUNT RECEIVABLES

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Account receivables from/related to:                |                   |                 |
| – Clearing house                                    | 79,372            | 145,637         |
| – Brokers   | 292,798           | 289,909         |
| – Asset management fee and trading seats commission | 638,573           | 430,652         |
| – Advisory and investment banking commission        | 12,052            | 20,409          |
| Less: impairment allowance                          | (11,258)          | (12,201)        |
|   | <b>1,011,537</b>  | <b>874,406</b>  |

Aging analysis of account receivables from the revenue recognition dates is as follows:

|                         | As at 31 December |                 |
|-------------------------|-------------------|-----------------|
|                         | 2021<br>RMB'000   | 2020<br>RMB'000 |
| – Within 1 year         | 974,205           | 867,301         |
| – Between 1 and 2 years | 32,927            | 436             |
| – Between 2 and 3 years | –                 | 4,440           |
| – Over 3 years          | 4,405             | 2,229           |
|                         | <b>1,011,537</b>  | <b>874,406</b>  |

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. ACCOUNT RECEIVABLES *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for account receivables.

|   | Lifetime ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|---|--|--|------------------|
| As at 1 January 2021                      | 3,818  | 8,383  | 12,201           |
| – Impairment losses recognised/(reversed) | 1,633  | (2,530)  | (897)            |
| – Foreign exchange differences            | (46)   | –  | (46)             |
| As at 31 December 2021                    | 5,405  | 5,853  | 11,258           |

|   | Lifetime ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|---|--|--|------------------|
| As at 1 January 2020                      | 4,609  | 3,434  | 8,043            |
| – Impairment losses recognised/(reversed) | (724)  | 4,949  | 4,225            |
| – Foreign exchange differences            | (67)   | –  | (67)             |
| As at 31 December 2020                    | 3,818  | 8,383  | 12,201           |

The table below details the credit risk exposures of the Group's account receivables, which are subject to ECL assessment.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. ACCOUNT RECEIVABLES *(Continued)*

As at 31 December 2021

|                       | Lifetime ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--|--|------------------|
| Gross carrying amount | 1,011,215  | 11,580   | 1,022,795        |

As at 31 December 2020

|                       | Lifetime ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--|--|------------------|
| Gross carrying amount | 873,816  | 12,791   | 886,607          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

|                                       | As at 31 December |                 |
|---------------------------------------|-------------------|-----------------|
|                                       | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Analysed by collateral type:          |                   |                 |
| – Stock                               | 12,651,238        | 16,338,943      |
| – Bonds                               | 4,234,523         | 3,155,428       |
| Subtotal                              | 16,885,761        | 19,494,371      |
| Less: impairment allowance            | (5,382,806)       | (5,033,946)     |
| – Stock-pledged repurchase agreements | (5,382,806)       | (5,033,946)     |
|                                       | 11,502,955        | 14,460,425      |
| Analysed by market:                   |                   |                 |
| – Stock exchange                      | 14,847,389        | 16,991,570      |
| – Inter-bank market                   | 2,038,372         | 2,502,801       |
| Less: impairment allowance            | (5,382,806)       | (5,033,946)     |
|                                       | 11,502,955        | 14,460,425      |

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. 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<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------|---|---|------------------|
| As at 1 January 2021                          | 273                | 26,276  | 5,007,397   | 5,033,946        |
| – Transfer to lifetime-credit-impaired        | –                  | (21,119)  | 21,119  | –                |
| – Impairment losses (reversed)/<br>recognised | (273)              | (5,157)   | 1,323,697   | 1,318,267        |
| – Transfer out                                | –                  | –   | (843,036)   | (843,036)        |
| – Write off                                   | –                  | –   | (126,371)   | (126,371)        |
| As at 31 December 2021                        | –                  | –   | 5,382,806   | 5,382,806        |

|  | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------|---|---|------------------|
| As at 1 January 2020                           | 4,902              | 137,022   | 1,665,174   | 1,807,098        |
| – Transfer to lifetime-credit-impaired         | (1,012)            | (105,294)   | 106,306   | –                |
| – Transfer to lifetime-not-<br>credit-impaired | (3,080)            | 3,080   | –   | –                |
| – Transfer to 12m ECL                          | 9,330              | (9,330)   | –   | –                |
| – Impairment losses (reversed)/<br>recognised  | (9,867)            | 798   | 3,705,343   | 3,696,274        |
| – Transfer out                                 | –                  | –   | (469,426)   | (469,426)        |
| As at 31 December 2020                         | 273                | 26,276  | 5,007,397   | 5,033,946        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

The table below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

### As at 31 December 2021

|                                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------|--------------------|---|---|------------------|
| Gross carrying amount                 | 4,234,523          | –   | 12,651,238  | 16,885,761       |
| – Stock-pledged repurchase agreements | –                  | –   | 12,651,238  | 12,651,238       |

### As at 31 December 2020

|                                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------|--------------------|---|---|------------------|
| Gross carrying amount                 | 3,839,920          | 2,936,499   | 12,717,952  | 19,494,371       |
| – Stock-pledged repurchase agreements | 684,492            | 2,936,499   | 12,717,952  | 16,338,943       |

In 2021, the gross carrying amount of the Group's financial assets held under resale agreements in stage 2 decreased, and the amount of ECL of these stages decreased as well. The decrease in expected future cash flow from realisation of collaterals in stage 3 led to the increase of ECL in this stage.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                       | As at 31 December |                 |
|---------------------------------------|-------------------|-----------------|
|                                       | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Mandatorily measured at FVTPL         |                   |                 |
| – Debt securities ( <i>Note a</i> )   | 44,018,362        | 26,977,231      |
| – Equity securities                   | 10,704,652        | 8,839,918       |
| – Funds                               | 12,232,040        | 11,407,654      |
| – Other investments ( <i>Note b</i> ) | 23,628,952        | 25,476,314      |
|                                       | <b>90,584,006</b> | 72,701,117      |
| Analysed as:                          |                   |                 |
| – Listed ( <i>Note c</i> )            | 31,674,094        | 28,185,629      |
| – Unlisted                            | 58,909,912        | 44,515,488      |
|                                       | <b>90,584,006</b> | 72,701,117      |

*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 and publicly traded equity securities listed in the PRC.

*Note c:* Securities and funds traded on stock exchanges are included in the “Listed” category.

As at 31 December 2021, 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 RMB34,958 million (31 December 2020: RMB20,005 million) and RMB626 million (31 December 2020: RMB1,004 million), respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Government bonds  | 26,397,534        | 27,872,186      |
| Bonds issued by policy banks                                      | 323,689           | 591,927         |
| Bonds issued by commercial banks and other financial institutions | 2,566,900         | 3,300,348       |
| Other debt securities ( <i>Note a</i> )                           | 29,311,458        | 30,881,514      |
|   | <b>58,599,581</b> | 62,645,975      |
| Analysed as:  |                   |                 |
| – Listed ( <i>Note b</i> )  | 33,253,769        | 27,054,265      |
| – Unlisted  | 25,345,812        | 35,591,710      |
|   | <b>58,599,581</b> | 62,645,975      |

*Note a:* Other debt securities mainly comprise of corporate bonds, enterprise bonds and medium term notes.

*Note b:* Debt securities traded on stock exchanges are included in the “Listed” category.

As at 31 December 2021, the Group’s pledged collateral of bonds included in debt instruments at FVTOCI in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB26,900 million (31 December 2020: RMB24,840 million) and RMB1,458 million (31 December 2020: RMB3,113 million), respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for debt instruments at FVTOCI.

|  | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------|---|---|------------------|
| As at 1 January 2021                       | 14,219             | 172   | 258,099   | 272,490          |
| – Transfer to lifetime-not-credit-impaired | (37)               | 37  | –   | –                |
| – Impairment losses (reversed)/recognised  | (2,957)            | 25,141  | (47,078)  | (24,894)         |
| – Write off                                | –                  | –   | (14,125)  | (14,125)         |
| As at 31 December 2021                     | 11,225             | 25,350  | 196,896   | 233,471          |

|  | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------|---|---|------------------|
| As at 1 January 2020                       | 17,788             | –   | 106,860   | 124,648          |
| – Transfer to lifetime-credit-impaired     | –                  | (112)   | 112   | –                |
| – Transfer to lifetime-not-credit-impaired | (124)              | 124   | –   | –                |
| – Impairment losses (reversed)/recognised  | (3,445)            | 160   | 151,127   | 147,842          |
| As at 31 December 2020                     | 14,219             | 172   | 258,099   | 272,490          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

The table below details the credit risk exposures of the Group's debt instruments at FVTOCI, which are subject to ECL assessment.

### As at 31 December 2021

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 57,781,227         | 99,625  | 248,246   | 58,129,098       |

### As at 31 December 2020

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 62,019,434         | 30,170  | 432,246   | 62,481,850       |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| – Equity securities ( <i>Note a</i> )     | 3,555,261         | 2,793,477       |
| – Perpetual instruments ( <i>Note b</i> ) | 582,892           | 3,013,879       |
| – Other investment                        | –                 | 5,129,102       |
|   | <b>4,138,153</b>  | 10,936,458      |
| Analysed as:                              |                   |                 |
| – Listed ( <i>Note c</i> )                | 3,653,721         | 4,231,166       |
| – Unlisted                                | 484,432           | 6,705,292       |
|   | <b>4,138,153</b>  | 10,936,458      |

*Note a:* The above equity investments include those ordinary shares of the entities listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the 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 realising 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, equity investments listed on stock exchanges and private equity investments as these investments no longer meet the investment objective of the Group. The cumulative losses on disposal of RMB92,237 thousand on equity securities traded on the NEEQ, RMB3,246 thousand on equity securities listed on stock exchanges, and the cumulative gains on disposal of RMB4,792 thousand on private equity investments have been transferred to retained profits respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

*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 realising their dividend income in the long run.

In the current year, the Group disposed of perpetual instruments as these investments no longer meet the investment objective of the Group. The cumulative gains on disposal of RMB1,034 thousand on perpetual instruments have been transferred to retained profits.

*Note c:* Securities traded on stock exchanges are included in the "Listed" category.

As at 31 December 2021, the Group's perpetual instruments recorded in equity instruments at FVTOCI pledged as collateral for the Group's financial assets sold under repurchase agreement and securities borrowing amounted to RMB353 million (31 December 2020: RMB1,686 million) and nil (31 December 2020: RMB12 million), respectively.

## 30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

|                            | As at 31 December |                 |
|----------------------------|-------------------|-----------------|
|                            | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Analysed by type:          |                   |                 |
| – Debt securities          | 3,594,267         | 6,244,561       |
| Less: impairment allowance | (228)             | (664)           |
|                            | <b>3,594,039</b>  | 6,243,897       |
| Analysed as:               |                   |                 |
| – Listed <i>(Note a)</i>   | 1,034,324         | 1,691,535       |
| – Unlisted <i>(Note b)</i> | 2,559,715         | 4,552,362       |
|                            | <b>3,594,039</b>  | 6,243,897       |

*Note a:* The debt securities traded on stock exchanges are included in the "Listed" category.

*Note b:* The unlisted debt securities were traded on inter-bank market.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. 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<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|------------------------------|--------------------|---|---|------------------|
| As at 1 January 2021         | 664                | –   | –   | 664              |
| – Impairment losses reversed | (436)              | –   | –   | (436)            |
| As at 31 December 2021       | 228                | –   | –   | 228              |

|                              | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|------------------------------|--------------------|---|---|------------------|
| As at 1 January 2020         | 1,452              | –   | –   | 1,452            |
| – Impairment losses reversed | (788)              | –   | –   | (788)            |
| As at 31 December 2020       | 664                | –   | –   | 664              |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. 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 2021

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 3,594,267          | –   | –   | 3,594,267        |

### As at 31 December 2020

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 6,244,561          | –   | –   | 6,244,561        |

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 2021 and 2020. Therefore, these investments are considered to be low credit risk investments.

As at 31 December 2021, 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 and securities borrowing amounted to RMB3,374 million (31 December 2020: RMB4,843 million) and nil (31 December 2020: RMB85 million), respectively.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 31. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

|                          | As at 31 December |                 |
|--------------------------|-------------------|-----------------|
|                          | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Deferred tax assets      | 1,438,838         | 1,455,922       |
| Deferred tax liabilities | (19,202)          | (20,179)        |

The following are the major deferred tax assets and liabilities recognised and movements during the current and prior years:

|  | Financial instrument at fair value through profit or loss and derivatives<br>RMB'000 | Accrued staff cost<br>RMB'000 | Debt/Equity instruments at FVTOCI<br>RMB'000 | Allowance for impairment losses<br>RMB'000 | Government grants and others<br>RMB'000 | Total<br>RMB'000 |
|--|--|-------------------------------|--|--|---|------------------|
| At 1 January 2021  | (413,404)  | 383,066                       | 32,261                                       | 1,438,665                                  | (4,845)                                 | 1,435,743        |
| (Charge)/credit to profit or loss                          | (61,195)   | (66,271)                      | (9,755)                                      | 334,023                                    | (4,005)                                 | 192,797          |
| Charge to other comprehensive income                       | -  | -                             | (179,018)                                    | -  | -                                       | (179,018)        |
| Transfer out upon disposal of equity instruments at FVTOCI | -  | -                             | (29,886)                                     | -  | -                                       | (29,886)         |
| As at 31 December 2021                                     | (474,599)  | 316,795                       | (186,398)                                    | 1,772,688                                  | (8,850)                                 | 1,419,636        |
| At 1 January 2020  | (128,716)  | 252,123                       | (119,639)                                    | 549,518                                    | 188,678                                 | 741,964          |
| Credit/(charge) to profit or loss                          | (284,688)  | 130,943                       | 36,961                                       | 889,147                                    | (193,523)                               | 578,840          |
| Credit to other comprehensive income                       | -  | -                             | 124,510                                      | -  | -                                       | 124,510          |
| Transfer out upon disposal of equity instruments at FVTOCI | -  | -                             | (9,571)                                      | -  | -                                       | (9,571)          |
| As at 31 December 2020                                     | (413,404)  | 383,066                       | 32,261                                       | 1,438,665                                  | (4,845)                                 | 1,435,743        |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 32. INVESTMENTS IN ASSOCIATES

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Cost of unlisted investments in associates   | 2,970,309         | 2,991,174       |
| Share of post-acquisition profits and other comprehensive income,<br>net of dividends received | 3,583,359         | 2,780,020       |
|  | 6,553,668         | 5,771,194       |

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<br>As at 31 December |        | Principal activities     |
|--|---------------------------------|--|--------|--------------------------|
|  |                                 | 2021   | 2020   |                          |
| 匯添富基金管理股份有限公司<br>China Universal Asset Management<br>Company Limited ("China Universal")           | PRC<br>3 February 2005          | 35.41%   | 35.41% | Fund management          |
| 上海誠毅新能源創業投資有限公司<br>Shanghai ICY New Energy Venture<br>Investment Co., Ltd. *                       | PRC<br>12 July 2011             | 27.73%   | 27.73% | Investment<br>management |
| 東證騰駿(上海)投資合夥企業<br>(有限合夥)<br>Orient Tengjun (Shanghai)<br>Investment LLP. <sup>(3)*</sup>           | PRC<br>11 September<br>2015     | N/A  | 38.69% | Investment<br>management |
| 上海君煜投資中心(有限合夥)<br>Shanghai Junyu Investment<br>Center LLP. <sup>(3)*</sup>                         | PRC<br>16 December<br>2015      | N/A  | 45.45% | Investment<br>management |
| 東證睿波(上海)投資中心(有限合夥)<br>Orient Securities Ruibo (Shanghai)<br>Investment Center LLP. <sup>(1)*</sup> | PRC<br>25 June 2015             | 55.63%   | 55.63% | Investment<br>management |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 32. INVESTMENTS IN ASSOCIATES (Continued)

| Name of associates  | Place and date of establishment | Equity interest held by the Group As at 31 December |        | Principal activities  |
|---|---------------------------------|---|--------|-----------------------|
|   |                                 | 2021  | 2020   |                       |
| 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<br>(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<br>(有限合夥)<br>Haining Orient Securities Lanhai Merge Investment Partnership LLP. (3)* | PRC<br>13 July 2016             | 25.75%  | 25.85% | Investment management |
| 東建國際控股有限公司<br>OCI International Holdings Limited  | Cayman Islands<br>6 June 2015   | 20.94%  | 20.94% | Securities Investment |
| 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           | N/A   | 33.33% | Investment management |
| 上海東證今緣股權投資基金合夥企業<br>(有限合夥) Shanghai Orient Jinyuan Equity Investment LLP. *                         | PRC<br>16 October 2015          | N/A   | 30.00% | Equity investment     |
| 溫州俊元資產管理合夥企業<br>(有限合夥)<br>Wenzhou Junyuan Asset Management Partnership LLP. (1)/(4)*                | PRC<br>11 July 2016             | 50.60%  | 55.26% | Asset management      |
| 嘉興臨揚股權投資合夥企業(有限合夥)<br>Jiaxing Linyang Equity Investment Partnership LLP. *                          | PRC<br>13 April 2021            | 39.85%  | N/A    | Investment management |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 32. INVESTMENTS IN ASSOCIATES (Continued)

| Name of associates   | Place and date of establishment | Equity interest held by the Group As at 31 December |        | Principal activities  |
|--|---------------------------------|---|--------|-----------------------|
|  |                                 | 2021  | 2020   |                       |
| 嘉興岩泉投資合夥企業(有限合夥)<br>Jiaying Yanquan Investment Partnership LLP. *  | PRC<br>12 July 2018             | 33.61%  | N/A    | Investment management |
| 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%  | 21.67% | Leasing               |
| 宜興東證睿元股權投資合夥企業(有限合夥)<br>Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. (2)*                             | PRC<br>11 March 2020            | 19.18%  | 19.18% | Investment management |
| 珠海橫琴東證雲啟科創投資合夥企業(有限合夥)<br>Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. (2)*      | PRC<br>14 January 2020          | 18.37%  | 18.37% | Investment management |
| 寧波梅山保稅港區東證夏德投資合夥企業(有限合夥)<br>Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. (2)* | PRC<br>11 February 2018         | 18.89%  | 18.89% | Investment management |
| 南通東證富象股權投資中心(有限合夥)<br>Nantong Orient Securities Fuxiang Equity Investment Center LLP. (2)*                           | PRC<br>7 November 2017          | 19.93%  | 19.93% | Investment management |



# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 32. INVESTMENTS IN ASSOCIATES (Continued)

| Name of associates  | Place and date of establishment | Equity interest held by the Group As at 31 December |        | Principal activities                         |
|---|---------------------------------|---|--------|--|
|   |                                 | 2021  | 2020   |  |
| 嘉興君兆投資管理合夥企業<br>(有限合夥)<br>Jiaxing Junzhao Investment Partnership LLP. *   | PRC<br>7 April 2020             | 40.82%  | 40.82% | Investment management                        |
| 成都交子東方投資發展合夥企業<br>(有限合夥)<br>Chengdu Jiaozi Oriental Investment Development Partnership LLP. <sup>(1)*</sup>           | PRC<br>17 January 2020          | 50.00%  | 50.00% | Leasing and investment management            |
| 上海頤歌資產管理有限公司<br>Shanghai Yige Asset Management Co., Ltd *   | PRC<br>11 April 2020            | 29.00%  | 29.00% | Asset management                             |
| 深圳盟海五號智慧產業投資合夥企業<br>(有限合夥)<br>Shenzhen Menghai No. 5 Intelligent Industry Investment Partnership LLP. <sup>(1)*</sup> | PRC<br>8 July 2020              | 76.37%  | 76.37% | Investment management                        |
| 邦訊技術股份有限公司<br>Beijing Boomsense Technology Co., Ltd. <sup>(2)</sup>   | PRC<br>24 October 2002          | 19.67%  | –      | Software and information technology services |
| 杭州數行科技有限公司<br>Hangzhou Shuxing Technology Co., Ltd. <sup>(2)*</sup>   | PRC<br>9 November 2017          | 10.00%  | 10.00% | Technology development                       |

\* English translated names are for identification purpose only.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 32. INVESTMENTS IN ASSOCIATES *(Continued)*

- (1) Although the Group's percentages of shareholdings in these investees are no less than 50%, they are accounted for as associates as the Group only has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (3) These associates have been liquidated as of December 31, 2021.

The summarised consolidated financial information 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      |                 |
|-----------------------------|------------------------|-----------------|
|                             | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Total assets                | 13,459,008             | 10,980,067      |
| Total liabilities           | 4,659,654              | 3,531,077       |
| Net assets                  | 8,799,354              | 7,448,990       |
|                             | Year ended 31 December |                 |
|                             | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Total revenue               | 9,378,533              | 6,643,038       |
| Profit for the year         | 3,262,523              | 2,566,383       |
| Other comprehensive expense | (14,447)               | (23,601)        |
| Total comprehensive income  | 3,248,076              | 2,542,782       |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. INVESTMENTS IN ASSOCIATES (Continued)

### China Universal (Continued)

Reconciliation of the above consolidated financial information to the carrying amount of the interest in above associate recognised in the financial statements:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Equity attributable to equity holders of the associate | 8,799,354         | 7,302,643       |
| Proportion of equity interests held by the Group       | 35.41%            | 35.41%          |
| Carrying amount  | 3,115,765         | 2,585,810       |

Aggregate information of associates that are not individually material:

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| The Group's share of profit  | 289,772                | 306,601         |
| The Group's share of other comprehensive expense                       | (1,673)                | (1,325)         |
| The Group's share of total comprehensive income                        | 288,099                | 305,276         |
| Aggregate carrying amount of the Group's interests in these associates | 3,437,903              | 3,185,384       |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 33. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

#### 33.1 Structured entities set up and managed by the Group

The Group served as the investment manager of structured entities (including funds, collective asset management schemes and limited partnerships), therefore had power over them during the year ended 31 December 2021 and 2020. Except for the structured entities the Group has consolidated as disclosed in Note 38, based on the assessment, these structured entities 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 RMB410,192 million as at 31 December 2021 (31 December 2020: RMB328,845 million). 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 2021 and 2020. As at 31 December 2021, the carrying amount of the Group's interests in unconsolidated funds, management schemes and limited partnership is RMB4,007 million (31 December 2020: RMB4,112 million), which approximates the maximum risk exposure of the Group, and the assets management fee income is RMB3,835 million (31 December 2020: RMB2,792 million).

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 2021 and 2020.

#### As at 31 December 2021

|   | Carrying amount<br>RMB'000 | Maximum loss exposure<br>RMB'000 |
|---|----------------------------|----------------------------------|
| Financial assets at fair value through profit or loss | 2,581,639                  | 2,581,639                        |
| Investments in associates                             | 1,425,646                  | 1,425,646                        |
| <b>Total</b>  | <b>4,007,285</b>           | <b>4,007,285</b>                 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

### 33.1 Structured entities set up and managed by the Group *(Continued)*

As at 31 December 2020

|   | Carrying<br>amount<br>RMB'000 | Maximum loss<br>exposure<br>RMB'000 |
|---|-------------------------------|-------------------------------------|
| Financial assets at fair value through profit or loss | 2,918,024                     | 2,918,024                           |
| Investments in associates                             | 1,194,077                     | 1,194,077                           |
| Total   | 4,112,101                     | 4,112,101                           |

### 33.2 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, 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 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

### 33.2 Structured entities set up and managed by third party institutions in which the Group holds an interest *(Continued)*

**As at 31 December 2021**

|   | Carrying<br>amount<br>RMB'000 | Maximum loss<br>exposure<br>RMB'000 |
|---|-------------------------------|-------------------------------------|
| Financial assets at fair value through profit or loss | 25,309,995                    | 25,309,995                          |
| Investments in associates                             | 218,961                       | 218,961                             |
| <b>Total</b>  | <b>25,528,956</b>             | <b>25,528,956</b>                   |

**As at 31 December 2020**

|   | Carrying<br>amount<br>RMB'000 | Maximum loss<br>exposure<br>RMB'000 |
|---|-------------------------------|-------------------------------------|
| Financial assets at fair value through profit or loss | 26,884,404                    | 26,884,404                          |
| Equity instruments at FVTOCI                          | 5,129,102                     | 5,129,102                           |
| Investments in associates                             | 357,581                       | 357,581                             |
| <b>Total</b>  | <b>32,371,087</b>             | <b>32,371,087</b>                   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. RIGHT-OF-USE ASSETS

|                                 | Buildings<br>RMB'000 | Motor Vehicles<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|----------------------|---------------------------|------------------|
| <b>COST</b>                     |                      |                           |                  |
| As at 1 January 2021            | 1,379,963            | 3,336                     | 1,383,299        |
| Additions                       | 287,754              | 93                        | 287,847          |
| Deductions                      | (101,988)            | –                         | (101,988)        |
| Transfer during the year        | 5,027                | –                         | 5,027            |
| Exchange difference             | (2,095)              | –                         | (2,095)          |
| As at 31 December 2021          | 1,568,661            | 3,429                     | 1,572,090        |
| <b>ACCUMULATED DEPRECIATION</b> |                      |                           |                  |
| As at 1 January 2021            | 534,612              | 1,332                     | 535,944          |
| Charge for the year             | 331,520              | 1,125                     | 332,645          |
| Deductions                      | (74,126)             | –                         | (74,126)         |
| Transfer during the year        | 4,839                | –                         | 4,839            |
| Exchange difference             | (1,225)              | –                         | (1,225)          |
| As at 31 December 2021          | 795,620              | 2,457                     | 798,077          |
| <b>CARRYING AMOUNT</b>          |                      |                           |                  |
| As at 1 January 2021            | 845,351              | 2,004                     | 847,355          |
| As at 31 December 2021          | 773,041              | 972                       | 774,013          |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 34. RIGHT-OF-USE ASSETS (Continued)

|                                 | Buildings<br>RMB'000 | Motor Vehicles<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|----------------------|---------------------------|------------------|
| <b>COST</b>                     |                      |                           |                  |
| As at 1 January 2020            | 1,270,603            | 1,950                     | 1,272,553        |
| Additions                       | 205,206              | 1,590                     | 206,796          |
| Deductions                      | (91,591)             | (204)                     | (91,795)         |
| Transfer during the year        | 180                  | –                         | 180              |
| Exchange difference             | (4,435)              | –                         | (4,435)          |
| As at 31 December 2020          | 1,379,963            | 3,336                     | 1,383,299        |
| <b>ACCUMULATED DEPRECIATION</b> |                      |                           |                  |
| As at 1 January 2020            | 269,175              | 629                       | 269,804          |
| Charge for the year             | 321,188              | 905                       | 322,093          |
| Deductions                      | (54,008)             | (202)                     | (54,210)         |
| Exchange difference             | (1,743)              | –                         | (1,743)          |
| As at 31 December 2020          | 534,612              | 1,332                     | 535,944          |
| <b>CARRYING AMOUNT</b>          |                      |                           |                  |
| As at 1 January 2020            | 1,001,428            | 1,321                     | 1,002,749        |
| As at 31 December 2020          | 845,351              | 2,004                     | 847,355          |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. RIGHT-OF-USE ASSETS *(Continued)*

For both years, the Group leases various buildings and vehicles for its operations. Lease contracts are entered into for term of 1 year to 10 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 2021, total cash outflow for leases amounts to RMB398,005 thousand (31 December 2020: RMB375,483 thousand).

For the year ended 31 December 2021, expense relating to short-term leases amounts to RMB32,347 thousand. Expense relating to leases of low value assets excluding short-term leases of low value assets amounts to RMB1,375 thousand.

For the year ended 31 December 2020, expense relating to short-term leases amounts to RMB37,874 thousand. Expense relating to leases of low value assets excluding short-term leases of low value assets amounts to RMB1,747 thousand.

As at 31 December 2021 and 2020, 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 RMB781,842 thousand are recognised as at 31 December 2021 (Note 49). 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 2021 and 2020, the Group did not enter into leases that are not yet commenced.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. INVESTMENT PROPERTIES

|                                    | As at<br>31 December<br>2021<br>RMB'000 | As at<br>31 December<br>2020<br>RMB'000 |
|------------------------------------|---|---|
| <b>COST</b>                        |   |   |
| At beginning of year               | 63,517                                  | 43,794                                  |
| Transfer during the year           | 313,098                                 | 19,723                                  |
| Disposal                           | (4,158)                                 | –                                       |
| At end of year                     | 372,457                                 | 63,517                                  |
| <b>DEPRECIATION AND IMPAIRMENT</b> |   |   |
| At beginning of year               | 23,056                                  | 13,723                                  |
| Charge for the year                | 1,829                                   | 2,664                                   |
| Transfer during the year           | (4,839)                                 | 6,669                                   |
| At end of year                     | 20,046                                  | 23,056                                  |
| <b>CARRYING VALUES</b>             |   |   |
| At beginning of year               | 40,461                                  | 30,071                                  |
| At end of year                     | 352,411                                 | 40,461                                  |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 36. PROPERTY AND EQUIPMENT

|                                 | Leasehold<br>land and<br>buildings<br>RMB'000 | Electronic and<br>communication<br>equipment<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Office<br>equipment<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|---|---|------------------------------|--------------------------------|--------------------------------------|--|------------------|
| <b>COST</b>                     |   |   |                              |                                |                                      |  |                  |
| As at 1 January 2021            | 1,879,840                                     | 909,175   | 42,763                       | 121,141                        | 546,396                              | 65,838                                 | 3,565,153        |
| Additions                       | -   | 92,084  | 1,309                        | 22,730                         | 83,059                               | 91,591                                 | 290,773          |
| Disposals                       | -   | (50,273)  | (1,999)                      | (6,243)                        | -                                    | -                                      | (58,515)         |
| Transfer during the year        | -   | 120,811   | 1,785                        | 8,051                          | -                                    | (130,647)                              | -                |
| Exchange difference             | -   | (417)   | (17)                         | (123)                          | (398)                                | (70)                                   | (1,025)          |
| As at 31 December 2021          | 1,879,840                                     | 1,071,380   | 43,841                       | 145,556                        | 629,057                              | 26,712                                 | 3,796,386        |
| <b>ACCUMULATED DEPRECIATION</b> |   |   |                              |                                |                                      |  |                  |
| As at 1 January 2021            | 199,204                                       | 629,546   | 30,356                       | 74,211                         | 406,174                              | -                                      | 1,339,491        |
| Charge for the year             | 60,417  | 134,887   | 3,854                        | 14,038                         | 55,137                               | -                                      | 268,333          |
| Eliminated on disposals         | -   | (38,939)  | (1,921)                      | (4,972)                        | -                                    | -                                      | (45,832)         |
| Transfer during the year        | -   | -   | -                            | -                              | -                                    | -                                      | -                |
| Exchange difference             | -   | (305)   | (13)                         | (50)                           | (104)                                | -                                      | (472)            |
| As at 31 December 2021          | 259,621                                       | 725,189   | 32,276                       | 83,227                         | 461,207                              | -                                      | 1,561,520        |
| <b>CARRYING VALUES</b>          |   |   |                              |                                |                                      |  |                  |
| As at 31 December 2021          | 1,620,219                                     | 346,191   | 11,565                       | 62,329                         | 167,850                              | 26,712                                 | 2,234,866        |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 36. PROPERTY AND EQUIPMENT *(Continued)*

|                                 | Leasehold<br>land and<br>buildings<br>RMB'000 | Electronic and<br>communication<br>equipment<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Office<br>equipment<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|---|---|------------------------------|--------------------------------|--------------------------------------|--|------------------|
| <b>COST</b>                     |   |   |                              |                                |                                      |  |                  |
| As at 1 January 2020            | 1,902,810                                     | 784,628   | 42,767                       | 103,607                        | 454,505                              | 50,034                                 | 3,338,351        |
| Additions                       | -   | 58,255  | 927                          | 11,599                         | 103,619                              | 130,588                                | 304,988          |
| Disposals                       | (3,067)                                       | (34,199)  | (2,183)                      | (5,907)                        | (10,689)                             | -                                      | (56,045)         |
| Transfer during the year        | (19,903)                                      | 101,398   | 1,290                        | 11,959                         | -                                    | (114,647)                              | (19,903)         |
| Exchange difference             | -   | (907)   | (38)                         | (117)                          | (1,039)                              | (137)                                  | (2,238)          |
| As at 31 December 2020          | 1,879,840                                     | 909,175   | 42,763                       | 121,141                        | 546,396                              | 65,838                                 | 3,565,153        |
| <b>ACCUMULATED DEPRECIATION</b> |   |   |                              |                                |                                      |  |                  |
| As at 1 January 2020            | 138,940                                       | 557,594   | 28,374                       | 68,631                         | 355,608                              | -                                      | 1,149,147        |
| Charge for the year             | 66,933  | 100,050   | 4,060                        | 10,518                         | 58,535                               | -                                      | 240,096          |
| Eliminated on disposals         | -   | (27,501)  | (2,053)                      | (4,879)                        | (7,568)                              | -                                      | (42,001)         |
| Transfer during the year        | (6,669)                                       | -   | -                            | -                              | -                                    | -                                      | (6,669)          |
| Exchange difference             | -   | (597)   | (25)                         | (59)                           | (401)                                | -                                      | (1,082)          |
| As at 31 December 2020          | 199,204                                       | 629,546   | 30,356                       | 74,211                         | 406,174                              | -                                      | 1,339,491        |
| <b>CARRYING VALUES</b>          |   |   |                              |                                |                                      |  |                  |
| As at 31 December 2020          | 1,680,636                                     | 279,629   | 12,407                       | 46,930                         | 140,222                              | 65,838                                 | 2,225,662        |

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.

# Notes to the Consolidated Financial Statements

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## 37. OTHER INTANGIBLE ASSETS

|                                 | Trading<br>rights<br>RMB'000 | Computer<br>software<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|------------------------------|---------------------------------|------------------|
| <b>COST</b>                     |                              |                                 |                  |
| As at 1 January 2021            | 61,553                       | 684,035                         | 745,588          |
| Additions                       | –                            | 152,535                         | 152,535          |
| Exchange difference             | –                            | (302)                           | (302)            |
| As at 31 December 2021          | 61,553                       | 836,268                         | 897,821          |
| <b>ACCUMULATED AMORTISATION</b> |                              |                                 |                  |
| As at 1 January 2021            | 39,810                       | 490,465                         | 530,275          |
| Charge for the year             | –                            | 117,182                         | 117,182          |
| Exchange difference             | –                            | (283)                           | (283)            |
| As at 31 December 2021          | 39,810                       | 607,364                         | 647,174          |
| <b>CARRYING VALUES</b>          |                              |                                 |                  |
| As at 31 December 2021          | 21,743                       | 228,904                         | 250,647          |

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## For the year ended 31 December 2021

### 37. OTHER INTANGIBLE ASSETS (Continued)

|                                 | Trading rights<br>RMB'000 | Computer<br>software<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|---------------------------|---------------------------------|------------------|
| <b>COST</b>                     |                           |                                 |                  |
| As at 1 January 2020            | 61,553                    | 540,393                         | 601,946          |
| Additions                       | –                         | 144,323                         | 144,323          |
| Disposals                       | –                         | (114)                           | (114)            |
| Exchange difference             | –                         | (567)                           | (567)            |
| As at 31 December 2020          | 61,553                    | 684,035                         | 745,588          |
| <b>ACCUMULATED AMORTISATION</b> |                           |                                 |                  |
| As at 1 January 2020            | 39,810                    | 393,617                         | 433,427          |
| Charge for the year             | –                         | 97,336                          | 97,336           |
| Eliminated on disposals         | –                         | (31)                            | (31)             |
| Exchange difference             | –                         | (457)                           | (457)            |
| As at 31 December 2020          | 39,810                    | 490,465                         | 530,275          |
| <b>CARRYING VALUES</b>          |                           |                                 |                  |
| As at 31 December 2020          | 21,743                    | 193,570                         | 215,313          |

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 2021 and 2020.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 38. 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 subsidiaries   | Type of legal entity registered     | Place of incorporation/ establishment/ operations | Equity interest held by the Group As at 31 December |         | Registered capital as at 31 December 2021 | Principal activities  | Auditors/GAAP                  |
|--|-------------------------------------|---|---|---------|---|---|--------------------------------|
|  |                                     |   | 2021  | 2020    |   |   |                                |
| 上海東證期貨有限公司<br>Shanghai Orient Securities Futures Co., Ltd. <sup>(1)</sup>              | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB2,800,000,000                          | Commodity futures brokerage, financial futures brokerage, and futures investment advisory | DTT<br>PRC GAAP <sup>(2)</sup> |
| 上海東祺投資管理有限公司<br>Shanghai Dongqi Investment Management Co., Ltd. *                      | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB250,000,000                            | Equity investment, investment management, and asset management                            | DTT<br>PRC GAAP <sup>(2)</sup> |
| 東證潤和資本管理有限公司<br>Orient Runhe Asset Management Co., Ltd. *                              | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB1,000,000,000                          | Equity investment, investment management, and asset management                            | BDO<br>PRC GAAP <sup>(2)</sup> |
| 上海東方證券資產管理有限公司<br>Orient Securities Asset Management Co., Ltd. <sup>(1)</sup>          | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB300,000,000                            | Securities asset management, securities investment, and fund management                   | DTT<br>PRC GAAP <sup>(2)</sup> |
| 上海東方證券資本投資有限公司<br>Orient Securities Capital Co., Ltd. <sup>(1)</sup>                   | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB4,000,000,000                          | Private equity investment, bond investment, and related investment advisory               | DTT<br>PRC GAAP <sup>(2)</sup> |
| 東方睿義(上海)投資管理有限公司<br>Orient Ruiyi (Shanghai) Investment Management Co., Ltd. *          | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB1,350,000,000                          | Investment management and investment advisory   | DTT<br>PRC GAAP <sup>(2)</sup> |
| 東方星暉(北京)投資基金管理有限公司<br>Orient Xinghui (Beijing) Investment Funds Management Co., Ltd. * | 有限責任公司<br>Limited liability company | PRC   | 57.95%  | 57.95%  | RMB8,800,000                              | Investment management and investment advisory   | DTT<br>PRC GAAP <sup>(2)</sup> |
| 海寧東方紅投資管理有限公司<br>Haining Orient Sun Investment Management Co., Ltd. *                  | 有限責任公司<br>Limited liability company | PRC   | 51.00%  | 51.00%  | RMB2,000,000                              | Investment management and investment advisory   | DTT<br>PRC GAAP <sup>(2)</sup> |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

| Name of subsidiaries  | Type of legal entity registered     | Place of incorporation/ establishment/ operations | Equity interest held by the Group As at 31 December |         | Registered capital as at 31 December 2021 | Principal activities  | Auditors/GAAP                           |
|---|-------------------------------------|---|---|---------|---|---|---|
|   |                                     |   | 2021  | 2020    |   |   |   |
| 上海東方富厚股權投資管理有限公司<br>Shanghai Orient Fuhou Equity Investment Management Co., Ltd. <sup>(5)*</sup>            | 有限責任公司<br>Limited liability company | PRC   | N/A   | 58.00%  | RMB5,000,000                              | Investment management and investment advisory                         | DTT<br>PRC GAAP <sup>(2)</sup>          |
| 東石發展有限公司<br>East Milestone Company Limited  | 有限責任公司<br>Limited liability company | Hong Kong   | 100.00%   | 100.00% | HKD3,000,000                              | Investment management and investment advisory                         | N/A <sup>(3)</sup>                      |
| 新疆東證新城股權投資管理有限公司<br>Xinjiang Orient Securities Xinyu Equity Investment Management Co., Ltd. <sup>(5)*</sup> | 有限責任公司<br>Limited liability company | PRC   | N/A   | 51.00%  | RMB5,000,000                              | Equity investment   | DTT<br>PRC GAAP <sup>(2)</sup>          |
| 海寧東證投資管理有限公司<br>Haining Orient Securities Investment Management Co., Ltd. <sup>(5)*</sup>                   | 有限責任公司<br>Limited liability company | PRC   | N/A   | 58.00%  | RMB10,000,000                             | Investment management, investment advisory, and management consulting | DTT<br>PRC GAAP <sup>(2)</sup>          |
| 東方翌睿(上海)投資管理有限公司<br>Orient Securities Yirui (Shanghai) Investment Management Co., Ltd. *                    | 有限責任公司<br>Limited liability company | PRC   | 51.00%  | 51.00%  | RMB2,000,000                              | Investment management, asset management, and industrial investment    | DTT<br>PRC GAAP <sup>(2)</sup>          |
| 東方弘泰資本投資(成都)有限公司<br>Orient Hongtai Capital Investment (Chengdu) Co., Ltd. *                                 | 有限責任公司<br>Limited liability company | PRC   | 51.00%  | 51.00%  | RMB30,000,000                             | Investment management, asset management, and project investment       | DTT<br>PRC GAAP <sup>(2)</sup>          |
| Golden Power Group Limited  | 有限責任公司<br>Limited liability company | British Virgin Islands ("BVI")                    | 100.00%   | 100.00% | USD100                                    | Equity investment and industrial investment                           | N/A <sup>(3)</sup>                      |
| 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 and industrial investment                           | N/A <sup>(3)</sup>                      |
| 東方金融控股(香港)有限公司<br>Orient Finance Holdings (Hong Kong) Limited <sup>(1)</sup>                                | 有限責任公司<br>Limited liability company | Hong Kong   | 100.00%   | 100.00% | HKD2,754,078,015                          | Investment holding and provision of management services               | SHINewing (HK)<br>HKFRSs <sup>(2)</sup> |



# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

| Name of subsidiaries  | Type of legal entity registered     | Place of incorporation/ establishment/ operations | Equity interest held by the Group As at 31 December |         | Registered capital as at 31 December 2021 | Principal activities   | Auditors/GAAP                           |
|---|-------------------------------------|---|---|---------|---|--|---|
|   |                                     |   | 2021  | 2020    |   |  |   |
| 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% | HKD1,000,000,000                          | Securities brokerage   | SHINEWING (HK)<br>HKFRSS <sup>(2)</sup> |
| 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% | HKD100,000,000                            | Futures brokerage  | SHINEWING (HK)<br>HKFRSS <sup>(2)</sup> |
| 東方資產管理(香港)有限公司<br>ORIENT ASSET MANAGEMENT<br>(HONG KONG) LIMITED                                | 有限責任公司<br>Limited liability company | Hong Kong   | 100.00%   | 100.00% | HKD100,000,000                            | Asset management   | SHINEWING (HK)<br>HKFRSS <sup>(2)</sup> |
| 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% | HKD150,000,000                            | Provision of corporate finance advisory services                                       | SHINEWING (HK)<br>HKFRSS <sup>(2)</sup> |
| 東方信貸財務(香港)有限公司<br>ORIENT CREDIT FINANCE<br>(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)<br>HKFRSS <sup>(2)</sup> |
| 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 <sup>(3)</sup>                      |
| ORIENT ZHISHENG LIMITED   | 有限責任公司<br>Limited liability company | BVI   | 100.00%   | 100.00% | USD1                                      | Special purpose  | N/A <sup>(3)</sup>                      |
| 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 <sup>(3)</sup>                      |
| 東方證券承銷保薦有限公司<br>Orient Securities Investment Banking<br>Co., Ltd. <sup>(1)</sup>                | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB800,000,000                            | Securities underwriting and sponsor  | DTT<br>PRC GAAP <sup>(2)</sup>          |
| 上海東方證券創新投資有限公司<br>Shanghai Orient Securities Innovation<br>Investment Co., Ltd. <sup>(1)*</sup> | 有限責任公司<br>Limited liability company | PRC   | 100.00%   | 100.00% | RMB6,250,000,000                          | Financial assets investment, securities investment, investment management and advisory | DTT<br>PRC GAAP <sup>(2)</sup>          |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

| Name of subsidiaries  | Type of legal entity registered                       | Place of incorporation/ establishment/ operations | Equity interest held by the Group As at 31 December |         | Registered capital as at 31 December 2021 | Principal activities                                    | Auditors/GAAP                           |
|---|---|---|---|---------|---|---|---|
|   |   |   | 2021  | 2020    |   |   |   |
| 南京東證明展產業投資管理有限公司<br>Nanjing Orient Mingzhan Industrial Investment Management Co., Ltd. <sup>(6)</sup> * | 有限責任公司<br>Limited liability company                   | PRC   | 66.00%  | 66.00%  | RMB10,000,000                             | Investment management and advisory                      | DTT<br>PRC GAAP <sup>(2)</sup>          |
| ORIENT HUIZHI LIMITED   | 有限責任公司<br>Limited liability company                   | BVI   | 100.00%   | 100.00% | USD1                                      | Special purpose   | N/A <sup>(3)/(4)</sup>                  |
| 東方睿信有限公司<br>Orient Ruixin Limited company   | 有限責任公司<br>Limited liability company                   | Hong Kong   | 100.00%   | 100.00% | HKD10,000                                 | Equity investment, Industrial investment                | N/A <sup>(3)</sup>                      |
| 東證國際金融集團有限公司<br>Orient Securities International Financial Group Limited                                 | 有限責任公司<br>Limited liability company                   | Hong Kong   | 100.00%   | 100.00% | HKD2,010,000,000                          | Investment holding and provision of management services | SHINEWING (HK)<br>HKFRSS <sup>(2)</sup> |
| 東證期貨國際(新加坡)有限公司<br>Orient Futures International (Singapore)   | 私人股份有限公司<br>Pte Ltd Private Company Limited by shares | Singapore   | 100.00%   | 100.00% | SGD 40,000,000                            | Foreign exchange brokers and dealers                    | N/A <sup>(3)</sup>                      |
| 東證科技(深圳)有限公司<br>Orient Securities Technology (Shenzhen) Co., Ltd. *                                     | 有限責任公司<br>Limited liability company                   | PRC   | 100.00%   | 100.00% | RMB10,000,000                             | Software Development Service                            | N/A <sup>(3)</sup>                      |
| Orient International Investment Products Limited  | 有限責任公司<br>Limited liability company                   | BVI   | 100.00%   | 100.00% | USD1                                      | Product Investment                                      | SHINEWING (HK)<br>HKFRSS <sup>(2)</sup> |

\* These subsidiaries do not have official English names. English translated names are for identification only.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 38. 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;
  - BDO represents BDO China Shu Lun Pan Certified Public Accountants LLP, 立信會計師事務所(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;
  - 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 50.
- (5) These subsidiaries have been liquidated as of December 31, 2021.
- (6) This subsidiary has been renamed from Jingdezhen Beiqi Orient Industry Investment Management Co., Ltd. to Nanjing Orient Mingzhan Industrial Investment Management Co., Ltd. as of December 31, 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

### Interests in consolidated structured entities:

The Group has consolidated certain structured entities including asset management schemes, funds and limited partnership. For the asset management schemes where the Group involves as manager or 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 and indicates that the Group is a principal.

The total net assets of the consolidated asset management schemes, funds and limited partnership amounted to RMB7,521 million as at 31 December 2021 (31 December 2020: RMB7,368 million).

Interests in all consolidated asset management schemes, funds and limited partnership held by the Group amounted to fair value of RMB5,508 million as at 31 December 2021 (31 December 2020: RMB6,105 million). The Group held no interest in the subordinated tranche of those structured products in 2021 and 2020.

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.

## 39. 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 2021 and 2020 allocated to these units are as follows:

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>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          |
|   | <b>32,135</b>     | <b>32,135</b>   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. 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 2021 and 2020, 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 2021 and 2020, 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 is the weighted average cost of capital, adjusted for the risks of CGUs. As at 31 December 2021 and 2020, the discount rate used is 15%.

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.

## 40. OTHER ASSETS

|                            | As at 31 December |                  |
|----------------------------|-------------------|------------------|
|                            | 2021<br>RMB'000   | 2020<br>RMB'000  |
| Other receivables          | 2,392,097         | 1,057,519        |
| Other loans                | –                 | 79,116           |
| Prepayments                | 172,281           | 459,302          |
| Others                     | 842,133           | 1,105,599        |
| Less: impairment allowance | (1,565,452)       | (703,758)        |
|                            | <b>1,841,059</b>  | <b>1,997,778</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. OTHER ASSETS (Continued)

The following table shows reconciliation of loss allowances that has been recognised for other loans and receivables.

|                                | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------|--------------------|---|---|------------------|
| As at 1 January 2021           | 1,863              | –   | 701,895   | 703,758          |
| – Impairment losses recognised | 3,015              | –   | 15,655  | 18,670           |
| – Transfer in                  | –                  | –   | 843,036   | 843,036          |
| – Foreign exchange differences | (12)               | –   | –   | (12)             |
| As at 31 December 2021         | 4,866              | –   | 1,560,586   | 1,565,452        |

|  | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------|---|---|------------------|
| As at 1 January 2020                       | 6,003              | –   | 375,691   | 381,694          |
| – Transfer to lifetime-credit-impaired     | –                  | (1,752)   | 1,752   | –                |
| – Transfer to lifetime-not-credit-impaired | (1,752)            | 1,752   | –   | –                |
| – Impairment losses (reversed)/recognised  | (2,325)            | –   | 33,458  | 31,133           |
| – Write off                                | –                  | –   | (1,767)   | (1,767)          |
| – Transfer in                              | –                  | –   | 292,761   | 292,761          |
| – Foreign exchange differences             | (63)               | –   | –   | (63)             |
| As at 31 December 2020                     | 1,863              | –   | 701,895   | 703,758          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. OTHER ASSETS *(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 2021

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 796,102            | –   | 1,595,995   | 2,392,097        |

### As at 31 December 2020

|                       | 12m ECL<br>RMB'000 | Lifetime<br>ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime<br>ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|-----------------------|--------------------|---|---|------------------|
| Gross carrying amount | 381,600            | –   | 755,035   | 1,136,635        |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 41. PLACEMENTS FROM FINANCIAL INSTITUTIONS

|  | As at 31 December |                  |
|--|-------------------|------------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000  |
| Placements from banks ( <i>Note a</i> )  | 6,480,155         | 8,666,964        |
| Placements from China Securities Finance Corporation Limited ( <i>Note b</i> ) | 2,005,522         | 1,003,150        |
|  | <b>8,485,677</b>  | <b>9,670,114</b> |

*Note a:* As at 31 December 2021, the effective interest rates bearing on the outstanding amount of placements from banks vary from 1.20% to 2.65% (31 December 2020: 0.45% to 3.3%) per annum. The amount of placements from banks were repayable within seven days from the end of the reporting period.

*Note b:* As at 31 December 2021, the effective interest rate of placements from China Securities Finance Corporation Limited is 2.80% (31 December 2020: 2.80%) per annum. The amount of placements from China Securities Finance Corporation Ltd. were repayable within three months from the end of the reporting period.

### 42. SHORT-TERM FINANCING BILL PAYABLES

|  | As at 31 December |                   |
|--|-------------------|-------------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000   |
| Short-term financing bill payables ( <i>Note a</i> ) | 6,958,466         | 5,059,003         |
| Income certificates ( <i>Note b</i> )                | 138,337           | 11,196,483        |
|  | <b>7,096,803</b>  | <b>16,255,486</b> |
| Analysed as:   |                   |                   |
| Stock exchange                                       | 6,958,466         | 5,059,003         |
| Over the counter                                     | 138,337           | 11,196,483        |
|  | <b>7,096,803</b>  | <b>16,255,486</b> |

*Note a:* As at 31 December 2021 and 2020, short-term financing bill payables were unsecured and unguaranteed debt securities issued on the PRC Inter-bank market by the Company and were repayable within 1 year. As at 31 December 2021, the yields of all the outstanding short-term financing bill payables were ranged from 2.68% to 2.88% per annum (31 December 2020: 2.70% to 2.88%), respectively.

*Note b:* 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 authorisation to conduct income certificate business. As at 31 December 2021, the yields of all the outstanding income certificates were ranged from 2.1% to 4.2% per annum (31 December 2020: 2.1% to 10.0%), respectively.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 43. 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 2021, approximately RMB2,770 million (31 December 2020: RMB2,865 million) of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement were included in the Group's account payables to brokerage clients.

## 44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Analysed by collateral type                         |                   |                 |
| – Bonds   | 54,513,730        | 44,856,999      |
| – Funds   | 4,441,581         | 4,598,389       |
| – Advances to customers backed repurchase agreement | 3,786,682         | 3,405,495       |
|   | <b>62,741,993</b> | 52,860,883      |
| Analysed by market                                  |                   |                 |
| – Stock exchanges                                   | 28,542,159        | 19,923,402      |
| – Inter-bank market                                 | 27,344,526        | 26,024,019      |
| – Over the counter                                  | 6,855,308         | 6,913,462       |
|   | <b>62,741,993</b> | 52,860,883      |

Sales and repurchase agreements are transactions in which the Group sells a security or a series of advances to customers 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 and advances to customers 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.

As at December 31, 2021, the floating reference rate of financial assets sold under repurchase agreements was 3-month USD Libor (December 31, 2020: none).

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | As at 31 December |                   |
|---|-------------------|-------------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000   |
| Debt securities   | 1,976,300         | 2,254,363         |
| Gold borrowings   | 9,103,247         | 9,906,000         |
| Designated at fair value through profit or loss   |                   |                   |
| – Interests attributable to other holders of consolidated structured entities ( <i>Note a</i> ) | 2,012,657         | 1,262,526         |
| – Income certificates ( <i>Note b</i> )   | 2,674,736         | 468,543           |
| – Others ( <i>Note c</i> )  | 821,416           | 684,641           |
|   | <b>16,588,356</b> | <b>14,576,073</b> |

*Note a:* Interests attributable to other holders of consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

The realisation of third-party interests in the financial liabilities arising from consolidation of structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated structured entities held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

*Note b:* The income certificates were hybrid contracts containing embedded derivatives.

*Note c:* Others mainly include the structured note issued by a subsidiary of the Group. The balance of the structured note is linked to performance of the perpetual. The subsidiary of the Group and the Company irrevocably designates these financial liabilities as measured at FVTPL to eliminate an accounting mismatch.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. CONTRACT LIABILITIES

|   | As at 31 December   |  |
|---|---|--|
|   | 2021<br>RMB'000   | 2020<br>RMB'000                                |
| Asset and fund management services  | 8,211   | 17,118   |
| Sales of bulk commodity and others  | 83,202  | 387,006  |
|   | <b>91,413</b>   | <b>404,124</b>                                 |
|   | <b>Asset and fund<br/>management<br/>services<br/>RMB'000</b> | <b>Sales of bulk<br/>commodity<br/>RMB'000</b> |
| For the year ended 31 December 2021   |   |  |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 17,118  | 380,106  |
|   | <b>Asset and fund<br/>management<br/>services<br/>RMB'000</b> | <b>Sales of bulk<br/>commodity<br/>RMB'000</b> |
| For the year ended 31 December 2020   |   |  |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 14,078  | 186,432  |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 47. ACCRUED STAFF COSTS

|                                | As at 31 December |                  |
|--------------------------------|-------------------|------------------|
|                                | 2021<br>RMB'000   | 2020<br>RMB'000  |
| Salaries, bonus and allowances | 2,408,657         | 2,513,716        |
| Social welfares                | 1,203             | 1,454            |
| Annuity schemes                | 22,062            | 92,839           |
|                                | <b>2,431,922</b>  | <b>2,608,009</b> |

### 48. BORROWINGS

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Unsecured short-term borrowings repayable<br>within one year ( <i>Note a</i> ) | 558,645           | 579,732         |
|  | <b>558,645</b>    | <b>579,732</b>  |

*Note a:* Short-term bank borrowings are repayable within one year.

As at 31 December 2021, the unsecured bank borrowing, amounting to USD10 million (approximately RMB64 million respectively) and bearing a floating rate of 1 month LIBOR plus 1.89% per annum is repayable within one year.

As at 31 December 2021, the unsecured bank borrowing, amounting to HKD200 million (approximately RMB164 million respectively) and bearing a floating rate of 1 month HIBOR plus 1.7% per annum is repayable within one year.

As at 31 December 2021, the unsecured bank borrowing, amounting to USD20 million (approximately RMB128 million respectively) and bearing a floating rate of 3 month LIBOR plus 1.7% per annum is repayable within one year.

As at 31 December 2021, the unsecured bank borrowing, amounting to USD10 million (approximately RMB64 million respectively) and bearing a floating rate of 1 month LIBOR plus 1.3% per annum is repayable within one year.

As at 31 December 2021, the unsecured bank borrowing, amounting to HKD100 million (approximately RMB82 million respectively) and bearing a floating rate of 1 month HIBOR plus 1.7% per annum is repayable within one year.

As at 31 December 2021, the unsecured bank borrowing, amounting to RMB28 million and bearing a rate of 4.85% per annum is repayable within one year.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 48. BORROWINGS (Continued)

Note a: (Continued)

As at 31 December 2021, the unsecured bank borrowing, amounting to RMB27 million and bearing a rate of 4% per annum is repayable within one year.

As at 31 December 2021, the unsecured bank borrowing, amounting to RMB3 million and bearing a rate of 4% per annum is repayable within one year.

As at 31 December 2020, the unsecured bank borrowing, amounting to USD10 million (approximately RMB65 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 2020, the unsecured bank borrowing, amounting to HKD200 million (approximately RMB168 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 2020, the unsecured bank borrowing, amounting to USD20 million (approximately RMB130 million respectively) and bearing a floating rate of 3 month LIBOR plus 2% per annum is repayable within one year.

As at 31 December 2020, the unsecured bank borrowing, amounting to USD10 million (approximately RMB65 million respectively) and bearing a floating rate of 3 month LIBOR plus 1.1% per annum is repayable within one year.

As at 31 December 2020, the unsecured bank borrowing, amounting to RMB150 million and bearing a floating rate of 1 year LPR plus 1.0% per annum is repayable within one year.

### 49. LEASE LIABILITIES

|   | As at<br>31 December<br>2021<br>RMB'000 | As at<br>31 December<br>2020<br>RMB'000 |
|---|---|---|
| Lease liabilities payable:  |   |   |
| Within three months   | 83,029                                  | 80,978                                  |
| Within a period of more than three months but not more than one year  | 222,425                                 | 225,655                                 |
| Within a period of more than one year but not more than two years     | 276,507                                 | 235,211                                 |
| Within a period of more than two years but not more than three years  | 127,906                                 | 191,561                                 |
| Within a period of more than three years but not more than five years | 65,595                                  | 112,544                                 |
| Within a period of more than five years                               | 6,380                                   | 10,961                                  |
|   | <b>781,842</b>                          | <b>856,910</b>                          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 50. BOND PAYABLES

|                              | As at 31 December |                   |
|------------------------------|-------------------|-------------------|
|                              | 2021<br>RMB'000   | 2020<br>RMB'000   |
| Corporate bonds (Note a)     | 36,429,599        | 28,280,531        |
| Subordinated bonds (Note a)  | 20,601,787        | 17,414,768        |
| Income certificates (Note b) | 368,626           | 6,113,681         |
| Offshore bonds (Note a)      | 10,109,205        | 10,456,493        |
|                              | <b>67,509,217</b> | <b>62,265,473</b> |

| Name  |     | Issue amount  | Issue date | Maturity date | Coupon rate            |
|---|-----|---------------|------------|---------------|------------------------|
| 16 Orient Subordinated Bond <sup>(1)</sup>    | RMB | 4,000,000,000 | 14/11/2016 | 14/11/2021    | 3.45%                  |
| 17-2 Orient Subordinated Bond <sup>(2)</sup>  | RMB | 1,500,000,000 | 26/04/2017 | 26/04/2022    | 5.10%                  |
| 17-4 Orient Subordinated Bond <sup>(3)</sup>  | RMB | 1,500,000,000 | 15/05/2017 | 15/05/2022    | 5.35%                  |
| 17-2 Corporate Bond <sup>(4)</sup>            | RMB | 1,000,000,000 | 09/06/2017 | 09/06/2022    | 5.50%                  |
| 17-3 Corporate Bond <sup>(5)</sup>            | RMB | 4,000,000,000 | 03/08/2017 | 03/08/2027    | 4.98%                  |
| 17 Offshore USD Bond <sup>(6)</sup>           | USD | 500,000,000   | 30/11/2017 | 30/11/2022    | 3.625%                 |
| 17 Offshore USD Bond <sup>(7)</sup>           | USD | 250,000,000   | 22/03/2018 | 30/11/2022    | 3.625%                 |
| 20 Offshore USD Bond <sup>(8)</sup>           | USD | 160,000,000   | 13/10/2020 | 13/10/2023    | 2.40%                  |
| 19-1 Orient Subordinated Bond <sup>(9)</sup>  | RMB | 6,000,000,000 | 19/03/2019 | 19/03/2022    | 4.20%                  |
| 19-2 Orient Subordinated Bond <sup>(10)</sup> | RMB | 4,000,000,000 | 14/06/2019 | 14/06/2022    | 4.20%                  |
| 19 Offshore USD Bond <sup>(11)</sup>          | USD | 300,000,000   | 20/08/2019 | 20/08/2022    | 6 month<br>Libor+1.25% |
| 19 Offshore EUR Bond <sup>(12)</sup>          | EUR | 200,000,000   | 20/08/2019 | 20/08/2022    | 0.625%                 |
| 19 Offshore SGD Bond <sup>(13)</sup>          | SGD | 200,000,000   | 27/09/2019 | 27/09/2022    | 2.90%                  |
| 19 Corporate Bond <sup>(14)</sup>             | RMB | 4,900,000,000 | 25/11/2019 | 25/11/2022    | 3.50%                  |
| 20-1 Corporate Bond <sup>(15)</sup>           | RMB | 3,000,000,000 | 24/03/2020 | 24/03/2022    | 2.95%                  |
| 20-2 Corporate Bond <sup>(16)</sup>           | RMB | 4,000,000,000 | 18/06/2020 | 18/06/2023    | 3.45%                  |
| 20-3 Corporate Bond <sup>(17)</sup>           | RMB | 4,000,000,000 | 19/08/2020 | 19/08/2023    | 3.50%                  |
| 20-4 Corporate Bond <sup>(18)</sup>           | RMB | 3,500,000,000 | 28/09/2020 | 28/09/2023    | 3.75%                  |
| 20-5 Corporate Bond <sup>(19)</sup>           | RMB | 3,500,000,000 | 04/11/2020 | 04/11/2023    | 3.65%                  |
| 21-1 Orient Subordinated Bond <sup>(20)</sup> | RMB | 2,500,000,000 | 08/03/2021 | 08/03/2024    | 3.95%                  |
| 21-2 Orient Subordinated Bond <sup>(21)</sup> | RMB | 3,000,000,000 | 16/04/2021 | 16/04/2024    | 3.70%                  |
| 21-3 Orient Subordinated Bond <sup>(22)</sup> | RMB | 1,500,000,000 | 16/04/2021 | 16/04/2026    | 4.20%                  |
| 21-1 Corporate Bond <sup>(23)</sup>           | RMB | 4,000,000,000 | 27/01/2021 | 27/01/2024    | 3.60%                  |
| 21-2 Corporate Bond <sup>(24)</sup>           | RMB | 4,000,000,000 | 24/11/2021 | 24/11/2024    | 3.08%                  |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 50. BOND PAYABLES (Continued)

Note a:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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 5.50% with a maturity period of 5 years and the interest is paid annually.
- (5) 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.
- (6) 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.
- (7) Orient HuiZhi Limited, the Company's subsidiary in BVI, issued an 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.
- (8) Orient HuiZhi Limited, the Company's subsidiary in BVI, issued an Offshore USD Bond with par value of USD160 million (approximately RMB1,077 million) on 13 October 2020. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 2.40% with maturity date that is 13 October 2023 and the interest is paid semi-annually.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 50. BOND PAYABLES (Continued)

*Note a: (Continued)*

- (13) 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 2.90% and the interest is paid semi-annually.
- (14) As approved by the CSRC, the Company issued a corporate 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.
- (15) As approved by the CSRC, the Company issued a corporate bond with par value of RMB3 billion on 24 March 2020. The bond bears an interest rate of 2.95% with a maturity period of 2 years and the interest is paid annually.
- (16) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 18 June 2020. The bond bears an interest rate of 3.45% with a maturity period of 3 years and the interest is paid annually.
- (17) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 19 August 2020. The bond bears an interest rate of 3.50% with a maturity period of 3 years and the interest is paid annually.
- (18) As approved by the CSRC, the Company issued a corporate bond with par value of RMB3.5 billion on 28 September 2020. The bond bears an interest rate of 3.75% with a maturity period of 3 years and the interest is paid annually.
- (19) As approved by the CSRC, the Company issued a corporate bond with par value of RMB3.5 billion on 4 November 2020. The bond bears an interest rate of 3.65% with a maturity period of 3 years and the interest is paid annually.
- (20) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB2.5 billion on 8 March 2021. The bond bears an interest rate of 3.95% with a maturity period of 3 years and the interest is paid annually.
- (21) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB3 billion on 16 April 2021. The bond bears an interest rate of 3.70% with a maturity period of 3 years and the interest is paid annually.
- (22) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 16 April 2021. The bond bears an interest rate of 4.20% with a maturity period of 5 years and the interest is paid annually.
- (23) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 27 January 2021. The bond bears an interest rate of 3.60% with a maturity period of 3 years and the interest is paid annually.
- (24) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 24 November 2021. The bond bears an interest rate of 3.08% with a maturity period of 3 years and the interest is paid 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 authorised 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 2021, the yield of the outstanding income certificates was 3.40% per annum (31 December 2020: 3.20% to 4.25%).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 51. OTHER LIABILITIES

|  | As at 31 December |                  |
|--|-------------------|------------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000  |
| Other account payables   |                   |                  |
| – Payables for underwriting and products distribution fees     | 517,954           | 315,995          |
| – Settlement payables  | 208,879           | 260,589          |
| – Notes payable  | 525,986           | 257,200          |
| Other payables and accruals                                    |                   |                  |
| – VAT and other taxes  | 148,926           | 211,948          |
| – Payables for securities and futures investor protection fund | 41,627            | 38,735           |
| – Futures risk reserve   | 152,074           | 106,005          |
| – Dividends payable  | 80                | 80               |
| – Acting underwriting securities                               | –                 | 346,000          |
| – Deposit received from customers                              | 2,555,792         | 775,057          |
| – Others   | 615,631           | 759,211          |
|  | <b>4,766,949</b>  | <b>3,070,820</b> |

## 52. 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 2021, 31 December 2020 and 31 December 2021                    | 6,993,656 |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 53. OTHER EQUITY INSTRUMENT

|                             | As at 31 December |                 |
|-----------------------------|-------------------|-----------------|
|                             | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Perpetual subordinated bond | 5,000,000         | 5,000,000       |
|                             | 5,000,000         | 5,000,000       |

The Company issued a perpetual subordinated bond with a principal amount of RMB5 billion in August 2020, with the initial interest rate of 4.75% per annum.

The perpetual subordinated bond is unsecured. The interest rate for perpetual subordinated bond is repriced every five years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300 basis points. The current base rate is defined as the average yield of 5 years treasury from the bond yield curve published on China Bond website 5 working days before the repricing date of interest rate. Upon the maturity of every repricing cycle, the Company has the option to extend the maturity of the bond for another repricing cycle, or redeem the bond entirely.

The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the Company may choose to defer the interest payment to the next payment date for the current year as well as all interests and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. The mandatory interest payment events are limited to dividend distributions to ordinary shareholders of the Company and reductions of registered capital within 12 months before the interest payment date.

The perpetual subordinated bond issued by the Company is classified and presented as other equity instrument in the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 54. 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.

The movements of the capital reserve of the Group are set out below:

|                        | Opening<br>RMB'000 | Addition<br>RMB'000 | Closing<br>RMB'000 |
|------------------------|--------------------|---------------------|--------------------|
| Share premium          | 28,251,705         | –                   | 28,251,705         |
| Other capital reserve  | 59,699             | 41,921              | 101,620            |
| As at 31 December 2021 | 28,311,404         | 41,921              | 28,353,325         |
| Share premium          | 28,251,705         | –                   | 28,251,705         |
| Other capital reserve  | 3,225              | 56,474              | 59,699             |
| As at 31 December 2020 | 28,254,930         | 56,474              | 28,311,404         |

For the year ended 31 December 2020, the Shanghai Bureau of CSRC (the “SHCSRC”) approved the transfer of 33.33% of the equity interests in the Citi Orient Securities Co., Ltd (the “Citi Orient”) from the Citigroup Global Markets Asia Limited (the “Citigroup Asia”) to the Company and changes on the key terms in the articles of association of the Citi Orient (SHCSRC [2019]465). The industrial and commercial registration of the subsidiary has been changed and the consideration has been paid by the Company accordingly during the year ended 2020. The difference of the consideration and non-controlling interests amounting to RMB11,928 thousand was recorded in capital reserve upon completion of this transaction.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 54. 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 capitalisation, in accordance with the Company's articles of association or as approved by the shareholders in a shareholders' general meeting.

|                                     | Opening<br>RMB'000 | Addition<br>RMB'000 | Closing<br>RMB'000 |
|-------------------------------------|--------------------|---------------------|--------------------|
| Statutory reserve                   | 2,825,200          | 323,169             | 3,148,369          |
| Discretionary reserve               | 850,948            | –                   | 850,948            |
| For the year ended 31 December 2021 | 3,676,148          | 323,169             | 3,999,317          |
| Statutory reserve                   | 2,671,561          | 153,639             | 2,825,200          |
| Discretionary reserve               | 774,128            | 76,820              | 850,948            |
| For the year ended 31 December 2020 | 3,445,689          | 230,459             | 3,676,148          |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 54. 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 2020.

Pursuant to the Securities Law of the PRC, the Company has appropriated 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, Shanghai Orient Securities Futures Co., Ltd. is required to appropriate 10% of net profit from retained profits as general risk reserve.

In accordance with the requirements of the guidance of CSRC about regulating financial institutions in the asset management business for collective asset management business of securities, Orient Securities Asset Management Co., Ltd. has appropriated 10% of asset and fund management fee income from large-size collective assets management business as general risk reserve.

The movements of general reserve of the Group are set out below:

|  | Opening<br>RMB'000 | Addition<br>RMB'000 | Closing<br>RMB'000 |
|--|--------------------|---------------------|--------------------|
| General risk reserve                       | 4,112,322          | 843,829             | 4,956,151          |
| Transaction risk reserve                   | 4,578,775          | 493,707             | 5,072,482          |
| <b>For the year ended 31 December 2021</b> | <b>8,691,097</b>   | <b>1,337,536</b>    | <b>10,028,633</b>  |
| General risk reserve                       | 3,661,478          | 450,844             | 4,112,322          |
| Transaction risk reserve                   | 4,336,198          | 242,577             | 4,578,775          |
| <b>For the year ended 31 December 2020</b> | <b>7,997,676</b>   | <b>693,421</b>      | <b>8,691,097</b>   |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 54. RESERVES (Continued)

#### (4) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group and are set out below:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| At beginning of year   | 144,398           | 498,898         |
| Equity instruments at FVTOCI:  |                   |                 |
| Net fair value changes during the year   | 448,732           | (64,468)        |
| Income tax related to net fair value changes during the year   | (112,183)         | 16,117          |
| Debt instruments at FVTOCI:  |                   |                 |
| Net fair value changes during the year   | 522,967           | (218,062)       |
| Income tax related to net fair value changes during the year   | (130,742)         | 54,515          |
| Reclassification adjustment to profit or loss on disposal  | (216,608)         | (363,353)       |
| Reclassification adjustment to profit or loss<br>on expected credit loss                                       | (39,019)          | 147,842         |
| Income tax related to reclassification adjustment to<br>profit or loss during the year                         | 63,907            | 53,878          |
| Share of fair value losses on debt instruments<br>at FVTOCI of associates                                      | (6,788)           | (9,682)         |
| Transfer to retained profits for cumulative fair value change of<br>equity instruments at FVTOCI upon disposal | 89,657            | 28,713          |
| At end of year   | 764,321           | 144,398         |

#### (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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 55. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| At beginning of year  | 7,494,952         | 6,773,604       |
| Profit for the year   | 5,371,496         | 2,722,989       |
| Appropriation to surplus reserve  | (323,169)         | (230,459)       |
| Appropriation to general reserve  | (1,337,536)       | (693,421)       |
| Dividends recognised as distribution  | (1,748,414)       | (1,049,048)     |
| Transfer to retained profit as to cumulative fair value losses<br>of equity instruments at FVTOCI | (89,657)          | (28,713)        |
| Distribution to holders of other equity instrument  | (237,500)         | –               |
| At end of year  | 9,130,172         | 7,494,952       |

Details of the dividends are set out in Note 56.

### 56. DIVIDENDS

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Dividends recognised as distribution               | 1,748,414         | 1,049,048       |
| Distribution to holders of other equity instrument | 237,500           | –               |
|  | 1,985,914         | 1,049,048       |

During the year ended 31 December 2021, a final dividend of RMB2.50 (tax inclusive) per 10 shares in respect of the year ended 31 December 2020 (2020: RMB1.50 (tax inclusive) per 10 shares in respect of the year ended 31 December 2019) was declared.

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: final dividend in respect of the year ended 31 December 2020 of RMB2.50 (tax inclusive) per 10 shares, in an aggregate amount RMB1.75 billion).

During the year ended 31 December 2021, dividend of the Group on perpetual subordinated bond amounted to RMB237,500 thousand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 57. 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. As 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 2021

|  | Financial<br>assets at<br>fair value<br>through<br>profit or loss<br>RMB'000 | Debt<br>instruments<br>at FVTOCI<br>RMB'000 | Equity<br>instruments<br>at FVTOCI<br>RMB'000 | Advances to<br>customers<br>RMB'000 | Financial<br>assets held<br>under<br>resale<br>agreements<br>RMB'000 | Debt<br>instruments<br>measured at<br>amortised<br>cost<br>RMB'000 | Securities<br>borrowing<br>arrangements<br>RMB'000 | Total<br>RMB'000 |
|--|--|---|---|-------------------------------------|--|--|--|------------------|
| Carrying amount of<br>transferred assets     | 34,958,202   | 26,900,177                                  | 353,035                                       | 4,242,188                           | -  | 3,374,210  | 748,894  | 70,576,706       |
| Carrying amount of<br>associated liabilities | 31,414,808   | 23,421,081                                  | 311,814                                       | 3,786,682                           | -  | 3,193,730  | 613,878  | 62,741,993       |
| Net position                                 | 3,543,394  | 3,479,096                                   | 41,221  | 455,506                             | -  | 180,480  | 135,016  | 7,834,713        |



# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 57. TRANSFERS OF FINANCIAL ASSETS (Continued)

#### Repurchase agreements (Continued)

As at 31 December 2020

|  | Financial<br>assets at<br>fair value<br>through<br>profit or loss<br>RMB'000 | Debt<br>instruments<br>at FVTOCI<br>RMB'000 | Equity<br>instruments<br>at FVTOCI<br>RMB'000 | Advances to<br>customers<br>RMB'000 | Financial<br>assets held<br>under<br>resale<br>agreements<br>RMB'000 | Debt<br>instruments<br>measured at<br>amortised<br>cost<br>RMB'000 | Securities<br>borrowing<br>arrangements<br>RMB'000 | Total<br>RMB'000 |
|--|--|---|---|-------------------------------------|--|--|--|------------------|
| Carrying amount of<br>transferred assets     | 20,005,340   | 24,840,196                                  | 1,686,324                                     | 3,819,546                           | 1,126,521  | 4,842,861  | 1,617,533  | 57,938,321       |
| Carrying amount of<br>associated liabilities | 17,695,804   | 23,331,985                                  | 1,503,704                                     | 3,405,496                           | 1,125,676  | 4,431,953  | 1,366,265  | 52,860,883       |
| Net position                                 | 2,309,536  | 1,508,211                                   | 182,620                                       | 414,050                             | 845  | 410,908  | 251,268  | 5,077,438        |

#### 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 at FVTOCI of carrying amount totaling RMB461 million and RMB574 million as at 31 December 2021 and 2020, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 58. 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 2021 and 2020 are set out below:

For the year ended 31 December 2021

| Name  | Independent director and supervisor fee*<br>RMB'000 | Salary and allowances<br>RMB'000 | Employer's contribution to pension schemes<br>RMB'000 | Discretionary bonuses<br>RMB'000 | Total<br>RMB'000 |
|---|---|----------------------------------|---|----------------------------------|------------------|
| <b>Executive Directors:</b>                 |   |                                  |   |                                  |                  |
| Song Xuefeng <sup>(a)</sup>                 | -   | -                                | -   | -                                | -                |
| Jin Wenzhong <sup>(a)</sup>                 | -   | 993                              | 226   | 2,102                            | 3,321            |
| <b>Non-executive Directors:</b>             |   |                                  |   |                                  |                  |
| Yu Xuechun <sup>(c)</sup>                   | -   | -                                | -   | -                                | -                |
| Liu Wei <sup>(d)</sup>                      | -   | -                                | -   | -                                | -                |
| Zhou Donghui <sup>(e)</sup>                 | -   | -                                | -   | -                                | -                |
| Chen Feng <sup>(c)</sup>                    | -   | -                                | -   | -                                | -                |
| Ren Zhixiang <sup>(c)</sup>                 | -   | -                                | -   | -                                | -                |
| Zhu Jing <sup>(f)</sup>                     | -   | 660                              | 226   | 2,115                            | 3,001            |
| Li Xiang <sup>(g)</sup>                     | -   | -                                | -   | -                                | -                |
| Xia Jinghan <sup>(h)</sup>                  | -   | -                                | -   | -                                | -                |
| Xu Jianguo <sup>(i)</sup>                   | -   | -                                | -   | -                                | -                |
| <b>Independent Non-executive Directors:</b> |   |                                  |   |                                  |                  |
| Xu Zhiming <sup>(j)</sup>                   | 160   | -                                | -   | -                                | 160              |
| Jin Qinglu <sup>(k)</sup>                   | 190   | -                                | -   | -                                | 190              |
| Wu Hong <sup>(l)</sup>                      | 190   | -                                | -   | -                                | 190              |
| Feng Xingdong <sup>(l)</sup>                | 160   | -                                | -   | -                                | 160              |
| Luo Xinyu <sup>(m)</sup>                    | 107   | -                                | -   | -                                | 107              |
| He Xuan <sup>(n)</sup>                      | 40  | -                                | -   | -                                | 40               |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2021 and 2020 are set out below: (Continued)

For the year ended 31 December 2021 (Continued)

| Name                         | Independent director and supervisor fee*<br>RMB'000 | Salary and allowances<br>RMB'000 | Employer's contribution to pension schemes<br>RMB'000 | Discretionary bonuses<br>RMB'000 | Total<br>RMB'000 |
|------------------------------|---|----------------------------------|---|----------------------------------|------------------|
| <b>Supervisors:</b>          |   |                                  |   |                                  |                  |
| Zhang Qian <sup>(o)</sup>    | -   | -                                | -   | -                                | -                |
| Du Weihua <sup>(p)</sup>     | -   | 793                              | 213   | 2,544                            | 3,550            |
| Wu Junhao <sup>(q)</sup>     | -   | -                                | -   | -                                | -                |
| Zhang Jian <sup>(r)</sup>    | -   | -                                | -   | -                                | -                |
| Shen Guangjun <sup>(r)</sup> | -   | -                                | -   | -                                | -                |
| Tong Jie <sup>(s)</sup>      | -   | -                                | -   | -                                | -                |
| Xia Lijun <sup>(t)</sup>     | 83  | -                                | -   | -                                | 83               |
| Ruan Fei <sup>(t)</sup>      | -   | 615                              | 226   | 1,853                            | 2,694            |
| Ding Yan <sup>(t)</sup>      | -   | 585                              | 217   | 1,675                            | 2,477            |
| Huang Laifang <sup>(u)</sup> | -   | -                                | -   | -                                | -                |
| Liu Wenbin <sup>(v)</sup>    | -   | -                                | -   | -                                | -                |
| Yin Keding <sup>(w)</sup>    | -   | -                                | -   | -                                | -                |
| Wu Zhengkui <sup>(x)</sup>   | -   | -                                | -   | -                                | -                |
| Zhou Wenwu <sup>(y)</sup>    | -   | 205                              | -   | 30                               | 235              |
| Yao Yuan <sup>(w)</sup>      | -   | 212                              | -   | 30                               | 242              |
|                              | 930   | 4,063                            | 1,108   | 10,349                           | 16,450           |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2020

| Name  | Independent director and supervisor fee*<br>RMB'000 | Salary and allowances<br>RMB'000 | Employer's contribution to pension schemes<br>RMB'000 | Discretionary bonuses<br>RMB'000 | Total<br>RMB'000 |
|---|---|----------------------------------|---|----------------------------------|------------------|
| <b>Executive Directors:</b>                 |   |                                  |   |                                  |                  |
| Pan Xinjun <sup>(z)</sup>                   | –   | 800                              | –   | 2,157                            | 2,957            |
| Jin Wenzhong <sup>(b)</sup>                 | –   | 960                              | 115   | 2,157                            | 3,232            |
| <b>Non-executive Directors:</b>             |   |                                  |   |                                  |                  |
| Chen Bin <sup>(aa)</sup>                    | –   | –                                | –   | –                                | –                |
| Li Xiang <sup>(g)</sup>                     | –   | –                                | –   | –                                | –                |
| Wu Junhao <sup>(q)</sup>                    | –   | –                                | –   | –                                | –                |
| Xu Jianguo <sup>(i)</sup>                   | –   | –                                | –   | –                                | –                |
| Liu Wei <sup>(d)</sup>                      | –   | –                                | –   | –                                | –                |
| Xia Jinghan <sup>(h)</sup>                  | –   | –                                | –   | –                                | –                |
| Chen Xiaobo <sup>(bb)</sup>                 | –   | 683                              | –   | 1,921                            | 2,604            |
| Zhou Donghui <sup>(e)</sup>                 | –   | –                                | –   | –                                | –                |
| <b>Independent Non-executive Directors:</b> |   |                                  |   |                                  |                  |
| Xu Guoxiang <sup>(cc)</sup>                 | 160   | –                                | –   | –                                | 160              |
| Tao Xiuming <sup>(dd)</sup>                 | 160   | –                                | –   | –                                | 160              |
| Wei Anning <sup>(dd)</sup>                  | 190   | –                                | –   | –                                | 190              |
| Jin Qinglu <sup>(k)</sup>                   | 190   | –                                | –   | –                                | 190              |
| Xu Zhiming <sup>(k)</sup>                   | 160   | –                                | –   | –                                | 160              |
| Wu Hong <sup>(i)</sup>                      | 16  | –                                | –   | –                                | 16               |
| Feng Xingdong <sup>(l)</sup>                | 13  | –                                | –   | –                                | 13               |
| He Xuan <sup>(n)</sup>                      | 13  | –                                | –   | –                                | 13               |
| <b>Supervisors:</b>                         |   |                                  |   |                                  |                  |
| Zhang Qian <sup>(o)</sup>                   | –   | –                                | –   | –                                | –                |
| Li Bin <sup>(ee)</sup>                      | –   | 64                               | –   | –                                | 64               |
| Liu Wenbin <sup>(v)</sup>                   | –   | –                                | –   | –                                | –                |
| Yin Keding <sup>(w)</sup>                   | –   | –                                | –   | –                                | –                |
| Wu Zhengkui <sup>(x)</sup>                  | –   | –                                | –   | –                                | –                |
| Huang Laifang <sup>(u)</sup>                | –   | –                                | –   | –                                | –                |
| Tong Jie <sup>(s)</sup>                     | –   | –                                | –   | –                                | –                |
| Du Weihua <sup>(p)</sup>                    | –   | 768                              | 105   | 2,118                            | 2,991            |
| Zhou Wenwu <sup>(y)</sup>                   | –   | 820                              | 112   | 1,841                            | 2,773            |
| Yao Yuan <sup>(w)</sup>                     | –   | 835                              | 112   | 2,733                            | 3,680            |
|   | 902   | 4,930                            | 444   | 12,927                           | 19,203           |

\* The amount of director fee was nil, except for the independent director fee disclosed.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

- a. Song Xuefeng was appointed as director in March 2021.
- b. Jin Wenzhong was appointed as director in September 2010. Jin Wenzhong was appointed as chairman of the board in March 2021.
- c. Yu Xuechun, Chen Feng and Ren Zhixiang were appointed as independent director in March 2021.
- d. Liu Wei was appointed as director in March 2018.
- e. Zhou Donghui was appointed as director in May 2020.
- f. Zhu Jing was appointed as director in March 2021.
- g. Li Xiang was appointed as director in October 2014 and resigned in March 2021.
- h. Xia Jinghan was appointed as director in March 2018, and resigned in March 2021.
- i. Xu Jianguo was appointed as director in November 2016, and resigned in March 2021.
- j. Xu Zhiming was appointed as independent director in September 2015. The appointment took effect in July 2016.
- k. Jin Qinglu was appointed as independent director in October 2017.
- l. Wu Hong and Feng Xingdong were appointed as independent director in December 2020.
- m. Luo Xinyu was appointed as independent director in May 2021.
- n. He Xuan was appointed as independent director in December 2020, and resigned in March 2021.
- o. 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.
- p. Du Weihua was appointed as director in March 2018, and resigned in February 2020. Du Weihua was appointed as supervisor in February 2020.
- q. Wu Junhao was appointed as director in March 2011, and resigned in March 2021. Wu Junhao was appointed as supervisor in March 2021.
- r. Zhang Jian and Shen Guangjun were appointed as director in March 2021.
- s. Tong Jie was appointed as supervisor in March 2018.
- t. Ruan Fei, Ding Yan and Xia Lijun were appointed as supervisor in March 2021.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

- u. Huang Laifang was appointed as director in May 2016, and resigned in March 2018. Huang Laifang was appointed as supervisor in March 2018, and resigned in March 2021.
- v. Liu Wenbin was appointed as supervisor in March 2011 and resigned in March 2021.
- w. Yin Keding and Yao Yuan were appointed as supervisor in October 2014, and resigned in March 2021.
- x. Wu Zhengkui was appointed as supervisor in March 2012 and resigned in March 2021.
- y. Zhou Wenwu was appointed as supervisor in August 2015, and resigned in March 2021.
- z. Pan Xinjun was appointed as chairman of the board in January 2010, and resigned in October 2020.
- aa. Chen Bin was appointed as director in October 2014, and resigned in March 2020.
- bb. Chen Xiaobo was appointed as director in March 2020, and resigned in November 2020.
- cc. Xu Guoxiang was appointed as independent director in August 2014, and resigned in August 2020.
- dd. Tao Xiuming and Wei Anning were appointed as independent director in October 2014, and resigned in October 2020.
- ee. Li Bin was appointed as supervisor in November 2014, and resigned in February 2020.

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 2021 are actually performance bonus in 2020.

For the year ended 31 December 2021 and 2020, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 59. COMMITMENTS AND CONTINGENT LIABILITY

### Capital commitments

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Capital expenditure in respect of acquisition of property and equipment:<br>Contracted but not provided for | 38,384            | 49,321          |

## 60. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 58. Details of the remuneration of the five highest paid employees during the year ended 2021 and 2020 are as follows:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Basic salaries and allowances              | 9,799             | 13,513          |
| Discretionary bonuses                      | 47,511            | 85,248          |
| Employer's contribution to pension schemes | 1,600             | 115             |
|  | 58,910            | 98,876          |

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 2021 and 2020.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 60. HIGHEST PAID INDIVIDUALS (Continued)

The emoluments of the highest-paid individuals of the Group fall within the following bands:

|                                  | Number of individuals |      |
|----------------------------------|-----------------------|------|
|                                  | 2021                  | 2020 |
| Emolument bands                  |                       |      |
| – RMB9,500,001 to RMB10,000,000  | 2                     | –    |
| – RMB10,500,001 to RMB11,000,000 | 1                     | –    |
| – RMB12,500,001 to RMB13,000,000 | 1                     | –    |
| – RMB14,500,001 to RMB15,000,000 | –                     | 1    |
| – RMB15,000,001 to RMB15,500,000 | –                     | 1    |
| – RMB15,500,001 to RMB16,000,000 | 1                     | –    |
| – RMB18,000,001 to RMB18,500,000 | –                     | 1    |
| – RMB23,500,001 to RMB24,000,000 | –                     | 1    |
| – RMB26,500,001 to RMB27,000,000 | –                     | 1    |
|                                  | 5                     | 5    |

### 61. 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<br>As at 31 December |           |
|--|--|-----------|
|  | 2021<br>%                                      | 2020<br>% |
| 申能(集團)有限公司<br>Shenergy (Group) Company Limited | 25.27  | 25.27     |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 61. 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 38.

#### *The Group and associates*

The details of the associates of the Group is set out in Note 32.

### (2) Related party transaction and balances

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions and balances:

As at 31 December 2021 and 2020, the Group had the following material balances with the major shareholder and entities under its control:

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Account payables to brokerage clients                   |                   |                 |
| – Shenergy Group Finance Company Limited*               | 4,622             | 9,865           |
| – Shanghai Dazhong Gas Co., Ltd.*                       | 4                 | 5,922           |
| – Shanghai Jiu Lian Group Co., Ltd.*                    | 491               | 12,665          |
| – Shenergy (Group) Company Limited                      | 10,282            | 14              |
| – Shanghai Shenergy Property Management Co., Ltd.*      | 14                | 14              |
| – Shanghai Gas (Group) Co., Ltd.*                       | 1                 | 8               |
| – Shanghai Shenergy ICY Capital Co., Ltd.               | –                 | 7               |
| – Shanghai Shibe Gas Co., Ltd.                          | 5                 | 5               |
| – Shanghai Shenergy Innovation & Development Co., Ltd.* | 617               | –               |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### (2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2021 and 2020, the Group had the following material transactions with the major shareholder and entities under its control:

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Commission and fee income   |                   |                 |
| – Shenergy Company Limited  | 666               | 66              |
| – Shenergy (Group) Company Limited                                | 4,717             | 177             |
| – Shanghai Gas (Group) Co., Ltd.*                                 | 1,500             | –               |
| – Shenergy Group Finance Company Limited*                         | 103               | 107             |
| – Shanghai Jiu Lian Group Co., Ltd.*                              | 43                | 131             |
| – Shanghai Shenergy ICY Capital Co., Ltd.                         | –                 | 2               |
| – Shanghai Shenergy Financial Leasing Co., Ltd.*                  | 870               | –               |
| – Shanghai International Superconducting<br>Technology Co., Ltd.* | 566               | –               |
| – Shanghai Liquefied Natural Gas Co., Ltd.*                       | 1,161             | –               |
| Interest expenses   |                   |                 |
| – Shanghai Dazhong Gas Co., Ltd.*                                 | 15                | 18              |
| – Shenergy Group Finance Company Limited*                         | 32                | 20              |
| – Shanghai Gas (Group) Co., Ltd.*                                 | 12                | 13              |
| – Shenergy (Group) Company Limited                                | 49                | 65              |
| – Shenergy Company Limited  | 27                | 17              |
| – Shanghai Jiu Lian Group Co., Ltd.*                              | 68                | 24              |
| – Shanghai Shenergy ICY Capital Co., Ltd.                         | –                 | 11              |
| – Shenergy Carbon Technology Co., Ltd.*                           | –                 | 2               |
| – Shanghai Shenergy Innovation & Development Co., Ltd.*           | 1                 | –               |
| Other operating expenses  |                   |                 |
| – Shanghai Shenergy Property Management Co., Ltd.*                | 19,899            | 17,523          |
| – Shanghai Dazhong Gas Co., Ltd.*                                 | 253               | 147             |
| Net investment gains  |                   |                 |
| – Shanghai Shenergy ICY Capital Co., Ltd.                         | –                 | 2,938           |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### (2) Related party transaction and balances *(Continued)*

As at 31 December 2021 and 2020, the Group had the following material balances with associates:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Account payables to brokerage clients  |                   |                 |
| – China Universal  | 2,001             | 2,085           |
| – Haining Orient Securities Lanhai Merge Investment Partnership LLP.*                        | 4                 | 38              |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*               | 2,120             | 1,245           |
| – Chengtay financial leasing (Shanghai) Co., Ltd   | 597               | –               |
| – Nantong Dongzhen Fuxiang Equity Investment Center LLP.*                                    | 483               | –               |
| Other receivables  |                   |                 |
| – Shanghai Orient Securities Chunyi Investment Center LLP.*                                  | 9,849             | 9,849           |
| – China Universal  | 3,342             | 9,658           |
| – Nantong Dongzhen Fuxiang Equity Investment Center LLP.*                                    | 5,920             | –               |
| Other account payables   |                   |                 |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*               | 1,814             | 2,123           |
| – Zhuhai Hengqin Dongzheng YunQi Science and Technology Venture Investment Partnership LLP.* | 308               | –               |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

As at 31 December 2021 and 2020, the Group had the following material balances of products managed by associates:

|                                       | As at 31 December |                 |
|---------------------------------------|-------------------|-----------------|
|                                       | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Financial assets at FVTPL             |                   |                 |
| – China Universal                     | 642,138           | 955,227         |
| – Shanghai Dongkai Capital Co., Ltd.* | 151,716           | 132,177         |

As at 31 December 2021 and 2020, the Group had the following material balances of securities issued by associates:

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Financial assets at FVTPL                         |                   |                 |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | 88,817            | 289,116         |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### (2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2021 and 2020, the Group had the following material transactions with associates:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Commission and fee income  |                   |                 |
| – China Universal  | 329,401           | 276,650         |
| – Haining Orient Securities Lanhai Merge Investment Partnership LLP.*                        | 5,695             | 14,185          |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd.  | 236               | 104             |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*               | 8,799             | 7,642           |
| – Nantong Dongzhen Fuxiang Equity Investment Center LLP.*                                    | 5,585             | 5,585           |
| – Chengdu Jiaozi Oriental Investment Development Partnership LLP.*                           | 8,491             | 7,336           |
| – Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP.*                               | 4,537             | 2,024           |
| – Zhuhai Hengqin Dongzheng YunQi Science and Technology Venture Investment Partnership LLP.* | 894               | –               |
| Interest expenses  |                   |                 |
| – China Universal  | 8                 | 10              |
| – Haining Orient Securities Lanhai Merge Investment Partnership LLP.*                        | 72                | 32              |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*               | 6                 | 2               |
| – Nantong Dongzhen Fuxiang Equity Investment Center LLP.*                                    | 1                 | –               |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd.  | 2                 | –               |
| Net investment gains   |                   |                 |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd.  | 1,037             | 12,951          |
| – Shanghai Dongkai Investment Management Co., Ltd.*  | 13,682            | 2,875           |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

As at 31 December 2021 and 2020, the Group had the following material balances with other related parties\*\*:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Account payables to brokerage clients          |                   |                 |
| – Shanghai Construction Group., Ltd.           | 246               | 16              |
| – Shanghai Shangbao Asset Management Co., Ltd. | 3                 | 14,702          |
| – Greenland Group                              | 4                 | 183             |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (2) Related party transaction and balances *(Continued)*

As at 31 December 2021 and 2020, the Group had the following material balances of securities issued by other related parties\*\*:

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Financial assets at FVTPL                                       |                   |                 |
| – Great Wall Fund Management Co., Ltd.                          | 230,498           | 279,866         |
| – Haitong Securities Co., Ltd.                                  | 2,327             | 13,670          |
| – Shanghai Construction Group., Ltd.                            | 222,866           | 67              |
| – China Pacific Insurance (Group) Co., Ltd.                     | 1,641             | 22,138          |
| – Greenland Group   | 248               | 215             |
| – Shanghai Qizhong Garden Golf Club.                            | 20,134            | 15,732          |
| – Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | 84                | 17              |
| – Jiangsu Financial Leasing Co., Ltd.                           | 97                | 35              |
| – China Zheshang Bank Co., Ltd.                                 | 256               | 111             |
| – East Money Information Co., Ltd.                              | 33,285            | 16,371          |
| – Shanghai Sanyou Medical Co., Ltd                              | 59,999            | –               |
| Equity instruments at FVTOCI                                    |                   |                 |
| – Shanghai Construction Group., Ltd.                            | –                 | 166,785         |
| Debt instruments at FVTOCI                                      |                   |                 |
| – Shanghai XinHua Distribution Group Co., Ltd.                  | –                 | 51,018          |
| – China Pacific Property Insurance Co., Ltd.                    | 106,213           | 106,409         |
| – Shanghai Shangbao Asset Management Co., Ltd.                  | 40,445            | 40,445          |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### (2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2021 and 2020, the Group had the following material transactions with other related parties\*\*:

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Commission and fee income                                       |                   |                 |
| – Great Wall Fund Management Co., Ltd.                          | 4,479             | 3,462           |
| – Shanghai XinHua Distribution Group Co., Ltd.                  | –                 | 27              |
| – Shanghai Construction Group., Ltd.                            | 4,099             | 820             |
| – Zhejiang Energy Group CP Ltd.                                 | –                 | 218             |
| – Orient International Group Shanghai Investment Co., Ltd.      | –                 | 8               |
| – Shanghai Orient Xindeyizhang Public Welfare Foundation.*      | 15                | 8               |
| – Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | 54                | –               |
| – Shanghai Shangbao Asset Management Co., Ltd.                  | 426               | –               |
| – Zhejiang Energy Capital Holdings Limited*                     | 109               | –               |
| Interest income   |                   |                 |
| – China Pacific Property Insurance Co., Ltd.                    | 4,824             | 4,838           |
| – Shanghai XinHua Distribution Group Co., Ltd.                  | 1,167             | 3,179           |
| – Shanghai Shangbao Asset Management Co., Ltd.                  | 1,547             | 1,543           |
| – Greenland Group   | –                 | 457             |
| – Zhejiang Energy Group CP Ltd.                                 | 1                 | –               |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

### (2) Related party transaction and balances (Continued)

For the year ended 31 December 2021 and 2020, the Group had the following material transactions with other related parties\*\*:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Net investment gains/(losses)                                      |                   |                 |
| – Shanghai Construction Group., Ltd.                               | 7,971             | 7,758           |
| – Haitong Securities Co., Ltd.                                     | (2,691)           | (899)           |
| – Great Wall Fund Management Co., Ltd.                             | 8,780             | 6,623           |
| – China Pacific Insurance (Group) Co., Ltd.                        | 2,930             | (1,172)         |
| – Greenland Group  | (39)              | (138)           |
| – Shanghai Jinqiao Export Processing Zone<br>Development Co., Ltd. | (53)              | (3)             |
| – Jiangsu Financial Leasing Co., Ltd.                              | (77)              | 12              |
| – China Zheshang Bank Co., Ltd.                                    | (6)               | 3               |
| – Shanghai Sanyou Medical Co., Ltd.                                | 133               | –               |
| – East Money Information Co., Ltd.                                 | 4,930             | 10,662          |
| – Zhejiang Energy Group CP Ltd.                                    | (9)               | –               |
| Interest expenses  |                   |                 |
| – Shanghai Construction Group., Ltd.                               | 246               | 68              |
| – Shanghai Shangbao Asset Management Co., Ltd.                     | 1                 | –               |
| – Greenland Group  | 5                 | 633             |
| – Orient International Group Shanghai Investment Co., Ltd.         | –                 | 1               |
| – Shanghai Orient Xindeyizhang Public Welfare Foundation.*         | –                 | 2               |
| – Zhejiang Energy Capital Holdings Limited*                        | 19                | –               |
| Other operating expenses   |                   |                 |
| – China Pacific Property Insurance Co., Ltd.                       | 436               | 630             |
| – Haitong Securities Co., Ltd.                                     | 75                | 75              |
| – Shanghai Orient Xindeyizhang Public Welfare Foundation.*         | 6                 | 9               |
| – East Money Information Co.,Ltd.                                  | 1,604             | 283             |
| Commission and fee expenses  |                   |                 |
| – Shanghai Orient Xindeyizhang Public Welfare Foundation.*         | 9                 | 32              |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### (2) Related party transaction and balances *(Continued)*

\* 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 2021.

Please refer to Note 54 for the details of the transfer of 33.33% of the equity interests in the Citi Orient from the Citigroup Asia to the Company for the year ended 31 December 2020.

#### (3) Key management personnel

Remuneration for key management personnel of the Group are as follows:

|  | As at 31 December |                 |
|--|-------------------|-----------------|
|  | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Short-term benefits:                                     |                   |                 |
| Salaries, allowance and bonuses                          | 32,895            | 40,053          |
| Post-employment benefits:                                |                   |                 |
| Employer's contribution to pension schemes/annuity plans | 2,172             | 887             |
|  | <b>35,067</b>     | <b>40,940</b>   |

The amounts of bonus paid and disclosed for the year ended 31 December 2021 are actually performance bonus in 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (4) Guarantees provided by the Group

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.

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.

In May 2020, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD50 million amounts of guarantee facilities to Orient Securities International Financial Group Limited to obtain bank credit with the maturity date in June 2022.

In July 2020, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD150 million amounts of non-financing guarantee facilities to Orient International Investment Products Limited.

In July 2020, Orient Finance Holdings (Hong Kong) Limited agreed to provide the HKD760 million amounts of guarantee facilities to Orient Securities International Financial Group Limited to obtain bank credit with the maturity date in October 2022.

In October 2020, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD172 million amounts of guarantee in respect of bonds with the maturity date in October 2023, issued by the Orient HongSheng Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited which is the Company's wholly-owned subsidiary.

In June 2021, Orient Finance Holdings (Hong Kong) Limited agreed to provide the HKD100 million amounts of guarantee facilities to Orient Securities (Hong Kong) Limited to obtain bank credit.

In June 2021, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD1000 million amounts of non-financing guarantee facilities to Orient International Investment Products Limited.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

|   | As at 31 December  |                    |
|---|--------------------|--------------------|
|   | 2021<br>RMB'000    | 2020<br>RMB'000    |
| Cash and bank balances  | 33,889,308         | 30,827,925         |
| Clearing settlement funds   | 8,015,637          | 6,665,102          |
| Deposits with exchanges and financial institutions                  | 1,360,911          | 1,368,645          |
| Derivative financial assets   | 214,017            | 140,086            |
| Placements to financial institutions                                | 382,833            | –                  |
| Advances to customers   | 24,011,204         | 20,945,414         |
| Account receivables   | 291,215            | 236,450            |
| Financial assets held under resale agreements                       | 9,970,767          | 14,114,677         |
| Financial assets at fair value through profit or loss               | 69,426,257         | 51,976,489         |
| Debt instruments at fair value through other comprehensive income   | 58,599,581         | 62,645,975         |
| Equity instruments at fair value through other comprehensive income | 4,070,366          | 10,868,377         |
| Debt instruments measured at amortised cost                         | 3,594,039          | 6,243,897          |
| Deferred tax assets   | 1,202,400          | 1,118,921          |
| Investments in associates   | 3,312,436          | 2,585,810          |
| Investments in subsidiaries   | 16,723,304         | 15,773,304         |
| Right-of-use assets   | 473,034            | 520,743            |
| Investment properties   | 38,445             | 40,957             |
| Property and equipment  | 2,060,725          | 2,099,933          |
| Other intangible assets   | 192,939            | 165,438            |
| Goodwill  | 18,948             | 18,948             |
| Other assets  | 1,089,034          | 257,977            |
| <b>Total assets</b>   | <b>238,937,400</b> | <b>228,615,068</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

|  | As at 31 December  |                    |
|--|--------------------|--------------------|
|  | 2021<br>RMB'000    | 2020<br>RMB'000    |
| Placements from financial institutions                     | 8,485,677          | 9,670,114          |
| Short-term financing bill payables                         | 7,094,595          | 16,255,099         |
| Account payables to brokerage clients                      | 27,718,875         | 26,064,505         |
| Financial assets sold under repurchase agreements          | 59,673,367         | 49,352,916         |
| Financial liabilities at fair value through profit or loss | 12,228,975         | 12,277,620         |
| Derivative financial liabilities                           | 672,180            | 486,364            |
| Current tax liabilities                                    | 78,183             | 66,492             |
| Accrued staff costs  | 679,483            | 830,596            |
| Lease liabilities  | 465,782            | 516,618            |
| Bond payables  | 61,691,688         | 56,346,130         |
| Other liabilities  | 2,725,992          | 1,084,562          |
| <b>Total liabilities</b>                                   | <b>181,514,797</b> | <b>172,951,016</b> |
| Share capital  | 6,993,656          | 6,993,656          |
| Other equity instrument                                    | 4,995,755          | 4,995,755          |
| Reserves   | 40,564,200         | 38,987,193         |
| Retained profits   | 4,868,992          | 4,687,448          |
| <b>Total equity</b>  | <b>57,422,603</b>  | <b>55,664,052</b>  |
| <b>Total equity and liabilities</b>                        | <b>238,937,400</b> | <b>228,615,068</b> |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

|  | Share capital<br>RMB'000 | Other equity instrument<br>RMB'000 | Capital reserve<br>RMB'000<br>(Note a) | Surplus reserve<br>RMB'000 | General reserve<br>RMB'000 | Investment revaluation reserve<br>RMB'000 | Retained profits<br>RMB'000 | Total<br>RMB'000 |
|--|--------------------------|------------------------------------|--|----------------------------|----------------------------|---|-----------------------------|------------------|
| As at 1 January, 2021  | 6,993,656                | 4,995,755                          | 28,157,008                             | 3,676,148                  | 6,975,206                  | 178,831                                   | 4,687,448                   | 55,664,052       |
| Profit for the year  | -                        | -                                  | -                                      | -                          | -                          | -   | 3,231,682                   | 3,231,682        |
| Other comprehensive income for the year  | -                        | -                                  | -                                      | -                          | -                          | 515,365                                   | -                           | 515,365          |
| Total comprehensive income for the year  | -                        | -                                  | -                                      | -                          | -                          | 515,365                                   | 3,231,682                   | 3,747,047        |
| Appropriation to surplus reserve   | -                        | -                                  | -                                      | 323,169                    | -                          | -   | (323,169)                   | -                |
| Appropriation to general reserve   | -                        | -                                  | -                                      | -                          | 646,605                    | -   | (646,605)                   | -                |
| Distribution to holders of other equity instrument   | -                        | -                                  | -                                      | -                          | -                          | -   | (237,500)                   | (237,500)        |
| Dividends recognised as distribution   | -                        | -                                  | -                                      | -                          | -                          | -   | (1,748,414)                 | (1,748,414)      |
| Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal | -                        | -                                  | -                                      | -                          | -                          | 94,450                                    | (94,450)                    | -                |
| Changes in net assets of associates other than profit or loss and other comprehensive income   | -                        | -                                  | (2,582)                                | -                          | -                          | -   | -                           | (2,582)          |
| At 31 December 2021  | 6,993,656                | 4,995,755                          | 28,154,426                             | 3,999,317                  | 7,621,811                  | 788,646                                   | 4,868,992                   | 57,422,603       |
| As at 1 January, 2020  | 6,993,656                | -                                  | 28,157,008                             | 3,445,689                  | 6,667,922                  | 556,062                                   | 4,766,559                   | 50,586,896       |
| Profit for the year  | -                        | -                                  | -                                      | -                          | -                          | -   | 1,536,393                   | 1,536,393        |
| Other comprehensive expense for the year   | -                        | -                                  | -                                      | -                          | -                          | (405,944)                                 | -                           | (405,944)        |
| Total comprehensive income for the year  | -                        | -                                  | -                                      | -                          | -                          | (405,944)                                 | 1,536,393                   | 1,130,449        |
| Issuance of perpetual subordinated bonds   | -                        | 4,995,755                          | -                                      | -                          | -                          | -   | -                           | 4,995,755        |
| Appropriation to surplus reserve   | -                        | -                                  | -                                      | 230,459                    | -                          | -   | (230,459)                   | -                |
| Appropriation to general reserve   | -                        | -                                  | -                                      | -                          | 307,284                    | -   | (307,284)                   | -                |
| Dividends recognised as distribution   | -                        | -                                  | -                                      | -                          | -                          | -   | (1,049,048)                 | (1,049,048)      |
| Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal | -                        | -                                  | -                                      | -                          | -                          | 28,713                                    | (28,713)                    | -                |
| At 31 December 2020  | 6,993,656                | 4,995,755                          | 28,157,008                             | 3,676,148                  | 6,975,206                  | 178,831                                   | 4,687,448                   | 55,664,052       |

Note a: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 63. FINANCIAL INSTRUMENTS

### Categories of financial instruments

|  | As at 31 December  |                 |
|--|--------------------|-----------------|
|  | 2021<br>RMB'000    | 2020<br>RMB'000 |
| <b>Financial assets</b>                                    |                    |                 |
| Financial assets at fair value through profit or loss      | 90,863,908         | 72,856,993      |
| Debt instruments at FVTOCI                                 | 58,599,581         | 62,645,975      |
| Equity instruments at FVTOCI                               | 4,138,153          | 10,936,458      |
| Financial assets measured at amortised cost                | 160,844,481        | 132,523,331     |
|  | <b>314,446,123</b> | 278,962,757     |
| <b>Financial liabilities</b>                               |                    |                 |
| Financial liabilities at fair value through profit or loss | 17,322,185         | 15,081,030      |
| Financial liabilities measured at amortised cost           | 240,927,123        | 211,064,397     |
|  | <b>258,249,308</b> | 226,145,427     |

## 64. FINANCIAL RISK MANAGEMENT

### 64.1 Risk management overview and organisation

#### (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 realise 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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.1 Risk management overview and organisation *(Continued)*

##### *(1) Risk management overview (Continued)*

The risk management implemented by the Group fully covers market risk, credit risk, liquidity risk, operational risk, technique risk, reputation risk, compliance risk, legal risk and ethical risk, etc. realising the management control on the overall risk assessment and supervision.

The Group has established a risk management mechanism for risk identification and assessment, risk monitoring and measurement, risk analysis and response, and it 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 organisation*

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 Company has set up a multiple-level risk management structure, comprising: (i) the Board, (ii) the Supervisory Committee, (iii) the management, and (iv) risk management function for each business department, branch and subsidiary.



# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.2 Credit risk

Credit risk mainly refers to the risk of losses 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, the credit risk of bond issuers in fixed income investment in the securities investment business and the default risk of 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 for the bond issuers, counterparty and customers of margin financing and securities lending, respectively. The Group strengthens their qualification and risk assessments, and achieves credit risk management by contract inspections and transaction monitoring. Besides, the Group focuses on the potential default throughout the transaction process, and prepares for 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 monitor credit risk. The Group realises various functions including 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 client credit rating assessment, facility and collateral management, monitoring report and others, and addresses the potential risk in a timely manner through dynamic liquidation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 64. FINANCIAL RISK MANAGEMENT *(Continued)*

### 64.2 Credit risk *(Continued)*

#### *(2) Credit risk and impairment assessment*

As explained in Note 3, the Group performs impairment assessment under ECL model 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.

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 each 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;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 64. FINANCIAL RISK MANAGEMENT *(Continued)*

### 64.2 Credit risk *(Continued)*

#### (2) *Credit risk and impairment assessment (Continued)*

- 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.

The credit risk on liquid funds including bank balances, clearing settlement funds, deposits with exchanges and financial institutions is limited because the counterparties are mainly 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 2021.

The Group mainly relies on external credit ratings to assess the credit risk of bond investments. In general, the following information is considered in assessing whether there has been a significant increase in credit risk of the bond investment: the credit rating downgrade to below AA (exclusive) and above B (exclusive) if original external rating is AA or above (inclusive) from domestic rating agencies on the initial recognition date; the credit rating downgrade to above B (exclusive) if original external rating is below AA (exclusive) from domestic rating agencies on the initial recognition date. As of 31 December 2021, the Group invests primarily in bonds with debt ratings of AA or above (inclusive).

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.2 Credit risk *(Continued)*

##### *(2) Credit risk and impairment assessment (Continued)*

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 basis and call for additional margin deposits, including cash collateral or securities, whenever necessary. The advances to margin clients are monitored through their collateral to loan ratios, which ensures 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 collateral to loan ratios fell below the pre-determined margin call thresholds taking into account of the obligor's credit quality.

Regarding the financial assets held under resale agreements, the Group mainly focuses on the collateral to loan ratio, past due status, and other qualitative and quantitative criteria to determine whether credit risk has increased significantly. In terms of stock pledged repo transactions, the Group sets different forced liquidation thresholds for various financing entities in consideration of factors such as the industry, liquidity, and sales restriction of the pledged stock. Normally, the forced liquidation threshold is no less than 140% for restricted shares and no less than 130% for unrestricted shares. The Group assesses the changes in credit risk of each transaction since initial recognition date by taking full consideration of the credit status of the financing entity, contract maturity date, the related collateral securities information including the industry, liquidity, sales restriction, concentration, volatility, performance guarantee and the issuer's operating conditions. Generally, the stock pledged repo exposures with collateral to loan ratios not lower than the forced liquidation threshold and no past due are classified under Stage 1; if the stock pledged repo transactions, with collateral to loan ratios below the forced liquidation threshold, or overdue, or other events indicating significant increase in credit risk occurred, are considered to be not credit-impaired in terms of the substance of the transaction, they are classified under Stage 2; when the collateral to loan ratios fell below the forced liquidation threshold for over 90 days or the stock pledged repo transactions are past due for more than 90 days, the Group evaluates whether those transactions are credit-impaired in terms of the substance of the transaction, taking into account of factors such as the obligor's solvency, repayment willingness, value of pledged assets and other loan settlement measures. If the stock pledged repo transactions are considered to be credit-impaired, they are classified under Stage 3.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.2 Credit risk *(Continued)*

##### **(3) Measurement of ECL**

The Group applies a three-stage approach to measure ECL on financial assets measured at amortised cost except for account receivables, and debt instruments 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.

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.2 Credit risk *(Continued)*

##### **(3) Measurement of ECL *(Continued)***

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 M2, Consumers Price Index (“CPI”), Industrial Product Price Index (“PPI”), etc.

- Growth rate of M2: the forecast rate as of 31 December 2021 ranges between 8.18% to 10.96%;
- Growth rate of the CPI: the forecast rate as of 31 December 2021 ranges between 2.13% and 2.86%;
- Growth rate of PPI: the forecast rate as of 31 December 2021 ranges from 3.50% to 4.69%.

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 which have considered the impact of COVID-19 epidemic. 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. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogeneous exposures.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.2 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  |                    |
|---|--------------------|--------------------|
|   | 2021<br>RMB'000    | 2020<br>RMB'000    |
| Advances to customers                                 | 24,344,922         | 21,171,919         |
| Account receivables                                   | 1,011,537          | 874,406            |
| Other loans, receivables and others                   | 1,324,138          | 432,877            |
| Debt instruments at FVTOCI                            | 58,599,581         | 62,645,975         |
| Financial assets held under resale agreements         | 11,502,955         | 14,460,425         |
| Financial assets at fair value through profit or loss | 44,018,362         | 26,977,231         |
| Debt instruments measured at amortised cost           | 3,594,039          | 6,243,897          |
| Derivative financial assets                           | 279,902            | 155,876            |
| Placements to financial institutions                  | 382,833            | –                  |
| Deposits with exchanges and financial institutions    | 2,655,369          | 2,183,090          |
| Clearing settlement funds                             | 25,472,872         | 21,516,357         |
| Cash and bank balances                                | 90,555,816         | 65,640,360         |
|   | <b>263,742,326</b> | <b>222,302,413</b> |

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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.3 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 predictable 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 at FVTOCI, 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 64. FINANCIAL RISK MANAGEMENT (Continued)

### 64.3 Market risk (Continued)

#### Interest rate risk (Continued)

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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under Note 64.5.

The tables below summarise 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 2021

|  | Less than<br>1 month<br>RMB'000 | More than<br>1 month but<br>less than<br>3 months<br>RMB'000 | More than<br>3 months<br>but<br>less than<br>1 year<br>RMB'000 | More than<br>1 year but<br>less than<br>5 years<br>RMB'000 | More than<br>5 years<br>RMB'000 | Non<br>interest-<br>bearing<br>RMB'000 | Total<br>RMB'000 |
|--|---------------------------------|--|--|--|---------------------------------|--|------------------|
| <b>Financial Assets</b>                                  |                                 |  |  |  |                                 |  |                  |
| Advances to customers                                    | 2,145,197                       | 7,945,236  | 14,254,489   | -  | -                               | -                                      | 24,344,922       |
| Account receivables                                      | -                               | -  | -  | -  | -                               | 1,011,537                              | 1,011,537        |
| Other loans, receivables and others                      | 497,493                         | -  | -  | -  | -                               | 826,645                                | 1,324,138        |
| Financial assets held under resale<br>agreements         | 11,502,955                      | -  | -  | -  | -                               | -                                      | 11,502,955       |
| Debt instruments at FVTOCI                               | 2,589,196                       | 2,791,947  | 7,965,404  | 24,347,712   | 20,905,322                      | -                                      | 58,599,581       |
| Equity instruments at FVTOCI                             | -                               | -  | -  | -  | -                               | 4,138,153                              | 4,138,153        |
| Financial assets at fair value through<br>profit or loss | 1,435,394                       | 2,275,918  | 8,454,539  | 21,065,419   | 10,787,092                      | 46,565,644                             | 90,584,006       |
| Debt instruments measured at<br>amortised cost           | 103,401                         | 138,394  | 202,664  | 3,149,580  | -                               | -                                      | 3,594,039        |
| Placements to financial institutions                     | -                               | 382,833  | -  | -  | -                               | -                                      | 382,833          |
| Derivative financial assets                              | -                               | -  | -  | -  | -                               | 279,902                                | 279,902          |
| Deposits with exchanges and financial<br>institutions    | 2,655,369                       | -  | -  | -  | -                               | -                                      | 2,655,369        |
| Clearing settlement funds                                | 25,472,872                      | -  | -  | -  | -                               | -                                      | 25,472,872       |
| Cash and bank balances                                   | 62,214,025                      | 3,238,299  | 7,178,298  | 17,925,194   | -                               | -                                      | 90,555,816       |
| Subtotal   | 108,615,902                     | 16,772,627   | 38,055,394   | 66,487,905   | 31,692,414                      | 52,821,881                             | 314,446,123      |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 64. FINANCIAL RISK MANAGEMENT (Continued)

### 64.3 Market risk (Continued)

#### Interest rate risk (Continued)

As at 31 December 2021 (Continued)

|   | Less than<br>1 month<br>RMB'000 | More than<br>1 month but<br>less than<br>3 months<br>RMB'000 | More than<br>3 months<br>but<br>less than<br>1 year<br>RMB'000 | More than<br>1 year but<br>less than<br>5 years<br>RMB'000 | More than<br>5 years<br>RMB'000 | Non<br>interest-<br>bearing<br>RMB'000 | Total<br>RMB'000   |
|---|---------------------------------|--|--|--|---------------------------------|--|--------------------|
| <b>Financial Liabilities</b>                                  |                                 |  |  |  |                                 |  |                    |
| Borrowings  | 402,899                         | 155,746  | -  | -  | -                               | -                                      | 558,645            |
| Bonds Payables  | -                               | 9,267,973  | 22,602,080   | 31,555,161   | 4,084,003                       | -                                      | 67,509,217         |
| Account payables to brokerage clients                         | 90,012,125                      | -  | -  | -  | -                               | -                                      | 90,012,125         |
| Other liabilities   | -                               | -  | -  | -  | -                               | 4,522,663                              | 4,522,663          |
| Placements from financial institutions                        | 7,485,366                       | 1,000,311  | -  | -  | -                               | -                                      | 8,485,677          |
| Short-term financing bill payables                            | 30,670                          | 53,075   | 7,013,058  | -  | -                               | -                                      | 7,096,803          |
| Financial liabilities at fair value through<br>profit or loss | 2,364,548                       | 2,596,392  | 7,880,254  | 913,089  | -                               | 2,834,073                              | 16,588,356         |
| Derivative financial liabilities                              | -                               | -  | -  | -  | -                               | 733,829                                | 733,829            |
| Lease liabilities   | -                               | 83,029   | 222,425  | 470,008  | 6,380                           | -                                      | 781,842            |
| Financial assets sold under repurchase<br>agreements          | 55,630,643                      | 4,670,792  | 2,440,558  | -  | -                               | -                                      | 62,741,993         |
| <b>Subtotal</b>   | <b>155,926,251</b>              | <b>17,827,318</b>  | <b>40,158,375</b>  | <b>32,938,258</b>  | <b>4,090,383</b>                | <b>8,090,565</b>                       | <b>259,031,150</b> |
| <b>Net interest-bearing position</b>                          | <b>(47,310,349)</b>             | <b>(1,054,691)</b>   | <b>(2,102,981)</b>   | <b>33,549,647</b>  | <b>27,602,031</b>               | <b>44,731,316</b>                      | <b>55,414,973</b>  |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT (Continued)

#### 64.3 Market risk (Continued)

##### Interest rate risk (Continued)

As at 31 December 2020

|  | Less than<br>1 month<br>RMB'000 | More than<br>1 month but<br>less than<br>3 months<br>RMB'000 | More than<br>3 months<br>but<br>less than<br>1 year<br>RMB'000 | More than<br>1 year but<br>less than<br>5 years<br>RMB'000 | More than<br>5 years<br>RMB'000 | Non<br>interest-<br>bearing<br>RMB'000 | Total<br>RMB'000 |
|--|---------------------------------|--|--|--|---------------------------------|--|------------------|
| <b>Financial Assets</b>                                  |                                 |  |  |  |                                 |  |                  |
| Advances to customers                                    | 1,456,820                       | 6,670,846  | 13,044,253   | -  | -                               | -                                      | 21,171,919       |
| Account receivables                                      | -                               | -  | -  | -  | -                               | 874,406                                | 874,406          |
| Other loans, receivables and others                      | -                               | -  | 78,721   | -  | -                               | 354,156                                | 432,877          |
| Financial assets held under resale<br>agreements         | 14,260,090                      | 200,335  | -  | -  | -                               | -                                      | 14,460,425       |
| Debt instruments at FVTOCI                               | 956,203                         | 978,047  | 5,660,761  | 24,409,842   | 30,641,122                      | -                                      | 62,645,975       |
| Equity instruments at FVTOCI                             | -                               | -  | -  | -  | -                               | 10,936,458                             | 10,936,458       |
| Financial assets at fair value through<br>profit or loss | 419,311                         | 2,282,403  | 5,770,778  | 12,838,977   | 5,665,762                       | 45,723,886                             | 72,701,117       |
| Debt instruments measured at<br>amortised cost           | 357,799                         | 480,428  | 1,408,877  | 1,925,868  | 2,070,925                       | -                                      | 6,243,897        |
| Derivative financial assets                              | -                               | 12,853   | -  | -  | -                               | 143,023                                | 155,876          |
| Deposits with exchanges and financial<br>institutions    | 2,183,090                       | -  | -  | -  | -                               | -                                      | 2,183,090        |
| Clearing settlement funds                                | 21,516,357                      | -  | -  | -  | -                               | -                                      | 21,516,357       |
| Cash and bank balances                                   | 65,457,261                      | 50,391   | 67,295   | 65,413   | -                               | -                                      | 65,640,360       |
| Subtotal   | 106,606,931                     | 10,675,303   | 26,030,685   | 39,240,100   | 38,377,809                      | 58,031,929                             | 278,962,757      |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.3 Market risk *(Continued)*

##### *Interest rate risk (Continued)*

**As at 31 December 2020 *(Continued)***

|   | Less than<br>1 month<br>RMB'000 | More than<br>1 month but<br>less than<br>3 months<br>RMB'000 | More than<br>3 months<br>but<br>less than<br>1 year<br>RMB'000 | More than<br>1 year but<br>less than<br>5 years<br>RMB'000 | More than<br>5 years<br>RMB'000 | Non<br>interest-<br>bearing<br>RMB'000 | Total<br>RMB'000   |
|---|---------------------------------|--|--|--|---------------------------------|--|--------------------|
| <b>Financial Liabilities</b>                                  |                                 |  |  |  |                                 |  |                    |
| Borrowings  | 364,298                         | 215,434  | -  | -  | -                               | -                                      | 579,732            |
| Bonds Payables  | -                               | -  | 8,759,659  | 49,421,792   | 4,084,022                       | -                                      | 62,265,473         |
| Account payables to brokerage clients                         | 66,642,671                      | -  | -  | -  | -                               | -                                      | 66,642,671         |
| Other liabilities   | -                               | -  | -  | -  | -                               | 2,790,038                              | 2,790,038          |
| Placements from financial institutions                        | 9,169,764                       | 500,350  | -  | -  | -                               | -                                      | 9,670,114          |
| Short-term financing bill payables                            | 6,049,341                       | 5,925,801  | 4,280,344  | -  | -                               | -                                      | 16,255,486         |
| Financial liabilities at fair value through<br>profit or loss | 4,009,363                       | 2,769,000  | 5,850,543  | -  | -                               | 1,947,167                              | 14,576,073         |
| Derivative financial liabilities                              | -                               | 268,564  | -  | -  | -                               | 236,393                                | 504,957            |
| Lease liabilities   | 37,123                          | 43,855   | 225,655  | 539,316  | 10,961                          | -                                      | 856,910            |
| Financial assets sold under repurchase<br>agreements          | 45,681,063                      | 2,245,794  | 4,934,026  | -  | -                               | -                                      | 52,860,883         |
| <b>Subtotal</b>   | <b>131,953,623</b>              | <b>11,968,798</b>  | <b>24,050,227</b>  | <b>49,961,108</b>  | <b>4,094,983</b>                | <b>4,973,598</b>                       | <b>227,002,337</b> |
| <b>Net interest-bearing position</b>                          | <b>(25,346,692)</b>             | <b>(1,293,495)</b>   | <b>1,980,458</b>   | <b>(10,721,008)</b>  | <b>34,282,826</b>               | <b>53,058,331</b>                      | <b>51,960,420</b>  |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.3 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 at FVTOCI. 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 |                 |
|--------------------------|------------------------|-----------------|
|                          | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Profit for the year      |                        |                 |
| 50 basis points increase | (817,176)              | (333,117)       |
| 50 basis points decrease | 848,022                | 340,630         |
| Equity                   |                        |                 |
| 50 basis points increase | (2,052,297)            | (1,384,387)     |
| 50 basis points decrease | 2,171,339              | 1,457,181       |

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 64. FINANCIAL RISK MANAGEMENT *(Continued)*

### 64.3 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 at FVTOCI. 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 |                 |
|---|------------------------|-----------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Profit before income tax for the year                     |                        |                 |
| Increase by 10%   | 2,952,336              | 3,079,873       |
| Decrease by 10%   | (2,952,336)            | (3,079,873)     |
| Other comprehensive income before income tax for the year |                        |                 |
| Increase by 10%   | 413,815                | 1,093,646       |
| Decrease by 10%   | (413,815)              | (1,093,646)     |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 64. FINANCIAL RISK MANAGEMENT *(Continued)*

### 64.4 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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.4 Liquidity risk *(Continued)*

##### *Undiscounted cash flows by contractual maturities of non-derivative financial liabilities (Continued)*

**As at 31 December 2021**

|   | On Demand  | Less than<br>3 months | 3 months to<br>1 year | 1 year to<br>5 years | 5 years and<br>above | Total       | Carrying<br>amount |
|---|------------|-----------------------|-----------------------|----------------------|----------------------|-------------|--------------------|
|   | RMB'000    | RMB'000               | RMB'000               | RMB'000              | RMB'000              | RMB'000     | RMB'000            |
| Borrowings  | -          | 501,462               | 58,249                | -                    | -                    | 559,711     | 558,645            |
| Short-term financing bill payables                            | -          | 84,028                | 7,140,992             | -                    | -                    | 7,225,020   | 7,096,803          |
| Placements from financial institutions                        | -          | 8,495,896             | -                     | -                    | -                    | 8,495,896   | 8,485,677          |
| Account payables to brokerage clients                         | 90,012,125 | -                     | -                     | -                    | -                    | 90,012,125  | 90,012,125         |
| Financial liabilities at fair value through<br>profit or loss | 755,131    | 6,596,637             | 7,890,005             | 1,358,760            | -                    | 16,600,533  | 16,588,356         |
| Other account payables and other<br>payables                  | 4,522,663  | -                     | -                     | -                    | -                    | 4,522,663   | 4,522,663          |
| Financial assets sold under repurchase<br>agreements          | -          | 60,428,887            | 2,462,975             | -                    | -                    | 62,891,862  | 62,741,993         |
| Lease liabilities   | -          | 85,416                | 232,103               | 502,954              | 7,964                | 828,437     | 781,842            |
| Bond Payables   | -          | 13,721,250            | 24,408,272            | 33,584,295           | 4,199,200            | 75,913,017  | 67,509,217         |
|   | 95,289,919 | 89,913,576            | 42,192,596            | 35,446,009           | 4,207,164            | 267,049,264 | 258,297,321        |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 64. FINANCIAL RISK MANAGEMENT *(Continued)*

### 64.4 Liquidity risk *(Continued)*

*Undiscounted cash flows by contractual maturities of non-derivative financial liabilities  
(Continued)*

**As at 31 December 2020**

|   | On Demand  | Less than<br>3 months | 3 months to<br>1 year | 1 year to<br>5 years | 5 years and<br>above | Total       | Carrying<br>amount |
|---|------------|-----------------------|-----------------------|----------------------|----------------------|-------------|--------------------|
|   | RMB'000    | RMB'000               | RMB'000               | RMB'000              | RMB'000              | RMB'000     | RMB'000            |
| Borrowings  | -          | 431,894               | 153,638               | -                    | -                    | 585,532     | 579,732            |
| Short-term financing bill payables                            | -          | 12,015,025            | 4,356,227             | -                    | -                    | 16,371,252  | 16,255,486         |
| Placements from financial institutions                        | -          | 9,676,205             | -                     | -                    | -                    | 9,676,205   | 9,670,114          |
| Account payables to brokerage clients                         | 66,642,671 | -                     | -                     | -                    | -                    | 66,642,671  | 66,642,671         |
| Financial liabilities at fair value through<br>profit or loss | 657,570    | 7,634,219             | 5,881,807             | 460,785              | -                    | 14,634,381  | 14,576,073         |
| Other account payables and other<br>payables                  | 2,790,038  | -                     | -                     | -                    | -                    | 2,790,038   | 2,790,038          |
| Financial assets sold under repurchase<br>agreements          | -          | 48,250,607            | 5,005,402             | -                    | -                    | 53,256,009  | 52,860,883         |
| Lease liabilities   | -          | 82,385                | 233,002               | 590,983              | 13,796               | 920,166     | 856,910            |
| Bond Payables   | -          | 289,000               | 10,544,904            | 51,915,969           | 4,398,400            | 67,148,273  | 62,265,473         |
|   | 70,090,279 | 78,379,335            | 26,174,980            | 52,967,737           | 4,412,196            | 232,024,527 | 226,497,380        |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.5 Interest rate benchmark reform

As listed in Note 22, Note 44, Note 48 and Note 50, several of the Group's LIBOR derivatives, financial assets sold under repurchase agreements, borrowings and bond payables will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

#### **LIBOR**

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

#### **HIBOR**

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

#### *(i) Risks arising from the interest rate benchmark reform*

The following are the key risks for the Group arising from the transition:

#### **Interest rate related risks**

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This may give rise to additional interest rate risk that was not anticipated when the contracts were entered into.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.5 Interest rate benchmark reform *(Continued)*

##### *HIBOR (Continued)*

##### *(i) Risks arising from the interest rate benchmark reform (Continued)*

##### *Interest rate related risks (Continued)*

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

##### *Liquidity risk*

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

##### *Litigation risk*

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

##### *Interest rate basis risk*

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.5 Interest rate benchmark reform *(Continued)*

##### *HIBOR (Continued)*

##### *(ii) Progress towards implementation of alternative benchmark interest rates*

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year, none of the relevant contracts has been transitioned to the relevant replacement rates. In addition, for the floating rate borrowings that are linked to HIBOR, the Group had confirmed with the relevant counterparties HIBOR will continue to maturity.

The Group is planning to transition the majority of its USD LIBOR-linked contracts through introduction of, or amendments to, fallback clauses into the agreements which will change the basis for determining the interest cash flows from USD LIBOR to Secured Overnight Financing Rate ("SOFR") at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2021. The amounts of loans and advances are shown at their carrying amounts and derivatives are shown at their notional amounts.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.5 Interest rate benchmark reform *(Continued)*

##### *HIBOR (Continued)*

##### *(ii) Progress towards implementation of alternative benchmark interest rates (Continued)*

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2021. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

| Financial instruments<br>prior to transition  | Maturing in | Carrying amounts/<br>notional amounts<br>RMB thousand | Transition progress<br>for financial instruments   |
|---|-------------|---|--|
| <b>Non-derivative financial liabilities</b>   |             |   |  |
| Borrowing linked to 1-month USD LIBOR   | 2022        | 127,536   | LIBOR will continue till maturity  |
| Borrowing linked to 3-month USD LIBOR   | 2022        | 127,746   | LIBOR will continue till maturity  |
| Borrowing linked to 1-month HIBOR   | 2022        | 245,298   | HIBOR will continue till maturity  |
| Financial assets sold under repurchase<br>agreements linked to 3-month USD<br>LIBOR | 2022        | 162,555   | LIBOR will continue till maturity  |
| Bond payables linked to 6-month USD<br>LIBOR  | 2022        | 1,919,891   | LIBOR will continue till maturity  |
| <b>Derivatives</b>  |             |   |  |
| Receive 6-months USD LIBOR, pay USD<br>fixed interest rate swaps                    | 2022        | 1,912,710   | To transition derivatives via<br>International Swaps and<br>Derivatives Association ("ISDA")<br>protocol |

#### 64.6 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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 64. FINANCIAL RISK MANAGEMENT *(Continued)*

#### 64.6 Capital management *(Continued)*

In accordance with Administrative Measures for Risk Control Indicators of Securities Firms (Revision 2020) (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”).

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. 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          |                       |                            |                       |
|---|----------------------------|-----------------------|----------------------------|-----------------------|
|   | 2021                       |                       | 2020                       |                       |
|   | Carrying amount<br>RMB'000 | Fair value<br>RMB'000 | Carrying amount<br>RMB'000 | Fair value<br>RMB'000 |
| <b>Financial assets</b>                     |                            |                       |                            |                       |
| Debt instruments measured at amortised cost | <b>3,594,039</b>           | <b>3,624,187</b>      | 6,243,897                  | 6,242,305             |
| <b>Financial liabilities</b>                |                            |                       |                            |                       |
| Bond payables                               |                            |                       |                            |                       |
| – Corporate bonds                           | <b>36,429,599</b>          | <b>36,911,219</b>     | 28,280,531                 | 28,446,997            |
| – Subordinated bonds                        | <b>20,601,787</b>          | <b>20,630,733</b>     | 17,414,768                 | 17,412,691            |
| – Income certificates                       | <b>368,626</b>             | <b>368,347</b>        | 6,113,681                  | 5,943,530             |
| – Offshore bonds                            | <b>10,109,205</b>          | <b>10,551,219</b>     | 10,456,493                 | 10,694,234            |
| <b>Total</b>                                | <b>67,509,217</b>          | <b>68,461,518</b>     | 62,265,473                 | 62,497,452            |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. 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 2021

|   | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| <b>Financial assets</b>                     |                    |                    |                    |                  |
| Debt instruments measured at amortised cost | 1,032,197          | 2,591,990          | –                  | 3,624,187        |
| <b>Financial liabilities</b>                |                    |                    |                    |                  |
| Bond payables                               | 57,541,952         | 10,919,566         | –                  | 68,461,518       |

As at 31 December 2020

|   | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| <b>Financial assets</b>                     |                    |                    |                    |                  |
| Debt instruments measured at amortised cost | 1,692,810          | 4,549,495          | –                  | 6,242,305        |
| <b>Financial liabilities</b>                |                    |                    |                    |                  |
| Bond payables                               | 45,859,688         | 16,637,764         | –                  | 62,497,452       |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### **Fair value of the financial assets and financial liabilities that are not measured on a recurring basis *(Continued)***

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.

Some of the financial assets and financial liabilities are measured at fair value at the end of the year of 2021 and 2020.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level 2, the valuation techniques applied include discounted cash flow, recent transaction price and net asset value method. The significant observable inputs used in the valuation techniques used for Level 2 include future cash flows estimated based on applying the interest yield curves, net asset values determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses, contractual terms, forward interest rates and forward exchange rates.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 65. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

#### Fair value of the financial assets and financial liabilities that are not measured on a recurring basis *(Continued)*

For financial instruments categorised within Level 3, fair values are determined by using valuation techniques, including valuation methods such as discounted cash flow model, comparable company analysis and recent financing price method. Determinations to classify fair value measures within Level 3 are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs used for the major financial instruments in Level 3.

| Financial instruments   | Fair value hierarchy | Valuation technique(s) and key input(s)   | Significant unobservable input(s)  | Relationship of unobservable input(s) to fair value  |
|---|----------------------|---|--|--|
| Equity securities   | 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 multiples, the higher the fair value.<br>The higher the discount, the lower the fair value. |
| Equity securities   | 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.   |
| Equity linked derivatives   | Level 3              | The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate  | The volatility of the underlying equity instrument for option                          | The higher the volatility of the underlying equity instrument, the higher the fair value.                  |
| Other investments   | 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.   |
| Interests attributable to other holders of consolidated structured entities | Level 3              | Shares of the net value of the structured entities, determined with reference to the net asset value of the structured entities, calculated based on pricing/yield of comparable companies with an adjustment of discount for lack of marketability of underlying investment portfolio and adjustments of related expenses. | P/E multiples<br>Discount for lack of marketability.                                   | The higher the multiples, the higher the fair value.<br>The higher the discount, the lower the fair value. |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. 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 2021

|                                  | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000   |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Financial assets:                |                    |                    |                    |                    |
| Debt instruments at FVTOCI       |                    |                    |                    |                    |
| – Debt securities                | 33,253,769         | 25,345,812         | –                  | 58,599,581         |
| Equity instruments at FVTOCI     |                    |                    |                    |                    |
| – Equity securities              | 3,111,952          | 11,395             | 431,914            | 3,555,261          |
| – Perpetual instruments          | 309,426            | 273,466            | –                  | 582,892            |
| – Other investment               | –                  | –                  | –                  | –                  |
| Financial assets at FVTPL        |                    |                    |                    |                    |
| – Debt securities                | 18,450,438         | 25,567,924         | –                  | 44,018,362         |
| – Equity securities              | 5,084,853          | 111,758            | 5,508,041          | 10,704,652         |
| – Funds                          | 2,020,652          | 10,211,388         | –                  | 12,232,040         |
| – Other investments              | 5,286,953          | 18,341,999         | –                  | 23,628,952         |
| Derivative financial assets      | –                  | 274,622            | 5,280              | 279,902            |
| <b>Total</b>                     | <b>67,518,043</b>  | <b>80,138,364</b>  | <b>5,945,235</b>   | <b>153,601,642</b> |
| Financial liabilities:           |                    |                    |                    |                    |
| Financial liabilities at FVTPL   | 9,103,247          | 7,071,959          | 413,150            | 16,588,356         |
| Derivative financial liabilities | –                  | 594,914            | 138,915            | 733,829            |
| <b>Total</b>                     | <b>9,103,247</b>   | <b>7,666,873</b>   | <b>552,065</b>     | <b>17,322,185</b>  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. 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 2020**

|                                  | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000   |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Financial assets:                |                    |                    |                    |                    |
| Debt instruments at FVTOCI       |                    |                    |                    |                    |
| – Debt securities                | 27,054,265         | 35,591,710         | –                  | 62,645,975         |
| Equity instruments at FVTOCI     |                    |                    |                    |                    |
| – Equity securities              | 2,454,100          | 42,752             | 296,625            | 2,793,477          |
| – Perpetual instruments          | 1,743,286          | 1,270,593          | –                  | 3,013,879          |
| – Other investment               | –                  | 5,129,102          | –                  | 5,129,102          |
| Financial assets at FVTPL        |                    |                    |                    |                    |
| – Debt securities                | 16,088,428         | 10,888,803         | –                  | 26,977,231         |
| – Equity securities              | 4,858,187          | 112,731            | 3,869,000          | 8,839,918          |
| – Funds                          | 1,905,890          | 9,501,764          | –                  | 11,407,654         |
| – Other investments              | 4,656,818          | 20,796,099         | 23,397             | 25,476,314         |
| Derivative financial assets      | 332                | 155,544            | –                  | 155,876            |
| <b>Total</b>                     | <b>58,761,306</b>  | <b>83,489,098</b>  | <b>4,189,022</b>   | <b>146,439,426</b> |
| Financial liabilities:           |                    |                    |                    |                    |
| Financial liabilities at FVTPL   |                    |                    |                    |                    |
| Derivative financial liabilities | 9,906,000          | 4,227,237          | 442,836            | 14,576,073         |
|                                  | 302                | 504,655            | –                  | 504,957            |
| <b>Total</b>                     | <b>9,906,302</b>   | <b>4,731,892</b>   | <b>442,836</b>     | <b>15,081,030</b>  |

There were no transfers between instruments in Level 1 and Level 2 during the relevant year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

**Fair value of the financial assets and financial liabilities that are not measured on a recurring basis *(Continued)***

The following table represents the changes in Level 3 financial instruments for the relevant year.

### Equity instruments at FVTOCI

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| At the beginning of the year   | 296,625                | 418,364         |
| Changes in fair value recognised in other comprehensive income       | 153,464                | (133,465)       |
| Additions  | 20,565                 | 39,411          |
| Transfer in level 3 <i>(Note a)</i>                                  | –                      | 145,840         |
| Transfer out of level 3 <i>(Note b)</i>                              | –                      | (137,062)       |
| Disposals  | (38,740)               | (36,463)        |
| At the end of the year   | 431,914                | 296,625         |
| Total gains/(losses) for assets held at the end of the year          |                        |                 |
| – unrealised gains/(losses) recognised in other comprehensive income | 139,611                | (48,060)        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### Financial assets at FVTPL

|   | Year ended 31 December |                 |
|---|------------------------|-----------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000 |
| At the beginning of the year  | 3,892,397              | 3,688,427       |
| Changes in fair value recognised in profit or loss  | 710,741                | (183,913)       |
| Purchases   | 2,506,769              | 1,880,152       |
| Transfer in level 3 <i>(Note a)</i>   | 8,760                  | 420,434         |
| Transfer out of level 3 <i>(Note b)</i>   | (858,965)              | (1,420,857)     |
| Disposals   | (751,661)              | (491,846)       |
| At the end of the year  | 5,508,041              | 3,892,397       |
| Total gains/(losses) for assets held at the end of the year<br>– unrealised gains/(losses) recognised in profit or loss | 447,253                | (193,349)       |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 65. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### Derivative financial instruments (Continued)

*Note a:* These mainly included the equity securities traded on the NEEQ with decreased turnover rates, and fair value hierarchy of these financial instruments transferred from level 2 to level 3.

*Note b:* These mainly included the equity security suspended on the NEEQ for a certain period before and equity securities traded on stock exchanges with lock-up periods.

The fair value of equity security suspended before was determined using valuation model. It was transferred from Level 3 to Level 2 when it was resumed and traded on the NEEQ, in which case, the fair value was determined based on recent transaction price.

The equity securities traded on stock exchanges with lock-up periods were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

*Note c:* Derivative assets and liabilities categorised as Level 3 are mainly generated by new transactions this year.

## 66. 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<br>RMB'000 | Financial<br>liabilities<br>at FTVPL<br>RMB'000 | Bond<br>payables and<br>short-term<br>financing bill<br>payables<br>RMB'000 | Derivative<br>financial<br>assets and<br>liabilities<br>RMB'000 | Lease<br>liabilities<br>RMB'000 | Dividends<br>payable<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------|-----------------------|---|---|---|---------------------------------|---------------------------------|------------------|
| At 1 January 2021             | 579,732               | 468,543   | 78,520,959  | 291,935   | 856,910                         | 80                              | 80,718,159       |
| Financing cash flows          | (36,479)              | 2,183,271                                       | (6,342,491)   | (342,916)   | (361,833)                       | (1,988,530)                     | (6,888,978)      |
| Interest expenses             | 30,086                | -   | 2,776,701   | -   | 30,215                          | -                               | 2,837,002        |
| New lease                     | -                     | -   | -   | -   | 257,461                         | -                               | 257,461          |
| Dividends declared            | -                     | -   | -   | -   | -                               | 1,988,530                       | 1,988,530        |
| Net investment (losses)/gains | -                     | (37,684)  | -   | 92,916  | -                               | -                               | 55,232           |
| Fair value adjustments        | -                     | 60,606  | -   | (31,096)  | -                               | -                               | 29,510           |
| Foreign exchange              | (14,694)              | -   | (349,149)   | -   | (911)                           | -                               | (364,754)        |
| At 31 December 2021           | 558,645               | 2,674,736                                       | 74,606,020  | 10,839  | 781,842                         | 80                              | 78,632,162       |

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2021

### 66. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

|                        | Borrowings<br>RMB'000 | Financial<br>liabilities<br>at FTVPL<br>RMB'000 | Bond<br>payables and<br>short-term<br>financing bill<br>payables<br>RMB'000 | Derivative<br>financial<br>assets and<br>liabilities<br>RMB'000 | Lease<br>liabilities<br>RMB'000 | Dividends<br>payable<br>RMB'000 | Total<br>RMB'000 |
|------------------------|-----------------------|---|---|---|---------------------------------|---------------------------------|------------------|
| At 1 January 2020      | 640,154               | -   | 83,422,399  | 2,519,551   | 995,005                         | 80                              | 87,577,189       |
| Financing cash flows   | (79,173)              | 499,956   | (7,624,332)   | (2,297,226)   | (335,862)                       | (1,053,723)                     | (10,890,360)     |
| Interest expenses      | 42,176                | -   | 3,175,761   | -   | 34,976                          | -                               | 3,252,913        |
| New lease              | -                     | -   | -   | -   | 165,081                         | -                               | 165,081          |
| Dividends declared     | -                     | -   | -   | -   | -                               | 1,053,723                       | 1,053,723        |
| Net investment losses  | -                     | -   | -   | 81,204  | -                               | -                               | 81,204           |
| Fair value adjustments | -                     | (31,413)  | -   | (11,594)  | -                               | -                               | (43,007)         |
| Foreign exchange       | (23,425)              | -   | (452,869)   | -   | (2,290)                         | -                               | (478,584)        |
| At 31 December 2020    | 579,732               | 468,543   | 78,520,959  | 291,935   | 856,910                         | 80                              | 80,718,159       |

### 67. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 68. SUBSEQUENT EVENTS

### Application for Rights Issue

On 23 February 2022, the CSRC approved the Company's application for the H Share Rights Issue. The Company is approved to issue up to 308,124 thousand additional overseas listed foreign shares with a nominal value of RMB1.00 each, all of which are ordinary shares. The Rights Issue and listing of H Shares is subject to the approval of the Hong Kong Stock Exchange.

On 7 March 2022, the Issuance Review Committee of the CSRC reviewed the Company's application for the A Share Rights Issue. According to the review results, the Company's application for the A Share Rights Issue has been approved.

On 17 March 2022, the CSRC approved the Company's application for the A Share Rights Issue. The Company is approved to issue 1,670,641 thousand additional listed shares.

### Issuance of subordinated bond

On 13 January 2022, the Company has issued a subordinated bond with par value of RMB2.5 billion. The bond bears an interest rate of 3.16% with a maturity period of 3 year.