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***This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

***Notice to Hong Kong investors:** The Issuer (as defined below) confirms that the Notes (as defined below) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

东方证券
DFZQ

東方證券股份有限公司

DFZQ

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

(Stock Code: 03958)

(the "Issuer")

€100,000,000 1.75 per cent. Notes due 2025 (the "Notes") (Stock Code: 5224)

issued under the Issuer's U.S.$2,500,000,000 Medium Term Note Programme (the "Programme")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Reference is made to the notice of the Notes on the Hong Kong Stock Exchange dated 5 May 2022 published by the Issuer.

The offering circular dated 20 April 2022 (the "**Offering Circular**") in relation to the Programme and the Pricing Supplement dated 26 April 2022 in relation to the Notes are appended to this announcement.

Hong Kong, 6 May 2022

As at the date of this announcement, the board of directors of the Issuer 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.

Appendix 1

OFFERING CIRCULAR DATED 20 April 2022

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS AND OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "Offering Circular"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your Representation: You have accessed the attached document on the basis that you have confirmed your representation to Orient Securities (Hong Kong) Limited, Citigroup Global Markets Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Nomura International (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability) (collectively, the "Arrangers" and the "Dealers") that (1) you and any customers you represent are non-U.S. persons outside the United States and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and, to the extent you purchase the securities described in the attached Offering Circular you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Arrangers or the Dealers nor any of their respective employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular. You are reminded that the information in the attached document is not complete and may be changed.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or any Arrangers or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

PRIIPs Regulation/Prohibition of sales to EEA retail investors – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation/Prohibition of sales to UK retail investors – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

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OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

東方证券

D F Z Q

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

(SEHK Stock Code: 03958)

US$2,500,000,000 Medium Term Note Programme

Under the US$2,500,000,000 Medium Term Note Programme described in this Offering Circular (the "Programme"), DFZQ (東方證券股份有限公司) (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed US$2,500,000,000 (or the equivalent in other currencies), subject to increase as further described in "Summary of the Programme."

With respect to each Tranche (as defined in "Summary of the Programme") of the Notes where the NDRC Circular (as defined below) is applicable, registration will be completed, or application to register will be made, by the Issuer in accordance with the Circular on Promoting the Reform of the Filing and Registration System for Foreign Debt Issued by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(發改外資[2015]2044號) issued by National Development and Reform Commission of the PRC (the "NDRC") on 14 September 2015 which came into effect on the same day and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time (the "NDRC Circular"), as set forth in the applicable Pricing Supplement. After issuance of each Tranche of the Notes where the NDRC Circular is applicable, the Issuer shall file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the relevant issue date of the Notes and in accordance with the NDRC Circular. The Issuer undertakes to file or cause to be filed with the Shanghai Branch of the State Administration of Foreign Exchange ("SAFE") in accordance with, and within the time period prescribed by, the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》) promulgated by the SAFE on 28 April 2013 which came into effect on 13 May 2013 and the Circular of on Relevant Matters about the Macro-Prudential Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated by the People's Bank of China on 12 January 2017 which came into effect on the same day ("Foreign Debts Registration") and shall use its reasonable endeavours to complete the Foreign Debts Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the Terms and Conditions of the Notes).

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange" or the "SEHK") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Professional Investors")) only during the 12-month period after the date of this Offering Circular. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined in "Summary of the Programme") will be set out in the Pricing Supplement which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of such Series of Notes.

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form ("Bearer Notes") will be represented on issue by a temporary global note in bearer form (each a "temporary Global Note") or a permanent global note in bearer form (each a "permanent Global Note") (collectively, the "Global Notes"). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") ("TEFRA D") must be initially represented by a temporary Global Note, and interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the Exchange Date (as defined in "Summary of Provisions Relating to the Notes While in Global Form"), upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "Global Certificate"). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "CMU") operated by the Hong Kong Monetary Authority (the "HKMA"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in "Summary of Provisions Relating to the Notes While in Global Form."

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state of the United States and may not be offered or sold in, or in the case of Bearer Notes, delivered within, the United States or to or for the account or benefit of U.S. persons (as such term is defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offering of securities in the United States. The Notes may be offered outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The Notes may include Bearer Notes that are subject to U.S. tax law requirements. See "Subscription and Sale."

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPs Regulation/Prohibition of sales to EEA retail investors – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation/Prohibition of sales to UK retail investors – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "Relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Programme is expected to be assigned a rating of "Baa2" by Moody's Investors Service ("Moody's"). These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Arrangers and Dealers

Orient Securities (Hong Kong) **Citigroup** **ICBC International** **ICBC (Asia)**

Nomura **Shanghai Pudong Development Bank Hong Kong Branch**

The date of this Offering Circular is 20 April 2022

NOTICE TO INVESTORS

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purposes of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each Tranche of the Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" as amended and/or supplemented by a Pricing Supplement. This Offering Circular is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular.

None of Orient Securities (Hong Kong) Limited, Citigroup Global Markets Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Nomura International (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability) (collectively, the "Arrangers" and the "Dealers"), Citicorp International Limited as the trustee (the "Trustee"), as CMU lodging and paying agent (the "CMU Lodging and Paying Agent"), Citibank, N.A., London Branch as the issuing and paying agent (the "Issuing and Paying Agent"), as the registrar (the "Registrar"), as the transfer agent (the "Transfer Agent", together with the CMU Lodging and Paying Agent, the Issuing and Paying Agent and the Registrar, the "Agents") or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any of the Arrangers, the Dealers, the Trustee or the Agents as to the accuracy or completeness of the information (including the financial information) contained in this Offering Circular, or any other financial statements or any further information supplied in connection with the Programme or the Notes. None of the Arrangers or the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them) accept liability in relation to the financial or other information contained in this Offering Circular or any other financial statements or any further information supplied in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Issuer under the Programme. To the fullest extent permitted by law, none of the Dealers or the Arrangers accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by an Arranger or a Dealer or on its behalf in connection with the Issuer, or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other financial statements or further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by either the Issuer or any of the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them).

This Offering Circular, any other financial statements and any further information supplied in connection with the Programme or the Notes are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer or any of the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them) that any recipient of this Offering Circular or any other financial statements or any further information supplied in connection with the Programme or the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. None of this Offering Circular, any other financial statements and any further information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them) or any of them to any person to subscribe for or to purchase any of the Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. Each of the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them) expressly does not undertake to review the financial condition or affairs of the Issuer or any of its subsidiaries during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any of the Notes.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and any Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Pricing Supplement or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, Japan, Macau, Australia and the People's Republic of China. See "Subscription and Sale". None of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular or any Pricing Supplement nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States or other jurisdiction, and the Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. Any Series of Notes may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See "Subscription and Sale."

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, ONE OR MORE OF THE DEALERS (OR PERSON(S) ACTING ON THEIR BEHALF) MAY ACT AS THE STABILISING MANAGER(S) (THE "STABILISING MANAGER(S)"). THE IDENTITY OF THE STABILISING MANAGER(S) (IF ANY) WILL BE DISCLOSED IN THE RELEVANT PRICING SUPPLEMENT. IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, ONE OR MORE OF THE DEALERS NAMED AS STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERM OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVERALLOTMENT MUST BE CONDUCTED BY RELEVANT STABILISING MANAGER(S) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes. Any of the Arrangers, the Dealers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group. Investors are advised to read and understand the contents of this Offering Circular and the relevant Pricing Supplement before investing. If in doubt, investors should consult his or her adviser.

The Issuer, the Group, the Arrangers, the Dealers, the Trustee and the Agents and any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular or any Pricing Supplement acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of the Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the relevant Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigation, as it deems necessary.

None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

CERTAIN DEFINITIONS AND CONVENTIONS

In the Offering Circular, unless otherwise specified, references to the "PRC" or "China" are to the People's Republic of China, excluding Taiwan, Hong Kong and Macau, references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China, references to "Macau" are to the Macau Special Administrative Region of the People's Republic of China, references to the "U.S." or the "United States" are to the United States of America, references to "US$", "U.S.$", "USD" or "U.S. dollar" are to the lawful currency of the United States of America, references to "Renminbi", "RMB" or "CNY" are to the lawful currency of the PRC, and references to "Hong Kong dollar" or "HK$" are to the lawful currency of Hong Kong. References to the "Company", the "Issuer", "we" and "us" are to DFZQ (東方證券股份有限公司), and references to the "Group" are to the Company and its subsidiaries.

In this Offering Circular, certain amounts and percentages may have been rounded up or down, including but not limited to where information has been presented in thousands, millions or billions of units. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

DOCUMENTS INCORPORATED BY REFERENCE

The Issuer hereby incorporates by reference all amendments and supplements from time to time to this Offering Circular (other than any Pricing Supplement), each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

Any documents incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular, will be available for inspection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Issuing and Paying Agent (as defined below) set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking to the Dealers that it shall update or amend the Offering Circular (following consultation with the Arrangers which will consult with the Dealers) by the publication of a supplement thereto or a new Offering Circular in a form approved by the Dealers in the event that a significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular arises or is noted which is capable of affecting the assessment of any Notes which may be issued under the Programme.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial information of the Group as at and for the years ended 31 December 2019, 2020 and 2021.

The consolidated financial statements of the Group as at and for the years ended 31 December 2019, 2020 and 2021 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants in accordance with the International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") and prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB").

INDUSTRY AND MARKET DATA

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them and none of the Issuer, the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, but not limited to, statements relating to:

- the general economic, market and business conditions in the PRC and other jurisdictions in which the Group operates;
- the business and operating strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals, and the future business development of the Group;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- market competition, and actions and development of competitors and the Group's ability to compete under these conditions;
- the Group's ability to enter into new markets and expand its operations;
- the Group's expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- costs of bank loans and other forms of financing, and the Group's ability to secure adequate financing;
- the Group's estimated capital expenditure;
- the Group's financial condition and performance;
- fluctuations in our brokerage fee and commission income;
- changes in currency exchange rates;
- general political and economic conditions, including those related to the PRC;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business; and
- macroeconomic policies of the PRC government to manage economic growth.

In some cases, forward-looking statements may be identified by such terminology as “may”, “will”, “should”, “could”, “would”, “expect”, “intend”, “plan”, “anticipate”, “going forward”, “ought to”, “seek”, “project”, “forecast”, “believe”, “estimate”, “predict”, “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of the Issuer with respect to future events, operations, results, liquidity and capital resources and are not guarantees of future performance, some of which may not materialise or may change. Although the Issuer believes that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that those expectations will prove to be correct, and investors are cautioned not to place undue reliance on such statements. Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this Offering Circular. The Issuer undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer’s actual results could differ materially from those anticipated in these forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

These forward-looking statements speak only at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward- looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

Overview

Our Company is a leading capital markets service provider in the PRC with strong state-owned background, distinguished investment expertise, and dually listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. According to Wind, as at 31 December 2021, our market capitalisation was RMB93.5 billion. We provide all-round and one-stop financial services to our clients covering securities, futures, asset management, investment banking, investment consultancy and securities research. After years of development, we have established a leading position in our competitive business sections such as proprietary investment, asset management and securities research.

In recent years, we promoted high-quality corporate development with the strategic driver of digital transformation. We 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. We strive to achieve unified planning, strengthen independent research and development, continue to promote the integrated development of financial technology, and continue 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.

As at 31 December 2021, our total assets amounted to RMB326.6 billion. For the year ended 31 December 2021, our total revenue, gains/(losses) and other income was RMB28.6 billion and our profit for the year was RMB5.4 billion. According to the published annual reports of Chinese securities companies as at 10 April 2022, we ranked 12th in terms of net capital, 11th in terms of net assets and 11th in the industry in terms of total assets for the year ended 31 December 2021. As at 31 December 2021, we had 177 securities branches in total, covering 87 cities in all provinces, autonomous regions and municipalities directly under the central government, which makes the Company the fourth securities firm in the industry and the first securities firm in Shanghai that achieves full coverage of all provinces, autonomous regions and municipalities directly under the central government in China. Our extensive geographic presence enables us to serve a broad customer base. We have been rated Grade AA of Class A as a securities company and has been rated as a Grade A securities dealer for 13 consecutive years.

Recent Developments

Resignation of Mr. LIU Wei

On 31 March 2022, the Company announced that it had recently received the written resignation letter from Mr. LIU Wei, a non-executive director of the Company. Due to work-related reasons, Mr. LIU Wei applied to resign as a non-executive director and the member of the remuneration and nomination committee under the Board. Mr. LIU Wei will no longer hold any position in the Company following the resignation. Mr. LIU Wei confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Appointment of Mr. LU Weiming as the president of the Company

In light of needs of the Company and in accordance with the Articles of Association, Mr. JIN Wenzhong, chairman of the Company, ceased to serve as the president of the Company. At the 13rd meeting of the 5th session of the Board held on March 30, 2022, Mr. LU Weiming was nominated as the candidate for the executive director of the 5th session of the Board and was appointed as the president of the Company. For more information of Mr. LU Weiming, see “Directors, Supervisors and Senior Management – Senior Management”.

Competitive Strengths

- We have strong shareholders' support and standardised corporate governance

- We have distinguished investment management and trading capabilities with a proven track record

- We have a business with a diversified revenue mix and a robust asset structure

- We have strong capital resources as a A+H dual listed company

- We have a prudent, effective and comprehensive risk management system and industry-leading liquidity management capabilities

- We have a united, enterprising, pragmatic and efficient senior management team and business team

Business Strategies

- Further build up our competitiveness as a leading provider of comprehensive financial services

- Further enhance collaborative operations and client-oriented comprehensive financial service platform to provide one-stop services

- Continue to innovate for future growth

- Focus on active asset management business and build a leading investment management brand

- Further strengthen our management from six perspectives lay a solid foundation for business development

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	DFZQ (東方證券股份有限公司).
Programme Size	Up to US$2,500,000,000 (or the equivalent in other currencies calculated as described in the Programme Agreement (as defined in "Subscription and Sale")) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Risk Factors	Investing in the Notes involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations in respect of the Notes and the Trust Deed are discussed under the section "Risk Factors" below.
Arrangers	Orient Securities (Hong Kong) Limited, Citigroup Global Markets Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Nomura International (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability).
Dealers	Orient Securities (Hong Kong) Limited, Citigroup Global Markets Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Nomura International (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability).
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series ("Series") having one or more Issue Dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different Issue Dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the Issue Date, issue price, first payment date of interest, nominal amount of the Tranche, the timing for completion of the Foreign Debts Registration (if applicable) and the timing for submission of the NDRC Post-Issuance Filing (if applicable), will be identical to the terms of other Tranches of the same Series) will be completed in the relevant Pricing Supplement.

Form of the Notes	Notes may be issued in bearer or registered form as described in the Terms and Conditions of the Notes. Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of the Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Certain Covenants – Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application as described in the section "Terms and Conditions of the Notes – Status of the Notes".
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as described in Condition 10(c) (*Redemption at the option of the Issuer*) and/or the Noteholders to the extent (if at all) specified in the Condition 10(e) (*Redemption at the option of Noteholders*).
Tax Redemption and Redemption for Relevant Events	Except as described in "Optional Redemption" above, early redemption will only be permitted (i) for tax reasons as described in Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*) and (ii) following a Relevant Event as described in Condition 10(f) (*Redemption for Relevant Event*).
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Covenants	The Notes will contain certain covenants including Condition 5(a) (*Certain Covenants – Negative Pledge*), Condition 5(b) (*Certain Covenants – Undertakings relating to SAFE registration*), Condition (5(c) (*Certain Covenants – Undertakings relating to NDRC registration*), Condition 5(d) (*Certain Covenants – Financial Statements etc.*) and Condition 5(e) (*Certain Covenants – Rating Maintenance*).
Events of Default	Events of Default for the Notes are set out in Condition 14 (*Events of Default*).
Cross Acceleration	The Notes will contain a cross acceleration provision set out in Condition 14(c) (*Events of Default – Cross-acceleration*).
Notification to SAFE	The Issuer undertakes to file or cause to be filed with the Shanghai Branch of the State Administration of Foreign Exchange ("SAFE") in accordance with, and within the time period prescribed by, the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》) promulgated by the SAFE on 28 April 2013 which came into effect on 13 May 2013 and the Circular of on Relevant Matters about the Macro-Prudential Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated by the People's Bank of China on 12 January 2017 which came into effect on the same day ("Foreign Debts Registration") and shall complete the Foreign Debts Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the Terms and Conditions of the Notes).

Notification to NDRC	The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the closing date in accordance with the Circular on Promoting the Reform of the Administration System on the Issuance by Enterprises of Foreign Debt Filings and Registration, (國家發改委關於推進企業發行外債備案登記制管理改革的通知) (Fa Gai Wai Zi [2015] No. 2044)) issued by the NDRC which came into effect on 14 September 2015 (the "NDRC Post-Issuance Filing") and shall comply with all applicable PRC laws and regulations in connection with the NDRC Post-Issuance Filing (if any).
Withholding Tax	All payments of principal and interest in respect of the Notes and/or the Coupons of the Notes by or on behalf of the Issuer or any surviving Person shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (the "Taxes") imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any other jurisdiction in which the Issuer or any surviving Person (or any successor thereto) is organised or tax resident or any jurisdiction through which a payment is made, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax or any area subject to its jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer will (subject to certain customary exceptions as described in Condition 13 (*Taxation*)) pay such additional amounts to the extent required, as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Singapore, Japan and the PRC, see "Subscription and Sale". In connection with the offering and sale of a particular Series of the Notes, additional restrictions may be imposed which will be set out in the relevant Pricing Supplement. Bearer Notes will be issued in compliance TEFRA D unless (i) the applicable Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) or any successor regulation in substantially the same form for purposes of the Code ("TEFRA C") or (ii) the Notes have a term of one year or less (taking into account any unilateral right to extend or rollover the term).
Governing Law	The Notes, the Agency Agreement, the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Ratings	The Programme is expected to be assigned a rating of "Baa2" by Moody's. In addition, the Issuer has a corporate rating of "Baa2" by Moody's and a rating of "BBB-" by S&P Global Ratings. These ratings are only correct as at the date of this Offering Circular. Notes issued under the Programme may be rated or unrated. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Listing	Application has been made to the SEHK for the listing of the Programme, under which Notes may be issued, during the 12-month period after the date of this Offering Circular by way of debt issues to Professional Investors only. Separate application will be made for the listing of the Notes on the SEHK. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or listed, traded or quoted on or by any other competent authority, exchange or quotation system. Notes listed on the SEHK will be traded on the SEHK in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Trustee	Citicorp International Limited
Issuing and Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
CMU Lodging and Paying Agent	Citicorp International Limited
Clearing Systems	Euroclear, Clearstream and/or the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Trustee (or, the CMU Lodging and Paying Agent, as the case may be), and the Relevant Dealer.

SUMMARY FINANCIAL INFORMATION OF THE COMPANY

The following tables set forth the summary consolidated financial information of the Issuer as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 December 2019, 2020 and 2021 set forth below is extracted from consolidated financial statements as at and for the years ended 31 December 2021 and 31 December 2020, including the comparative financial information in respect of the year ended 31 December 2019 (the "Historical Financial Statements"), which have been prepared and presented in accordance with IFRSs issued by the IASB. The Historical Financial Statements have been audited by Deloitte Touche Tohmatsu, our independent auditor, in accordance with the ISAs issued by IAASB.

Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of us.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Historical Financial Statements, including the notes thereto, included elsewhere in this Offering Circular.

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019	2020	2021
	RMB'000 *(audited)*	*RMB'000* *(audited)*	*RMB'000* *(audited)*
Revenue			
Commission and fee income	5,050,674	7,953,858	10,399,067
Interest income	6,086,095	5,538,183	5,981,386
	11,136,769	13,492,041	16,380,453
Net investment gains	3,760,362	5,175,065	3,301,001
Other income, gains and losses	9,453,390	8,979,880	8,881,348
Total revenue, gains/(losses) and other income	24,350,521	27,646,986	28,562,802
Depreciation and amortisation	(554,535)	(662,189)	(719,989)
Staff costs	(3,654,584)	(5,062,944)	(4,994,030)
Commission and fee expenses	(535,011)	(832,327)	(998,871)
Interest expenses	(5,195,473)	(4,759,411)	(4,517,636)
Other operating expenses	(11,102,999)	(10,871,077)	(11,155,792)
Impairment losses under expected credit loss model, net of reversal	(1,044,458)	(3,885,132)	(1,313,633)
Total expenses	(22,087,060)	(26,073,080)	(23,699,951)
Share of results of associates	591,070	1,212,458	1,443,983
Profit before income tax	2,854,531	2,786,364	6,306,834
Income tax expense	(375,792)	(64,600)	(933,695)
Profit for the year	2,478,739	2,721,764	5,373,139
Attributable to:			
Equity holders of the Company	2,435,080	2,722,989	5,371,496
Non-controlling interests	43,659	(1,225)	1,643
Total profit for the year	2,478,739	2,721,764	5,373,139

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2019	2020	2021
	(RMB:'000) *(audited)*	*(RMB:'000)* *(audited)*	*(RMB:'000)* *(audited)*
Assets			
Cash and bank balances	48,940,834	65,640,360	90,555,816
Clearing settlement funds	13,243,654	21,516,357	25,472,872
Deposits with exchanges and financial institutions	1,642,894	2,183,090	2,655,369
Derivative financial assets	609,102	155,876	279,902
Placements to financial institutions	–	–	382,833
Advances to customers	13,214,262	21,171,919	24,344,922
Account receivables	1,019,920	874,406	1,011,537
Contract assets	–	1,742	–
Financial assets held under resale agreements	24,206,542	14,460,425	11,502,955
Financial assets at fair value through profit or loss	66,901,093	72,701,117	90,584,006
Debt instruments at fair value through other comprehensive income	64,895,563	62,645,975	58,599,581
Equity instruments at fair value through other comprehensive income	10,832,873	10,936,458	4,138,153
Debt instruments measured at amortised cost	7,193,554	6,243,897	3,594,039
Deferred tax assets	760,995	1,455,922	1,438,838
Investments in associates	4,453,754	5,771,194	6,553,668
Right-of-use assets	1,002,749	847,355	774,013
Investment properties	30,071	40,461	352,411
Property and equipment	2,189,204	2,225,662	2,234,866
Other intangible assets	168,519	215,313	250,647
Goodwill	32,135	32,135	32,135
Other assets, loans, receivables and prepayments	1,633,724	1,997,778	1,841,059
Total assets	262,971,442	291,117,442	326,599,622
Liabilities			
Due to/placements from banks and other financial institutions	6,384,659	9,670,114	8,485,677
Short-term financing bill payables	16,113,200	16,255,486	7,096,803
Account payables to brokerage clients	40,179,178	66,642,671	90,012,125
Financial assets sold under repurchase agreements	57,478,063	52,860,883	62,741,993
Financial liabilities at fair value through profit or loss	12,630,961	14,576,073	16,588,356
Derivative financial liabilities	2,643,375	504,957	733,829
Contract liabilities	208,114	404,124	91,413
Current tax liabilities	161,569	570,867	638,543
Accrued staff costs	1,601,086	2,608,009	2,431,922
Borrowings	640,154	579,732	558,645
Lease liabilities	995,005	856,910	781,842
Bond payables	67,309,199	62,265,473	67,509,217
Deferred tax liabilities	19,031	20,179	19,202
Other liabilities, account payables, other payables and accruals	2,596,211	3,070,820	4,766,949
Total liabilities	208,959,805	230,886,298	262,456,516
Shareholders' equity			
Share capital	6,993,656	6,993,656	6,993,656
Other equity instrument	–	5,000,000	5,000,000
Reserves	40,198,256	40,714,243	43,003,283
Retained profits	6,773,604	7,494,952	9,130,172
Equity attributable to equity holders of the Company	53,965,516	60,202,851	64,127,111
Non-controlling interests	46,121	28,293	15,995
Total equity	54,011,637	60,231,144	64,143,106
Total equity and liabilities	262,971,442	291,117,442	326,599,622

SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2019	2020	2021
	(RMB:'000) *(audited)*	*(RMB:'000)* *(audited)*	*(RMB:'000)* *(audited)*
Net cash flow from/(used in) operating activities	2,347,279	1,714,455	(9,458,019)
Net cash flow (used in)/from investment activities	(4,725,101)	3,462,434	18,492,483
Net cash flow from/(used in) financing activities	10,069,109	(6,365,944)	(6,900,303)
Net increase/(decrease) in cash and cash equivalents	7,691,287	(1,189,055)	2,134,161
Closing balance of cash and cash equivalents	21,552,456	19,984,516	21,937,713

RISK FACTORS

An investment in the Notes is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Notes. The following describes some of the significant risks that could affect the Group and the value of the Notes. Some risks and uncertainties may be unknown to the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Group. The market price of the Notes could decline due to any of these risks, and investors may lose part or all of their investment. The Issuer does not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decisions. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

Risks Relating to the Group's Business and Industry

General economic and market conditions could adversely affect our business.

Our business is highly dependent on economic and market conditions in China and other jurisdictions where we operate. General economic and political conditions, such as macroeconomic and monetary policies, legislation 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 cost of funding, could affect our business. As a securities firm, our business 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. As China capital markets are still evolving, market conditions may change rapidly. In addition, global financial market conditions may affect the financial market conditions in China. The PRC stock market has experienced significant fluctuations in recent years and there can be no assurance that such volatility would not continue in the future.

In addition, downturns in general economic conditions and adverse market conditions could materially and adversely affect our business, results of operations, financial condition and prospects in various ways, including but not limited to the following:

- the demand of our clients for securities trading could decrease, resulting in a decline in our revenue from our securities brokerage business;
- the value and returns on financial assets we hold for securities trading and investment and the value of investment portfolio for our asset management products may be adversely affected by market volatility;
- we may face increased default risks that a client or counterparty may fail to perform its contractual obligations;
- our financing cost may increase due to the limited access to liquidity and the capital markets, and therefore restricting our ability to raise funding to develop our business; and
- we may not be able to effectively execute our business plans and strategies.

In addition, each segment of our business may be affected by the general economic and market conditions in different ways:

- *Brokerage and securities financing business*. Our securities brokerage business depends on securities brokerage commission rates and trading volumes. Competition may affect market prices for products and services we offer, especially the prices for standardised services like securities brokerage. In 2019, 2020 and 2021, the average stock and fund brokerage commission rate of our securities branches was 3.43 bps, 3.06 bps and 2.79 bps, respectively. Faced with intensified competition in the securities brokerage business in China and the resulting industry trend of decreasing commission rates, we have lowered our brokerage commission rate in order to remain competitive in the market place. However, revenues from our securities brokerage business and our average stock and fund brokerage commission rates of securities branches increased from RMB2,094 million for the year ended 31 December 2020 to RMB2,682 million for the year ended 31 December 2021 even though our average stock and fund brokerage commission rates of securities branches decreased from 3.06 bps for the year ended 31 December 2020 to 2.79 bps for the year ended 31 December 2021. In addition, the proportion of institutional investors in China's securities market is relatively low compared with those in developed countries, contributing to higher volatility of securities trading volume, which materially and adversely affects the stability of revenue from our securities brokerage business.

- *Securities sales and trading business*. We have net long trading positions in various equity and fixed income securities as part of our securities sales and trading business. A substantial portion of these financial instruments, including financial assets at fair value through profit and loss and part of the available-for-sale financial assets, are marked to market. Their fair value is constantly affected by overall market conditions, and any decline in their fair value may have a direct and significant impact on our profit and capital position. In addition, a decline in the value of available-for-sale financial assets could result in the recognition of impairment losses if management determines that such decline in value is not temporary or is substantial, which could impact our profitability. In addition, we borrow funds to conduct fixed income securities trading mainly through repurchase transactions and significant changes in interest rates may also affect our profitability. We may not be able to hedge all of our exposures to such declines in an effective or cost-efficient way. Sudden declines and significant volatility in the asset prices may cause us to incur significant losses or significant unrealised losses.

- *Investment management business*. We receive asset management fee income based on the value of our clients' portfolios or their assets under investment accounts that we manage. In addition, we also earn performance fees on certain asset management schemes. Market volatility and adverse economic conditions may affect the performance of the assets or funds we manage and reduce our AUM, which could adversely affect our ability to receive asset management fees or performance fees.

- *Investment banking business*. Our investment banking business is largely dependent on market conditions. Unfavourable economic conditions and other adverse geopolitical conditions may negatively impact investor confidence and corporate finance activities, resulting in significant declines in the volume and number of fund raisings and M&A transactions. Adverse market conditions and capital market volatility may also cause delays to, or the termination of, securities offerings underwritten and sponsored by us and M&A transactions advised by us, which could adversely affect the revenue and profitability of our investment banking business.

Furthermore, beginning in December 2019, an outbreak of the Coronavirus Disease 2019 ("COVID-19") emerged and expanded around the world in the following months. COVID-19 is considered highly contagious and may pose a serious threat to the health and well-being of the public. Between January and March 2020, in response to the COVID-19 outbreak in China, the PRC Government introduced a series of measures including but not limited to lockdown of cities with high risks of infection, restrictions on resumption of business and traffic control between cities and provinces, resulting in disruptions of the business activities of companies in various industries in China during this period, including the Group's individual, institutional and corporate customers.

Given the high uncertainties associated with the COVID-19 pandemic, particularly in light of the recent resurgence of reported infections globally as well as the emergence and spread of new variants of the COVID-19 virus (such as the Delta and Omicron variants), it is difficult to predict the overall impact on the level of economic activity or the pace of any economic recovery, and the extent to which the Group's operations may be affected. At this time, the Group is not able to ascertain the full impact of COVID-19 on its financial or operational results. Should any disruption to the Group's business operations occur, it may materially and adversely affect the Group's results of operations and financial condition.

Our business may be adversely affected by regulatory changes and measures in China and other jurisdictions where we operate.

We are subject to extensive regulation in China and Hong Kong as a securities firm. These regulations limit the types of products and services we may offer by imposing capital requirements and restrict our business activities by stipulating the types of securities we may invest in. Relevant regulatory authorities conduct periodic inspections, examinations and inquiries in respect of our compliance with relevant regulatory requirements. For example, CSRC periodically evaluates and assigns a regulatory rating to each securities firm, including us, based on firm's risk management capabilities, competitiveness and compliance with regulatory requirements. In addition, we may be subject to various regulations, inspections and restrictions imposed by relevant regulatory authorities in other countries and jurisdictions where we operate our business. Although we had certain noncompliance incidents that did not have any material and adverse impact on our business, financial condition and results of operations in the past, our potential failure to comply with the applicable regulatory requirements could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may limit our ability to conduct pilot programs and launch new businesses, and harm our reputation. We have received AA or A regulatory rating for 13 consecutive years (AA rating being the highest rating ever received by PRC securities firms) since 2010, when CSRC started publishing the classification evaluation results for securities firms. However, there is no assurance that we will be able to maintain such regulatory rating in the future. A downgrade of our regulatory ratings may limit our ability to conduct certain businesses or obtain certain business permits or approvals for our new businesses or cause us to be subject to a higher risk capital reserve ratio or a higher securities investor protection fund reserve ratio. Any future incidents of non-compliance may have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

Rules and regulations applicable to our business are evolving rapidly. New rules and regulations, and changes in the interpretation or enforcement of existing rules and regulations may directly impact our business strategies, competitiveness and prospects. Changes in the rules and regulations could impose more stringent requirements or additional limitations on the business that we conduct, require us to modify our existing business practices and lead to additional compliance costs or introduce and increase competition for our business. Our failure to adapt to the changing regulatory environment and maintain our compliance and competitiveness could have a material adverse effect on our business, financial condition, results of operations and prospect.

We are subject to strict capital adequacy, risk management, liquidity and other regulatory requirements that may restrict our business activities.

We are subject to capital adequacy, risk indicator, liquidity and other requirements imposed by CSRC, SAC, and other regulatory authorities and self-regulatory organizations. According to CSRC's requirements, risk coverage ratio (net capital/sum of all risk capital reserve×100%) may not fall below 100 per cent., the capital leverage ratio (core net capita/total on-and off-balance sheet assets×100%) may not fall below 8 per cent., the liquidity coverage ratio (high-quality liquid assets/the next 30 days net cash outflows×100%) may not fall below 100 per cent. and the net stable funding ratio (stable funds available/required stable funds×100%) may not fall below 100 per cent. Pursuant to CSRC's Administrative Measures for Risk Control Indicators of Securities Firms, or the Risk Control Indicator Measures, we have established a dynamic net capital monitoring mechanism to comply with statutory regulatory standards on risk control indicators with net capital as the core. During the years ended 31 December 2019, 2020 and 2021, we were in compliance with regulatory requirements using major risk control indicators with a focus on net capital.

These requirements may restrict the scope and scale of our business activities, and may require us to adjust our existing business in order to become eligible for new and innovative products and services. Our failure to meet such requirements could lead to sanctions, fines, penalties or other disciplinary actions, including a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

We may not be able to compete effectively in the PRC securities industry.

The PRC securities industry is highly competitive. According to CSRC, there were 140 registered securities firms in the PRC as at 31 December 2021. We also face intense competition from other financial institutions, such as commercial banks, fund management companies, insurance companies, trust companies, futures companies and asset management companies.

- *Brokerage business*. For our brokerage business, we compete primarily with other securities firms in China in terms of pricing and differentiation of products and services offered. We monitor the relevant product pricing, commission rates and fee structures of competitors and implement adjustment strategy promptly and strive to improve our service level, providing clients with differentiated value-added service to maintain our competitiveness. Partially due to launch of online brokerage services, the brokerage commission rates in the China securities market have been decreasing in recent years. If an increasing number of discount brokers and Internet companies seek to enter and expand the online brokerage business, the brokerage commission rate in the industry may further decrease.

- *Investment banking business*. For our investment banking business, we compete primarily with other PRC securities firms as well as commercial banks in terms of brand recognition, marketing and distribution capability, service quality, financial strength and pricing. Intense competition may result in lower underwriting and advisory fees for our investment banking business.

- *Asset management business*. For our asset management business, we compete primarily with other securities firms, fund management companies, commercial banks, insurance companies and other financial institutions in China in terms of the range of products and services offered, pricing, investment capability and quality of client service.

Some of our competitors may have certain competitive advantages over us, including greater financial resources, stronger brand recognition, broader product and service offerings and wider branch network coverage. Failure by us to effectively compete may have an adverse effect on our business, financial condition, results of operations and prospects.

Meanwhile, with China taking steps to open up its financial industry and ease limits on foreign stakes in securities firms, new competitors may enter the securities industry, which could further intensify the market competition. On 28 April 2018, China Securities Regulatory Commission issued Administrative Measures for Foreign-Invested Securities Companies (《外商投資證券公司管理辦法》) (amended on 20 March 2020), abolishing the restriction of the proportion of shares or equity owned by overseas shareholders. At the same time, the scope of business of joint venture securities companies will be gradually broadened, allowing newly established joint venture securities companies to apply for securities business in an orderly manner according to their own situation. The process of increasing the holding ratio of foreign-funded institutions and even seeking wholly-owned holding of securities companies has been significantly accelerated. Up to now, a number of foreign-controlled securities companies have been set up, approved by China Securities Regulatory Commission. As a result, the Group's business, financial condition and results of operations may be adversely affected.

Our proprietary trading business accounts for sizeable portion of our overall business, and we may incur substantial losses from market volatility or sub-optimal investment strategies.

In 2019, 2020 and 2021, segment revenue, gains/(losses) and other income derived from securities sales and trading business, which includes proprietary trading, innovative investment and securities research services, amounted to RMB4.70 billion, RMB5.99 billion and RMB5.62 billion, representing 19.3 per cent., 21.6 per cent. and 19.7 per cent. of our total revenue, gains/(losses) and other income, respectively. We primarily trade equity and fixed income securities for our own account. In addition, we also conduct market neutral proprietary trading business with derivatives. The performance of our proprietary trading business depends on market conditions and our investment decisions and judgments. We closely monitor the market value and financial performance of our investment portfolio, and actively adjust such portfolio to allocate assets based on market conditions and internal risk management guidelines. However, our investment decisions are based on human judgments, which involve management discretion and assumptions. If our decision-making process fails to effectively control losses or capture investment gains, or our forecasts do not conform to sudden changes in market conditions, or if we do not effectively manage our exposure to concentration risks from particular assets or asset classes, our proprietary trading business may not achieve the investment returns we anticipate. In addition, we may suffer losses in an adverse market environment despite our active management of our investment portfolio. If any of the above happens, we could suffer material losses, which would materially and adversely affect our business, financial condition and results of operations.

Our brokerage commission and fee income may decrease.

Brokerage commission and fee income represent a significant portion of our revenue. Our brokerage business depends on trading volume, which is significantly affected by external factors, such as general economic conditions, macroeconomic and monetary policies, market conditions and fluctuations in interest rates, all of which are beyond our control. Trading volume is also affected by the size of our client base and the frequency that they trade through us. If we fail to maintain and increase our client base, or fail to increase their trading activities through us, our brokerage fee and commission income may be adversely affected.

Revenue from our brokerage business also depends on our brokerage commission rate, which is primarily driven by competition. With our average brokerage commission rates steadily decreasing, our average stock and fund brokerage commission rates of securities branches were 3.43 bps, 3.06 bps and 2.79 bps, and our average futures brokerage commission rates were 260 bps, 183 bps and 288 bps for the years ended 31 December 2019, 2020 and 2021, respectively. There is constant pressure to further lower the brokerage and commission rate in the securities industry, especially for the standardised brokerage business that may be offered online. In April 2015, CSDC switched from a "one-person-one-account" system to a "one-person multiple-account" system, allowing each individual investor to open up to 20 securities accounts. After the transition, our clients may compare the fees and commission rates among different securities firms and switch accounts more easily. As a result, we may face increased downward pressure on our brokerage commission and fee income and will need to provide better services and products to retain and attract clients.

Any negative development in the securities market that affects the trading volume or commission rate could lead to a decrease of our revenue from brokerage business, and in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to realise profits from our private equity investments and may lose some or all of the capital invested.

We engage in private equity investment business with our own capital through our wholly owned subsidiary, Orient Securities Capital Investment, and make direct equity investments through several funds set up by this subsidiary. We aim to earn investment returns from dividends and interests paid by our portfolio companies and generate capital gains through IPOs or disposal of equities in our portfolio companies. To make a sound investment decision, we need to carefully identify and select a target company based on its business, operations and industry. In general, this selection process involves a systematic forecast of the portfolio companies' growth, profitability and sustainability. However, we may make unsound investment decisions due to our failure to identify fraudulent or inaccurate or misleading statements from the portfolio companies in the course of our due diligence, or we may inaccurately project the portfolio companies' or the relevant industry's growth prospects and profitability, which could lead us to overvalue the portfolio companies and prevent us from making a profit on such investments or even incur substantial losses on such investments.

The ability of our private equity funds established via the subsidiary of Orient Securities Capital Investment to dispose of investments is dependent on the stock market, the regulatory environment and our ability to identify potential buyers. At the time of our disposal, if we experience stock market volatility or face undesirable regulatory environment for public offerings, our private equity funds may sometimes be forced to sell stakes in the investee companies at undesirable prices or defer the sale, potentially for a substantial length of time, exposing our investment returns to market risks during the intended disposal period. In addition, failure of the portfolio companies to meet expectations on profitability could also affect our ability to exit our investments at the desired rate of return or at all. We also make private equity investment in companies that aim to be listed on The National Equities Exchange and Quotations (the "**NEEQ**"). Currently, the market size and liquidity of NEEQ is still limited, and stagnation in the development of NEEQ market may adversely affect our private equity investments in such companies. We expect to continue to make capital investments in our current and future private equity funds if we continue to meet the relevant net capital and risk indicators requirements. Contributing capital to these funds is risky, and we may lose some or the entire principal amount of our investments.

In addition, we have limited control over some of the portfolio companies in which we have invested. We are subject to the risk that our portfolio companies may make business, financial or management decisions that the majority stakeholders or the management of the company may take, otherwise act in a manner, that does not serve our interests. Furthermore, our portfolio companies may fail to abide by their agreements with us, for which we may have limited or no recourse. If any of the foregoing were to occur, the value of our investments could decrease and thus our financial condition, results of operations and cash flow could be materially and adversely affected.

We may not be able to expand our client base and branch network.

The securities brokerage business is highly competitive and we need to maintain our client base and attract new clients from our competitors in order to maintain or grow our market share. Similar to other securities firms, we serve clients of our securities brokerage business and manage client relationships primarily through our securities branches. As of 31 December 2021, we had 177 securities branches serving 2.19 million clients, including 5,514 institutional and corporate clients. The securities branches we have recently established are primarily Type-B and Type-C branches, which have low requirements on size, opening fees and on-site employees, among which, Type-C branches do not provide on-site trading service and do not require machinery facilities, facilitating our rapid establishment of operation branches at low cost. However, we cannot guarantee we will succeed in further expanding our branch network due to changes in regulatory policies, difficulties in managing a large number of retail brokerage staff and other unforeseeable reasons. In addition, as a result of intense competition, we may face increased pressures on declining fee and commission rates, and will need to provide better and customised services and products to differentiate ourselves and to retain and attract clients. If we are unable to expand our branch network and address the needs of our clients by offering competitive rates, maintaining high quality client service, continuing product innovation and providing value added services, or if we otherwise fail to meet our clients' demands or expectations, we may lose our existing clients to our competitors or fail to attract new clients, which may in turn have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may suffer significant losses from our credit exposure.

The amount and duration of our credit exposure has been increasing over the past several years in tandem with our business growth and the increasing number of counterparties to which we have credit exposure. We have net long trading positions in various fixed income securities as part of our investment, and face credit risks that the issuers of the relevant securities may default. We also face credit risks in our role as counterparty in derivative contracts. In addition, we conduct over-the-counter ("**OTC**") trades with our clients as a counterparty to provide them with customised products or services, such as interest rate swaps, OTC options and equity return swaps. Because there is no exchange or clearing agent for these contracts, we may be subject to the credit risk of non-performance of the counterparty. Any material non-payment or non-performance by a client or counterparty could adversely affect our financial position, results of operations and cash flows. For example, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. Although we regularly review our credit exposure to specific clients or counterparties and to specific industries that we believe may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. We may also fail to attain all relevant information with respect to the credit risks of our clients and counterparties.

Our securities financing businesses, including margin financing and securities lending, collateralised stock repurchase, and repurchase agreements transactions, as well as our futures brokerage business, are subject to the risk that a client may fail to perform its payment obligations or that the value of collaterals held by us to secure the obligations might become inadequate. In our securities financing businesses, we may enforce liquidation of collateral if our clients are unable to meet their obligations as scheduled, or whose collateral ratios are lower than our minimum threshold due to fluctuations in market prices of the collateral while failing to replenish the value of collateral. In our futures brokerage business, we require our clients to maintain a certain amount of account balance for their futures trading. We conduct automatic valuations for clients' account balances on each trading day, and, in the event of an insufficient account balance, we require clients to replenish their account balance or may enforce to liquidate their positions. Such mandatory liquidation mechanism may trigger disputes between clients and us and may subject us to significant legal expenses or litigation risks. In addition, the ability to carry out forced liquidation of client positions is adversely affected by market volatility. If the market price of securities which we hold as collateral decreases sharply for an extended period, the value of the collateral may fall below the value of our margin loans when we are unable to liquidate clients' positions in a timely manner due to the daily price fluctuation limit on the A share market and relevant A share stock suspensions, resulting in significant losses. Moreover, similar to other securities firms, we also accept restricted stocks as collateral for our collateralised stock repurchase business. Even though such arrangement is in compliance with the relevant measures released respectively by Shanghai Stock Exchange and Shenzhen Stock Exchange and does not contravene relevant PRC laws and regulations, we may encounter difficulties in the enforcement of collateral consisting of restricted stocks prior to the expiration of the restricted period, as we may not be able to sell such restricted securities in a timely manner. In addition, we also need to make accurate risk assessment of our clients. Such regulatory change may require more stringent internal risk management measures and may further increase our credit risk exposures. Our risk profile evaluation of our securities financing clients may be subject to discretionary judgment on a case-by-case basis. In the event that we fail to effectively manage our credit exposure through our risk management policies and procedures, we may experience financial losses that could materially and adversely affect our business, financial condition and results of operations.

Our derivative transactions are subject to various risks and may expose us to unexpected risks and potential losses.

We engage in various derivatives transactions in the market to hedge the interest rate exposure that arises from our asset and liability positions and reduce the impact of price volatility of our investment portfolio. However, as the derivatives market in China is still in its early stage of development, our ability to hedge the market risks associated with our businesses is constrained by the limited availability of derivative products and changes of regulatory environment. Therefore, we may not be able to successfully use available derivative instruments to reduce our exposure to fluctuations in interest rates, foreign exchange rates, equity market performance and the prices of our investment products.

Derivative transactions are part of our trading and investment activities. Derivative contracts we enter into expose us to unexpected market, credit and operational risks and could cause us to suffer unexpected losses. While a transaction remains unfinished or experiences any delay in settlement, we are subject to heightened credit and operational risks. In the event of default, we may find it more difficult to enforce the contract. In addition, as China's derivative market is still in its early stage of development, the secondary market for derivatives is volatile and may have limited liquidity. We may also be inexperienced in dealing with new products or making appropriate judgments in trading derivative products. Currently, substantially all of our derivative transactions are hedged by counter directional derivatives, or designed to hedge our other equity or fixed income investments, and are not for speculative investment. However, we may in the future gradually engage in speculative derivative transactions for our investment trading account. We may not fully understand, and may not be able to fully control, any risks relating to derivative transactions. Any unexpected loss from derivative transactions could have a material adverse effect on our business, financial condition and results of operations.

Our investment banking business is affected by regulations and policies affecting securities market transactions.

In 2019, 2020 and 2021, segment revenue, gains/(losses) and other income from our investment banking business amounted to RMB1.06 billion, RMB1.70 billion and RMB1.81 billion, respectively, representing 4.4 per cent., 6.1 per cent. and 6.3 per cent. of our total revenue, gains/(losses) and other income, respectively.

Transactions we are involved in are subject to uncertainties in regulatory approvals. The primary offering of securities in China, especially IPOs, and certain types of M&A transactions of listed companies, are subject to a merit-based review and approval process conducted by various regulatory authorities. The result and timing of these reviews are beyond our control and may cause substantial delays to, or the termination of, securities offerings underwritten by us or M&A transactions advised on by us. We may experience delays in, or terminations of, securities offerings underwritten and sponsored by us as a result of unfavourable market conditions such as the market volatility which resulted in a short halt of approval of A share IPO by the CSRC. A significant decline in the approval rate of the securities offerings underwritten or sponsored by us or M&A transactions advised by us could harm our reputation, erode client confidence and reduce our underwriting, sponsors and advisory fee income, because we receive most of our fees only after the successful completion of a securities offering or M&A transaction.

In addition, when acting as a sponsor in securities offerings or a financial advisor for M&A transactions, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions or other legal liabilities for conducting inadequate due diligence in connection with an offering or the post-transaction compliance supervision, fraud or misconduct committed by issuers, their agents, other sponsors, parties of M&A transactions or us, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting or providing of financial advisory service.

Furthermore, the PRC regulatory requirements towards investment banking businesses continue to change, including the implementation of a compensation regime in which sponsor institutions are required to commit to compensate investors for their losses resulting from untruthful disclosures in IPOs before issuers' compensation liability is determined. In addition, PRC securities firms are facing increasing challenges in terms of deal execution, client development, pricing and distribution capabilities. If we are unable to adjust our business practices and strategies to meet these new challenges, we may not be able to compete effectively in the securities industry, which could in turn materially adversely affect income from our investment banking business.

Poor investment performance of our asset management schemes and mutual funds may materially and adversely affect our asset management business.

In 2019, 2020 and 2021, segment revenue, gains/(losses) and other income from our investment management business, excluding fund management business of China Universal, amounted to RMB2.45 billion, RMB3.38 billion and RMB4.16 billion, representing 10.1 per cent., 12.2 per cent. and 14.6 per cent. of our total revenue, gains/(losses) and other income, respectively. As of 31 December 2021, total AUM by our asset management schemes and our mutual funds amounted to approximately RMB365.9 billion, of which, discretionary management funds amounted to RMB365.6 billion, or 99.92 per cent. China Universal, our associate, also conducts fund management with AUM of RMB1,200 billion, including AUM of mutual funds of RMB93.0 billion. We receive asset management fees based on the size of each asset management scheme under our management. In addition, we may earn performance fees for certain asset management schemes. Investment performance affects our AUM and is one of the most important factors in maintaining our existing clients and attracting new clients, maintaining our fund ratings for new funds or asset management schemes, and competing for new asset management businesses. If our funds do not perform satisfactorily to our clients or we fail to outperform our competitors, existing clients might withdraw funds from our asset management business, which will lower our asset management fee income. Any of these could adversely affect the amount of asset management fees or performance fees received by us, and in turn have a material and adverse effect on our business, financial condition, results of operations and prospects. Furthermore, we use our own capital to subscribe for certain of our asset management products, the poor investment performance of which may adversely affect our investment management segment revenue. In addition, there are senior and subordinated tranches in some of our asset management products. We may, from time to time, use our own capital to subscribe for certain subordinated tranche of the asset management schemes. As of 31 December 2019, 2020 and 2021, we had nil, nil and nil balance invested in the subordinated tranches of the asset management schemes managed by our Group. Under the agreements between us and our clients for these schemes, we must compensate our clients the difference between the actual investment return of the schemes and the expected return we pre-agreed with them, which is capped at our total investment amount in the scheme. Therefore, we may suffer losses in our investment into such subordinated tranches of those schemes, which may in turn adversely affect our performance. In 2019, 2020 and 2021, our investment management segment recorded impairment charges in the amount of nil, nil and nil, respectively, with respect to our investment in the subordinated tranches. Fluctuation in the performance of our asset management schemes in which we made subordinated investment may have an adverse impact on our performance. Any of the above could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to liability and reputational damage for distribution of financial products issued by financial institutions.

We distribute, through our branch network and online platform, financial products issued by financial institutions. The structure of some financial products, such as trust schemes, may be complex and involve various risks, including credit risks, interest risks, liquidity risks and other risks. Although as a third-party distributor, we are not liable for any investment loss or default directly derived from the financial products we distributed to our clients, we may be subject to client complaints, litigation and regulatory investigation which could have an adverse effect on our reputation and business. For example, we may not be able to identify and quantify the risks of these financial products, and our sales employees may fail to disclose such risks to our clients, in which case, our clients may invest in financial products that are too risky for their risk tolerance and investment preference, and may suffer a significant loss. This may also subject us to client complaints and litigation risks. As a result, our reputation, client relationships, business and prospects would be materially and adversely affected.

Significant interest rate fluctuations could affect our financial condition and results of operations.

Our exposure to interest rate risk is primarily associated with our interest income, interest expenses and fixed income investments. We earn interest income from brokerage and securities financing business, including margin financing and securities lending, collateralised stock repurchase and repurchase agreement transactions, bank balances, including cash balance held on behalf of brokerage clients as well as our own cash balance, and other business. We also make interest payments on accounts payable to brokerage clients, financial assets sold under repurchase agreements and various debt financing, including borrowings, due to banks and other financial institutions, short-term financing bills, income certificates, corporate bonds and subordinated bonds. In addition, we hold net fixed income securities positions, whose market prices are directly affected by the prevailing interest rates. Significant interest rate fluctuations could reduce our interest income or returns on fixed income investments, or increase our interest expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

The level of our indebtedness and potential unavailability of credit may materially adversely affect our business.

We rely on bank and other external borrowings and bond issuances to fund a significant portion of our working capital requirements. Our financial condition, liquidity and business operations will be adversely affected to the extent we are not able to service or repay our debt in a timely manner because of the lack or unavailability of internal resources or inability to obtain alternative financing. Even if we are able to meet our debt service obligations, the amount of debt we borrow could also adversely affect us in a number of ways, including by:

- limiting our ability to obtain any necessary financing in the future for working capital, strategic investment, debt service requirements, or other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business;
- placing us at a competitive disadvantage relative to our competitors who have lower levels of debt;
- affecting our credit ratings and increasing our financing cost;
- making us more vulnerable to a downturn in our business or the economy generally;
- subjecting us to the risk of being forced to refinance our debts at higher interest rates; and
- requiring us to use a substantial portion of our cash to pay principal and interest on our debt, instead of contributing those funds to other purposes such as working capital and other capital requirements.

A significant decrease in our internal or external liquidity could adversely affect our business and reduce client confidence in us.

Maintaining adequate liquidity is crucial to our business operations as we continue to expand our collateralised stock repurchase, investment management, and other business activities with substantial cash requirements. We meet our liquidity needs primarily through cash generated from operating activities and debt financing. A reduction in our liquidity could reduce the confidence of our clients or counterparties in us, which may result in the loss of business and client accounts. In addition, we will need to satisfy various liquidity requirements in order to maintain or expand our scope of business, especially innovative products and services. Failure in the future to comply with the mandatory liquidity requirements, or any heightened requirements for specific business, may result in self-regulatory measures imposed by SAC. Any of these could have a material adverse effect on our business development and reputation.

Factors that may adversely affect our liquidity position include increased regulatory capital requirements, substantial investments, loss of market or client confidence or other regulatory changes. These situations may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects our counterparties or us, or the perception among market participants that we, or other market participants, are experiencing liquidity risk. Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity crunch or other market crisis. When cash generated from our operating activities is not sufficient to meet our liquidity or regulatory capital needs, we must seek external financing. During periods of disruption in the credit and capital markets, potential sources of external financing could be limited and our borrowing costs could increase. Such financing may not be available on acceptable terms or even not at all due to unfavourable market conditions and disruptions in the credit and capital markets.

A failure to identify and address conflicts of interest appropriately could adversely affect our business.

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest, including situations where two or more interests within our business naturally exist but are in competition or conflict. We have extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest is complex and difficult. Conflicts of interest may exist between (i) our departments; (ii) us and our clients; (iii) our clients; (iv) us and our employees; or (v) our clients and our employees. Our failure to manage conflicts of interest could harm our reputation and erode client confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We face additional risks as we expand our product and service offerings.

We are committed to providing new products and services in order to strengthen our leading market position in China securities industry. We will continue to expand our product and service offerings as permitted by relevant regulatory authorities, transact with new clients not in our traditional client base and enter into new markets. These activities expose us to new and increasingly challenging risks, including, but not limited to:

- we may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and clients;
- we may be subject to stricter regulatory scrutiny, or increased tolerance of credit risks, market risks, compliance risks and operational risks;
- we may suffer from reputational concerns arising from dealing with less sophisticated counterparties and clients;
- we may be unable to provide clients with adequate levels of service for our new products and services;
- we may be unable to hire additional qualified personnel to support the offering of a broader range of products and services;
- our new products and services may not be accepted by our clients or meet our profitability expectations;
- our new products and services may be quickly copied by our competitors so that its attractiveness to our clients may be diluted;
- we may be unable to obtain sufficient financing from internal and external sources to support our business expansion;
- we may not be successful in enhancing our risk management capabilities and IT systems to identify and mitigate the risks associated with these new products and services, new clients and new markets;
- we may have difficulties in managing overseas operations, including the compliance with various regulatory and legal provisions in different jurisdictions;
- various approval or licensing provisions;
- challenges in providing products, services and supports in overseas markets;
- challenges in managing distribution channels and overseas distribution network effectively;
- the accounting treatment differences between various jurisdictions;

- potential adverse effects of taxation;
- exchange losses; and
- local political and economic instability or civil strife.

If we are unable to achieve the intended results with respect to our offering of new products and services, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may pursue joint ventures or acquisitions that could present unforeseen integration difficulties or costs and may not enhance our business as we expect.

We have in the past pursued joint ventures and other acquisition transactions aimed at entering new business lines, developing our expertise in specific areas, and expanding the geographic scope and scale of our operations. Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of our ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of our operations. We may not be able to realise any anticipated benefits or achieve the synergies we expect from these acquisitions or joint ventures. Our clients may react unfavourably to our acquisition and joint venture strategy, and we may incur additional liabilities due to acquisitions and set-up of joint ventures. We may also be unable to enforce contractual and legal rights effectively for the limited intellectual property right protection by the laws, or any changes in the laws, regulations and policies of local governments that could adversely affect our business, financial condition, results of operations and prospects.

Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

As at the date of this Offering Circular, we follow our comprehensive internal risk management framework and procedures to manage our risk exposures, primarily including market risk, credit risk, liquidity risk, compliance risk and operational risk. Our risk management policies, procedures and internal controls may not be adequate or effective in mitigating our risk exposures or protecting us against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon observed historical market behavior and our experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by our historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up to date or properly evaluated. In addition, in markets that are rapidly developing, the information and experience that we rely on for our risk management methods may become quickly outdated as markets and regulations continue to evolve. Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to identify or report our deficiencies or non-compliance. Any of these may have a material adverse effect on our business, financial condition and results of operations.

Our operations depend on key management and professional staff and our business may suffer if we are unable to retain or replace them.

The success of our business is dependent to a large extent on the stability of our senior management and our ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. If there are significant personnel changes in our senior management, we may not be able to execute our existing business strategy effectively or may have to change our existing business direction, which may materially adversely affect our business prospects. The aforementioned key personnel include members of our mid-level management, experienced investment and trading managers, risk management officers, research analysts, IT specialists, licensed sponsor representatives and other personnel. Therefore, we devote considerable resources to recruiting and retaining these personnel.

However, the market for quality professionals is highly competitive and we face increasing competition in recruiting and retaining these individuals as other securities firms and financial institutions are competing for the same pool of talent. Intense competition may require us to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect our financial condition and results of operations. As a result, we may be unable to attract or retain these personnel to achieve our business objectives and the failure to do so could severely disrupt our business and adversely affect our prospects.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties.

We may be exposed to fraud or other misconduct committed by our and China Universal's employees, representatives, agents, clients or other third parties that could subject us to financial losses and sanctions imposed by governmental or self-regulatory authorities, as well as adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all, particularly with respect to our innovative products or services, which may be more complex and new to us. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There can be no assurance that fraud or other misconduct will not occur in the future and there can be no assurance that we will detect and prevent such fraud or misconduct. If such fraud or other misconduct does occur, it may cause negative publicity. Our failure to detect and prevent fraud and other misconduct may have a material adverse effect on our business, reputation, financial condition and results of operations.

We may fail to detect money laundering and other illegal or improper activities in our business operations on a timely basis.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and regulations in China and Hong Kong. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us to, among other things, establish or designate an independent anti-money laundering department, establish a client identification system in accordance with relevant rules, record the details of client activities and report suspicious transactions to relevant authorities. We have adopted policies and procedures aimed at detecting and preventing the use of our business platforms to facilitate money laundering activities and terrorist acts. Such policies and procedures may not completely eliminate instances in which we may be used by other parties to engage in money laundering and other illegal or improper activities. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties on us. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect our business, financial condition, results of operations and reputation.

We are subject to the risks arising from any failures or inadequacies of our IT systems.

Our operations rely heavily on the ability of our IT systems to record and process accurately a large number of transactions across numerous and diverse markets and different business segments in a timely manner. Our system for processing securities transactions is highly automated. A prolonged disruption to, or failure of, our information processing or communications systems would limit our ability to process transactions. This would impair our ability to service our clients and execute trades on behalf of clients and for our own account, which could materially and adversely affect our competitiveness, financial condition and results of operations.

The proper functioning of our core IT systems, online trading platform, data processing system, CRM system, mobile apps, risk management and legal and compliance system and other data processing systems, together with the communication networks between our headquarters and branches, are critical to our business and our ability to compete effectively. We have established multitier back-up systems to carry on principal functions or restore our systems in the event of a catastrophe or failure of our systems, including those caused by human errors. However, there can be no assurance that our operations will not be materially disrupted if any of our systems fail. In addition, if the capacity of our trading system is unable to process all trading orders when the securities market experiences high volatility, we may be subject to client complaints, litigation or adverse effects on our reputation.

The securities industry is characterised by rapidly changing technology. Online trading platforms and mobile apps are becoming increasingly popular among our clients due to their convenience and user-friendliness. We rely heavily on technology, and plan to expand and upgrade our online trading platform and mobile apps, to provide a wide range of brokerage and securities financing services. However, our technology operations are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events, and we may not be able to adapt to the evolving technology in the industry. Disruptions to, or instability of, our technology or external technology, or failure to timely upgrade our online or mobile platforms could harm our business, reputation and prospects.

Our technology and information systems may be subject to cyber-attack.

Various key processes in our business depend on the operation of our IT and related computer systems, including our trading platform, mobile apps, risk management system, data processing system, and storage of confidential personal data and other information of our clients. Our IT and related computer systems may be damaged or interrupted by human error, unauthorised access such as a cyber-attack, natural hazards or disasters and similarly disruptive events. While we devote significant resources to maintaining adequate levels of physical and cyber-security in respect of our IT and related computer systems, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks or other disruptions or failures to our IT and related computer systems. A cyber-attack or IT and related computer systems failure could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers. Our business continuity procedures, disaster recovery systems and security measures to protect against network or IT and computer systems failure or disruption may not be effective, and we may not anticipate, prevent or mitigate a material adverse effect on our business, financial condition and results of operations in the event of such failure or disruption. Any or all of the above could harm our reputation and result in competitive disadvantages, litigation, lost revenues, additional costs and liability, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business may be susceptible to the operational failure of third parties.

We face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any operational failure or termination of the particular financial intermediaries that we use could adversely affect our ability to execute transactions, service our clients and manage our exposure to risk. In addition, as our inter connectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems such as personal computers, mobile devices and tablets, as well as connectivity to and compatibility with our clients' systems. Any operational failure may lead to loss of our clients and give rise to complaints, litigation, liability and negative publicities, and in turn have a material adverse effect on our business reputation, financial condition, results of operations and reputation.

Our operations may be adversely affected if we fail to obtain or maintain necessary approvals for conducting a particular business or offering specific products.

We operate in a highly regulated financial industry where many aspects of our business depend upon obtaining and maintaining the necessary approvals, licenses, permits or qualifications from relevant PRC regulators, such as CSRC, and self-regulatory organizations, such as SAC. We are required to comply with the relevant regulatory requirements when applying for approvals, licenses or permits for conducting new businesses or offering new products. As China's legal system and financial service industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may make them more difficult to comply with, or adversely affect the type and scope of businesses we are permitted to engage in. In addition, further regulatory approvals, licenses, permits or qualifications may be required for new products and services in the future, and some of our current approvals, licenses, permits or qualifications are subject to periodic renewal. If any of our business activities fails to meet the regulatory requirements, or if we fail to obtain or renew the required permits, licenses, approvals or qualifications, our business, financial condition and results of operations may be materially adversely affected.

We may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending ourselves against such claims or proceedings.

The securities industry faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales, distribution or underwriting practices, product design, fraud and misconduct, as well as protection of personal and confidential information of our clients. We may from time to time be subject to arbitration claims and lawsuits in the ordinary course of our business. We or our employees may also be subject to inquiries, investigations and proceedings by regulatory and other governmental agencies. Actions brought against us, with or without merits, may result in administrative measures, settlements, injunctions, fines, penalties, negative publicities or other results adverse to us that could have material adverse effect on our reputation, business, financial condition, results of operations and prospects. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant. In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase. In addition, our affiliated organizations may also encounter litigation, regulatory investigations and proceedings for the practices in their business operations. Our clients may also be involved in litigation, investigation or other legal proceedings, some of which may relate to transactions that we have advised, whether or not there has been any fault on our part. A significant judgment or regulatory action against us, or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees, or negative publicity involving us, would have a material adverse effect on our liquidity, reputation, business, financial condition, results of operations and prospects.

We may be subject to liability and regulatory action if we are unable to protect personal data and confidential information of our clients.

We are subject to various laws, regulations and rules governing the protection of personal data and confidential information of our clients. We routinely transmit and receive personal data and confidential information of our clients through the Internet, by email and other electronic means. Third parties may have the technology or expertise to breach the security of our transaction data and we may not be able to ensure that our vendors, service providers, counterparties or other third parties have appropriate measures in place to protect the confidentiality of such information. In addition, there is no assurance that our employees who have access to personal data and confidential information of our clients will not improperly use such data or information. If we fail to protect our clients' personal data and confidential information, the competent authorities may issue sanctions against us and we may have to provide economic compensation for losses arising from such failure. In addition, incidents of mishandling personal information or failure to protect the confidential information of our clients could bring reputational harm to us, which may materially and adversely affect our reputation, business and prospects.

Risks Relating to China

Economic, political and social conditions in China and government policies could affect our business and prospects.

A substantial majority of our assets are located in China, and a substantial majority of our revenue is derived from our businesses in China. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in China. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

Although the PRC economy has been transitioning from a planned economy to a more market oriented economy for more than three decades, a substantial portion of productive assets in China is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the securities markets in China or changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially and adversely affected.

China has been one of the world's fastest growing economies as measured by GDP growth in the past 30 years and has become the world's second largest economy by gross GDP since 2010. However, there is no assurance that China's economy can sustain historical growth rates in the future. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy. In 2015, the PRC Government adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and moving away from investment and export fuelled growth. Since December 2019, the growth in consumption and investments has been slowed down by the outbreak of COVID-19. China's economic operation has recovered steadily in 2020 and 2021 and reported a GDP of RMB99.09 trillion, RMB101.60 trillion and RMB114.4 trillion in 2019, 2020 and 2021, respectively. The year-on-year growth in 2021 was 8.1 per cent.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC Government could adversely affect the Group's business and prospects.

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in China continue to be owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC Government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). The Group's operations and financial results, as well as the Group's ability to satisfy its obligations under the Notes, as the case may be, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

The PRC legal system has inherent uncertainties that could limit the legal protection available to prospective investors.

PRC laws and regulations govern the Group's operations in mainland China. The Group and most of its operating subsidiaries are organised under PRC laws. China's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value unless the Supreme People's Court of the People's Republic of China otherwise provided. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade.

However, many of these laws and regulations, particularly with respect to the financial services industry, are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of China's laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to investors, and can adversely affect the value of your investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Issuer and its directors, supervisors and management.

The Issuer is a company incorporated under the laws of the PRC and a substantial majority of its assets and subsidiaries are located in the PRC. In addition, most of its directors, supervisors and executive officers reside within the PRC and the assets of its directors, supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon the Group's directors, supervisors and executive officers, including with respect to matters arising under applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States, the United Kingdom, Japan or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

Future fluctuations in the value of the Renminbi could have a material adverse effect on the Group's financial condition and results of operations.

While the Group generates most of its revenue in the PRC, it also offers securities products and services in Hong Kong to overseas customers. A portion of the Group's revenue, expenses and bank borrowings are denominated in Hong Kong dollars and US dollars, although its functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, Hong Kong dollar and US dollar, could affect the Group's profitability and may result in foreign currency exchange losses of its foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. In August 2015, the PBOC changed the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily midpoint. This change resulted in a depreciation in the value of the Renminbi at approximately 1.9 per cent. Relative to the U.S. dollar in August 2015 and further subsequent depreciation against major currencies. The International Monetary Fund announced on 30 September 2016 that, effective from 1 October 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. There has historically been significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further appreciation or depreciation of the Renminbi against the US dollar. However, in light of the recent depreciation of the Renminbi against the US dollar, there have also been calls on the PRC government to take measures to maintain stability of the exchange rate of the Renminbi. There can be no assurance that the Renminbi will not experience significant appreciation or depreciation against the US dollar in the future. Any significant increase in the value of the Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may materially and adversely affect the Group's business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases may materially and adversely affect the Group's business, financial condition and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect the Group's business. For example, the recent outbreak of the novel coronavirus in the PRC has resulted in widespread traffic disruptions, travel restrictions and quarantines in different provinces and municipalities in the PRC, which may have an adverse effect of the economic conditions of the PRC and the Group's business. Recently there have been outbreak of Omicron, a new variants of novel coronavirus in Hong Kong and Shanghai, resulting in travel restriction in Shanghai. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore the Group's business. The Group cannot assure investors that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Group's operations or those of its customers, which may materially and adversely affect its business, financial condition and results of operations.

A severe or prolonged deterioration of geopolitical environment, potential acts of terrorism, wars, threats of war and social unrest, particularly the recent Russian/Ukraine conflicts could materially and adversely affect the business, results of operations and financial condition of the Group.

The global macroeconomic environment is facing challenges, including the escalation of the European sovereign debt crisis since 2011, the end of quantitative easing by the U.S. Federal Reserve and the economic slowdown in the Eurozone in 2014. The PRC economy has slowed down since 2012 and such slowdown may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil, commodity and other markets, and over the conflicts involving Russia, Ukraine and Syria. There have also been concerns over the United Kingdom's withdrawal from the European Union which took place on 31 January 2020 as well as the trade war between the United States and the PRC. There have also been concerns on the intensified potential conflicts in relation to territorial disputes in various regions. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. A severe or prolonged deterioration of geopolitical environment, potential acts of terrorism, wars, threats of war and social unrest, particularly the recent Russian/Ukraine conflicts could materially and adversely affect the economic growth of China and thus affecting our business, results of operations and financial condition of the Group.

Government control of currency conversion may adversely affect the value of investors' investments.

Most of the Group's revenue is denominated in Renminbi, which is also the reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including payments of interest, principal and premium on the Notes. However, the PRC Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay interest, principal and premium to the holders of the Notes in foreign currencies. On the other hand, foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditure.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Certain facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Arrangers, the Dealers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives, and, therefore, none of the Issuer, the Arrangers, the Dealers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

Risks Relating to the Notes

Considerations related to a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "Relevant Factor"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in market interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Certain facts and statistics are derived from publications not independently verified by us, the Arrangers, the Dealers or their respective advisors.

Facts and statistics in this Offering Circular relating to China's economy and the industries in which we operate are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Arrangers, the Dealers or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. If the calculation and collection methods are ineffective or there are other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Chinese securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in other regions in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China.

The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's existing and future subsidiaries, and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries, whether or not secured. The Notes will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable law. Each of the Issuer and its subsidiaries are separate legal entities, and our subsidiaries (including any subsidiaries that may be established in the future) have no obligation to pay any amounts due under the Notes or make any funds available therefor, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the its subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is a creditor of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries and any subsidiaries that the Issuer may in the future acquire or establish.

The Notes will be the Issuer's unsecured obligations and will (i) rank equally in right of payment with all the Issuer's other present and future senior unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to you ratably with all of our other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid. The Issuer does not have any subsidiary and does not have any indebtedness, other than the Notes.

Enforcing the rights of the Noteholders under the Notes across multiple jurisdictions may prove difficult.

The Notes will be issued by the Issuer. The Issuer is incorporated in the People's Republic of China with limited liability. The Notes and the Trust Deed will be governed by English law, and parties to these documents have submitted to the exclusive jurisdiction of the courts of Hong Kong. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in the PRC, Hong Kong and the United Kingdom. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of an investor's rights. The rights of the Noteholders under the Notes will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that any investor will be able to effectively enforce an investor's rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of the PRC, Hong Kong and the United Kingdom may be materially different from, or be in conflict with, each other and those with which may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect an investor's ability to enforce his/her rights under the Notes in the relevant jurisdictions or limit any amounts that any investor may receive.

Any failure to complete the filings under the NDRC Circular or with the SAFE within the prescribed time frame following the completion of the issuance of the Notes may have adverse consequences for the Issuer and/or the investors of the Notes.

The NDRC issued the Circular on Promoting the Reform of the Administration System on the Issuance by Enterprises of Foreign Debt Filings and Registration, (國家發改委關於推進企業發行外債備案登記制管理改革的通知) (Fa Gai Wai Zi [2015] No. 2044) on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issuance registration requirement. The Issuer has obtained the NDRC pre-issuance registration certificate on 15 March 2022 which has remained in effect as at the date of the Offering Circular. The Issuer has full capacity to issue and offer the Notes under the Programme within the quota and period stipulated by the pre-issuance registration certificate. The Issuer is also required to file or cause to be filed with the Shanghai Branch of SAFE in accordance with, and within the time period prescribed by, the Foreign Debts Registration. Similarly, the legal consequences of non-compliance with the post-issuance filing requirement under the NDRC Circular and the filing with SAFE are unclear. In the worst-case scenario, such non-compliance with the post-issuance filing notification requirement under the NDRC Circular and/or the SAFE filing may result in it being unlawful for the Issuer to perform or comply with any of their respective obligations under the Notes and the Notes might be subject to acceleration as provided in Condition of the Terms and Conditions of the Notes. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

An active trading market may not develop for the Notes and the trading price of the Notes could be materially and adversely affected.

The Notes to be issued under the Programme will be a new issue of securities with no established trading market. If the Notes are traded after their initial issuance, they may be traded at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are traded at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value.

Although an application may be made for some Notes issued under the Programme to be listed and quoted on the SEHK or any other stock exchange, there is no assurance that such application will be accepted, that the Notes will be so listed and quoted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur.

In addition, the Notes issued under the Programme may trade at prices that are higher or lower than the price at which the Notes have been issued. The price at which the Notes trade depends on many factors, including:

- prevailing interest rates and interest rate volatility;
- our results of operations, financial condition and future prospects;
- changes in our industry and competition;
- the market conditions for similar securities; and
- general economic conditions such as the recent downgrade of the long-term sovereign credit rating of the U.S. and the ongoing European debt crisis, almost all of which are beyond our control.

As a result, there can be no assurance that you will be able to resell the Notes at attractive prices or at all.

Holders of the Notes will not be entitled to registration rights, and we do not currently intend to register the Notes under applicable securities laws. There are restrictions on your ability to transfer or resell the Notes.

The Notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable securities laws, and we do not currently intend to register the Notes in any jurisdiction. The holders of the Notes will not be entitled to require the Issuer to register the Notes for resale or otherwise. Therefore, you may transfer or resell the Notes only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable securities laws of your jurisdiction and/or state, and you may be required to bear the risk of your investment for an indefinite period of time. The Notes and the Trust Deed under which the Notes will be issued will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available. It is investors' obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws. The Issuer cannot predict whether an active trading market for the Notes will develop or be sustained.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

The Notes may be issued with a minimum denomination. The Pricing Supplement of the Notes may provide that, for so long as the Notes are represented by a Global Note or a Global Note Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of the Notes equal to or greater than the minimum denomination. However, the Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

The Notes may be represented by Global Notes or Global Note Certificates and holders of an interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant Clearing System(s).

Notes may be represented by one or more Global Notes or Global Note Certificates. Such Global Notes and Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream, and the CMU, a "Clearing System"). Except in the circumstances described in the relevant Global Note or Global Note Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the interests in the Global Notes and the Global Note Certificates. While the Notes are represented by one or more Global Notes or Global Note Certificates, investors will be able to trade their interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes or Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing Systems (other than the CMU) for distribution to their account holders or in the case of the CMU, to the CMU Lodging and Paying Agent to make payments to the relevant accountholders. A holder of an interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant Clearing System(s) or the CMU Lodging and Paying Agent (in the case of the Notes cleared through the CMU) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Notes and the Global Note Certificates. Holders of interests in the Global Notes and the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

The rating of the Notes may be lowered, suspended or withdrawn; changes in such credit rating may adversely affect the value of the Notes.

The Programme is expected to be assigned a rating of "Baa2" by Moody's. Ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of a rating may be obtained from the relevant rating agency. Ratings are not recommendations to buy, sell or hold securities, and there can be no assurance that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Each rating should be evaluated independently of any other rating. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of your Notes and increase our corporate borrowing costs.

The credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of the Notes and/or the Programme. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes and/or the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The Issuer may be unable to redeem the Notes upon the due date.

The Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in any of such circumstances may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Issuer may be able to redeem the Notes in whole at a redemption price equal to 100 per cent. of the principal amount plus accrued and unpaid interest in the event it is required to pay Additional Tax Amounts due to certain changes in tax law.

As described under "Terms and Conditions of the Notes – Redemption and Purchase – Redemption for tax reasons," in the event the Issuer is required to pay Additional Tax Amounts as a result of certain changes in or official interpretations of tax law, the Issuer may redeem the Notes in whole at a redemption price equal to 100 per cent. of the principal amount plus accrued and unpaid interest.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

Optional redemption features as contained in the Conditions are likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Gains on the transfer of the Notes may be subject to income tax or VAT under PRC tax laws.

Under the EIT Law (as defined below) and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. Since the Issuer is a PRC tax resident enterprise, capital gain realised by a non-resident enterprise from the transfer of the Notes may be regarded as being derived from sources within the PRC and, accordingly, may be subject to a PRC tax of up to 10 per cent., provided that there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. Similarly, any capital gain realized by a non-resident individual holder from transfer of the Notes may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the IIT Law, provided that there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. There remains uncertainty as to whether the gains realised from the transfer of the Notes between entities or individuals located outside of the PRC would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was promulgated on 21 August 2006, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes if such capital gains are not connected with an office or establishment that the Noteholders have in the PRC and all the other relevant conditions are satisfied.

Under the Circular 36 (as defined below), value added tax ("**VAT**") is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or the buyer of Notes is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and there is uncertainty as to the applicability of Circular 36 as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT or related surcharges on VAT on gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

You may experience difficulties in effecting service of legal process and enforcing judgments against us, our directors, supervisors or senior management.

We are a company incorporated under the laws of the PRC and most of our assets and subsidiaries are located in China. All of our directors and senior management reside within the PRC. The assets of these directors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our directors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. As a result, in the PRC, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision.

If we are unable to comply with the restrictions and covenants in our debt agreements, the indentures or the Trust Deed, there could be a default under the terms of these agreements, the indentures or the Trust Deed, which could cause the repayment of our debt to be accelerated.

We are subject to certain restrictions and covenants in our debt agreements and the indentures governing the existing senior notes. From time to time we have had to seek amendments, waivers and consents in connection with covenants and breaches under our debt facilities. Such amendments, waivers and consents have all been granted by the applicable creditors to date. There is no assurance that we will not need to seek such amendments, waivers or consents in the future. If we are unable to comply with the restrictions and covenants in the indentures and the Indenture, or our current or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the relevant debt could terminate their commitments to lend to us, accelerate the debt obligation and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, certain debt agreements, including the Trust Deed, contain cross-acceleration or cross-default provisions. As a result, default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under other debt agreements, including the Trust Deed. If any of these events should occur, there can be no assurance that our assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be found. Even if alternative financing can be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to us.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "Specified Currency"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SEHK, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the SEHK. The disclosure standards imposed by the SEHK may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The Issuer depends on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable laws or contractual restrictions could limit the amount of such distributions.

The Issuer derives a substantial portion of its operating income from its subsidiaries. As a result, the Issuer depends on distributions from its subsidiaries in order to meet its payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide the Issuer with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable laws, such as those limiting the legal sources of dividends, limit the ability of the Issuer's subsidiaries to make payments or other distributions to it. Pursuant to financing agreements entered into in the ordinary course of business, certain subsidiaries of the Issuer have also agreed to certain contractual restrictions on their ability to make distributions. The Issuer and its respective subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Issuer will have sufficient cash flows from its own operations and distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Notes.

Although the Issuer believes that it will be able to meet its obligations in respect of the Notes, any shortfall would have to be made up from other sources of cash, such as a sale of investments or any financing available to the Issuer.

The Notes are unsecured obligations.

The Notes are unsecured obligations of the Issuer. The payment of the principal and interest of the Notes may be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings; or
- there is a default in or acceleration of payment under the Issuer's existing or future secured indebtedness or other unsecured indebtedness.

If any of these events were to occur, Noteholders' rights to receive payment pursuant to the Notes may be subordinated to those of the creditors of the Issuer as a result of rule of law or secured priority in payment. There can be no assurance that the Issuer will have sufficient cash to pay amounts due on the Notes after it satisfies the obligations due to other creditors.

The Trustee may request the Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction.

Under certain circumstances, including without limitation giving notice to the Issuer upon an event of default and taking enforcement steps pursuant to the terms of the Trust Deed, the Trustee may, at its sole discretion, request noteholders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes actions on behalf of noteholders. The Trustee will not be obliged to take any such actions if not indemnified, secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity, security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security and/or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the noteholders to take such actions directly.

Risks relating to Notes which are linked to "benchmarks"

The Euro Interbank Offered Rate ("EURIBOR") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. Regulation (EU) 2016/1011 (the "EU Benchmark Regulation") was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "UK Benchmark Regulation") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed). The EU Benchmark Regulation and/or the UK Benchmark Regulations, as applicable, could have a material impact on any Notes linked to EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the EU Benchmark Regulation and/or the UK Benchmark Regulation as applicable, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, each of the EU Benchmark Regulation and the UK Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the EU Benchmark Regulation, the UK Benchmark Regulations and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark. The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark becomes unavailable or a Benchmark Event (a defined in the Terms and Conditions of the Notes) occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions of the Notes), with or without the application of an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by the Independent Adviser acting in good faith and in consultation with the Issuer. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

RMB-Denominated Notes

Notes denominated in Renminbi ("Renminbi Notes") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and cities in the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide. It was further extended in August 2011 to cover all provinces and cities in the PRC. The Renminbi trade settlements under the pilot scheme have become one of the most significant sources of Renminbi funding in Hong Kong.

On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Crossborder Renminbi Foreign Direct Investment (《商務部關於跨境人民幣直接投資有關問題的公告》) (the "MOFCOM Renminbi FDI Circular"), which became effective on 1 January 2014, pursuant to which foreign investors shall handle the relevant procedures for the cross-border Renminbi foreign direct investment ("RMB FDI") in accordance with the existing laws, administrative regulations, rules and policies relating to foreign investment, and when granting approvals for RMB FDI, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. The MOFCOM Renminbi FDI Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 13 October 2011, Measures on Administration of Renminbi Settlement in relation to Foreign Direct Investment (《外商直接投資人民幣結算業務管理辦法》) (the "PBOC RMB FDI Measures") issued by the People's Bank of China ("PBOC") set out operating procedures for PRC banks to handle Renminbi settlement relating to RMB FDI and borrowing by foreign invested enterprises of offshore Renminbi loans. Prior to the PBOC RMB FDI Measures, cross-border Renminbi settlement for RMB FDI required approvals from the PBOC on a case-by-case basis. The new rules replace the PBOC approval requirement with a less onerous post-event registration and filing requirement. Under the new rules, foreign invested enterprises (whether established or acquired by foreign investors) need to (i) register their corporate information after the completion of a RMB FDI transaction, and (ii) make post-event registration or filing with the PBOC of any changes in registration information or in the event of increase or decrease of registered capital, equity transfer or replacement, merger, division or other material changes.

On 5 July 2013, the PBOC promulgated the Notice of the People's Bank of China on Streamlining Cross-border RMB Business Processes and Fine-tuning Relevant Policies (Yin Fa [2013] No. 168 (《中國人民銀行關於簡化跨境人民幣業務流程和完善有關政策的通知》) (the "2013 PBOC Circular"). The PBOC Notice simplifies the operating procedures on current account cross-border Renminbi settlement and further publishes policies with respect to issuance of offshore Renminbi bonds by onshore non-financial institutions. The 2013 PBOC Notice intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border Renminbi remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC. In the event that the Group is not able to repatriate funds outside the PRC in Renminbi, the Issuer will need to source Renminbi offshore to finance their respective obligations under Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "Settlement Agreement") between the PBOC and Bank of China (Hong Kong) Limited (the "RMB Clearing Bank") to further expand the scope of Renminbi business for participating banks in Hong Kong.

Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit (other than as provided in the following paragraph) on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. However, the current size of Renminbi-denominated financial assets outside the PRC is limited. In addition, participating banks are also required by the Hong Kong Monetary Authority to maintain a Renminbi liquidity ratio of not less than 25 per cent. (computed on the same basis as the statutory liquidity ratio), which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for Hong Kong residents of up to RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions. Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer Is required to source Renminbi in the offshore market to service Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in Renminbi Notes is subject to exchange rate risks.

The value of the Renminbi against the US dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Notes.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by Global Notes, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

USE OF PROCEEDS

The specific use of net proceeds from the issue of each Tranche of Notes will be stated in the relevant Pricing Supplement. Unless otherwise specified in the relevant Pricing Supplement, the net proceeds from the issuance of the Notes will be used primarily for refinancing the Group's existing onshore indebtedness and general corporate purposes.

TERMS AND CONDITIONS OF THE NOTES

The following (other than terms in italics) is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Recitals

(a) *Programme*: DFZQ (東方證券股份有限公司) (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to US$2,500,000,000 (or its equivalent in other currencies) in aggregate principal amount of notes (the "**Notes**").

(b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Trust Deed*: The Notes are constituted by, are subject to and have the benefit of, a trust deed dated 18 September 2019 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Trust Deed**") entered into between the Issuer and Citicorp International Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) *Agency Agreement*: The Notes are the subject of an agency agreement dated 18 September 2019 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Citicorp International Limited as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as registrar in respect of each Series of Notes cleared through Euroclear Bank SA/NV or Clearstream Banking S.A. and Citibank, N.A., London Branch as registrar in respect of each Series of Notes cleared through the CMU (as defined below) (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrars, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent, and all such references shall be construed accordingly.

(e) *The Notes*: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(f) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and the Trust Deed and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively), if any, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. Copies of the Agency Agreement and the Trust Deed are available (upon reasonable advance notice being given to the Trustee) for inspection by Noteholders during normal business hours (between 9:00 am and 3:00 pm Monday to Friday) at the registered office for the time being of the Trustee, being at the date hereof 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Hong Kong and at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Amounts**" has the meaning given in Condition 13 (*Taxation*);

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Tax Amounts**" has the meaning given in Condition 13 (*Taxation*);

"**Agency Agreement**" has the meaning given in "*Recitals – Agency Agreement*";

"**Agent(s)**" has the meaning given in "*Recitals – Agency Agreement*";

"**Applicable Rate**" has the meaning given in Condition 13 (*Taxation*);

"**Authorised Signatory**" has the meaning set forth in the Trust Deed;

"**Bearer Notes**" has the meaning given in Condition 3 (*Form, Denomination, Title and Transfer*);

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(ii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and

(iii) in relation to any sum payable in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other calculation agent as appointed by the Issuer in respect of a Series of Notes in accordance to the terms of the Agency Agreement and as specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

"**Change of Control Triggering Event**" has the meaning given in Condition 10(f) (*Redemption for Relevant Events*);

"**CMU Lodging and Paying Agent**" has the meaning given in "*Recitals – Agency Agreement*";

"**CMU**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**Conditions**" has the meaning given in "*Recitals – Pricing Supplement*";

"**Compliance Certificate**" means a certificate in English of the Issuer signed by an Authorised Signatory of the Issuer that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate, (i) no Relevant Event (as defined below), Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and (ii) the Issuer has complied with all its obligations under the Trust Deed and the Notes;

"**Coupon**" has the meaning given in "*Recitals – Summaries*";

"**Couponholders**" has the meaning given in "*Recitals – Summaries*"; especially in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*);

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, *however*, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Relevant Event)**" means, in respect of any Note, 101 per cent. of their principal amount (in the case of a Change of Control Triggering Event) or at 100 per cent. of their principal amount (in the case of a No Registration Event), or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Event of Default**" has the meaning given in Condition 14 (*Events of Default*);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fitch**" means Fitch (Hong Kong) Limited and its successors;

“**Fixed Coupon Amount**” has the meaning given in the relevant Pricing Supplement;

“**Foreign Debts Registration**” has the meaning given in Condition 5(b) (*Certain Covenants)*;

“**Group**” means the Issuer and its Subsidiaries, taken as a whole;

“**Holder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC;

“**Indebtedness**” of any Person means, means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of (i) amounts raised by acceptance under any acceptance credit facility; (ii) amounts raised under any note purchase facility; (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases; (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

“**Interest Determination Date**” has the meaning given in the relevant Pricing Supplement;

“**Interest Payment Date**” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**Investment Grade**” means a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns; a rating of “BBB-” or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised securities rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for S&P, Moody’s, or Fitch or any combination thereof, as the case may be;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**Issuer**" has the meaning given in "*Recitals – Programme*";

"**Listed Subsidiary**" means any Subsidiary of the Issuer, the Voting Shares of which are at the relevant time listed or dealt in or traded on any internationally recognised stock exchange;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Material Subsidiary**" at any time shall mean a Subsidiary of the Issuer:

(i) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 10 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries;

(ii) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 10 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;

(iii) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 10 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Material Subsidiary at the date on which the first audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition; provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

    (A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(D) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (a) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate signed by an Authorised Signatory of the Issuer stating that, in his/her opinion, a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The certificate shall, if there is a dispute as to whether any Subsidiary of the Issuer is or is not a Material Subsidiary, be accompanied by a report by an internationally recognised firm of accountants addressed to the Issuer as to proper extraction of the figures used by the Issuer in determining the Material Subsidiaries of the Issuer and mathematical accuracy of the calculation;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local branches;

"**NDRC Circular**" means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (發改外資[2015]2044) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules or applicable policies in relation thereto as issued by the NDRC from time to time;

"**NDRC Post-issuance Filing**" has the meaning given in Condition 5(c) (*Certain Covenants*);

"**No Registration Event**" has the meaning given in Condition 10(f) (*Redemption for Relevant Events*);

"**Note Certificate**" has the meaning given in Condition 3(d) (*Form, Domination, Title and Transfer – Title to Registered Notes*);

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

"**Notes**" has the meaning given in "*Recitals – Programme*";

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Paying Agents**" has the meaning given in "*Recitals – Agency Agreement*";

"**Payment Business Day**" means:

(i) if the currency of payment is euro, any day which is:

(A) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and (2) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Principal Paying Agent, or as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and

(B) in the case of payment by transfer to an account, (1) a TARGET Settlement Day and (2) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, any day which is:

(A) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (2) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent, or as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and

(B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Holder**" means any of the Persons directly or indirectly controlled by the government of the PRC;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement or condition provided for in Condition 14 (*Events of Default*) become an Event of Default;

"**PRC**" means the People's Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the PRC;

"**Pricing Supplement**" has the meaning given in "*Recitals – Pricing Supplement*";

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(iii) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"**Principal Paying Agent**" has the meaning given in "*Recitals – Agency Agreement*";

"**Programme**" has the meaning given in "*Recitals – Programme*";

"**Put Exercise Notice**" has the meaning given in Condition 10(c) (*Redemption for Relevant Events*);

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder in accordance with Condition 10(d) (*Redemption at the option of Noteholders*);

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Settlement Date**" has the meaning given in Condition 10(c) (*Redemption for Relevant Events*);

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Rating Agencies**" means (i) S&P, (ii) Moody's, or (iii) Fitch; and if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer and notified in writing to the Trustee, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

"**Rating Category**" means (i) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (iii) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (iv) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation);

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 calendar days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Issuer or any other Person or Persons to effect a Change of Control;

"**Rating Decline**" means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Issuer or any other Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, in the event the Notes are on the Rating Date:

(i) (A) (x) rated by three Ratings Agencies and (y) rated Investment Grade by at least two of such Rating Agencies, and (B) cease to be rated Investment Grade by at least two of such Rating Agencies;

(ii) (A) (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (B) cease to be rated Investment Grade by both such Rating Agencies;

(iii) (A) (x) rated by one Ratings Agency and (y) rated Investment Grade by such Rating Agency, and (B) cease to be rated Investment Grade by such Rating Agency;

(iv) (A) (x) rated by three Ratings Agencies and (y) rated below Investment Grade by at least two of such Rating Agencies, and (B) the rating by at least two of such Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories);

(v) (A) (x) rated by two but not more Ratings Agencies and (y) rated below Investment Grade by any such Rating Agency, and (B) the rating by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories);

(vi) (A) (x) rated by one Ratings Agency and (y) rated below Investment Grade by such Rating Agency, and (B) the rating by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(vii) not rated by any Rating Agency;

"**Receipts**" means the receipts for the payment of instalments of principal in respect of Bearer Notes of which the principal is repayable in instalments or, as the context may require, a specific number of them;

"**Record Date**" has the meaning given in Condition 12(f) (*Payments – Registered Notes – Record date*);

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Relevant Event), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Register**" has the meaning set out in Clause 11 (*Additional Duties of the Registrar*) of the Agency Agreement;

"**Registered Notes**" has the meaning given in Condition 3 (*Form, Domination, Title and Transfer*);

"**Registrar**" has the meaning given in "*Recitals – Agency Agreement*";

"**Registration Business Day**" means a day, other than a Saturday, Sunday or a day on which SAFE is authorised or obligated by law or executive order to remain closed;

"**Registration Deadline**" means the day falling 150 Registration Business Days after the Issue Date;

"**Registration Documents**" has the meaning given in Condition 5(b) (*Certain Covenants)*;

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Coupons**" has the meaning given in Condition 11(e) (*Payments – Bearer Notes – Deductions for unmatured Coupons*);

"**Relevant Date**" has the meaning given in Condition 13 (*Taxation*);

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

“**Relevant Indebtedness**” of any Person means, any present or future indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other similar securities (which for the avoidance of doubt, does not include any loans) which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) except for any unsecured promissory instrument with less than one year in tenor issued in the form of commercial paper;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Pricing Supplement;

“**Reserved Matter(s)**” has the meaning given in the Trust Deed;

“**SAFE**” means the State Administration of Foreign Exchange of the PRC;

“**Shanghai Branch**” means the Shanghai Branch of SAFE;

“**Shanghai Business Day**” means a day other than a Saturday, Sunday or a day on which the Shanghai Branch is authorised or obligated by law or executive order to remain closed;

“**Security Interest**” means any mortgage, charge, pledge, lien or other similar security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Series**” has the meaning given in “*Recitals – Pricing Supplement*”;

“**Specified Currency**” has the meaning given in the relevant Pricing Supplement;

“**Specified Denomination(s)**” has the meaning given in the relevant Pricing Supplement;

“**Specified Office**” has the meaning given in the Trust Deed;

“**S&P**” means S&P Global Ratings and its successors;

“**Specified Period**” has the meaning given in the relevant Pricing Supplement;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

For the purposes of this definition, “**control**” means the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body of a Person, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**sub-unit**" has the meaning given in Condition 6(d) (*Fixed Rate Note Provisions – Calculation of Interest Amount*);

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Taxes**" has the meaning given in Condition 13(a) (*Taxation – Gross up*);

"**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency);

"**Tranche**" has the meaning given in "*Recitals – Pricing Supplement*";

"**Transfer Agents**" has the meaning given in "*Recitals – Agency Agreement*";

"**Trust Deed**" has the meaning given in "*Recitals – Trust Deed"*;

"**Trustee**" has the meaning given in "*Recitals – Trust Deed"*;

"**U.S. Internal Revenue Code**" has the meaning given in Condition 11(d) (*Payments – Bearer Notes Payments subject to fiscal laws*); and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any Additional Amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note, and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement or the Trust Deed shall be construed as a reference to the Agency Agreement or the Trust Deed, as the case may be, as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, up to and including the Issue Date of the Notes.

3. Form, Denomination, Title and Transfer

The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**").

(a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes*: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) *Title to Registered Notes*: The Registrar will maintain a register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes*: Subject to Condition 3(i) (*Closed periods*) and Condition 3(j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with Condition 3(f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such pre-funding, security or indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature levied or imposed in connection with such transfer.

(i) *Closed periods*: Noteholders may not require transfers of their Notes to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status of the Notes

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) below) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Notes will be senior in priority of payment and in all other respects to all Indebtedness of the Issuer that is designated as subordinate or junior in right of payment to the Notes.

5. Certain Covenants

(a) *Negative Pledge*: So long as any Notes remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries (other than any Listed Subsidiary and its Subsidiaries) will, create or have outstanding any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness without at the same time or prior thereto (i) according to the Notes equally and rateably the same security on substantially identical terms as is created or subsisting to secure any such Relevant Indebtedness or (ii) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) *Undertakings relating to SAFE registration*: the Issuer undertakes that it will (i) file or cause to be filed with the Shanghai Branch of SAFE, the transaction documents in accordance with, and within the time period prescribed by, the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》) promulgated by the SAFE on 28 April 2013 which came into effect on 13 May 2013 and the Circular of on Relevant Matters about the Macro-Prudential

Management of Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated by the People's Bank of China on 12 January 2017 which came into effect on the same day ("**Foreign Debts Registration**"), (ii) use its reasonable endeavours to complete the Foreign Debts Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline, (iii) before the Registration Deadline, use its reasonable endeavours to provide the Trustee with (1) copies of the relevant SAFE registration record or any other document evidencing the completion of registration issued by SAFE (the "**Registration Documents**") and (2) a certificate substantially in the form set out in the Trust Deed signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer confirming the completion of the Foreign Debts Registration and certifying that the copies of Registration Documents delivered as aforesaid are each true and complete copies of the originals. In addition, the Issuer shall procure that within 10 Shanghai Business Days after copies of the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Noteholders (in accordance with Condition 21 (*Notices*)) confirming the completion of the Foreign Debts Registration.

The Trustee shall have no obligation to monitor, assist with or ensure the registration of the transaction documents with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Foreign Debts Registration and/or the Registration Documents or to give notice to the Noteholders confirming the completion of the Foreign Debts Registration, and shall not be liable to Noteholders or any other person for not doing so.

(c) *Undertakings relating to NDRC registration*: If specified in the relevant Pricing Supplement as being applicable, the Issuer undertakes that it will (i) file or cause to be filed with the NDRC (the "**NDRC Post-Issuance Filing**") the requisite information and documents within the time period prescribed by the Circular on Promoting the Reform of the Administration System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發改委關於推進企業發行外債備案登記制管理改革的通知(發改外資 [2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015 and (ii) comply with all applicable PRC laws and regulations in connection with the NDRC Post-Issuance Filing (if any).

The Issuer shall within 10 PRC Business Days after submission of such NDRC Post-Issuance Filing provide the Trustee with (i) copies of the documents evidencing the completion of the NDRC Post-Issuance Filing (the "**Filing Documents**") and (ii) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-Issuance Filing and certifying that the copies of the Filing Documents pursuant to (i) of this paragraph are each true and complete copies of the originals. In addition, within 10 PRC Business Days after the documents comprising the Filing Documents are delivered to the Trustee, the Issuer gives notice to the Noteholders (in accordance with Condition 21 (*Notices*)) confirming the completion of the NDRC Post-Issuance Filing.

The Trustee shall have no obligation to monitor, assist with or ensure the completion of the NDRC Post-Issuance Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing or to give notice to the Noteholders confirming the completion of the NDRC Post-Issuance Filing, and shall not be liable to Noteholders or any other person for not doing so.

(d) *Financial Statements etc.*: So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall furnish the Trustee with:

(i) a Compliance Certificate of the Issuer (on which the Trustee may rely conclusively as to such compliance) within 14 days of a written request by the Trustee and at the time of provision of the audited annual financial statements of the Group;

(ii) as soon as practicable after their date of publication and in any event not more than 120 days after the end of each financial year, two copies of the audited annual financial statements (audited by an internationally recognised firm of independent accountants) of the Group; and

(iii) as soon as practicable after their date of publication and in any event not more than 90 days after the end of each financial period, two copies of the unaudited semi-annual consolidated financial statements of the Group,

and if such statements referred to in Condition 5(d)(ii) or Condition 5(d)(iii) above shall be in the Chinese language, together with an English translation of the same translated by (i) an internationally recognised firm of independent accountants or (ii) a professional translation service provider, and checked by an internationally recognised firm of independent accountants, together in any such case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate (and the Trustee shall not be obliged to check or verify any such translation and may rely conclusively without liability to any Noteholder or any other person on such certificate and the accuracy and completeness of any such translation), provided that, if at any time the capital stock of the Issuer are listed for trading on a recognised stock exchange, the Issuer may furnish the Trustee, as soon as they are available but in any event not more than 10 PRC Business Days after any financial or other reports of the Issuer are filed with the stock exchange on which the Issuer's shares are at any time listed for trading, with true and correct copies of any financial or other report filed with such stock exchange in lieu of the reports identified in Conditions 5(d)(ii) and 5(d)(iii) above (provided that the obligation to provide Compliance Certificates as set out in this Condition 5(d) and in the Trust Deed shall continue and not be affected by this proviso) and if such financial or other report referred to in this proviso shall be in the Chinese language, together with an English translation of the same translated by (i) an internationally recognised firm of independent accountants or (ii) a professional translation service provider, and checked by an internationally recognised firm of independent accountants, together in any such case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate (and the Trustee shall not be obliged to check or verify any such translation and may rely conclusively without liability to any Noteholder or any other person on such certificate and the accuracy and completeness of any such translation).

(e) *Rating Maintenance*: If specified in the relevant Pricing Supplement as being applicable, so long as any Note remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer shall maintain a rating on the Notes by at least one Rating Agency.

(f) The Trustee shall have no duty to inquire and no duty to monitor as to the financial performance of and compliance of the Issuer's covenants contained herein.

6. Fixed Rate Note Provisions

(a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from and including the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven calendar days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of Interest Amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and *multiplying* such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, one cent.

7. Floating Rate Note Provisions

(a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven calendar days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination where the Reference Rate is an interbank offered rate*: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(2) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the Reference Rate which appeared on the Relevant Screen Page last determined in relation to the Notes of a preceding Interest Period or (as the case may be) the arithmetic mean of the Reference Rates which appeared on Relevant Screen Page last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *Screen Rate Determination where the Reference Rate is specified as a risk free alternative reference rate*: Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is a risk free alternative reference rate (such as the secured overnight financing rate, or SOFR), the Rate of Interest for each Interest Period (including the method or basis of calculating or determining the Rate of Interest) will be as further specified in the relevant Pricing Supplement.

(e) *ISDA Determination*: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the Eurozone inter-bank offered rate (EURIBOR) or (y) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(f) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) *Calculation of other amounts*: If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(i) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents, the Trustee and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of *manifest* error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(k) *Effect of Benchmark discontinuation*: If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) as specified in the relevant Pricing Supplement remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(k)(i) and, in either case, an Adjustment Spread if any (in accordance with Condition 7(k)(ii)) and any Benchmark Amendments (in accordance with Condition 7(k)(iii)). An Independent Adviser appointed pursuant to this Condition 7 shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it, pursuant to this Condition 7(k).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(k) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or

Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 7(k) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 7(k).

(i) *Successor Rate or Alternative Rate:* If the Independent Adviser determines that, (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(k)(ii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 7); or (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(k)(ii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 7).

(ii) *Adjustment Spread:* If the Independent Adviser determines (1) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (2) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iii) *Benchmark Amendments:* If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(k) and the Independent Adviser determines (1) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 7(k)(iv), without any requirement for the consent or approval of the Noteholders, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory of the Issuer pursuant to Condition 7(k)(iv), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 7(k)(iii), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(iv) *Notices, etc.*: Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 7(k) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Principal Paying Agent and, in accordance with Condition 21, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by an Authorised Signatory of the Issuer:

(1) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate and, (C) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(k); and

(2) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely conclusively on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Principal Paying Agent and the Noteholders.

(v) *Survival of Original Reference Rate:* Without prejudice to the obligations of the Issuer under Conditions 7(k)(i), (ii) and (iii), the Original Reference Rate and the fallback provisions provided for in Condition 7(c) specified in the relevant Pricing Supplement will continue to apply unless and until a Benchmark Event has occurred.

(vi) *Definitions*:

As used in this Condition 7(k):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(1) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(2) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged);

(3) the Independent Adviser, determines to be appropriate;

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser, determines in accordance with Condition 7(k)(i) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

"**Benchmark Event**" means:

(1) the Original Reference Rate ceasing be published for a period of at least five Business Days or ceasing to exist; or

(2) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or

(5) it has become unlawful for the Principal Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise, which shall not be the Calculation Agent, selected and appointed by the Issuer at its own expense under Condition 7(k);

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable): (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

8. Zero Coupon Note Provisions

(a) *Application*: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven calendar days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

(a) *Application*: This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Rate of Interest*: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part at any time (unless the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable), or on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable), on giving not less than 30 nor more than 60 days' notice to the Noteholders or such other period(s) as may be specified in the relevant pricing supplement (which notice shall be irrevocable) at their Early Redemption Amount (Tax) (together with interest accrued to but excluding the date fixed for redemption) if immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in Condition 13(b) (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment (x) in the case of the Issuer (or any successor to the Issuer that is organised or tax resident in a jurisdiction that is already a Relevant Jurisdiction (as defined in Condition 13) as of the issue date of the relevant Tranche of Notes) is announced and becomes effective on or after the issue date of the relevant Tranche of the Notes and (y) in the case of any successor to the Issuer that is organised or tax resident in a jurisdiction that is not already a Relevant Jurisdiction as of the issue date of the relevant Tranche of the Notes, is announced and becomes effective on or after the date such successor assumes the Issuer's obligations, as applicable, under the Notes and the Trust Deed; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Tax Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10(b) (*Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by an Authorised Signatory of the Issuer stating that the obligation referred to in Condition 10(b)(i) above cannot be avoided by the Issuer taking reasonable measures available to it; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in Condition 10(b)(i) and Condition 10(b)(ii) above, in which event such evidence shall be conclusive and binding on the Noteholders, and the Trustee shall have no liability to any Noteholder or any other person for so accepting and relying on such certificate and opinion.

Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption for tax reasons*).

(c) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 calendar days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Issuer determines and in such manner as the Issuer determines, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 calendar days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

So long as Bearer Notes issued in accordance with the rules of Tax Equity and Fiscal Responsibility Act of 1982 (commonly referred to as "TEFRA D" rules) are represented by a temporary Global Note, the Put Option shall not be available except to the extent that the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Paying Agent.

(f) *Redemption for Relevant Events*: At any time following the occurrence of a Relevant Event (as defined below), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only of that holder's Notes on the Put Settlement Date (as defined below) at a price equal to the Early Redemption Amount (Relevant Event), together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed, by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 21 (Notices).

The "**Put Settlement Date**" shall be the 45th day (in the case of a redemption for a Change of Control Triggering Event) or seventh day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Noteholders in accordance with Condition 16 (*Notices*) and to the Trustee and the Principal Paying Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control Triggering Event) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 10(f) (*Redemption for Relevant Events*).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Relevant Event has occurred and shall not be responsible or liable to Noteholders, the Issuer or any other person for any loss or liability arising from any failure to do so.

In this Condition 10(f) (*Redemption for Relevant Events*):

(A) a "**Change of Control**" occurs when any Person or Persons, acting as a group, other than a Permitted Holder acquiring ownership or control directly or indirectly or in combination (through controlled Subsidiaries) of more than 50 per cent. of the voting rights of the issued share capital of the Issuer;

(B) a "**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

(C) "**Permitted Holder**" means any of the Persons directly or indirectly controlled by the government of the PRC;

(D) "**issued share capital**" means issued and outstanding ordinary shares having voting rights, but does not include ordinary or preference shares without voting rights;

(E) a "**Person**", as used in this Condition 10(f) (*Redemption for Relevant Events*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

(F) a "**No Registration Event**" occurs when the Registration Conditions are not complied with on or before the Registration Deadline;

(G) "**Registration Conditions**" means the receipt by the Trustee of (i) copies of the Registration Documents and (ii) a certificate substantially in the form set out in the Trust Deed signed by a Director of the Issuer who is also an authorised signatory of the Issuer confirming the completion of the Foreign Debts Registration and certifying that each of the copies of the Registration Documents delivered are true and complete copies of the originals; and

(H) a "**Relevant Event**" will be deemed to occur if:

(i) there is a No Registration Event; or

(ii) there is a Change of Control Triggering Event.

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 10(a) (*Scheduled redemption*) to Condition 10(f) (*Redemption for Relevant Events*) (both inclusive).

(h) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of, among other things, Condition 14 (*Events of Default*), Condition 18 (*Meetings of Noteholders*) and Condition 19 (*Enforcement*).

(j) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

11. Payments – Bearer Notes

This Condition 11 is only applicable to Bearer Notes.

(a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (which expression as used in this Condition 11, means the United States of America, the District of Columbia, and its possessions) (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

(b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Trust Deed) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable U.S. law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**U.S. Internal Revenue Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption (or repurchase) in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(f) (*Redemption for Relevant Events*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. Payments – Registered Notes

This Condition 12 is only applicable to Registered Notes.

(a) *Principal*: Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the

City of London) and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Trust Deed) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

So long as the Global Note Certificate (as defined in the Trust Deed) is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

13. Taxation

(a) *Gross up*: All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax (each a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

(b) Where such withholding or deduction is required to be made by the Issuer by or within Hong Kong or the PRC at the aggregate rate applicable on the issue date of the first Tranche of Notes (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

(c) Where such withholding or deduction is required to be made by the Issuer by or within Hong Kong or the PRC in excess of the Applicable Rate the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts or additional amounts described in Condition 13(b) (together, the "**Additional Amounts**") shall be payable in respect of any Note:

(i) **Other connection**: to a Holder (or to a third party on behalf of a Holder) which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(ii) **Lawful avoidance of withholding**: to a Holder (or to a third party on behalf of a Holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(iii) **Surrender more than 30 days after the Relevant Date**: in respect of which the Note Certificate representing it is surrendered (where required to be surrendered) more than 30 days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to such Additional Tax Amounts if it had presented such Note for payment on the last day of such period of 30 days.

"**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due, and (b) if the full amount payable has not been received by the Principal Paying Agent in accordance with the provision of the Agency Agreement on or prior to such due date, the date on which the full amount has been received and notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal, premium or interest shall be deemed to include any Additional Amounts in respect of principal, premium or interest (as the case may be) which may be payable under this Condition 13 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 13 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Hong Kong or the PRC, references in these Conditions to Hong Kong or the PRC shall be construed as references to Hong Kong, the PRC and/or such other jurisdiction.

14. Events of Default

If any of the following events (each an "**Event of Default**") occurs, then the Trustee at its discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided that in any such case the Trustee having first been indemnified and/or provided with security and/or pre-funded to its satisfaction), give written notice to the Issuer that the Notes are, and they shall immediately become, due and payable at 100 per cent. of their principal amount together (if applicable) with accrued interest without further action or formality:

(a) *Non-payment*: the Issuer (i) fails to pay any amount of principal or premium in respect of the Notes on the due date for payment thereof or (ii) fails to pay any amount of interest in respect of the Notes within seven days after the due date for payment thereof;

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed (other than those referred to in Condition 14(a) (*Non-payment*) and such default (i) is in the opinion of the Trustee incapable of remedy or (ii) being a default which in the opinion of the Trustee is capable of remedy remains unremedied for 60 days after written notice of such default shall have been given by the Trustee to the Issuer;

(c) *Cross-acceleration*: (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Issuer or any of its Subsidiaries, (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Indebtedness; *provided*, *however*, *that* no such event set forth in clause (i), (ii) or (iii) shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds US$60,000,000 (or its equivalent in any other currency);

(d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of the Material Subsidiaries and such legal process is not discharged within 60 days after the date thereof;

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries and such action is not discharged within 60 days after the date thereof;

(f) *Insolvency*: (i) the Issuer or any of the Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of the Material Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer or any of the Material Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of the Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it or (iv) the Issuer or any of the Material Subsidiaries ceases or threatens to cease to carry on all or any material part of its business, except (a) in the case of any Material Subsidiary, where the cessation is for the purpose of and followed by a solvent winding up, dissolution, reconstruction, amalgamation, merger or consolidation whereby the business, undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer and/or another Subsidiary or (b) on terms approved by an Extraordinary Resolution of the Noteholders;

(g) *Winding up, etc.*: an order is made by a competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of the Material Subsidiaries, except (i) in the case of any Material Subsidiary, for the purpose of and followed by a solvent winding up, dissolution, reconstruction, merger or consolidation whereby the business, undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer and/or another Subsidiary, (ii) on terms approved by an Extraordinary Resolution of the Noteholders, or (iii) a disposal of a Material Subsidiary of the Issuer on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in Issuer or any of its Subsidiaries;

(h) *Government intervention*: (i) all or any material part of the undertaking, assets and revenues of the Issuer or any of the Material Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer or any of the Material Subsidiaries is prevented by any such person from exercising normal control over all or any material part of its undertaking, assets and revenues;

(i) *Analogous event*: any event occurs which under the laws of the PRC has an analogous effect to any of the events referred to in Condition 14(e) (*Security enforced*) to Condition 14(h) (*Government intervention*) (both inclusive);

(j) *Authorisations and consents*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, the Trust Deed or the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Trust Deed or the Agency Agreement admissible in evidence in the courts of the PRC is not taken, fulfilled or done; or

(k) *Unlawfulness*: it is or will become unlawful for any of the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed or the Agency Agreement.

15. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

16. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or such Agent may require. Mutilated or defaced Note, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments and all other amounts in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer or any entity related to the Issuer without accounting for any profit.

In the exercise of its rights, powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes or Coupons as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, CMU lodging and paying agent or registrar or Calculation Agent and additional or successor paying agents and transfer agents; *provided*, *however*, *that*:

(a) the Issuer shall at all times maintain a principal paying agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint additional or successor agents; *provided*, *however*, *that* the Issuer shall at all times maintain (i) a registrar with its specified office outside Hong Kong and (ii) a principal paying agent.

Notice of any change in any of the Agents or in their specified offices shall promptly be given by the Issuer to the Noteholders.

18. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Agency Agreement or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee subject to its being first indemnified, provided with security and/or pre-funded to its satisfaction, upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 percent. of the aggregate principal amount of the then outstanding Notes, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Agency Agreement or the Trust Deed (in each case, other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Agency Agreement or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may (but shall not be obliged) without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes, the Agency Agreement or the Trust Deed (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 21 (*Notices*).

(c) *Direction from Noteholders*: Notwithstanding anything to the contrary in these Conditions, the Trust Deed or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified, provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

19. Enforcement

The Trustee may at any time, at its absolute discretion and without notice, institute such proceedings and/or take such actions or steps as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

20. Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds (whether in bearer or registered form) either (i) having the same terms and conditions and ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon and the timing for complying with the requirements set out in these Conditions in relation to the Foreign Debts Registration and the NDRC Post-Issuance Filing) and so that the same shall be consolidated and form a single series with the outstanding notes or securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (ii) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue, and in the case of Bearer Notes issued pursuant to TEFRA D, following exchange of interests in the permanent Global Note or definitive Bearer Notes after certification of non-U.S. beneficial ownership provided that the Issuer shall undertake to comply with Condition 5(b) (*Undertakings relating to SAFE registration*) and Condition 5(c) (*Undertakings relating to NDRC registration*) with respect to such new bonds. Any further notes or securities which are to form a single series with the outstanding notes or securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or securities of other series in certain circumstances where the Trustee so requires.

21. Notices

(a) *Bearer Notes*: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes*: Notices to the Holders of Registered Notes will be validly given if sent to them at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of being sent. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Registered Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear Bank SA/NV or Clearstream Banking S.A. or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series shall be given by delivery of the relevant notice to that clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear Bank SA/NV, Clearstream Banking S.A., the CMU and/or the alternative clearing system, as the case may be.

22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Governing Law and Jurisdiction

(a) *Governing law*: The Notes, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English laws.

(b) *Jurisdiction*: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Trust Deed, the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Trust Deed and the Agency Agreement ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) *Appointment of Process Agent*: The Issuer has in the Trust Deed irrevocably appointed Orient Finance Holdings (Hong Kong) Limited to receive service of process in any Proceedings in Hong Kong based on any of the Notes and the Trust Deed.

(d) *Waiver of immunity*: To the extent that the Issuer has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit, proceeding, execution or attachment (whether in aid of execution, before judgement or otherwise) from jurisdiction of any court or from set-off or any legal process (including any immunity from non-exclusive jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, the Issuer agrees not to assert any such right or claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes."

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream, a sub-custodian for the CMU operated by the HKMA, or a custodian designated by any other clearing system (an "Alternative Clearing System").

Upon the initial deposit of a Global Note or a Global Certificate with a common depositary for Euroclear and Clearstream (the "Common Depositary") or with a sub-custodian for the CMU operated by the HKMA or in the case of an Alternative Clearing System, a custodian designated by such Alternative Clearing System; or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the HKMA and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU operated by the HKMA or (iii) any nominee designated by an Alternative Clearing System; and delivery of the relevant Global Note or Global Certificate to the Common Depositary or the sub-custodian for the CMU or the custodian designated by an Alternative Clearing System (as the case may be), Euroclear or Clearstream or the CMU or such custodian designated by an Alternative Clearing System (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Bearer Notes issued in compliance with TEFRA D must be initially issued in the form of a Temporary Global Note.

Bearer Notes with a term of more than 365 days (taking into account any unilateral right to rollover or extend the term) that are held through the CMU must be issued under TEFRA C unless at the time of issuance the CMU Lodging and Paying Agent has in place certification procedures necessary to comply with the TEFRA D rules.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or an Alternative Clearing System as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Temporary Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme – Selling Restrictions"), in whole, but not in part, for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D may not be collected without certificate as to non-U.S. beneficial ownership.

Further Issues

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream or the CMU or an Alternative Clearing System, any further issue of Notes by the Issuer pursuant to Condition 20 may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a Temporary Global Note for interests in a Permanent Global Note upon the relevant certification of non-U.S. beneficial ownership.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

(i) if the Permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 3(f) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for a definitive certificate, such definitive certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"Exchange Date" means, in relation to a Temporary Global Note, the day after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any Temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made to the extent that certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, or any other form acceptable to the Issuer that meets the requirements of TEFRA D, has been received by Euroclear and/or Clearstream and/or any other relevant clearing system, and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the relevant Paying Agent (or in the case of Bearer Notes held through the CMU, received by the CMU Lodging and Paying Agent). All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "Payment Business Day" set out in the Terms and Conditions of the Notes.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purpose of this paragraph, "Clearing System Business Day" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a Permanent Global Note or by a Global Certificate may only be purchased by the Issuer or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes, while such Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held by or on behalf of a clearing system, may be exercised by (i) the holder giving notice to any of the Paying Agents/the CMU Lodging and Paying Agent within the time limits in respect of which the option is exercised and presenting the Global Note or Global Certificate for endorsement or exercise (if required) or (ii) a holder of a book-entry interest in the Notes represented by the Global Note or Global Certificate delivering to the Issuing and Paying Agents/the CMU Lodging and Paying Agent the relevant exercise notice, duly completed by or on behalf of such holder (on appropriate proof of its identity and interest), in each case within the time limits set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised. This option may be exercised in respect of all or some of the Notes represented by a Global Note or Global Certificate.

Any option of the Noteholders provided for in the Conditions of any Notes, while such Notes are represented by a Permanent Global Note, may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the Permanent Global Note, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest if such accountholders were the holders of the Notes represented by such Global Note or the relevant Global Certificate, as the case may be.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

EXCHANGE RATE INFORMATION

The People's Bank of China (the "PBOC") sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. Although PRC Governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On July 21, 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 am each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollars from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On June 20, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on April 16, 2012, the band was expanded to 1.0 per cent.. On 11 August 2015, the PBOC announced an adjustment to the mechanism of determining the midpoint price of Renminbi to the U.S. dollar to make the exchange rate of Renminbi more market-based. The modified mechanism allows traders to consider the closing exchange rate in the previous trading day when they quote the midpoint price for Renminbi against the U.S. dollar. As a result, the midpoint price of Renminbi against the U.S. dollar depreciated by 4.8 per cent. from August 10 to August 27, 2015, with further fluctuations in 2016, 2017 and 2018. In the first three months of 2019, Renminbi experienced appreciation in value against the U.S. dollar from 6.8755 to 6.7112 but then headed for depreciation again; in August 2019, Renminbi fell below 7.0 to the U.S. dollar for the first time since 2008. The PRC government may in future make further adjustments to the exchange rate system.

The following table sets forth the exchange rate of the Renminbi against the US dollar. The exchange rate refers to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the US Federal Reserve Board.

	Noon Buying Rate			
	Low	**Average(1)**	**High**	**Period End**
	(RMB per U.S.$1.00)			
2017	6.4773	6.7569	6.9575	6.5063
2018	6.2649	6.6090	6.9737	6.8755
2019	6.6822	6.9081	7.1786	6.9618
2020	6.5208	6.9042	7.1681	6.5250
2021	6.3435	6.4508	6.5716	6.3726
September	6.4320	6.4563	6.4702	6.4434
October	6.3820	6.4172	6.4485	6.4050
November	6.3640	6.3889	6.4061	6.3640
December	6.3435	6.3693	6.3772	6.3726
2022				
January	6.3206	6.3556	6.3822	6.3610
February	6.3084	6.3436	6.3660	6.3084
March	6.3116	6.3446	6.3720	6.3393
April (up to and including 15 April 2022)	6.3590	6.3654	6.3775	6.3705

Note:

(1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[Date]

DFZQ
(東方證券股份有限公司)

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]

under its US$2,500,000,000

Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [date] (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date*.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Offering Circular dated [*previous date*] and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**SEHK**") ("**Professional Investors**") only.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

SEHK has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Application has been made for the listing of and quotation for the Notes on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the official list of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries and associated companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of S$250,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.]

[*The Dealers may elect to include the following legend with respect to each Tranche*: **PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**Prohibition of sales to UK retail investors –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**MiFID II product governance/Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Notification under Section 309B(1)(c) of the SFA**: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "**SFA**"), and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has, unless otherwise specified before an offer of Notes, determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

1.	Issuer:		DFZQ (東方證券股份有限公司)
2.	[(i)]	Series Number:	[●]
	[(ii)	Tranche Number:	[●]]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the temporary Global Note for interests in the permanent Global Note, as referred to in paragraph [l] below, which is expected to occur on or about [date]] [Not Applicable]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Principal Amount:		[●]
	[(i)]	Series:	[●]
	[(ii)	Tranche:	[●]]
5.	[(i)]	Issue Price:	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	[(ii)	Net proceeds:	[●]] [Delete for unlisted issuances.]
	[(iii)	Use of Proceeds:	[●]]

6.	(i)	Specified Denominations:	[●]
			(N.B. Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)
			(N.B. If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000." In relation to any issue of Notes which are a "Global Note exchangeable to Definitive Notes" in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.)
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.		Maturity Date:	[*Fixed rate – specify date/Floating rate – specify Interest Payment Date falling in or nearest to the relevant month and year*]
			(*N.B. Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, it will be necessary to use the second option here.*)
9.		Interest Basis:	[[●] per cent. Fixed Rate]
			[[*specify reference rate*] +/- [●] per cent. Floating Rate]
			[Zero Coupon]
			[Index Linked Interest]
			[Dual Currency Interest]
			[Specify other]
			(further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par]
			[Index Linked Redemption]

		[Dual Currency Redemption]
		[Partly Paid]
		[Instalment]
		[*Specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	[Investor Put Option]
		(*N.B. For as long as Bearer Notes issued in accordance with TEFRA D are represented by a temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent*.)
		[Issuer Call Option]
		[(further particulars specified below)]
13.	Date of [Board] approval for issuance of Notes:	[●] [and [●], respectively] (Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
14.	Date of shareholders' approval for issuance of Notes:	[[●]/Not Applicable]
15.	Listing:	[Hong Kong Stock Exchange/SGX-ST/specify other/None] (For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes)
16.	Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (if any) Payable

17.	Fixed Rate Note Provisions:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]
		(If payable other than annually, consider amending Condition 6 (Fixed Rate Note Provisions) and/or Condition 7 (Floating Rate Note Provisions)
	(ii) Interest Payment Date(s):	[[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
		(*This will need to be amended in the case of long or short coupons*)

(iii)	Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[●] per Calculation Amount (*N.B. For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."*)
(iv)	Broken Amount(s): (Applicable to Notes in definitive form)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed) or [specify other]] (*N.B. Actual/365 (Fixed) is applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.*)
[(vi)	Determination Date(s):	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. Only relevant where Day Count Fraction is Actual/Actual (ICMA).*] (*This will need to be amended in the case of regular interest payment dates which are not of equal duration*)]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*give details*]

18.	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(iii)	Additional Business Centre(s):	[●]

(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
(vi)	Screen Rate Determination:	
	– Reference Rate:	[●]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
(vii)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
(viii)	Margin(s):	[+/-] [●] per cent. per annum
(ix)	Minimum Rate of Interest:	[●] per cent. per annum
(x)	Maximum Rate of Interest:	[●] per cent. per annum
(xi)	Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA)] [Actual/365(Fixed)] [Actual/365(Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [Other] (See definition of "Day Count Fraction" in the Conditions for alternatives)
(xii)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] period of interest accrual shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]

	(xiii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
19.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
	(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[●] (Consider applicable day count fraction if not U.S. dollar denominated)
20.	Index Linked Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula:	[give or annex details]
	(ii)	Calculation Agent:	[●]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Centre(s):	[●]
	(viii)	Minimum Rate of Interest:	[●] per cent. per annum
	(ix)	Maximum Rate of Interest:	[●] per cent. per annum
	(x)	Day Count Fraction:	[●]

21.	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*Give or annex details*]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

Provisions Relating to Redemption

22.	Issuer Call Option:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(iii) If redeemable in part:	[●]
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
	(iv) Notice period (if other than as set out in the Conditions):	(*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee*)
23.	Investor Put Option:	[Applicable/Not Applicable]
		(*N.B. In the case of Bearer Notes issued in accordance with TEFRA D and represented by a temporary Global Note exchangeable for interests in a permanent Global Note or Definitive Note, an Investor Put shall not be available unless the certification of non-U.S. beneficial ownership required under TEFRA D has been received by the Issuer or its Agent.*)
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
(iii)	Notice period (if other than as set out in the Conditions):	[●] (*If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee*)
24.	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]]
25.	Early Redemption Amount payable on redemption upon change of control:	[[●] per Calculation Amount/*specify other*/see Appendix]]
26.	Early Redemption Amount payable on redemption for taxation reasons, upon no-registration event or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[●] per Calculation Amount/*specify other*/see Appendix]]

General Provisions Applicable to the Notes

27.	Form of Notes:	[Bearer Notes: (*N.B. Bearer Notes with a term of more than 365 days (taking into account any unilateral right to extend or rollover the term) must be issued in compliance with TEFRA C or TEFRA D. If such Bearer Notes are held through the CMU, they must be issued under TEFRA C if at the time of issuance the CMU and the CMU Lodging and Paying Agent do not have in place certification procedures necessary to comply with TEFRA D.*) [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] (*N.B. If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000", the temporary Global Note shall not be exchangeable on [●] days' notice.*")

		[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] (*N.B. Not applicable to Bearer Notes issued in compliance with TEFRA D, which must initially be represented by a Temporary Global Note, exchangeable for a Permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership as required under TEFRA D.*) [Registered Notes: Global Note Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate]
28.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/give details] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(iii) and 19(vii) relate*)
29.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
30.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/give details.] (*N.B.: a new form of temporary Global Note and/or permanent Global Note may be required for Partly Paid issues*)
31.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
32.	Redenomination applicable:	Redenomination [not] applicable [(*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates*)]
33.	Other terms or special conditions:	[Not Applicable/give details]

Distribution

34.	(i) If syndicated, names and addresses of Managers and commitments:	[Not Applicable/*give names and addresses and commitments*]
	(ii) Date of Subscription Agreement:	[●]
	(iii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]

35.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
36.	Total commission and concession:	[●] per cent. of the Aggregate Principal Amount [Private Bank Rebate/Commission: *specify*] (*Delete if not applicable*)
37.	U.S. Selling Restrictions:	[Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable] (*"TEFRA not applicable" is only available for Bearer Notes with a term of 365 days or less (taking into account any unilateral right to extend or rollover the term) or Registered Notes.*)
38.	Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

39.	Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s):	[CMU/Not Applicable/give name(s) and number(s)]
40.	Delivery:	Delivery [against/free of] payment
41.	Additional Paying Agent(s) (if any):	[●]
42.	ISIN Code [/CMU Instrument Code]:	[●]
	Common Code:	[●] (*insert here any other relevant codes such as a CMU instrument number*)
43.	LEI Code of the Issuer:	[●]
44.	Programme Ratings:	[●]
45.	Notes Ratings:	[●]
46.	NDRC registration:	[Not Applicable/*give details*]

[**Stabilisation**

In connection with this issue, [*insert name of Stabilising Manager*] (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot and effect transactions with a view to supporting the market price of Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

[**Purpose of Pricing Supplement**

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the US$2,500,000,000 Medium Term Note Programme of DFZQ (東方證券股份有限公司).]

Material Adverse Changes Statements

There has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospectus or results of operations of the Issuer or of the Group since [*date of last audited or reviewed financials included in the Offering Circular*].

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table set forth the consolidated capitalisation and indebtedness of the Group as derived from its audited consolidated financial statements as at 31 December 2021. The table should be read in conjunction with the Group's audited consolidated financial statements as at 31 December 2021 and the notes thereto.

	As at 31 December 2021	
	Actual	
	RMB *(audited)*	*U.S.$[1]* *(unaudited)*
	(in '000)	
Debts:		
Borrowings	558,645	87,664
Placements from financial institutions	8,485,677	1,331,588
Account payables to brokerage clients	90,012,125	14,124,866
Bond payables	67,509,217	10,593,669
Financial assets sold under repurchase agreements	62,741,993	9,845,588
Total debts	229,307,657	35,983,375
Equity:		
Share capital	6,993,656	1,097,457
Other equity instrument	5,000,000	784,609
Reserves	43,003,283	6,748,154
Retained profits	9,130,172	1,432,723
Equity attributable to shareholders of the Company	64,127,111	10,062,943
Non-controlling interests	15,995	2,510
Total Equity	64,143,106	10,065,453
Total Capitalisation[2]	293,450,763	46,048,828

Notes:

(1) Based on the exchange rate of RMB6.3726 to U.S.$1.00, the noon buying rate in effect on 30 December 2021 as set forth in the H. 10 weekly statistical release of the Board of the Governors of the Federal Reserve System of the United States.

(2) Total capitalisation represents the sum of total debts and total equity.

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 per cent. with a maturity period of 3 year.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 31 December 2021.

DESCRIPTION OF THE GROUP

Overview

Our Company is a leading capital markets service provider in the PRC with strong state-owned background, distinguished investment expertise, and dually listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. According to Wind, as at 31 December 2021, our market capitalisation was RMB93.5 billion. We provide all-round and one-stop financial services to our clients covering securities, futures, asset management, investment banking, investment consultancy and securities research. After years of development, we have established a leading position in our competitive business sections such as proprietary investment, asset management and securities research.

In recent years, we promoted high-quality corporate development with the strategic driver of digital transformation. We 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. We strive to achieve unified planning, strengthen independent research and development, continue to promote the integrated development of financial technology, and continue 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.

As at 31 December 2021, our total assets amounted to RMB326.6 billion. For the year ended 31 December 2021, our total revenue, gains/(losses) and other income was RMB28.6 billion and our profit for the year was RMB5.4 billion. According to the published annual reports of Chinese securities companies as at 10 April 2022, we ranked 12th in terms of net capital, 11th in terms of net assets, and 11th in the industry in terms of total assets for the year ended 31 December 2021. As at 31 December 2021, we had 177 securities branches in total, covering 87 cities in all provinces, autonomous regions and municipalities directly under the central government, which makes the Company the fourth securities firm in the industry and the first securities firm in Shanghai that achieves full coverage of all provinces, autonomous regions and municipalities directly under the central government in China. Our extensive geographic presence enables us to serve a broad customer base. We have been rated Grade AA of Class A as a securities company and has been rated as a Grade A securities dealer for 13 consecutive years.

Investment Management

We provide our clients with asset management schemes, publicly offered securities investment funds products and private equity investment fund management. We conduct asset management business through Orient Securities Asset Management, a wholly-owned subsidiary of the Company, by 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. Orient Securities Asset Management ranked first in the industry in terms of the net income from asset management business during the year of 2021. We also delivered excellent long-term performance for our 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. We also engage in private equity investment fund management business through another wholly-owned subsidiary, Orient Securities Capital Investment. In addition, we conduct fund management business through China Universal, an associate in which we are the largest shareholder with 35.412 per cent. equity interest. 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.

Brokerage and Securities Financing

We engage in securities brokerage business and futures brokerage business and provide our client with various securities financing services. Focusing on catering to the needs of our clients, we seek to build a full-fledged, diversified financial platform and continually optimize our client structure and revenue mix. Our 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. We also conduct 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. In addition, we conduct 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. In 2021, the market share of the Company in terms of income of the securities brokerage business was 1.74 per cent., ranking 20th in the industry, representing an increase of 0.12 per cent. in market share as compared to the same period of last year according to the Monthly Journal of Securities Association of China. For the year ended 31 December 2021, the cumulative number of newly opened accounts amounted to 356 thousand, representing a year-on-year increase of 15 per cent. As at 31 December 2021, we had 2.2 million customers, representing an increase of 19 per cent. from 31 December 2020, and total assets under custody amounted to RMB902.8 billion, representing an increase of 26 per cent. from 31 December 2020.

Securities Sales and Trading

We conduct securities sales and trading business with our own capital, including equity investment and trading business, fixed income investment and trading business, financial derivatives trading business, alternative investment and securities research services. We have been focusing on the development of investment and trading business since our establishment. During the past two decades, we continued to cultivate investment teams and accumulate market experience. We engage 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, we actively expand FICC business. We conduct financial derivatives trading business by flexibly utilizing derivatives and quantitative trading strategies to obtain absolute income with low-risk exposure. We also engage 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. In addition, we provide our institutional clients with research services. The clients allocate funds to the seats through the Company and, based on the quality of the research services, determine the lease of special unit trading seats from the Company and the allocation of trading volume.

Investment Banking

We provide a full spectrum of investment banking services including stock underwriting, bond underwriting and financial advisory services. We carry out investment banking business mainly through our fixed income business headquarters and Orient Investment Banking, a wholly-owned subsidiary of the Company. We provide equity underwriting and sponsorship services, including underwriting and sponsorship services of IPOs, and refinancing projects including non-public offerings and rights issues. We also provide debt underwriting services, including underwriting services for corporate bonds, enterprise bonds, treasury bonds, financial bonds and others. In addition, we provide 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

Our 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.

We conduct 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.

Our solid financial performance, stable operational management and strong innovation achievements have been widely recognized. We have won various awards, including among others:

Year	Award	Authority
2021	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)	National Business Daily
	Best Practice Case of Annual Report Presentation 2020 (2020年報業績説明會最佳 實踐案例)	China Association for Public Companies
	Best Investor Relations Award (最佳投資者關係獎)	Securities Times
	Best Board Award for Main Board Companies (主板最佳董事會獎)	
2020	Golden Bull Award (金牛獎)	China Securities Journal
	Yinghua Award (英華獎)	China Fund Journal
	Junding Award (君鼎獎)	Securities Times
	Best Investor Relations Company Award (最佳投資者關係公司獎)	
	Best Securities Company for Responsible Investment (責任投資最佳證券公司)	Sina Finance
2019	Excellent Underwriting Agency Award (優秀承銷機構獎)	ChinaBond
	Best Brokerage Institution Award (最佳券商類機構獎)	China Agricultural Development Bank
	Excellent Underwriters of Exchange Financial Bonds (交易所金融債券優秀承銷商)	Shanghai Stock Exchange
	Most Socially Responsible Award (最具社會責任獎)	
	Excellent Underwriters of Local Government Bonds (地方政府債券優秀承銷商) issued by the SSE	
	Excellent Interest Rate Underwriting Agency (優秀利率債承銷機構)	Shenzhen Stock Exchange

Recent Developments

Resignation of Mr. LIU Wei

On 31 March 2022, the Company announced that it had recently received the written resignation letter from Mr. LIU Wei, a non-executive director of the Company. Due to work-related reasons, Mr. LIU Wei applied to resign as a non-executive director and the member of the remuneration and nomination committee under the Board. Mr. LIU Wei will no longer hold any position in the Company following the resignation. Mr. LIU Wei confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Appointment of Mr. LU Weiming as the president of the Company

In light of needs of the Company and in accordance with the Articles of Association, Mr. JIN Wenzhong, chairman of the Company, ceased to serve as the president of the Company. At the 13rd meeting of the 5th session of the Board held on March 30, 2022, Mr. LU Weiming was nominated as the candidate for the executive director of the 5th session of the Board and was appointed as the president of the Company. For more information of Mr. LU Weiming, see “Directors, Supervisors and Senior Management – Senior Management”.

Competitive Strengths

We are a leading capital markets service provider in China with distinguished investment expertise. We have built successful investment management and trading as well as wealth management businesses by leveraging our strong foundation in Shanghai and nationwide network. We believe the following strengths have contributed to our success and differentiated us from our competitors.

We have strong shareholders' support and standardised corporate governance

We have 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. Our state-owned background coupled with the support we have received from our shareholders provide important support to our business development and contribution to our industry-leading position. As Shanghai is one of the most important financial centres in the world, government support for the financial sector has been much stronger as compared to other industries. In particular, according to the arrangement of the Shanghai Municipal Government, Shenergy Group, a company wholly owned by Shanghai State-owned Assets Supervision and Administration Commission of the State Council, has been our largest shareholder ever since our establishment. As at 31 December 2021, Shenergy Group holds 25.27 per cent of our equity interest. We have been receiving significant support from Shenergy Group. Our state-owned background has enhanced our customers' confidence in our products and services, broadened our customer base, strengthened our work relationships with the government and has provided us with more business opportunities.

As a public company listed in both Mainland China and Hong Kong, we have operated our 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. We improve and refine our 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 our 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. In 2021, we successfully completed the election of new sessions of the Board, the Supervisory Committee and the management team, which ensured our effective governance and standardised operation. We adhere to the concept of "full compliance and risk control" and form a closed loop compliance and risk management system of "culture people system tools."

We have distinguished investment management and trading capabilities with a proven track record

After years of intensive cultivation, we have established brand effect and competitive advantages in various fields such as securities investment, fixed income, asset management, fund management, futures brokerage and others.

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.

For example, 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 as at 31 December 2021, 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 our fixed income business remained stable with optimized investment portfolio, and we were 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.

We have a business with a diversified revenue mix and a robust asset structure

We have leading edge businesses with a balanced business portfolio. We have established integrated business lines to provide comprehensive financial services and have continued to reduce our reliance on traditional brokerage services and securities trading business. For the year ended 31 December 2021, our key business segments, namely investment management, brokerage and securities financing, securities sales and trading, investment banking and headquarters and others, contributed approximately 14.6 per cent., 54.0 per cent., 19.7 per cent., 6.3 per cent. and 8.5 per cent., respectively, to our total revenue and other income. We will continue to provide a wide variety of financial products and services to meet various clients' needs and continue to optimize the revenue mix.

We also seek to distinguish ourselves from other PRC securities firms with a robust asset structure. Our proprietary trading business consists of equity investment and trading, fixed income investment and trading and derivatives trading business. As at 31 December 2019, 2020 and 2021, our bonds investment accounted for 89.4 per cent., 86.5 per cent. and 83.5 per cent., respectively of the total balance of our proprietary trading business. Over the years, we have maintained a comprehensive asset profile which will ensure the Company's sustainable overall profitability irrespective of market volatility throughout the various phases of the securities industry cycle.

We have strong capital resources as an A+H dual listed company

As an A+H dual listed company, we have access to the capital markets in both Mainland China and Hong Kong, which allows us significant flexibility in capital raising and in turn strongly supports our business development and expansion.

We fully utilize the capital markets to strengthen our capital resources. In March 2015, we raised RMB10 billion through our A-share IPO on the Shanghai Stock Exchange under stock code "600958", upon which our registered capital increased to RMB5.3 billion. In July 2016, we raised HK$7.6 billion through our H-share IPO under stock code "03958", upon which our registered capital increased to RMB6.2 billion. In February 2017, we planned a RMB11 billion A-share private placement. In December 2017, we raised RMB11 billion through private placement of 780 million A-share, upon which our registered capital increased to RMB7.0 billion. In March 2022, CSRC approved our issue of approximately 1.67 billion A shares to the shareholders, such secondary offering, once successfully completed, will effectively expand our capital strength and enhance our market competitiveness and risk resilience.

With such strong capital resources, we obtained strong reputation and credibility in the industry. In May 2017, we obtained our first Moody's long-term issuer rating of Baa3 as the 5th Moody's investment grade rated securities firm in China. In July 2017, we were selected to be the first batch of four securities firms with Bond Connect quotation qualifications. In October 2018, we became qualified for securities investment fund custody business. In March 2021, Moody's announced to upgrade our issuer rating to Baa2 with stable outlook. We are one of the only two securities companies that received a rating upgrade and now has the second highest rating among the eleven securities companies.

We have a prudent, effective and comprehensive risk management system and industry-leading liquidity management capabilities

Compliance is the cornerstone of our company. We adhere to the concept of "overall compliance based on risk control", and have 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. We continuously strengthen the awareness of compliance and risk control among our staff, optimize our comprehensive risk management system and enhance the effectiveness of our compliance and risk management. We have also promulgated several principals regarding the management of market risk, credit risk, liquidity risk and operational risk. Our emphasis on risk management allows us to remain a healthy and stable business development, especially given the fact that the regulators have been shifting their focus to "strict risk control" since 2015.

We have 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. We also strengthened our efforts in audit project management and audit quality control. No administrative penalties have been imposed for major violations of laws and regulations since 2019. We have relatively stable and steady leverage ratio and acceptable risk level, and have been rated Grade AA of Class A as a securities company and has been rated as a Grade A securities dealer for 13 consecutive years.

We add value through liquidity management. We have industry-leading liquidity management capabilities. Our liquidity management is achieved through a variety of effective measures and systems, including a complete and well-designed system, a solid model with a well-diversified maturity profile, a platform for the vast talent pool, sufficient credit through peer partnership, strengthened reserves to prepare against potential risks, diversified funding sources with ample quota for financing and risk minimization through systematic management. For the years ended 31 December 2019, 2020 and 2021, our liquidity coverage ratio was 295.2 per cent., 245.6 per cent. and 272.5 per cent., respectively, and our net stable funding ratio was 134.6 per cent., 151.1 per cent. and 132.2 per cent., respectively.

We have a united, enterprising, pragmatic and efficient senior management team and business team

Being united, enterprising, pragmatic, professional, stable, inclusive and responsible, our 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. Our core management team has on average over 25 years of management experience in the securities and financial industries and over 15 years of experience with the Company. Both of our Chairman and our President have joined us for over 20 years. The stability in our management team provides a strong reserve of talent to support our sustainable growth, ensure consistent implementation of our strategies and bring strong execution capability on the Company's future strategic directions and developments.

We own professional, high-quality and relatively stable business teams which have gathered rich market experience and outstanding professional abilities through years of operation. We also have a pool of steadily growing future leaders and talents to support the development of the Company. We emphasize the recruitment, motivation, training and use of talents, and adopt 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".

In 2021, we further strengthened our senior management team by adjusting the duties of senior management members, thereby forming a young and professional senior management team. We also strengthened the construction of our 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. We believe our distinctive corporate culture and internal cohesion enable us to attract and retain talent, which are instrumental to our future success.

Business Strategies

We aim to become a leading provider of comprehensive financial services and we plan to achieve our goals through the following strategies.

Further build up our competitiveness as a leading provider of comprehensive financial services

To consolidate our leadership as a capital markets service provider in the PRC, we will further enhance the scale and level of our investment bank business and wealth management business, consolidate the brand and advantages of our investment business and asset management business, and make breakthroughs in our fintech enabled business.

To achieve this, we intend to adopt the following initiatives:

- **Securities Sales and Trading**: We will expand our customer bases to include diversified institutions including insurance institutions, trusts and large enterprises. We will expand the investment and trading range while implementing strict risk management. We strive to balance our revenue growth with risk tolerance.

- **Investment Management**: We will focus on active asset management business. We will continue to diversify and expand our asset management product portfolio. In particular, we will enhance innovation in the mutual funds business. We will also continue to expand fixed income mutual funds and asset securitization products, and continually diversify and improve our product lines built on our strengths in traditional equity fund products;

- **Brokerage and Securities Financing**: We will create an integrated wealth management system. We will accelerate the transformation of traditional securities branches will see the expansion of comprehensive financial service capabilities of these branches and the optimization of our branch network. We will also further develop our independent research and product development capabilities and strengthen the customer classification management system.

- **Investment Banking**: We will take advantage of the “Belt & Road” Initiative and further promote our cross-border transactional experiences. We will help small-and medium-sized enterprises to raise funds. In addition, we will strengthen comprehensive service capabilities to provide our customers with comprehensive and full-cycle financial services. In particular, we will focus on high-tech, high-growth and innovative industries.

- **Integrated Financing Platform**: For institutional and corporate customers, we will build an integrated sales system to provide one-stop personalized and integrated financial services for individual customers. At the same time, we will continue to improve the software platform and strengthen the scale and professional capabilities of the service team.

Further enhance collaborative operations and client-oriented comprehensive financial service platform to provide one-stop services

To implement the Group's strategy, we will further strengthen the collaboration between our various business segments and increase client service capability to build a one-stop integrated financial service platform. We will continue to optimize our organizational structure and improve our business process, management process and resource allocation mechanism to strengthen client sharing and resources integration.

With respect to organizational structure, we divide our businesses into four business clusters, including the retail financial business cluster, the enterprise financial business cluster, the institutional financial business cluster and the asset management business cluster.

- For our retail financial business cluster, we aim to transform our retail financial business cluster by integrating financial technology to promote strategic transformation of our wealth management business and strengthen the retail financial business cluster in four aspects, including customer, product, investment consultancy and sales channels.

- For our enterprise financial business cluster, we aim to take investment bank and investment businesses as lead and establish a whole industry chain to serve the real economy.

- For our institutional financial business cluster, we aim to fully utilize our advantages of investment and research and provide one-stop service for institutional clients.

- For our asset management business cluster, we aim to build an industry-leading and distinctive asset management brand.

We will continue to enhance our capability in client development. Specifically, we intend to focus on expanding our high-net-worth as well as institutional and corporate client base. We strive to provide a full range of client services and continue to improve our client management system:

- For strategically important clients, we will enhance our client services led by senior management and supported by various business teams. For institutional and corporate clients, we will establish a dedicated sales system integrating our institutional and corporate sales teams from different business segments, with relevant client managers in securities branches acting as contacting points. For high-net-worth clients, we will strive to provide distinct comprehensive financial services through business collaboration. For retail clients, we will focus on further developing mobile Internet finance and optimizing client development and the sales network in our O2O business with innovative offerings. In addition, we will continue to provide innovative value-added services and improve client service ability in order to attract quality clients and strengthen client loyalty; and

- We will continue to improve a unified client information and relationship management platform, and continually optimise the organizational structure and streamline our business and management processes. Integrating customer and resource across different business segments, we aim to identify further business opportunities and provide diversified and tailor-made services to our clients.

Continue to innovate for future growth

We will continue to build our corporate culture that encourages innovation, and strive to make new product and service offerings a driving force of our revenue and profit growth. Specifically, we plan to innovate in the following aspects:

- **Internet platform**: We will further strengthen our comprehensive "one-stop" Internet financial product platform through our unified account system. Meanwhile, we seek to further improve our mobile Internet platform to offer personalized services;

- **Over-the-counter**: We will focus on the services for high-net-worth clients and institutional and corporate clients, and utilize our strengths in investment research, product design and market-making through product and service innovation, to build a differentiated over-the-counter business;

- **Financial derivatives**: We will increase the trading in derivatives in line with our risk-neutral strategy, diversify revenue sources and promote innovation in over-the-counter derivatives; and

- **FICC**: We will continue to build an FICC business platform that meets international standards, expand into areas such as foreign exchange, gold, commodities, and corresponding derivatives, structured products and other instruments, in order to form a complete FICC business.

Focus on active asset management business and build a leading investment management brand

We will continue to take advantage of our strengths in investment management and trading, expand our product offering for asset management and enhance our securities sales and trading capability. Through these efforts, we aim to build a leading investment management brand. Our specific business plans include:

- We will focus on active asset management business. We will continue to diversify and expand our asset management product portfolio. In particular, we will enhance innovation in the mutual funds business. We will also continue to expand fixed income mutual funds and asset securitization products, and continually diversify and improve our product lines built on our strengths in traditional equity fund products;

- In terms of the clients and marketing channels, we will continue to leverage our brand and diversify our institutional and corporate client base, such as insurance, trusts, large-scale enterprises and optimize the structure of assets under management; and

- We will gradually expand the variety and scope of investment and trading products across different types and markets, covering a variety of securities related financial products on stock exchanges or over the counter.

While maintaining our existing competitive strengths in equity, fixed income and derivatives trading securities investment business, we will continue to follow prudent risk management and trading disciplines and achieve revenue growth within our risk tolerance level.

Further strengthen our management from six perspectives lay a solid foundation for business development

We will continually optimize and improve our management from six perspectives, including capital management, compliance and risk management, talent management, financial technology, institutional construction and party culture building. We intend to do this by pursuing the following:

- We will further improve our management efficiency of capital, fund and resources, to seize new opportunities and achieve better result of operations;

- We will further optimize our internally developed risk management operation mechanism, boost each level's risk management function, improve the compliance and risk management system according to the principle of centralization and penetration, and implement the comprehensive risk management mechanism with full coverage, all-staff participation and whole-process control;

- We will continue to optimize the structure of our talent pool and build our multi-layer talent development system, including internal promotion, recruitment of high-calibre professionals for our core and innovative businesses, and leveraging our brand to attract talent with leadership and international vision. We will also further enhance our staff training and expand our career development program so as to achieve the mutual development of the staff's personal abilities and our business. In addition, we plan to further improve our market-oriented performance evaluation and incentive mechanism, optimize the business structure and adopt equity incentive schemes to maintain our competitiveness and improve staff loyalty. Moreover, we will continue to enhance corporate culture, staff cohesion and corporate competitiveness by cultivating a family-like environment;

- We will enhance the application of information technologies throughout our management to facilitate our business development, identify and seize new opportunities, optimize the capabilities of identifying and evaluating potential risks, assist capital management and remain competitive;

- We will further promote our institutional construction, to improve our market-oriented operation and development, smooth the various workstreams within the Company and ensure efficient decisionmaking and implementation; and

- We will continue to firmly implement the major plans and requirements of the Party, strengthen the promotion of Party culture and honest practices, carry out in-depth study and education on the history of the Party.

Our Business

Our major business segments include investment management, brokerage and securities financing, securities sales and trading, investment banking, as well as headquarters and others. The following table shows the composition of each business segment:

Investment Management	Brokerage and Securities Financing	Securities Sales and Trading	Investment Banking[2]	Headquarters and Others
• Asset management • Publicly offered securities investment[1] • Private equity investment	• Securities brokerage • Futures brokerage • Securities financing • Other business	• Proprietary trading • Innovative investment • Securities research	• Stock underwriting • Bond underwriting • Financial advisory services[3]	• Treasury business • Overseas business

Notes:

(1) We engage in fund management business mainly through China Universal, an associate, in which we are the largest shareholder, with 35.41 per cent. equity interest.

(2) We mainly engages in investment banking business through Orient Investment Banking (formerly "Citi Orient"), a wholly-owned subsidiary of the Company, and the Fixed Income Business Department.

(3) Includes mergers and acquisitions and restructuring, NEEQ securities recommendation and listing as well as enterprise reform.

The following table sets forth the breakdown of our total revenue, gains/(losses) and other income by business segment for the periods indicated:

	For the year ended 31 December					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in millions, except percentages)					
Securities sales and trading	4,701.62	19.3	5,985.18	21.6	5,616.41	19.7
Investment management[1]	2,454.21	10.1	3,375.13	12.2	4,164.76	14.6
Brokerage and securities financing	13,944.25	57.3	14,487.88	52.4	15,420.77	54.0
Investment banking	1,062.83	4.4	1,695.36	6.1	1,805.93	6.3
Headquarters and others	3,286.41	13.5	2,900.04	10.5	2,428.87	8.5
Inter-segment balances elimination[2]	(1,098.80)	(4.5)	(796.60)	(2.9)	(873.93)	(3.1)
Total	24,350.52	100.0	27,646.99	100.0	28,562.80	100.0

Notes:

(1) Excludes the revenue of China Universal, an associate in which we hold 35.412 per cent. equity interest and do not consolidate into our financial statements.

(2) Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities carried out by a segment for another segment.

Investment Management

We provided clients with asset management schemes, securities firms' publicly offered fund products for equity investment and private equity investment business. For the years ended 31 December 2019, 2020 and 2021, segment revenue, gains/(losses) and other income from our investment management business segment was RMB2.5 billion, RMB3.4 billion and RMB4.2 billion, accounting for 10.1 per cent., 12.2 per cent. and 14.6 per cent. of our total revenue, gains/(losses) and other income, respectively.

Asset Management

We mainly engage in management through our wholly-owned subsidiary, Orient Securities Asset Management. As the PRC's first securities dealer engaged in asset management and a company listed among the first batch of asset management companies qualified for fiduciary insurance asset management and the first asset management company obtaining the qualification of publicly offered securities investment fund business, Orient Securities Asset Management focused on assets under active management, remained committed to client interests and pursued value investment and absolute returns to create long-term rewards to clients, with a goal to become a market leader and "a reputable asset management company" with client interests in the first place. Our asset management products have performed well continuously.

In recent years, 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. 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.

As at 31 December 2021, the total size of entrusted assets under management reached RMB365.9 billion, representing an increase of 23 per cent. as compared to the beginning of the period, in which the size of publicly offered funds under management was RMB269.6 billion, representing an increase of 35 per cent. as compared to the beginning of the period. We used closed-end products as long-term investment tools for clients, and the size of the long-term closed-end[(1)] equity funds[(2)] under management reached RMB108.0 billion, accounted for 69 per cent. 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).

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 31 December 2021, the return of equity investment actively managed by Orient Securities Asset Management was 294.4 per cent. 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 per cent., ranking among the top 20 per cent. in the industry (source: Financial Products Research Center of Haitong Securities Research Institute – Performance Rankings of Equity and Fixed Income Assets of Fund Managers).

We provide asset management services and products for our clients, including CAM, TAM, SAM and publicly offered funds.

- **CAM schemes**: the asset management schemes in which we manage assets for several clients by using the designated account in accordance with relevant laws and CAM contracts;

- **TAM schemes**: the asset management schemes in which we are authorized by, and enter into a contract with, a single client to manage the assets entrusted by such client through a segregated account according to the conditions, requirements and restrictions provided in the contract;

- **SAM schemes**: the management of specific assets for clients for specific purposes; and

- **Publicly offered funds**: publicly offered funds issued by securities dealer.

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(1) 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.

(2) Equity funds refer to common equity and mixed (excluding debt preferred mixed funds) funds under Wind's classification basis, excluding fund of funds.

The following table sets forth the AUM of the Company by product type for the periods indicated:

	As at the year ended 31 December		
	2019	**2020**	**2021**
		(RMB in millions)	
CAM schemes	48,466.07	59,251.52	66,067.95
TAM schemes	35,045.61	27,333.53	13,907.51
SAM schemes	15,955.69	12,332.00	16,331.35
Publicly offered funds	123,411.98	199,631.24	269,622.45
Total	222,879.35	298,548.29	365,929.26

The brand influence of Orient Securities Asset Management continued to grow, and has been widely recognized by the market. In 2021, 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.

Fund Management Through China Universal

We mainly engage in fund management business through China Universal, an associate in which we are the largest shareholder with 35.412 per cent. equity interest. China Universal possesses all the licenses required to engage in fund management business in the securities industry in China.

In 2021, China Universal carried out compliant operation and innovative development based on the 2021 business plan and the requirement of "Digital Enhancement Year". As at 31 December 2021, 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.

China Universal's leading professional capabilities and strong track record have been widely recognized by the industry and the society, and it has won numerous awards. In 2021, 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".

Private Equity Investment

Orient Securities Capital Investment, our wholly-owned subsidiary, is engaged in private equity investment business and carries out private equity fund management business through its subsidiaries. Orient Securities Capital Investment mainly generates income by collecting management fees and/or obtaining performance remuneration according to the contractual covenants and performance.

The private equity investment fund business of Orient Securities Capital Investment mainly covers various types such as equity investment, mergers and acquisitions, cross-border investment and financial consultant related to equity investment, in which the cross-border M&A is leading in the industry. Its investment fields are diversified with various industries involved, such as big consumption, big health, big entertainment, big finance and high-end equipment manufacturing. 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 31 December 2021, 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 year ended 31 December 2021, 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.

As at 31 December 2021, 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.

In 2021, 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 Investorscn.com and the Broker’s Equity Investment Annual Winner of the Golden Bull Awards.

Brokerage and Securities Financing

Our 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. We seek to build a full-fledged, diversified financial platform and continually optimize our client structure and revenue mix. We focus on catering to the needs of our clients in order to provide them with customized value-added services. We have pursued a capital-light expansion strategy by opening capital-light branches with low cost and high efficiency and expanding our online service platform. All these efforts are aimed for “whole business chain” financial platform with diversified and integrated functions, and for transformation from traditional brokerage business to wealth management. For the years ended 31 December 2019, 2020 and 2021, segment revenue, gains/(losses) and other income from our brokerage and securities financing business was RMB13.9 billion, RMB14.5 billion and RMB15.4 billion, respectively, accounting for 57.3 per cent., 52.4 per cent. and 54.0 per cent. of total revenue, gains/(losses) and other income, respectively. The revenue from brokerage and securities financing business mainly consists of commission and fee income as well as interest income.

Securities Brokerage

Our securities brokerage business mainly focuses on the trading of securities on behalf of clients, and mainly relies on the wealth management business headquarters and its branches. We trade stocks, funds and notes on behalf of our clients according to the instructions given to the authorized branches. With a focus on customers, we provided individualized value-added services catering to the needs of different customers through the low cost and highly efficient business outlets and the expansion of online service platforms with an aim to creating a diversified and comprehensive financial service platform. As at 31 December 2021, the Company had 177 securities branches in total, covering 87 cities in all provinces, autonomous regions and municipalities directly under the central government.

We actively promoted the transformation from brokerage business to wealth management, fully utilised our 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 our service solutions to achieve high-quality development.

In 2021, the market share in terms of income of the securities brokerage business was 1.7 per cent., ranking 20th in the industry, representing an increase of 0.12 per cent. in market share as compared to the same period of 2020 (data from monthly report of the Securities Association of China). During the year ended 31 December 2021, the cumulative number of newly opened accounts amounted to 356 thousand, representing a year-on-year increase of 15 per cent.. As at 31 December 2021, we had 2.2 million customers, representing an increase of 19 per cent. from the beginning of 2021, and total assets under custody amounted to RMB902.8 billion, representing an increase of 26 per cent. from the beginning of 2021.

We 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, we carry 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. We 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 we 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 year ended 31 December 2021, our sales volume of equity products amounted to RMB30.3 billion, representing a year-on-year increase of 9 per cent., product sales related income amounted to RMB955 million, representing a year-on-year increase of 36.2 per cent.. We 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 per cent., establishing a leading position in the industry. As at 31 December 2021, the size of our equity products amounted to RMB64.7 billion, representing an increase of 43 per cent. from the beginning of 2021. According to the data of Asset Management Association, as of the end of 2021, the size of equity+mixed publicly offered funds held by us amounted to RMB42.4 billion, ranking 7th among securities dealers.

During the year ended 31 December 2021, we 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. We 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. We also formulated promotional plans by category to effectively improve and solve the industry pain point of "profitable only for funds but not fund holders".

The following table sets forth the type and amount of all the financial products the Group distributed for the periods indicated, including the OTC products:

	Year ended 31 December		
	2019	2020	2021
		(RMB in millions)	
Publicly offered funds (including monetary funds)	104,841	166,267	151,714
CAM products	86	0	21
Trust schemes	3,116	3,477	1,421
Private equity investment fund products	422	3,547	2,870
Other financial products	25,403	8,610	3,936
Total	133,868	181,901	159,962

With a focus on institutional wealth management, we have built an institutional services ecosystem covering the whole business chain. With institutional wealth management as the core business model for our institutional business, we have 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 year ended 31 December 2021, we 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 year ended 31 December 2021, we formed a good reputation for our 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, we also actively expanded our 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 year ended 31 December 2021, we acquired 1,669 new institutional clients, representing a year-on-year increase of 48 per cent.. 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.

We 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, we 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 year ended 31 December 2021, we successfully secured our 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 at 31 December 2021, the number of our high net worth retail customers of reached 7,815, representing an increase of 24 per cent. from the beginning of 2021, and the size of clients' assets was RMB188.8 billion, representing an increase of 20 per cent. from the beginning of 2021.

For Internet finance, during the year ended 31 December 2021, we 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 per cent. year-on-year. During the year ended 31 December 2021, 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. We supported the smooth implementation and promotion of the fund investment advisory business, facilitating the transformation of wealth management to buy-side services. As at 31 December 2021, we 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 per cent. of the total number of customers, the online transaction amount accounts for 84 per cent. of the total, and the number of newly opened online accounts takes up for 99 per cent. of all accounts opened in the same period.

In 2021, we were highly recognized by the industry and regulatory authorities for our wealth management transformation. In particular, our wealth management business department was recognized as the "Pioneering Worker's Unit" by the Shanghai Federation of Trade Unions, and we 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.

Futures Brokerage

We engage in futures brokerage business through Orient Futures, a wholly-owned subsidiary of the Company. Orient Futures is a member of Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and China Financial Futures Exchange.

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 at 31 December 2021, the size of customer equity was RMB65.461 billion, up 61 per cent. from the beginning of 2021, 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 year ended 31 December 2021, we 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, we have launched the "Fanwei" data platform covering three major functions of data integration, quantitative analysis and intelligent strategy recommendation. On the technical side, we 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.

In 2021, 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.

Securities Financing

Our securities financing business consists of margin financing and securities lending, and collateralized stock repurchase and repurchase agreement transactions.

Margin financing and securities lending

We were among the second batch of companies in China qualified to engage in margin financing and securities lending business in June 2010. Margin financing and securities lending transaction refers to a transaction in which the investor provides a qualified securities firm with collateral, to borrow funds and purchase securities (margin financing transaction) or to borrow securities and sell them (securities lending transaction). Through margin financing and securities lending business, we help our clients to utilize the financial leverage and capture potential opportunities in the market with a view to enhancing the investment returns for clients. Margin financing and securities lending business is a major component of our securities financing business. It is capital intensive and involves exposure to relevant credit risks.

Since 2013 and especially after we successfully completed our A share listing and replenished net capital in 2015, we have increased our efforts in developing margin financing and securities lending business under prudent risk management. Margin financing and securities lending business has gradually become our important source of revenue and profit. In 2021, we further optimised our client structure, expanded the source of securities for financing, continued to build our business system, improved customer experience and promoted the stable development of our business. As at 31 December 2019, 2020 and 2021, our margin financing and securities lending balance was RMB12.85 billion, RMB22.56 billion and RMB24.60 billion, respectively. The revenue from margin financing and securities lending is mainly interest income.

Collateralized stock repurchase and repurchase agreement transactions

Collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their shares or other securities as collateral to obtain financing from a qualified lender and agree to repay the funds on a future date to release the pledge. We believe that the funds provided to the clients through collateralized stock repurchase would be primarily invested in the real economy and thus will further promote its development. This allows us to continually cultivate new valuable clients and identify outstanding enterprises with potential to become listed companies or industry leaders. We aim to provide various financial services to them in subsequent events including listing, market-making and transfer of listing.

We adhered to the keynote of “risk control and scale reduction” and continued to reduce the scale of collateralized stock business. As at 31 December 2021, the balance of our collateralized stock business amounted to RMB11.759 billion, all of which were contributed with proprietary funds, representing a decrease of 23.45 per cent. from the end of last year, and the business scale reduced by over RMB3.6 billion, further mitigating relevant risks.

Other Business

Other business segments of our brokerage and securities financing business mainly includes OTC business and custody business.

OTC business

We are one of the earliest securities firms implementing interaction and intercommunication with interinstitutional market. In August 2014, we obtained qualifications for conducting five types of interinstitutional business for price quotation for the private equity products and services system. We obtained the qualification for pilot over-the-counter market business and also became the first securities firm obtaining the qualification of market maker among the interinstitutional business in October 2014. Currently, our OTC business has covered income certificate, private fund, asset management scheme, private equity financing, and entrusted scheme. Meanwhile, we have actively explored our business to OTC derivatives, private notes, asset securitization, collateralized repurchase etc., with all operation indicators and innovation capabilities heading the list among the peers.

During the year ended 31 December 2021, our 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 year ended 31 December 2021, we 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 year ended 31 December 2021, 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.

Custody business

We 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, we fully implemented the "whole chain" risk management requirements, comprehensively built the "Custody+" ecological chain, continuously improved the service efficiency, and utilised our business support advantages to help enhance our market competitiveness. During the year ended 31 December 2021, our custody and outsourcing business scale, number of products and customers increased by 43.84 per cent. and 20.65 per cent., respectively, as compared to the beginning of the year. Our product structure was gradually optimized, and the size of securities products increased by 74.70 per cent. 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 year ended 31 December 2021, the size of publicly offered funds under the brokerage settlement model increased by 191.36 per cent. compared with the beginning of the year, demonstrating a favourable growth trend and providing strong support for the development of our wealth management business. During the year ended 31 December 2021, we were awarded the "2021 Most Influential Securities Firm for Custody Service (2021最具影響力託管券商)" under the 11th China Jinding Award by National Business Daily.

Securities Sales and Trading

We conduct securities sales and trading business with our own funds, including proprietary trading (including equity investment and trading, fixed income investment and trading, financial derivatives trading business), innovative investment and securities research services. We have been focusing on the development of investment and trading business since our establishment. During the past two decades, we continued to cultivate investment teams and accumulate market experience. Pursuing value investing and active risk management, our investment and research capabilities are now well recognized in the industry, and we have achieved a favourable average return of securities investment. In the years ended 31 December 2019, 2020 and 2021, segment revenue, gains/(losses) and other income from our securities sales and trading business amounted to RMB4.70 billion, RMB5.99 billion and RMB5.62 billion, respectively, representing 19.3 per cent., 21.6 per cent. and 19.7 per cent. of our total revenue, gains/(losses) and other income, respectively.

Proprietary Trading

Revenue from our proprietary trading business is primarily derived from realized gains and gains or losses from fair value changes of equity securities, fixed income securities, and financial derivatives. Financial assets under proprietary trading are classified as financial assets at fair value through profit or loss, held to maturity investments or available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The following table sets forth the balance by asset class of our proprietary trading business as at the dates indicated:

	As at 31 December		
	2019	2020	2021
		(RMB in millions)	
Stocks	6,948.16	7,472.66	8,434.35
Funds	2,553.75	3,139.66	9,090.18
Bonds	87,906.29	83,051.22	97,667.78
Others[1]	933.75	2,328.19	1,812.69
Total	98,341.95	95,991.73	117,005.00

Note:

(1) Primarily include investments in asset management schemes and wealth management products using our own funds.

Over the years, we have established and continued to improve a comprehensive and effective system covering the Group's allocation of assets and liabilities and risk limits. The system ensures that our overall risk is measurable, manageable and within our risk tolerance. Based on our financial budget plan and our assessment on macroeconomic and market conditions, while considering net capital requirement and risk exposure, we allocate annually funds and assets to each business unit and specify its respective limit. We have established a dynamic monitoring and stop-loss mechanism for the proprietary trading business to ensure we operate within the risk limit.

In order to strengthen the management of our proprietary trading business and ensure that such strategies are carried out in an efficient manner within the scope of authorization, we have formulated relevant administrative rules and established a five-level management system. The investment risks are managed through a rigorous system. We have also optimized the decision-making process to ensure the safety and efficiency of our investments.

Affected by the Sino-U.S. trade war, the slowing economic growth domestically, the implementation of financial deleveraging policies and the COVID-19 pandemic, the securities market experienced a unilateral decline since 2019. We will adhere to the strategy of "risk prevention and growth stabilization" in our operations and management, continue to enhance risk control, follow the principle of prudence in asset allocation and continuously adjust and optimize our investment strategies.

Equity investment and trading

In terms of equity investment business, during the year ended 31 December 2021, we mainly adopted a bottom-up approach for stock selection, and concentrated our 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, we 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, we continued to improve the structure of our 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 at 31 December 2021, we held 47 NEEQ projects, including five projects that completed IPO, accounted for 66 per cent. of the total amount of NEEQ assets, with overall enhancement of asset quality.

Fixed income investment and trading

In terms of FICC business, during the year ended 31 December 2021, we further consolidated our 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, we strengthened our bond credit risk management while adjusting our position structure in a timely manner, increased our holdings and extended the duration when yields were at a high level, and reduced the proportion of credit bonds. During the year ended 31 December 2021, the spot securities trading volume in the interbank market increased by 12.56 per cent. year-on-year, and the interest rate swap trading volume ranked at the top among securities companies.

For market-making business, we achieved outstanding results in market making in the inter-bank bond market, actively updated our quotation strategy and maintained sound operation so far. During the year ended 31 December 2021, the trading volume of our market-making business in the inter-bank market increased by 20 per cent. year-on-year, the trading volume through the Bond Connect increased by 11 per cent. year-on-year, and we maintained our industry leading position. In particular, our market making business for CDB bonds and bonds of Agricultural Development Bank of China ranked first in the market. We became the first batch of preferred quotation dealers for the new generation RMB trading platform in the interbank market, and maintained our leading position in the industry in terms of treasury bond future market making business.

Steady progress was made in the innovative transformation of the FICC business. Quantitative trading strategies were enriched and business operation performed well. We have 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 our first corporate LPR interest rate derivatives business, and the investment advisory projects were well performed with the size of entrusted funds exceeding RMB10 billion. We continued to expand the scale of our commodity proprietary operations; fully launched our 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 year ended 31 December 2021, we 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.

Financial derivatives trading

In terms of derivatives business, during the year ended 31 December 2021, we 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 per cent. of quantitative hedging products in the market in terms of yields. For market-making business, we 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 per cent. in average daily options market-making turnover, and achieved our goal of stabilising profitability while controlling directional exposure. For OTC derivatives business, we closely followed the market trend, captured opportunities from popular business, and withstood the market test in terms of research and hedge trading capabilities. As at 31 December 2021, the notional principal size of OTC derivatives reached RMB29.5 billion, an increase of over 20 times from the beginning of the period. We also actively developed trading counterparties to enhance market activity. During the year ended 31 December 2021, all products of the Company’s options market-making business on the SSE and SZSE were rated AA Grade, and we 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.

Innovative Investment

We engage 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. 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 year ended 31 December 2021.

Equity Investment

We vigorously carried out equity investment business. As at 31 December 2021, we 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 six Science and Technology Innovation Board projects with an investment scale of RMB271 million.

Special Asset Acquisition and Disposal

We steadily promoted special asset acquisition and disposal business, shifted from traditional model to innovative model, enhanced our active acquisition and disposal capabilities and accelerated project exit. During the year ended 31 December 2021, the new investment made by Orient Securities Innovation Investment in special asset projects amounted to RMB1,382 million. As at 31 December 2021, Orient Securities Innovation Investment had 24 existing special asset projects with an investment scale of RMB2,505 million.

Quantitative Investment

We expanded the investment in quantitative hedge funds. We 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.

Securities Research Services

We always pay equal attention to external commissions and internal services, and have achieved sound results through persistence in the highly competitive commission compartment market. Meanwhile, we focus on serving all business departments of the Company to build an internal collaborative layout.

During the year ended 31 December 2021, 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. We 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 31 December 2021, our 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.

With respect to external commissions, we cultivated the public offering market and strived to improve the market share leveraging institutional customers. Besides, we expanded customer coverage and actively explored non-public offering customers. During the years ended 31 December 2019, 2020 and 2021, the Securities Research Institute realized commission income of RMB320 million, RMB540 million and RMB759 million, respectively, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB289 million, RMB512 million and RMB722 million, respectively, with a market share of 2.94 per cent., 2.94 per cent. and 2.93 per cent., respectively, and improved ranking among customers of core public offering funds. During the year ended 31 December 2021, 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. We 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. We also created and constantly deepened strategic research to develop new competitive edge in the relevant areas.

In 2021, we 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.

Investment Banking

We mainly engage in investment banking business through Orient Investment Banking, a wholly-owned subsidiary of the Company, and the Fixed Income Business Department. Orient Investment Banking was formerly Citi Orient Securities Co., Ltd ("**Citi Orient**"), a subsidiary in which we held 66.7 per cent. equity interest. In 2020, the Shanghai Bureau of CSRC approved the transfer of 33.3 per cent. of the equity interests in Citi Orient from Citigroup Global Markets Asia Limited to the Company, and Citi Orient was renamed as Orient Investment Banking. 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. For the years ended 31 December 2019, 2020 and 2021, segment revenue, gains/(loses) and other income from investment banking business amounted to RMB1.1 million, RMB1.7 billion and RMB1.8 million, respectively, representing 4.4 per cent., 6.1 per cent. and 6.3 per cent. of our total revenue, gains/(losses) and other income, respectively.

Stock Underwriting

We provide our clients with underwriting and sponsorship services, including initial public offerings and secondary offerings. We charge underwriting commissions, sponsorship fees and other fees for the equity financing transactions at comparable market rates with reference to the deal size and market conditions.

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 year ended 31 December 2021, Orient Investment Banking completed 26 equity financing projects, representing a year-on-year increase of 23.8 per cent., with lead underwriting amount of RMB39.1 billion, representing a year-on-year increase of 128.6 per cent.

During the year ended 31 December 2021, Orient Investment Banking participated in 9 IPO projects as the lead underwriter, with total underwriting amount of RMB13.0 billion, representing a year-on-year increase of 27.3 per cent., 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 RMB26.0 billion, representing a significant increase of 280.1 per cent. 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 per cent., with underwriting amount of RMB21.0 billion, representing a significant increase of 257.5 per cent. 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.

In 2021, 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 following table sets forth the breakdown of equity financing transactions with Orient Investment Banking acting as lead underwriter:

	Year ended 31 December		
	2019	**2020**	**2021**
		(RMB in millions)	
IPO:			
Number of issuances	3	11	9
Amount underwritten as lead underwriter	1,584.48	10,234.94	13,025.00
Secondary Offering:			
Number of issuances	8	10	17
Amount underwritten as lead underwriter	9,293.07	6,847.14	26,028.16
Total			
Number of issuances	11	21	26
Amount underwritten as lead underwriter	10,877.55	17,082.08	39053.16

Bond Underwriting

We provide bond underwriting, including underwriting and sponsorship services of corporate notes as well as underwriting services for enterprise notes, treasury notes, financial notes and others. We charge underwriting commissions and fees for the debt financing services at comparable market rates with reference to the deal size and market conditions. For the year ended 31 December 2021, we conducted 293 lead underwriting projects, with a total underwritten amount of RMB151.8 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 at 31 December 2021. We continued to innovate bond varieties, practice the concept of green development and enhance our customer service capability. In 2021, we 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 year ended 31 December 2021, 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.

During the year ended 31 December 2021, we maintained our 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. We 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 year ended 31 December 2021, we 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 year ended 31 December 2021, 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. We 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.

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

	Year ended 31 December		
	2019	**2020**	**2021**
		(RMB in millions)	
Corporate debentures:			
Number of underwriting as lead underwriter	44	86	130
Amount underwritten as lead underwriter	35,271	65,681	73,155
Corporate bonds:			
Number of underwriting as lead underwriter	15	11	18
Amount underwritten as lead underwriter	9,400	7,573	11,376
Financial bonds:			
Number of underwriting as lead underwriter	23	17	26
Amount underwritten as lead underwriter	13,710	24,903	24,180
Asset-backed securities:			
Number of underwriting as lead underwriter	14	14	55
Amount underwritten as lead underwriter	14,745	7,170	14,287
Debt financing instruments of non-financial enterprises:			
Number of underwriting as lead underwriter	33	56	64
Amount underwritten as lead underwriter	14,452	26,875	28,850
Total			
Number of underwriting as lead underwriter	129	184	293
Amount underwritten as lead underwriter	87,578	132,202	151,846

Financial Advisory

We provide corporate clients in the PRC with financial advisory services in areas such as mergers and acquisitions and restructuring, NEEQ securities recommendation and listing, enterprise reform and asset-backed securitization.

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 per cent. shares of Rainbow Tech International Limited by Ninestar, acquisition of 26.47 per cent. 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 per cent. 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 per cent. equity interest in ficonTEC by Feikong Taike)" in the 7th Golden Whistle Awards by Morning Whistle Group.

Headquarters and Others

Headquarters and others business of the Company mainly include the headquarters' treasury business, overseas business and financial technology business. For the years ended 31 December 2019, 2020 and 2021, segment revenue, gains/(losses) and other income from the headquarters and others businesses amounted to RMB3.29 billion, RMB2.90 billion and RMB2.43 billion, respectively, representing 13.5 per cent., 10.5 per cent. and 8.5 per cent., respectively, of our total revenue, gains/(losses) and other income.

Treasury Business

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. We also coordinate and facilitate the centralised management of the our liquidity financing liabilities and debt financing liabilities, optimise the debt structure and maintain a reasonable ratio of short and long-term liabilities to ensure the safety of our short-term liquidity and the stability of our long-term liquidity; and reasonably guide the leading effect of internal fund transfer pricing on business operation to facilitate the effective allocation of our resources and the healthy development of our business. As at 31 December 2021, the liquidity coverage ratio and net stable capital ratio of the Parent Company were 272.45 per cent. and 132.24 per cent., respectively, leaving a large safety margin from the regulatory warning line of 120 per cent..

Overseas Business

We engage 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 year ended 31 December 2021, 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 year ended 31 December 2021, Orient Securities International conducted securities brokerage business with a total transaction volume of HKD50.8 billion, representing a year-on-year increase of 26 per cent.; and had nearly 370,000 securities brokerage clients at the end of the year, representing an increase of 61 per cent. from the beginning of year. During the year ended 31 December 2021, 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 per cent. year-on-year.

Reserves were strengthened for general investment banking business. During the year ended 31 December 2021, we 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.

For asset management business, we continued to enhance our brand value. As at 31 December 2021, Orient Securities International managed a total of 31 products with a total size of approximately HKD11.5 billion. During the year ended 31 December 2021, 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 year ended 31 December 2021, 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.

Financial Technology Business

We promoted high-quality corporate development with the strategic driver of digital transformation. We 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.

We facilitated business development and formed the dual drivers and in-depth integration of technology and business. For proprietary investment business, we 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.

We 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. We also completed the first phase of our 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.

We carried out transformation of our 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.

In 2021, 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.

Clients

We serve different institutional and individual clients across a spectrum of sectors. Our major clients range from large corporations and small– and medium-sized enterprises to retail and high net-worth clients. Our clients are primarily located in China. We expect to serve more overseas clients as we seek to further expand our overseas business in the future.

Market and Competition

The PRC securities industry is under strict supervision and securities firms must comply with a large number of supervisory regulations in every aspect, including business licensing, scope of products and services, business development and risk control. The competition has been intense in the PRC securities industry and will remain so in the future.

In the investment management business, we compete primarily with fund management companies, banks, insurance companies, trusts and other securities firms in the PRC in the range of products and services offered, pricing and quality of client service. In the securities brokerage business, we compete primarily with other PRC securities firms in pricing, the scope and quality of products and services offered. For the investment banking business, we compete primarily with other PRC joint venture securities firms as well as PRC commercial banks in branding, marketing and underwriting capacity, service quality, professional competence, financial strength and pricing.

Some of our competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience and more advanced information technology systems, wider geographic coverage and the ability to offer more financial products and services than us. In addition, with the deregulation of the PRC securities industry, more competitors may enter the market and existing competitors may expand their market shares. We believe that the financial service industry in China will become increasingly competitive, which will accelerate transformative innovation and differentiated development of PRC securities firms.

Risk Management

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.

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.

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.

Intellectual Property

We have not been subject to any material infringement of our intellectual property rights or allegations of infringements by third parties as at the date of this Offering Circular.

Insurance

We purchase insurances for certain assets, such as vehicles. We do not purchase any business interruption insurance, which is consistent with the industry practices in the PRC.

We believe that we have purchased necessary and sufficient insurance for our operation and business in accordance with the industry practices. In addition, our policies contain such restrictive terms as standard deductibles, exclusions and benefit limits. Therefore, the insurance may not be able to cover all of our losses, and we cannot guarantee that we will not incur or suffer any loss or claim beyond the benefit limit or coverage of the policy. All of our policies are underwritten by an insurance company with a good reputation, and we will review the policies each year.

Employees

We believe that professional employees are important cornerstones for our long-term growth. As at 31 December 2021, we 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

Our sustainable growth and development depend on the performance and loyalty of our employees. We emphasize the recruitment, motivation, training and use of talents, and adopts a salary system based on position salary and performance bonus. The remuneration level is linked to the value of the position, local market rates and performance evaluation results, so as to ensure "give priority to efficiency with due consideration to fairness". Pursuant to the applicable laws and regulations of the PRC, the Company entered into a labor contract with each of its employees to establish an employment relationship. The labor contract contains the provisions relating to a contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations of the PRC, we purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing provident fund for our employees. We made contributions to the above social insurance and housing provident fund on time and in full. Meanwhile, in accordance with the applicable PRC regulations, we also established a corporate annuity system and supplementary medical insurance system in 2006, which provided supplementary pension and medical protection to employees.

To improve employees' professional skills, we have established a comprehensive and diversified training system to provide a variety of internal and external trainings for employees. We provide trainings on leadership, business skills, corporate culture, compliance and risk control and internationalization to employees through internal themed training, job rotation, external training, overseas exchange program and E-learning. In 2021, we 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. We recommended employees to attend 532 online and offline training courses held by various regulatory departments and professional training institutions, with 4,647 participants. We also vigorously organised internal online learning with more than 218 sessions involving over 120,000 people.

As at the date of this Offering Circular, we have not experienced any strike, protest or other serious labour dispute that may severely damage our business or public image.

Laws and Regulations

Licensing Requirements

We conduct our business mainly in the PRC and are, therefore, subject to the regulatory requirements of the PRC. We have complied with the relevant PRC regulatory requirements and guidelines in all material respects and obtained all the important consents and licences necessary for our operations in accordance with the PRC laws and regulations. We renew all business licences according to relevant law and regulations form time to time. As at the date of this Offering Circular, all of our employees and brokers had obtained the relevant licences as required for their business activities. As at the date of this Offering Circular, neither the Company nor any of our directors have been investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative departments, or publicly condemned by a stock exchange.

In accordance with the regulatory requirements of the laws in Hong Kong, our subsidiaries established in Hong Kong, including but not limited to Orient Securities (Hong Kong) Limited, Orient Futures (Hong Kong) Limited, Orient Asset Management (Hong Kong) Limited, Orient Capital (Hong Kong) Limited and Orient Credit Finance (Hong Kong) Limited, must obtain the necessary licences or permits for operation according to the relevant laws before conducting relevant businesses in Hong Kong. As at the date of this Offering Circular, we have complied with the relevant Hong Kong regulatory requirements and guidelines in all material respects and obtained the permits and licences necessary for our operations in accordance with the laws and regulations of Hong Kong.

Legal Proceedings

We may become a party to legal proceedings arising in the ordinary course of our business. As at the date of this Offering Circular, there was no legal proceeding pending or threatened against us or our directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Regulatory Non-compliances

We are subject to various regulatory requirements and guidelines promulgated by the regulatory bodies in the PRC and Hong Kong, including but not limited to the CSRC, SFC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange, NEEQ Company and their respective local authorities and offices, self-regulatory organizations in our industry, including but not limited to the AMAC and the SAC. We or our employees may be involved in regulatory non-compliance incidents from time to time. However, no administrative penalties have been imposed for major violations of laws and regulations since 2019.

Regulatory Inspection

The CSRC and other regulatory authorities from time to time conduct inspection, review and inquiry on our compliance with laws, regulations and guidelines. In particular, such inspections relate to, among others, our risk management mechanism establishment and operation, our asset management, financing and investment banking businesses as well as internal management of employees. For the years ended 31 December 2019, 2020 and 2021, the inspection, review and inquiry by the regulatory authorities did not subject us to any administrative penalties or regulatory measures that have any material and adverse impact on our business, financial condition and results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The Issuer's board of directors (the "Board") comprises thirteen directors. The members of the Board as of the date of this Offering Circular are as follows:

Name	Year of Birth	Position
Song Xuefeng (宋雪楓)	1970	Executive Director and secretary of the CPC party committee
Jin Wenzhong (金文忠)	1964	Chairman of the Board, executive Director and deputy secretary of the CPC party committee
Yu Xuechun (俞雪純)	1964	Non-executive Director
Zhou Donghui (周東輝)	1969	Non-executive Director
Cheng Feng (程峰)	1971	Non-executive Director
Ren Zhixiang (任志祥)	1969	Non-executive Director
Zhu Jing (朱靜)	1969	Employee representative Director, general manager of the strategic development department and manager of the office of the labour union
Xu Zhiming (許志明)	1961	Independent non-executive Director
Jin Qinglu (靳慶魯)	1972	Independent non-executive Director
Wu Hong (吳弘)	1956	Independent non-executive Director
Feng Xingdong (馮興東)	1977	Independent non-executive Director
Luo Xinyu (羅新宇)	1974	Independent non-executive Director

Song Xuefeng (宋雪楓), born in 1970, is an executive Director and the secretary of the CPC party committee of the Issuer. Mr. Song is a member of the Communist Party of China (the "CPC"), a doctorate in management, a senior economist and a certified public accountant. He also currently serves as a member of the CPC party committee and vice president of Shenergy Group, a director of China SME Development Fund Co., Ltd. (國家中小企業發展基金有限公司) and the chairman of the board of directors of Orient Securities Asset Management. Mr. Song served as the manager of the financial department of Shenergy Company Limited (申能股份有限公司). He served as a deputy manager and manager of the 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 from January 2012 to August 2014. Mr. Song has been serving as a vice president of Shenergy Group since August 2014, a member of the CPC party committee of Shenergy Group since December 2016, and the secretary of the CPC party committee of the Issuer since September 2020. Mr. Song Xuefeng has served as a shareholder representative Supervisor and the chairman of Supervisory Committee of the Issuer from October 2014 to March 2018, and has been serving as an executive Director of the Issuer since March 2021.

Jin Wenzhong (金文忠), born in 1964, is an executive Director, the chairman of the Board and the deputy secretary of the CPC party committee of the Issuer. Mr. Jin is a member of the CPC, holds a master of economics degree and is an economist. He also currently serves as the chairman of Orient Securities Capital Investment, the chairman of Orient Investment Banking, a director of Orient Futures and a director of Orient Securities Innovation Investment. He served as the deputy manager of the distribution department, the deputy director of the research institute and the assistant to the president of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) ("**Shenyin & Wanguo Securities**") from January 1992 to September 1995, the deputy director of the office for enterprise modernization committee of Nomura Securities Co., Ltd. from October 1995 to December 1997, a member of the CPC party committee and the deputy general manager of the Issuer from December 1997 to September 2010 and the general manager of the securities investment business department of the Issuer from March 2016 to March 2017. He has been serving as the deputy CPC party committee secretary, executive director of the Issuer since September 2010, serving as the president of the Issuer from September 2010 to March 2022, acting as the chairman of the Board of the Issuer from October 2020 to March 2021, and serving as the chairman of the Board of the Issuer since March 2021.

Yu Xuechun (俞雪純), born in 1964, is a non-executive Director of the Issuer. Mr. Yu is a member of the CPC, holds a bachelor's degree in engineering, and is a senior engineer. He also currently serves as the deputy chief economist, general manager of strategic development department and an employee representative supervisor of Shenergy Group, the general manager of Shenergy Hongkong Holding Limited, the chairman of supervisory committee of Shenergy Company Limited, a director of Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世紀資信評估投資服務有限公司) and a director of Shanghai Shenergy Energy Development Co., Ltd. (上海申能能創能源發展有限公司). He served as an engineer of Shanghai Electric Automation Research Institute (上海電氣自動化研究所) and Shanghai Nanyang International Industrial Co., Ltd. (上海南洋國際實業股份有限公司). He served as 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 from May 2005 to March 2020. He has served as an employee representative supervisor of Shenergy Group since September 2012, and the deputy chief economist and general manager of strategic development department of Shenergy Group since March 2020. Mr. Yu Xuechun has been serving as a non-executive Director of the Issuer since March 2021.

Zhou Donghui (周東輝), born in 1969, is a non-executive Director of the Issuer. Mr. Zhou is a member of the CPC, holds a bachelor's degree in accounting and is a senior accountant. He also currently serves as a director and general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司), a director of Haitong Securities Co., Ltd. (海通證券股份有限公司) and a director of China Pacific Insurance (Group) Co., Ltd (中國太平洋保險(集團)股份有限公司). He served as a clerk and deputy chief of the financial department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 1991 to September 2000, the deputy manager and manager of the financial department of China Tobacco Shanghai Import and Export Co., Ltd. (中國煙草上海進出口有限責任公司) 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. (上海煙草集團有限責任公司) 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. Mr. Zhou Donghui has been serving as a non-executive Director of the Issuer since May 2020.

Cheng Feng (程峰), born in 1971, is a non-executive Director of the Issuer. Mr. Cheng is a member of the CPC and holds a master's degree in business administration. He also currently serves as a member of the CPC party committee and the deputy general manager of Shanghai United Media Group (上海報業集團), the chairman of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司), the chairman of Shanghai Dongfang Newspaper Co., Ltd. (上海東方報業有限公司), the chairman of Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司), the chairman of Shanghai Culture Assets And Equity Exchange Co., Ltd. (上海文化產權交易所股份有限公司), the executive vice chairman of Shanghai XinHua Media Co., Ltd. (上海新華傳媒股份有限公司), a director of Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司), an executive director of Shanghai Real Estate Times Co., Ltd. (上海房地產時報社有限公司), a director of China Universal Asset Management Company Limited (匯添富基金管理股份有限公司), an executive director of Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司), an executive director of Shanghai Wenhui Xinmin Industrial Co. Ltd. (上海文彙新民實業有限公司), the chairman of Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司), an executive director of Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司), the chairman of Shanghai Oriental Ticketing Co., Ltd. (上海東方票務有限公司), the chairman of Shanghai Shangbao Industrial Co., Ltd. (上海上報實業有限公司), the chairman of supervisory committee of Shanghai Jiemian CLS Technologies Co., Ltd. (上海界面財聯社科技股份有限公司), the chairman of Shanghai Ruiyi Investment Management Co., Ltd. (上海瑞壹投資管理有限

公司), the chairman of Shanghai Ruili Financial Information Service Co., Ltd. (上海瑞力金融信息服務有限公司) and a supervisor of Shanghai Financial Association Financial Technology Co., Ltd. (上海財聯社金融科技有限公司). He served as a staff member, officer of the Youth League Committee, member, deputy secretary of the Youth League Committee, deputy secretary of the Youth League Committee (presiding over the work) and secretary of the Youth League Committee of Shanghai Municipal Commission of Foreign Trade and Economic Cooperation (上海市對外經濟貿易委員會外經處) from March 1995 to February 2001, the vice president of Shanghai Electrical Machinery Group Import & Export Co., Ltd. (上海機械進出口(集團)有限公司) 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. (上海國際集團有限公司) 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. (上海國際集團金融服務有限公司) from June 2009 to March 2013, the secretary of the CPC party committee and chairman of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司) 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. Mr. Cheng Feng has been serving as a non-executive Director of the Issuer since March 2021.

Ren Zhixiang (任志祥), born in 1969, is a non-executive Director of the Issuer. Mr. Ren is a member of the CPC and holds a doctorate degree in economics. He also currently serves as the deputy secretary of the CPC party committee and director and general manager of Zheneng Capital Holdings Co., Ltd. (浙能資本控股有限公司), a director of Zhejiang Fuzhe Investment Co., Ltd. (浙江富浙投資有限公司), the vice chairman of Zheshang Property and Casualty Insurance Co., Ltd. (浙商財產保險股份有限公司) and a director of China Zheshang Bank Co., Ltd. (浙商銀行股份有限公司). 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. (浙江省國際信託投資有限責任公司) from June 2004 to February 2007, a senior director of asset management department of Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集團有限公司) 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. Mr. Ren Zhixiang has been serving as a non-executive Director of the Issuer since March 2021.

Zhu Jing (朱靜), born in 1969, is an employee representative director, the general manager of strategic development department and the manager of the office of the labour union of the Issuer. Ms. Zhu is a member of the CPC and holds a master's degree in economics. She also currently serves as a director and general manager of Orient Finance Holdings, a director of Orient Futures, a director of Orient Securities International, a director of Chengtay Financial Leasing (Shanghai) Co., Ltd. (誠泰融資租賃(上海)有限公司), a director of Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) and a supervisor of Orient Securities Asset Management. She served as a staff of Xi'an Mining Machinery (西安礦山機械廠) 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. (上海財通國際投資管理有限公司) 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 manager of the Board office of the Issuer from March 1999 to January 2015, the general manager of strategic development department of the Issuer since February 2015, the employee representative Director of the Issuer since March 2021, and the manager of the office of the labour union of the Issuer since September 2021.

Xu Zhiming (許志明), born in 1961, is an independent non-executive Director of the Issuer. Mr. Xu holds a doctorate degree in economics. He also currently serves as a founding partner of CBC Capital (寬帶資本), a director of Donlink Group Co., Ltd. (東淩集團有限公司), a director of Guangzhou Donlink Industrial Investment Group Co., Ltd. (廣州東淩實業投資集團有限公司), a director of Beijing Lianhang Hezhong Media Technology Co., Ltd. (北京聯航合眾傳媒科技有限公司), a director of Beijing Baoxuan Culture Media Co., Ltd. (北京寶軒文化傳媒有限公司) and an independent director of Tianjin Chuangye Environmental Protection Group Co., Ltd. (天津創業環保集團股份有限公司). He successively served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation (中國國際信託投資公司), 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 (華潤創業有限公司), an executive director of China Resources (Beijing) Land Limited (華潤北京置地有限公司), the managing director and chief operating officer of China Resources Logic Limited (華潤勵緻有限公司) 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 CBC Capital since March 2006. Mr. Xu Zhiming has been serving as an independent non-executive Director of the Issuer since July 2016.

Jin Qinglu (靳慶魯), born in 1972, is an independent non-executive Director of the Issuer. Mr. Jin is a member of the CPC and holds a doctorate degree in accountancy. He also currently serves as the dean of the School of Accountancy and a doctoral supervisor of Shanghai University of Finance and Economics and an independent director of Harbin Bank Co., Ltd. (哈爾濱銀行股份有限公司). Since June 2005, he has worked in the Shanghai University of Finance and Economics, where he has served as an assistant professor in accountancy in the School of Accountancy from June 2005 to June 2011, then an associate professor in accountancy in the School of Accountancy from July 2011 to June 2012, a professor in accountancy in the School of Accountancy since July 2012, the associate dean of the Institute of Accounting and Finance from February 2014 to November 2018, the associate dean of the School of Accountancy from April 2015 to November 2018, the manager of the Collaborative Innovation Center for Accounting Reform and Development from January 2016 to November 2018 and the dean of the School of Accountancy since November 2018. Mr. Jin Qinglu has been serving as an independent non-executive Director of the Issuer since October 2017.

Wu Hong (吳弘), born in 1956, is an independent non-executive Director of the Issuer. Mr. Wu is a member of the CPC and holds a bachelor's degree in laws. He also currently serves as 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. (上海浦東發展銀行股份有限公司), an independent director of Zhejiang Tailong Commercial Bank Co., Ltd. (浙江泰隆商業銀行股份有限公司) and an independent director of Western Leadbank Fund Management Co., Ltd. (西部利得基金管理有限公司). He has been working in East China University of Political Science and Law since July 1984, and had previously served 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 (中國銀行法研究會), an executive member of the Commercial Law Institute of Chinese Law Society (中國商法學研究會), the president of Finance Law Committee under the Shanghai Law Society (上海市法學會), the vice president of Shanghai Finance Law Research Committee (上海金融法制研究會), the vice president of Shanghai International Commercial Law Research Committee (上海國際商務法律研究會), and successively served as a member of the Proposition Committee of the Chinese National Judicial Examination (國家司法考試命題委員會), a legislative consultation expert of the Standing Committee of Shanghai Municipal People's Congress (上海市人民代表大會常務委員會) and a member of the Shanghai Consumer Council (上海市消費者權益保護委員會). Mr. Wu Hong has been serving as an independent non-executive Director of the Issuer since December 2020.

Feng Xingdong (馮興東), born in 1977, is an independent non-executive Director of the Issuer. Mr. Feng is a member of the CPC and holds a doctorate degree in statistics. He also currently serves as the dean, a professor of statistics and doctoral supervisor of School of Statistics and Management of Shanghai University of Finance and Economics. He has served as an assistant professor of statistics and an associate professor of statistics in the School of Statistics and Management of Shanghai University of Finance and Economics from June 2011 to June 2015, a professor and doctoral supervisor in the School of Statistics and Management of Shanghai University of Finance and Economics since July 2015, and the dean of the School of Statistics and Management of Shanghai University of Finance and Economics since November 2019. Mr. Feng Xingdong has been serving as an independent non-executive Director of the Issuer since December 2020.

Luo Xinyu (羅新宇), born in 1974, is an independent non-executive Director of the Issuer. Mr. Luo is a member of the CPC and holds a postgraduate master degree. He also currently serves as the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd. (上海國有資本運營研究院有限公司), the chairman of Shanghai State-owned Assets Training Center Co., Ltd. (上海國資培訓中心有限公司), a director of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司), a director of Kunshan Cultural Business Travel Group Co., Ltd. (崑山文商旅集團有限公司), a supervisor of Shanghai Guosheng Guxian Venture Capital Management Co., Ltd. (上海國盛古賢創業投資管理有限公司), an executive director of Shanghai Shengzhizhi Enterprise Management Co., Ltd. (上海盛之諮企業管理有限公司), a manager of Shanghai Yangtze River Delta Rural Revitalization Talent Development Center (上海長三角鄉村振興人才發展中心), a manager of Boao State-owned Assets Fund 50-person Development Center (博鰲國資基金50人發展中心), and the vice president of China Enterprise Reform and Development Research Association (中國企業改革與發展研究會). He previously served as a teacher of Shaodong No. 10 Middle School in Hunan Province, a reporter of the marketing department of Shaodong County Committee of Hunan Province, a reporter of China Youth Daily and a reporter of the Shanghai branch of Xinhua News Agency. 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 served as the deputy director of the board office and the deputy director of the strategy and investment decision-making committee of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司). Since June 2018, he has served as the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd. (上海國有資本運營研究院有限公司). Mr. Luo Xinyu has been serving as an independent non-executive Director of the Issuer since May 2021.

Supervisors

The supervisory committee (“Supervisory Committee”) of the Issuer comprises nine supervisors. The table below sets forth the information regarding the Issuer’s supervisors:

Name	Year of Birth	Position
Zhang Qian (張芊)	1974	Chairman of the Supervisory Committee and shareholder representative supervisor
Du Weihua (杜衛華)	1964	Vice chairman of the Supervisory Committee, employee representative supervisor, deputy secretary of the CPC party committee, secretary of the disciplinary committee and chairman of the labour union
Wu Junhao (吳俊豪)	1965	Shareholder representative supervisor
Zhang Jian (張健)	1965	Shareholder representative supervisor
Shen Guangjun (沈廣軍)	1979	Shareholder representative supervisor
Tong Jie (佟潔)	1968	Shareholder representative supervisor
Xia Lijun (夏立軍)	1976	Independent supervisor
Ruan Fei (阮斐)	1971	Employee representative supervisor, secretary of the Supervisory Committee, office manager of the Supervisory Committee and manager of the discipline inspection office
Ding Yan (丁艷)	1979	Employee representative supervisor

Zhang Qian (張芊), born in 1974, is a shareholder representative Supervisor and chairman of the Supervisory Committee of the Issuer. Mr. Zhang is a member of the CPC, holds a master's degree in business administration, and is a senior economist. He also currently serves as the deputy secretary of the CPC party committee and chairman of the labour union of Shenergy Group. Mr. Zhang joined Shenergy Group in July 1996, and served as the deputy director and the director of the comprehensive management department of Shenergy Group from January 2001 to October 2004, the deputy manager and the manager of the financial asset department of Shanghai Shenergy Asset Management Co., Ltd. (上海申能資產管理有限公司) from October 2004 to January 2006, the deputy head of the preparatory team of Shenergy Group Finance Co., Ltd. (申能集團財務有限公司) from January 2006 to February 2007, the deputy general manager of Shenergy Group Finance Co., Ltd. from February 2007 to August 2009, as well as the secretary of the CPC party branch and the general manager of Shenergy Group Finance Co., Ltd. from August 2009 to July 2016. Mr. Zhang served as the vice president of Shenergy Group from September 2015 to May 2020, a member of the CPC party committee and a vice president of Shenergy Group from May 2020 to March 2021, the deputy secretary of the CPC party committee of Shenergy Group since March 2021 and the chairman of the labour union of Shenergy Group since June 2021. Mr. Zhang Qian served as a non-executive Director of the Issuer from October 2014 to March 2018, and has been serving as a shareholder representative Supervisor and the chairman of the Supervisory Committee of the Issuer since March 2018.

Du Weihua (杜衛華), born in 1964, is the vice chairman of the Supervisory Committee of the Issuer, an employee representative Supervisor, the deputy secretary of the CPC party committee, the secretary of the discipline inspection commission and the chairman of the labour union of the Issuer. Mr. Du is a member of the CPC and holds a master's degree in economics and is an associate professor. He also currently serves as a supervisor of Orient Securities Capital Investment, a supervisor of Orient Securities Innovation Investment, a supervisor of Orient Futures and the chairman of Shanghai Orient Securities Xinde Yizhang Public Welfare Foundation (上海東方證券心得益彰公益基金會). Mr. Du served as a teacher in the School of Finance at Shanghai University of Finance and Economics from July 1984 to June 1998. He served as the manager of the 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 Issuer from June 1998 to May 2017, an assistant to the president and employee representative Supervisor of the Issuer from January 2012 to August 2015, the vice president of the Issuer from August 2015 to February 2020 and an employee representative Director from March 2018 to February 2020. He has served as the deputy secretary of the CPC party committee and the secretary of the discipline inspection commission of the Issuer since January 2020 and an employee representative Supervisor and the vice chairman of the Supervisory Committee of the Issuer since February 2020.

Wu Junhao (吳俊豪), born in 1965, is a shareholder representative Supervisor of the Issuer. Mr. Wu is a member of the CPC, holds a master's degree in management and is a senior economist. He also currently serves as the general manager of the financial management department of Shenergy Group, the chairman of supervisory committee of Shanghai Shenergy ICY Equity Investment Co., Ltd. (上海申能誠毅股權投資有限公司), a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd. (上海誠毅新能源創業投資有限公司), a director of Chengdu Xinshen Venture Capital Co., Ltd., a supervisor of Shanghai ICY Capital Co., Ltd. (上海誠毅投資管理有限公司), a director of China Pacific Insurance (Group) Co., Ltd., a director of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司), a director of China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司) and a supervisor of China Everbright Bank Company Limited (中國光大銀行股份有限公司). Mr. Wu served as the executive deputy general manager of Shanghai New Resource Investment Consulting Co., Ltd. (上海新資源投資諮詢公司) and the deputy general manager of Shanghai Bailitong Investment Management Co., Ltd. (上海百利通投資管理有限公司). He also served as the deputy director of Shanghai Shenergy Asset Management Co., Ltd. from September 2003 to January 2006, and the deputy manager, manager and senior manager of the asset management department, and the deputy manager (in charge of affairs) of the financial management department in Shenergy Group from January 2006 to April 2011. Mr. Wu has been serving as the general manager of financial management department in Shenergy Group since April 2011. Mr. Wu Junhao has served as a non-executive Director of the Issuer from October 2014 to March 2021, and has been serving as a shareholder representative Supervisor of the Issuer since March 2021.

Zhang Jian (張健), born in 1965, is a shareholder representative Supervisor of the Issuer. Mr. Zhang is a member of the CPC, holds a master's degree in business administration. He also currently serves as the deputy general manager and a member of the CPC party committee of the Shanghai branch of China Post Group Corporation Limited (中國郵政集團有限公司). 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. Mr. Zhang Jian has been serving as a shareholder representative Supervisor of the Issuer since March 2021.

Shen Guangjun (沈廣軍), born in 1979, is a shareholder representative Supervisor of the Issuer. Mr. Shen is a member of the CPC, holds a master's degree in accountancy. He also currently serves as the deputy chief accountant of Shanghai Construction Group Co., Ltd. (上海建工集團股份有限公司), the standing deputy general manager of Shanghai Construction Engineering Group (Hainan) Investment Co., Ltd. (上海建工集團(海南)投資有限公司), a supervisor of Shanghai Construction Group Investment Co., Ltd. (上海建工集團投資有限公司) and a director of Shanghai Pudong Bank of China Fullerton Community Bank Co., Ltd. (上海浦東中銀富登村鎮銀行有限責任公司). 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. (上海市政工程設計研究總院(集團)有限公司) 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. Mr. Shen Guangjun has been serving as a shareholder representative Supervisor of the Issuer since March 2021.

Tong Jie (佟潔), born in 1968, is a shareholder representative Supervisor of the Issuer. Ms. Tong holds a bachelor's degree in financial accounting and is a senior accountant. She also currently serves as the chief financial officer of 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), a director of Shanghai Xinjinqiao Plaza Industrial Co., Ltd. (上海新金橋廣場實業有限公司), a director of Shanghai Huademeiju Building Materials Decoration Storage Co., Ltd. (上海華德美居建材裝飾倉儲有限公司) and a director of Shanghai Huade Meiju Supermarket Co., Ltd. (上海華德美居超市有限公司). 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 (中邦集團有限公司) from December 2001 to December 2008, the senior audit manager of Xuhui Group Co., Ltd. (旭輝集團有限公司) 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 (上海市浦東新區國有資產監督管理委員會董事監事管理中心) 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. Ms. Tong Jie has been serving as a shareholder representative Supervisor of the Issuer since March 2018.

Xia Lijun (夏立軍), born in 1976, is an independent supervisor of the Issuer. Mr. Xia is a member of the CPC, holds a doctorate degree in accountancy and is a certified public accountant. He also currently serves as 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. (東方財富信息股份有限公司), an independent director of Zhejiang Shengtai Garment Group Co., Ltd. (浙江盛泰服裝集團股份有限公司), an independent director of Shanghai Sanyou Medical Co., Ltd. (上海三友醫療器械股份有限公司), an independent director of Huatai Baoxing Fund Management Co., Ltd. (華泰保興基金管理有限公司), an independent director of Shenzhen Huitai Medical Equipment Co., Ltd. (深圳惠泰醫療器械股份有限公司), an independent director of Shanghai Tongji Science & Technology Industrial Co., Ltd. (上海同濟科技實業股份有限公司) and an executive director of Shanghai Bacai Information Technology Co., Ltd (上海巴財信息科技有限公司). He served as a lecturer, master's supervisor, professor and doctoral supervisor of the School of Accountancy of Shanghai University of Finance and Economics from July 2006 to March 2011, and has served as 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. Mr. Xia Lijun has been serving as the independent Supervisor of the Issuer since March 2021.

Ruan Fei (阮斐), born in 1971, is an employee representative supervisor, the secretary to the Supervisory Committee, office manager of the Supervisory Committee and manager of the discipline inspection office of the Issuer. Ms. Ruan is a member of the CPC, holds a master's degree in finance, and is a senior accountant and senior economist. She served as a researcher of the development research department of China Worldbest Group Co., Ltd. (中國華源集團有限公司) from January 1997 to June 1998, a researcher of the securities research institute of the Issuer from June 1998 to March 2005, the assistant to office manager and deputy office manager of the Issuer from March 2005 to March 2012, the secretary to the Supervisory Committee and office manager of the Supervisory Committee of the Issuer since March 2012, the manager of the discipline inspection office of the Issuer since December 2012, and an employee representative Supervisor of the Issuer since March 2021.

Ding Yan (丁豔), born in 1979, is an employee representative Supervisor of the Issuer. Ms. Ding 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. She also currently serves as the deputy general manager (in charge of affairs) of the audit department of the Issuer and a supervisor of Orient Investment Banking. 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 Issuer from January 2017 to April 2020, the deputy general manager (in charge of affairs) of the audit department of the Issuer since April 2020, and an employee representative Supervisor of the Issuer since March 2021.

Senior Management

The Issuer's senior management team consists of eight members. The table below sets forth information regarding the Issuer's senior management:

Name	Year of Birth	Position
Lu Weiming (魯偉銘)......................................	1971	Deputy secretary of the CPC party committee and president
Shu Hong (舒宏)..	1967	Vice president and chief financial officer
Zhang Jianhui (張建輝)..................................	1968	Vice president
Yang Bin (楊斌)...	1972	Vice president, chief risk officer and chief compliance officer
Xu Haining (徐海寧).......................................	1970	Vice president and general manager of the wealth management business headquarters
Wang Rufu (王如富)	1973	Secretary to the Board, joint company secretary and manager of Board office
Lu Dayin (盧大印)	1972	Chief information officer

Lu Weiming (魯偉銘), born in 1971, is the deputy secretary of the CPC party committee and the president of the Issuer. He is a member of CPC and a holder of a master's degree in economics and an economist. Currently, he is 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. He has served as 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, a vice president of the Company since September 2020, and concurrently the general manager of the financial derivatives business department of the Company from January 2021 to March 2021. He has served as the president of the Issuer since March 2022.

Shu Hong (舒宏), born in 1967, is a vice president and chief financial officer of the Issuer. Mr. Shu is a member of CPC, a holder of a master's degree in business administration and an engineer. He also currently serves as the chief information officer of Orient Investment Banking. Mr. Shu Hong served as the manager for the computer network center system development department of Shenyin & Wanguo Securities from January 1993 to October 1998, and the head and the general manager of the information technology center of the Issuer 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 information technology and assistant to president, operating controller and assistant to president, and operating controller of the Issuer from December 2001 to April 2014. Mr. Shu has been serving as the chief information officer of the Issuer from June 2019 to November 2021, a vice president of the Issuer since April 2014 and the chief financial officer of the Issuer since November 2021.

Zhang Jianhui (張建輝), born in 1968, is a vice president of the Issuer. Mr. Zhang is a member of CPC, a holder of a master's degree in economics and business administration and an accountant. He also currently serves as the chairman of Orient Securities Innovation Investment, chairman of Orient Finance Holdings, chairman of Orient Securities International, a director of Orient Securities Capital Investment, a supervisor of China Securities Credit Investment Co., Ltd. (中證信用增進股份有限公司) and a supervisor of Shanghai ICY New Energy Venture Capital Investment Co., Ltd. Mr. Zhang served as a clerk of Shanghai Pudong Development Bank Co., Ltd. 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 Issuer from July 2003 to June 2015, the chief financial officer of the Issuer from May 2014 to November 2021, the general manager of the general office of financial planning of the Issuer from June 2015 to August 2019. Mr. Zhang has been serving as the general manager of fund management department of the Issuer from August 2020 to November 2021 and the vice president of the Issuer since July 2015.

Yang Bin (楊斌), born in 1972, is a vice president, the chief risk officer, chief compliance officer of the Issuer. Mr. Yang is a member of CPC and a holder of a master's degree in economics. He also currently serves as a director of Orient Futures, a director of Orient Securities Innovation Investment, a director of Orient Finance Holdings, a director of Orient Investment Banking, a director of Orient Securities Asset Management 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 at the Inspection Office and the Case Review Office of Inspection Bureau in China Securities Regulatory Commission Shanghai Securities Regulatory Office (中國證監會上海證券監管辦公室) from July 1998 to March 2004, a senior staff of the No. 1 inspection office and the No. 2 institute supervision office of Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission ("CSRC") from March 2004 to February 2007, and the deputy director of the No. 1 institute supervision office, chief of the futures regulatory department, chief of the legal affairs department of Shanghai Securities Regulatory Bureau of the CSRC from February 2007 to May 2015, the general manager of audit department of the Issuer from August 2017 to April 2020, and the general manager of the compliance and legal management department of the Issuer from June 2020 to June 2021. Mr. Yang has served as the chief risk officer of the Issuer since June 2015, the chief compliance officer of the Issuer since July 2015, and a vice president of the Issuer since March 2021.

Xu Haining (徐海寧), born in 1970, is a vice president and the general manager of the wealth management business headquarters of the Issuer. Ms. Xu holds a doctorate in business administration and is an accountant. She served as a member of the finance section and deputy chief of the finance department of Marine Geology Comprehensive Research Brigade of the Ministry of Geology and Mineral Resources (地質礦產部海洋地質綜合研究大隊) from July 1990 to December 1997, the manager of the finance department and deputy chief accountant of Shanghai Haiti Construction Engineering (Group) Co., Ltd. (上海海地建設工程 (集團)有限公司) from December 1997 to October 2001, the vice president of China Merchants Holdings Co., Ltd. (通商控股有限公司) from March 2002 to May 2007, the general manager and chairman of Shanghai Guanghe Investment Co., Ltd. (上海廣和投資有限公司) from May 2007 to December 2008, the deputy general manager of Shanghai Haihang 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) Co., Ltd. (大新華物流控股(集團)有限公司) 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. (上海九龍山股份有限公司) from December 2011 to October 2012. She served as the deputy general manager of the sales and trading department (in charge of affairs) of the Issuer from October 2012 to October 2014, and has been serving as the general manager of the wealth management business headquarters of the Issuer since October 2014, the assistant to the president of the Issuer from September 2017 to March 2021, and a vice president of the Issuer since March 2021.

Wang Rufu (王如富), born in 1973, is the secretary to the Board, a joint company secretary and the manager of the Board office of the Issuer. Mr. Wang is a member of CPC, a holder of master's degree in engineering and a certified public accountant. He also currently serves as 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 Jinxin Securities from May 2004 to October 2005, as well as the senior strategic researcher of securities market of the research institute of the Issuer from October 2005 to March 2008. Mr. Wang has been serving as the senior head, chief assistant, deputy chief, chief and the securities affairs representative of the Board of the Issuer from March 2008 to November 2016, the manager of the Board office of the Issuer since October 2014, the secretary to the Board of the Issuer since November 2016. He has been concurrently serving as the joint company secretary since November 2019.

Lu Dayin (盧大印), born in 1972, is the chief information officer of the Issuer. Mr. Lu is a member of the CPC, a holder of doctorate degree in business management and a senior economist. He also currently serves as the secretary of the CPC party committee and chairman of the board of directors of Orient Futures, the chairman of the board of directors of Orient Securities Runhe Capital Management Co., Ltd. (東證潤和資本管理有限公司), the chairman of the board of directors of Orient Securities Futures International (Singapore) Co., Ltd. (東證期貨國際(新加坡)有限公司), and the legal representative and vice chairman of Shanghai Futures Association (上海市期貨同業公會). From July 1994 to June 2001, he served as the computer manager, the manager assistant and the deputy manager of sales departments of Shenyin & Wanguo Securities. From June 2001 to July 2002, he served as a staff member, general manager assistant and deputy general manager of the information technology centre of the Issuer. From July 2002 to March 2004, he served as the deputy general manager (presiding over work) of the e-commerce business headquarters of the Issuer. From March 2004 to October 2009, he served as the deputy general manager of the brokerage business headquarters of the Issuer. From October 2009 to January 2021, he served as the deputy general manager and general manager of Orient Futures. Since November 2020, he has served as the secretary of the CPC party committee of Orient Futures. He has served as the chairman of the board of directors of Orient Futures since December 2020 and the chief information officer of the Issuer since November 2021.

PRC REGULATIONS

Overview

The Company is a securities firm in the PRC and is primarily engaged in the business of securities and futures. The Company is subject to the regulations of the CSRC and other authorities. The securities and futures business of the Company is subject to the applicable regulations of the PRC in the areas at industry entry, business regulation, corporate governance and risk control. Our operations shall also comply with other general regulations of the PRC, including laws, regulations, rules and other regulatory documents in respect of foreign exchange control, taxation and anti-money laundering.

Major Regulatory Authorities and Self-Regulatory Organizations

The operations of the Company are mainly supervised and regulated by the following authorities in the PRC:

CSRC

The CSRC is the major regulatory authority in the securities and futures industry, which is responsible for the unified supervision and management of the securities and futures markets of the PRC and for maintaining the market order thereof, and to secure their lawful operations in accordance with the laws, regulations and within the authorization of the State Council. According to the Securities Law (《證券法》) (amended on 28 December 2019 and effective from 1 March 2020) and the Administrative Regulations on Futures Trading (amended on 1 March 2017) (《期貨交易管理條例》), the main duties of the CSRC include: to formulate the regulations and rules in relation to the supervision and regulation of the securities and futures markets and to exercise the rights of examination, approval or verification according to law; to supervise and regulate the issuance, listing, trading, registration, deposit and settlement of securities and other related activities and the listing, trading, settlement and delivery of futures and related activities; to supervise and regulate the securities activities of securities issuers, listed companies, securities companies, securities investment fund management companies, securities service organizations, stock exchanges and securities registration and settlement organizations, as well as futures activities of market participants, including futures exchanges, futures companies, other futures business institutions, non-futures companies clearing member, futures margin security depository management companies, futures margin depository banks, settlement houses and so forth; to legally determine and supervise the qualification standards and codes of conduct of participants engaged in securities and futures businesses; to legally supervise the disclosure of information in relation to the issuance, listing and trading of securities and information on futures trading; to legally guide and supervise the activities of the SAC and the CFA; to investigate activities in violation of laws and administrative regulations in relation to the securities and futures markets; to conduct external and international cooperative transactions in relation to the supervision and management of the securities and futures industries; and to perform other duties stipulated by the relevant laws and administrative regulations.

Stock Exchanges

According to the Securities Law, a stock exchange is a self-regulatory legal entity which provides venues and facilities for the centralized trading of securities and organizes and supervises the trading of securities. Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange are the three major stock exchanges in the PRC.

Futures Exchanges

Under the Administrative Regulations on Futures Trading (《期貨交易管理條例》), a futures exchange is a non-profit self-regulatory legal entity which provides venues and facilities for the centralized trading of futures and organizes and supervises the trading of futures. The main duties of a futures exchange include: to provide venues, facilities and services for trading; to design futures trading contracts and to arrange the listing of futures trading contracts; to organize and supervise the trading, clearing and settlement of futures; to provide centralized performance guarantees for futures trading; to supervise and manage its members in accordance with its articles of association and trading rules; and to perform other duties as specified by the CSRC.

SAC

According to the relevant provisions of the Securities Law, the SAC is a self-regulatory organization of the securities industry and is a non-profit public legal entity. Securities companies shall join the SAC. The main duties of the SAC include: to educate and advise its members to comply with the securities laws and administrative rules; to protect the lawful rights and interests of its members and forward their proposals and requests to the securities supervision and management authorities; to collect and compile information of securities activities for the members' reference; to formulate rules of the SAC with which the members shall comply, and to organize training programs and seminars for futures practitioners and its members; to mediate disputes arising from securities business between its members or between members and their clients; to organize for its members the study of development, operation and other matters of the securities industry; to monitor and investigate the conduct of members and take disciplinary actions against them for violation of laws, administrative rules or its articles of association in accordance with relevant provisions; and to perform other duties stipulated in the articles of association of the SAC.

CFA

Pursuant to the relevant provisions of the Administration Regulations on Futures Trading (《期貨交易管理條例》), the CFA is a self-regulatory organization of the futures industry and is a non-profit public legal entity. Futures companies and other organizations specializing in the business of futures shall join the CFA. The main duties of the CFA include: to educate and advise its members to comply with the laws, regulations and policies in relation to futures; to formulate self-regulatory rules binding on its members and to supervise and examine the conduct of its members and take disciplinary actions against the violation of its articles of association or self-regulatory rules in accordance with relevant provisions; to accredit, manage and de-register the qualifications of futures practitioners; to deal with complaints of clients in relation to the futures business and to mediate disputes between members or between members and their clients; to protect the lawful rights and interests of its members and forward their proposals and requests to the futures supervision and management authorities of the State Council; to organize training and seminars for futures practitioners; to organize for its members the study of development, operation and other matters of the futures industry; and to perform other duties stipulated in the articles of association of the CFA.

AMAC

Pursuant to the relevant provisions of the Law of the People's Republic of China on Securities Investment Fund (《中華人民共和國證券投資基金法》) (the "Securities Investment Fund Law") (amended on 24 April 2015 with immediate effect), AMAC is a self-regulatory organization of the securities investment fund industry and is a public legal entity. Fund managers and fund custodians shall join AMAC, and fund service organizations may join AMAC. The main duties of AMAC include: to educate and advise its members to comply with the laws and administrative rules governing securities investments and to protect the lawful rights and interests of the investors; to protect the lawful rights and interests of its members and to submit their proposals and requests; to formulate and implement self-regulatory rules, to supervise and investigate the practices of its members and practitioners, and to take disciplinary actions against the violation of the self-regulatory rules and its articles of association in accordance with relevant provisions; to formulate practice standards and business rules and to organize the qualification examinations, qualification management and professional training for fund practitioners; to provide membership service, organize seminars, promote innovation and launch propaganda and investor education activities in the securities industry; to mediate disputes arising from fund business between members or between members and their clients; to handle the registration and filing of non-publicly offered funds in accordance with the law; and to perform other duties stipulated in its articles of association.

Other Industry Organizations

Other major industry organizations include PBOC, SAFE, CSDC, China Securities Investor Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司), China Futures Market Monitoring Centre Co., Ltd. (中國期貨市場監控中心有限責任公司), China Financial Futures Exchange (中國金融期貨交易所), the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會), China Banking and Insurance Regulatory Commission (CBIRC) (中國銀行保險監督管理委員會), National Equities Exchange and Quotations Company Limited (全國中小企業股份轉讓系統有限責任公司) and China Securities Finance Corporation (中國證券金融股份有限公司).

Intra-Group Lending

Prior to 1 September 2015, lending and borrowing, overt or in a disguised form, among non-financial institutions was prohibited, according to Article 61 of the General Principals of Loans (貸款通則) promulgated by the PBOC in 1996. There was a risk that intra-Group lending may be deemed not in compliance with the General Principals of Loans, and the PBOC could cancel the certain intra-Group loans and impose a fine equal to one to five times of its income accrued from such loans on the lending party.

On 6 August 2015, the Supreme People's Court issued the Regulations on Application of Laws to Certain Issues For Hearing of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) ("Regulations"), which became effective on 1 September 2015 (amended on 19 August 2020 and 29 December 2020). Pursuant to the Regulations, subject to certain exceptions, an intra-Group lending entered into for production or operating purposes is valid and recognised by the PRC courts. However, the validity of such lending may still be challenged if the lender (not being a financial institution) regularly conducts lending business or its lending activities become its primary business, as such loans would no longer be made for production or business operation purposes.

External Security Regime

Cross-Border Guarantee Laws

On 12 May 2014, the SAFE promulgated the Foreign Exchange of Cross-border Guarantee Measures (《跨境擔保外匯管理規定》). The Foreign Exchange of Cross-border Guarantee Measures, which came into force on 1 June 2014, replaced previous regulations regarding cross-border security and introduced a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security; (iii) removing eligibility requirements for providers of cross-border security; (iv) providing that the validity of any cross-border security agreements are no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; and (v) removing the SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the Foreign Exchange of Cross-border Guarantee Measures. The Foreign Exchange of Cross-border Guarantee Measures classify cross-border security into three types:

- Nei Bao Wai Dai (NBWD, 內保外貸): security/guarantee provided by an onshore security provider for a debt owed by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (WBND, 外保內貸): security/guarantee provided by an offshore security provider for a debt owed by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than Nei Bao Wai Dai and Wai Bao Nei Dai.

Under the SAFE Regulations, the local SAFE will go through a procedural review (as opposed to a substantive approval process) of the application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Company to confirm the completion of the registration.

Regulation on The Issuance of Foreign Bonds

Pursuant to the Circular on Promoting the Reform of Administrative System on the Issuance by Enterprises of Foreign Debts Filings and Registrations (《國家發展改革委員會關於推進企業發行外債備案登記制管理改革的通知》), which was promulgated by the NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Enterprise Foreign Debt Filing Registration Certification (企業發行外債備案登記證明) within seven working days after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days after the end of issuance each time.

Industry Entry Requirements

Industry Entry Requirements of Securities Companies

Establishment

The Securities Law and the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》) (effective from 1 June 2008 and amended on 29 July 2014), explicitly set out the scope of business, industry entry standards, organizations, business rules of securities companies and other requirements for the operations of securities companies. The establishment of a securities company shall be approved by the CSRC and the securities company shall obtain a business license by meeting the following conditions:

- its articles of association shall comply with the laws and administrative regulations;

- its major shareholders shall have sustainable profitability, good reputation and no record of major violation of laws or regulations in the last three years and shall have net assets not less than RMB200 million;

- it shall have the necessary registered capital required by the Securities Law; for a securities firm operating securities brokerage, securities investment consultation and financial advisory business in relation to securities trading and securities investment, the minimum registered capital shall be RMB50 million; for companies operating one of the areas at securities underwriting and sponsorship, margin trading and short-selling, securities market making, proprietary securities business and other securities businesses, the minimum registered capital shall be RMB100 million; for companies operating two or more of the areas at securities underwriting and sponsorship, margin trading and short-selling, securities market making, proprietary securities business and other securities businesses, the minimum registered capital shall be RMB500 million. The registered capital of a securities firm shall be paid-in capital;

- its directors, supervisors and senior management shall be honest, morally upright, be familiar with the provisions of securities laws and administrative regulations and possess business management abilities to perform their duties; and

- it shall have effective risk management and internal control systems; it shall have proper premises and facilities for operation; and it shall fulfil other conditions stipulated by laws, administrative rules and the CSRC.

According to the Administrative Provisions on Equities of Securities Companies (《證券公司股權管理規定》) (effective from 5 July 2019 and amended on 18 March 2021), the CSRC shall examine and approve its registered capital and equity structure at the time of establishment of a securities company, and various types of stakeholders of the securities companies shall satisfy the relevant criteria.

According to the Administrative Provisions on Equities of Securities Companies (《證券公司股權管理規定》) (effective from 5 July 2019 and amended on 18 March 2021), the CSRC shall examine and approve its registered capital and equity structure at the time of establishment of a securities company, and various types of stakeholders of the securities companies shall satisfy the relevant criteria. According to the Administrative Provisions on Equities of Securities Companies, the number of securities companies in which the shareholders of a securities company and the controlling shareholders and actual controllers of the shareholders participate shall not exceed two, and the number of securities companies controlled by them shall not exceed one. But the following conditions shall not be included in the number of equity interests or controlling interests in securities companies:

- directly holding and indirectly controlling less than 5 per cent. of the equity of securities companies;
- holding shares in other securities companies through the securities companies under its control;
- other securities companies controlled by securities companies;
- transitional arrangements for the implementation of mergers and acquisitions of securities companies;
- the General Office of the State Council of the PRC authorizes to hold stock equity of securities companies; and
- other circumstances as identified by the CSRC.

According to Administrative Measures on Foreign-funded Securities Companies (《外商投資證券公司管理辦法》) promulgated by the CSRC (as issued on 28 April 2018 with immediate effect and amended on 20 March 2020) which stipulates the conditions and procedures for the formation of foreign-invested securities companies, foreign investors who lawfully hold 5 per cent. or more of the shares in a listed domestically-funded securities firm through securities trading on a stock exchange or who jointly hold 5 per cent. or more of the shares in a listed domestically-funded securities firm with others by agreement or other arrangements shall comply with the Securities Law and the relevant provisions of the CSRC on examination and approval for acquisition of listed company and change in securities company.

Establishment of a foreign-funded securities company shall, in addition to compliance with the Company Law, the Securities Law, the Administrative Regulations on Supervision and Administration of Securities Companies and the criteria for establishment of securities company stipulated by the CSRC with approval by the State Council, satisfy the following criteria:

- the overseas shareholder(s) satisfy(ies) the qualification criteria stipulated in Administrative Measures on Foreign-funded Securities Companies, and its/their capital contribution ratio and capital contribution method comply with the relevant provisions of these Measures;
- the preliminary scope of business is compatible with the securities business experience of the controlling shareholder or the largest shareholder; and
- any other prudential criteria stipulated by the CSRC.

The following conditions shall be met for a foreign shareholder of a foreign-invested securities company:

- the country or region in which the foreign shareholder is based has complete securities laws and regulation system, of which the relevant financial regulatory authorities have entered into memorandum of understanding with the CSRC or institutions recognized by the CSRC in respect of securities regulation cooperation, and the regulation cooperation relationship has been maintained in an effective way;
- the shareholder is a financial institution legally incorporated in the country or region in which it is based, and the respective financial indicators of the shareholder for the last three years satisfy the requirements of the national or regional laws and of the regulatory authorities in that country or region;

- the shareholder is engaged in securities business for over five years, receives no material punishment during the last three years from the regulatory authorities, administrative or legal authorities of the country or region in which it is based, and not being investigated by relevant authorities due to involvement in material violation of laws and regulations;

- the shareholder has well-established internal control system;

- the shareholder enjoys good international reputation and operating results, with its business scale, revenue and profit for the last three years ranking in advanced position in international market and with its long-term credit for the last three years maintained at a high level; and

- other prudent requirements stipulated by the CSRC.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (effective from 27 December 2021) (the "**Negative List (Edition 2021)**"), the limit on the foreign shareholding proportion of securities companies had been cancelled.

Business scope

According to the provisions of the Securities Law, a securities firm can conduct any or all of the following businesses with approval from the CSRC: securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment; securities underwriting and sponsorship; margin financing and securities lending; market-making transactions of securities; proprietary securities trading; and other securities business.

According to the provisions of the Regulations on the Examination and Approval of the Scope of Business of Securities Companies (Provisional) (《證券公司業務範圍審批暫行規定》) (effective from 1 December 2008 and amended on 7 December 2017 and 30 October 2020), securities companies under common control of an entity or individual or securities companies with control relationship shall not engage in the same business, unless effective measures are in place for division of operation regions or client bases and there is no competition between the companies. Unless otherwise specified by the CSRC, the scope of business of a securities company shall be approved by the CSRC upon its establishment in accordance with the statutory requirements, and no more than four types of new businesses shall be approved. A securities firm shall obtain approval from the CSRC for any change in its scope of business. Changing business scope includes increasing business types and reducing business types. No more than two additional types of business can be applied for increasing business types at once. Subject to approval by the CSRC, a securities company may operate businesses not prohibited by the Securities Law, the Regulations on Supervision and Administration of Securities Companies and the rules and regulations and normative documents of the CSRC.

Material changes

According to the provisions of the Securities Law (《證券法》) (amended on 28 December 2019 and effective from 1, March 2020), a securities firm shall obtain approval from the CSRC if it has any of the following acts:

- change of securities business scope;

- change of major shareholders or actual controllers of the company;

- merger, division, suspension of business, dissolution and bankruptcy.

According to the Administrative Provisions on Equities of Securities Companies (《證券公司股權管理規定》) (effective from 5 July 2019 and amended on 18 March 2021), when a securities company change its shareholders holding 5 per cent. or more of its equity or change its actual controlling party, the securities company shall apply to the CSRC for approval pursuant to the law. Where the change in registered capital or equity of a securities company does not fall under the circumstances set out in the preceding statement, the securities companies shall complete change registration formalities with the company registration authority within five working days, and file records with the CSRC branch at its locality. This provision shall not apply to equity changes of securities companies which occur on a stock exchange or the NEEQ.

According to the Announcement on Cancellation or Adjustment of Some Administrative Approval Items of Securities Companies (《關於取消或調整證券公司部分行政審批項目等事項的公告》) (effective from 1 March 2020), the CSRC and its branches no longer accept the administrative approval items of securities companies cancelled by the Securities Law initiated by the administrative counterpart.

Establishment of subsidiaries, branches and securities business units

According to the provisions of the Regulations on Formation of Subsidiaries of Securities Companies (Provisional) (《證券公司設立子公司試行規定》) (amended on 11 October 2012 with immediate effect, subject to the approval of the CSRC, securities companies may establish wholly-owned subsidiaries and invest jointly in the establishment of subsidiaries with other investors who meet the requirements for shareholders of securities companies stipulated in the Securities Law. However, a securities firm and its subsidiaries or subsidiaries under the control of the same securities firm, shall not operate similar businesses having conflicts of interest or which are in competition.

Pursuant to the provisions of the Regulatory Requirements on Branches of Securities Companies (《證券公司分支機構監管規定》) (effective from 30 October 2020), branches of a securities firm refer to branches and securities business units established by such securities firm in the PRC for business operation. The establishment, acquisition and de-registration of branches of securities companies shall file records with the CSRC branch at its locality. Securities companies shall meet the following requirements in order to establish or acquire branches: having a sound governance structure and effective internal management and being able to control the risks of their existing branches and the branches to be established; having risk control indicators in compliance with relevant rules for the previous year and those indicators remaining in compliance after the additional branches are established; having not received any administrative or criminal penalties for any material breach of rules or regulations for the past two years and having not had any material regulatory measures imposed on them for the previous year, and not being subject to any investigation for any branch related activities based on any alleged material breach of rules or regulations; having a secure and stable information technology system and no material information technology incident having occurred during the previous year and other prudent requirements stipulated by the CSRC.

Entry Requirements for Futures Companies

Establishment

According to the Administrative Regulations on Futures Trading (《期貨交易管理條例》) and the Administrative Regulations on Futures Trading and the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) (effective from 29 October 2014, subsequently amended on 7 December 2017 and 4 June 2019), the establishment of futures companies shall be approved by the CSRC subject to the following conditions:

- the minimum registered capital shall be RMB100 million;
- directors, supervisors and senior management shall be qualified for their positions, while practitioners shall have futures practice qualifications;
- the number of staff with futures practice qualifications shall not be less than 15, and the number of senior management staff with practice qualifications shall not be less than three;

- the articles of association of the company shall comply with the requirements of laws and administrative regulations;

- major shareholders and the de facto controller shall have sustainable profitability, good reputation, and shall not have a record of material violation of laws or regulations in the past three years;

- premises and operation facilities shall be in compliance with requirements;

- sound risk management and internal control systems; and other conditions as stipulated by the CSRC.

According to the Provisions on Issues Relating to the Regulation of Controlling Interests and Equity Interests in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》) (effective from 1 June 2008), an entity shall not hold controlling interests and equity interests in more than two futures companies and shall not hold controlling interests in more than one futures company.

Material changes

According to the provisions of the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), approval of the CSRC shall be obtained for changes of shareholdings in any of the following situations: change of controlling shareholders or the largest shareholder; shareholding of an individual shareholder or the aggregate shareholding of associated shareholders, involving foreign shareholders, is increased to 5 per cent. or above. Save as aforesaid, an approval from the local branch office of the CSRC where the company is located shall be obtained if the shareholding of an individual shareholder or the aggregate shareholding of associated shareholders in the futures company is to be increased to 5 per cent. or above.

According to the Negative List (Edition 2021), the limit on the foreign shareholding proportion of futures company had been cancelled.

In accordance with the State Council Decisions on the Cancellation and Adjustment of Various Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (issued on 23 October 2014 with immediate effect), the change of legal representative, domicile or place of business, or establishment or close of domestic branches, or change in the scope of business of a domestic branch by futures companies is no longer subject to administrative approval of a local branch of the CSRC.

In accordance with the State Council Decisions on the Cancellation and Adjustment of Various Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (issued on 24 February 2015 with immediate effect), the appointment of directors, supervisors and senior management of futures companies is no longer subject to qualifications approval of a local branch of the CSRC.

Regulation of Operations of Securities Companies

The Company and its subsidiaries primarily engage in securities and related business, including but not limited to, securities brokerage, margin financing and securities lending, securities investment consultation, financial advisory business relating to securities trading and securities investment activities, proprietary securities trading, distribution of financial products of securities investment funds, intermediary business for futures companies, distribution of financial products, stock options market-making, securities underwriting and sponsorship, securities asset management, publicly-raised securities investment and management, private equity investment, and alternative investment.

Securities Brokerage

According to the provisions of the Regulations on Supervision and Administration of Securities Companies and the Provisions on Strengthening the Management of the Securities Brokerage Business (《關於加強證券經紀業務管理的規定》) (effective from 1 May 2010), a securities firm engaging in securities brokerage business shall be in compliance with the following regulations:

- it shall have a sound management system for securities brokerage business;
- it shall objectively indicate its business qualifications, service responsibility, scope and other information of its securities brokerage business;
- it shall have a sound client management and service system for the securities brokerage business and strengthen the education of investors and protect the legitimate rights and interests of clients;
- it shall have a sound management system and rational performance appraisal system for securities brokers to regulate their behaviour;
- it shall have a sound management system for its securities business department to ensure law-abiding, stable and safe operation;
- it shall establish and manage the information systems for client account management, client deposits, agent trading, agent clearing and settlement, securities depository, transaction risk monitoring, etc., and shall establish a central storage for the above business data;
- if the securities business unit or a practitioner of a securities firm violates laws, administrative regulations, provisions stipulated by regulatory agencies and other administrative department self-regulatory rules or regulations stipulated by securities companies for securities brokerage business, the securities firm shall hold the department or practitioner accountable; and
- if it or its securities business unit violates the Provisions on Strengthening the Management of the Securities Brokerage Business (《關於加強證券經紀業務管理的規定》), the CSRC and its local branch office will take such measures as requiring rectification, regulatory interviews, issuance of caution letter, temporary suspension of license-related approvals, punishment of related personnel, suspension of new business approval, imposing limitations on business activities, and other regulatory measures. Any violation of laws and regulations will be punished in accordance with the law. If it constitutes a crime, the company or department will be transferred to the proper judicial organization for prosecution.

Futures Brokerage

The provisions of the Administrative Regulations on Futures Trading (《期貨交易管理條例》) set out a licensing system that applies to the business of futures companies. The CSRC is responsible for the issuance of licenses according to the types of business of commodity futures and financial futures. Apart from domestic futures brokerage business, futures companies may also apply to conduct business of overseas futures brokerage, futures investment consultation and other futures business as specified by the CSRC. Futures trading shall strictly comply with the deposits system. A futures company engaged in brokerage business shall accept orders of clients and trade futures in its own name for clients, and the clients shall be solely liable for the transaction results.

Futures Intermediary Business

According to the Interim Measures on Provision of Intermediary Business to Futures Companies by Securities Companies (《證券公司為期貨公司提供中間介紹業務試行辦法》) (trial from 20 April 2007), a securities firm providing intermediary business service to futures companies shall obtain relevant qualifications. Securities companies shall only engage in the provision of intermediary business service to their wholly owned or controlling futures companies, or futures companies with which they are under common control of the same entity. Securities companies and futures companies shall be independent from each other. Securities companies shall employ adequate qualified practitioners to carry out futures intermediary business. Staff participating in the futures intermediary business in securities companies shall not take part in futures trading. Securities companies shall not, directly or indirectly, raise funds or provide guarantees for futures trading clients.

Distribution of Financial Products

According to the Administrative Provisions on the Distribution of Financial Products by Securities Companies (《證券公司代銷金融產品管理規定》) (promulgated on 12 November 2012 with immediate effect and amended on 20 March 2020), a securities firm engaging in the distribution of financial products shall obtain relevant qualifications to carry out the distribution of financial products. Its personnel engaging in the distribution of financial products shall obtain the relevant securities qualifications. A securities firm shall centralize the regulation of distribution of financial products and assess the eligibility of the client. The information given on the financial products shall be comprehensive, fair and accurate. A securities firm is also required to set up a client feedback system.

Sales of Securities Investment Funds

According to the provisions of the Measures for the Supervision and Administration of Sales Agencies of Publicly Offered Securities Investment Funds (《公開募集證券投資基金銷售機構監督管理辦法》) (promulgated on 28 August 2020 and effective from 1 October 2020), a securities firm shall register with the local office of the CSRC where the company operates and obtain the relevant qualifications before engaging in the sale of securities investment funds. A securities firm shall establish a specialized funds sales department, and staff participating in the sale of securities investment funds shall be qualified to carry out such activities. It shall establish, improve and effectively implement the internal control and risk management system for the fund sales business, improve the internal accountability mechanism, and ensure that the fund sales business complies with the laws and regulations and the provisions of the CSRC.

Securities Investment Consultation

According to the provisions of the Provisional Measures on Management of Investment Consultations on Securities and Futures (《證券、期貨投資諮詢管理暫行辦法》) (effective from 1 April 1998), a firm which engages in securities investment consultation business shall obtain the required qualifications and a business license from the CSRC; practitioners of securities investment consultation shall obtain the relevant securities investment consultation qualifications and work under a qualified securities investment consulting institution before engagement in securities investment consultation business.

According to the Regulations on the Securities Investment Advisor Business (Provisional) (《證券投資顧問業務暫行規定》) (effective from 1 January 2011 and amended on 30 October 2020), a securities firm and its investment advisors shall provide securities investment advisory service in good faith and shall not jeopardize the interests of clients by acting in favor of the company and its associates, investment advisors and their related parties, or other particular clients.

The Provisions on the Release of Securities Research Reports (Provisional) (《發佈證券研究報告暫行規定》) (effective from 1 January 2011 and amended on 20 March 2020) stipulate that the publishing of securities research reports by securities companies and securities investment advisory agencies shall abide by laws, administrative regulations and other relevant requirements, follow the principles of independence, objectiveness, fairness and prudence, effectively prevent conflicts of interest, and treat objects under issuance in a fair manner. They shall also be prohibited from disseminating false, untrue and misleading information and from engaging in or participating in insider trading or securities market manipulation.

Margin Financing and Securities Lending

According to the provisions of the Management Measures on Margin Financing and Securities Lending of Securities Companies (《證券公司融資融券業務管理辦法》) (effective from 1 July 2015), a securities firm that applies for the qualification to engage in margin financing and securities lending business must satisfy the following conditions:

- it shall have the qualification to engage in the securities brokerage business;
- it shall have a sound system of corporate governance and effective internal controls in place to identify, control and prevent any potential operational risks and internal management risks;
- it shall have not been subject to any investigation or rectification for any breach of rules or regulations by the CSRC during the past two years;
- it shall have a sound financial position, with each of its risk control indicators in compliance with the relevant requirements for the recent two years and its registered capital and net capital are also in compliance with the requirements subsequent to the commencement of the margin financing and securities lending business;
- its clients' assets remain secured and intact with effective measures in place for clients' third-party fund depository, and clients' particulars remain true and intact;
- it shall maintain a comprehensive feedback mechanism that ensures the prompt and proper resolution of any disputes with its clients;
- it shall maintain a client eligibility evaluation system in compliance with the regulations and self-regulatory requirements to ensure that the client is qualified to invest in the relevant products;
- it shall maintain a resilient information security system, with no material incidents during the past year due to any management issues, and the systems designed for the margin financing and securities lending business shall have passed the tests of stock exchanges and securities registration and clearing institutions;
- it shall have an appropriate number of senior management and professionals who are responsible for the margin financing and securities lending business; and
- any other conditions stipulated by the CSRC.

Securities companies engaging in margin financing and securities lending shall open various accounts in their own name at securities registrars, including a special securities lending account, margin guarantee account, margin settlement account and margin capital settlement account. Such securities companies shall also open accounts at commercial banks, such as a special margin financing account and margin capital guarantee account. Securities firms shall, with reference to third-party custody of clients' transaction settlement funds, enter into a margin custody agreement with their clients and commercial banks. The capital and securities provided by securities companies to their clients are limited to those capital and securities in the special margin financing account and special securities lending account.

Before providing margin financing and securities lending service to its clients, a securities firm shall collect information about its clients, including making credit investigation into its clients, knowing their identities, property status, income situations, securities investment experience, risk appetites and records of honesty and compliance. It shall also deal with client suitability management properly and keep records of such information in written or electronic form. A securities firm shall not open a credit account for anyone who meets any of the following conditions: failure to submit the required information; having less than half a year experience in securities trading; lacking the adequate risk bearing capability; less than RMB0.5 million of its average daily securities assets for the most recent 20 trading days; having records of major breaches of contracts; or being the shareholder or connected person of the company.

The term for margin financing and securities lending agreed between securities companies and their clients shall not exceed the time limit permitted by the relevant stock exchange. Securities companies may negotiate with their clients in respect of the rates at which the margin financing and securities lending services will be provided.

Amounts attributed to the margin financing and securities lending business by a securities firm shall not exceed four times of its net capital. A comprehensive management system, operating procedures, as well as a risk identification, evaluation and control system shall also be established.

Collateralized Stock Repurchase

According to the Measures on Collateralized Stock Repurchase and Registration and Settlement Business (《股票質押式回購交易及登記結算業務辦法》) (effective from 30 June 2017, and amended in 2018) promulgated jointly by CSDC and the Shanghai Stock Exchange and the Shenzhen Stock Exchange as amended and in effect as at 12 March 2018, respectively, the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall implement the trading permissions management of securities companies that participate in collateralized stock repurchase. Securities companies shall establish client qualification examination systems and perform due diligence with respect to their clients. Examination contents shall include identity, financial status, business status, credit status, guarantee status, usage of funds, risk tolerance and cognition of the securities market. Securities companies shall provide to their clients a comprehensive introduction of the business rules and a full disclosure of the risks, and shall require the clients to sign The Risk Disclosure Statement.

Securities Repurchase

According to the Measures on Securities Repurchase and Registration and Settlement Business (《約定購回式證券交易及登記結算業務辦法》) promulgated jointly by CSDC and each of the Shanghai Stock Exchange and the Shenzhen Stock Exchange on 10 December 2012, respectively, the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall implement the trading permissions management of securities companies that participate in securities repurchase. Securities companies shall establish a client qualification examination system. Examination contents shall include credit status, asset scale, risk tolerance and cognition of the securities market. Securities companies shall provide to their clients a comprehensive introduction of the business rules and a full disclosure of the risks.

Secondary Offering Business

Pursuant to the provisions of the Trial Measures on Supervision and Administration of the Secondary Offering Business (《轉融通業務監督管理試行辦法》) (implemented on 26 October 2011 and amended on 7 December 2017 and 30 October 2020), a secondary offering business refers to a business in which a securities finance company lends its funds or securities owned by itself or legally raised and its securities to a securities firm for conducting margin financing and securities lending activities. To conduct a secondary offering business, a securities finance company shall, in its own name, open a securities account, a guaranteed securities account and a securities settlement account specific for a secondary offering business with the securities registration and settlement authority. A securities financial company shall also set up a client credit assessment mechanism to evaluate the credit of securities companies and determine and adjust the credit line based on the evaluation. Furthermore, a securities financial company shall charge deposits at a certain rate from securities companies for the secondary offering business.

Proprietary Securities Trading

Provisions of the Regulations on Supervision and Management of Securities Companies and the Guidelines on Proprietary Business of Securities Companies (《證券公司證券自營業務指引》) (effective from 11 November 2005) and the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) (effective from 29 July 2014) stipulate that securities companies engaged in proprietary securities trading shall be limited to the trading of publicly offered stocks, debentures, warrants, securities investment funds or other securities approved by the securities regulatory authorities of the State Council. A securities firm engaged in a proprietary securities trading business shall be registered under the name of the proprietary securities account holder. Risk control indicators, such as the proportion of the total value of proprietary securities to the net capital of the company, the proportion of the value of a single security to the net capital of the company, and the proportion of the amount of a single security to the total amount of issued securities, shall each comply with the regulations of the CSRC.

According to the List of Securities Investment Products for the Proprietary Business of Securities Companies (《證券公司證券自營投資品種清單》), which is the Appendix to Regulations on Investment Scopes of Proprietary Business of Securities Companies and Relevant Matters (《關於證券公司證券自營業務投資範圍及有關事項的規定》) (effective from 1 June 2011 and amended on 16 November 2012 and 20 March 2020), securities companies engaged in proprietary securities trading business are permitted to invest in the following securities:

- securities that have been or may be legally listed, traded and transferred on a domestic stock exchange;

- securities that have been listed and transferred on the NEEQ;

- private placement bonds that have been or may be legally listed and transferred on qualified regional equity trading markets, and stocks that have been listed and transferred on qualified regional equity trading markets;

- securities that have been or may be legally traded on the domestic interbank market; and

- securities issued with the approval of the national financial regulatory authority or its authorized bodies or after filing with the national financial regulatory authority or its authorized bodies and traded over the counter at domestic financial institutions.

Securities Asset Management

According to the Administrative Measures on Private Offering Asset Management Business of Securities and Futures Business Organisations (《證券期貨經營機構私募資產管理業務管理辦法》), which be implemented with effect from 22 October 2018, and the Circular on Strengthening Supervision on Asset Management Business of Securities Companies (《關於加強證券公司資產管理業務監管的通知》) (effective from 14 March 2013), securities and futures business organisation engaging in private offering asset management business shall be subject to approval by the CSRC pursuant to the law, unless otherwise stipulated by laws, administrative regulations and the CSRC. Securities companies may set up a single asset management plan for a single investor, or set up a collective asset management plan for multiple investors. The number of investors of a collective asset management plan shall not be less than two, and shall not exceed 200.

The Administrative Regulations on Asset-backed Securitization of Securities Companies and Subsidiaries of Fund Management Companies (《證券公司及基金管理公司子公司資產證券化業務管理規定》) (promulgated on 19 November 2014 with immediate effect), allows securities companies and subsidiaries of fund management companies which are qualified for client asset management to conduct the asset-backed securitization business.

Pursuant to the Interim Provisions on Operation and Management of Private Asset Management Business of Securities and Futures Operation Institutions (《證券期貨經營機構私募資產管理業務運作管理暫行規定》) (promulgated on 14 July 2016 with effect from 18 July 2016), securities companies (i) shall neither sell asset management plans in breach of rules, nor engage in such acts as inappropriate publicity, misleading or deceiving investor, or, in any means guaranteeing to the investors that their principal will not suffer any loss or promising a minimum return, (ii) shall establish a structured asset management plan and shall not violate the principle of "sharing of interests and risks and matching risks with returns", (iii) shall not entrust any individual or unqualified third party with the provisions of investment advice, and managers shall not be exempted from legal liability on the grounds of such entrustment, and (iv) shall not engage in or participate in private asset management business with a "cash-pooling feature".

Management of Publicly Offered Securities Investment Funds

Pursuant to the Securities Investment Funds Law (《證券投資基金法》) and the Interim Provisions on the Management of Publicly Offered Securities Investment Funds by Asset Management Institutions (《資產管理機構開展公募證券投資基金管理業務暫行規定》) (effective from June 1 2013), publicly offered securities investment fund managers shall be fund management companies or other institutions such as securities companies approved by the CSRC. Any securities firm applying for business of fund management shall comply with the following conditions:

- it has over three years' management experience in securities assets, with good performance in securities products during the past three years;
- it shall have comprehensive corporate governance, sound internal control and effective risk management;
- its operations shall have been in good condition during the past three years, with robust finance;
- it shall act honestly and in compliance with relevant requirements, without any material breach of laws and regulations as filed by regulatory authorities during the past three years, and shall not be subject to any current investigation or rectification for any material breach of laws and regulations;
- it is a member of the AMAC;
- its total AUM shall not be less than RMB20 billion or its AUM or CAM business shall not be less than RMB2 billion;
- during the past 12 months, every risk control indicator has met the specified criteria continuously; and
- it shall meet other requirements of the CSRC.

Securities companies engaging in management of publicly offered securities investment funds shall establish dedicated departments for fund business, building a separate fund decision-making process and relevant firewall system; have information systems and security facilities as required; establish systems for fair trading and connected transaction management, optimize the monitoring mechanism for fair trading and irregular trading, treat different assets under management fairly and prevent insider trading.

The Securities Investment Funds Law also stipulates matters such as registration for mutual funds, trading of fund units, scope of investment fund and its restriction, protection of fund holders' rights and information disclosure, etc.

The Administrative Measures on Operations of subscription convening publicly-offered of Securities Investment Funds (《公開募集證券投資基金運作管理辦法》) which came into effect on 8 August 2014 has set up provisions on public fund offering, the subscription convening publicly-offered, redemption and trading of fund unit, the investment of fund assets, the distribution of fund income, the subscription convening publicly-offered of fund share holders' meetings, and other fund operational activities.

The Administrative Measures on Information Disclosure for Publicly Offered Securities Investment Funds (《 公開募集證券投資基金信息披露管理辦法》) (came into effect on 1 September 2019 and amended on 20 March 2020) regulates the category of the information that the fund information disclosure obligors of a publicly-offered fund should disclose of, and the format, media, methods and timeliness requirements thereto.

Private Equity Fund Business

Pursuant to the Provisions of Management Practices for Private Equity Fund Subsidiaries of a Securities Companies (《證券公司私募投資基金子公司管理規範》) (as promulgated on 30 December 2016 with immediate effect) issued by the SAC, securities companies which engage in private equity fund business shall establish a private equity fund subsidiary in accordance with the requirements of the relevant regulatory authorities. If a private equity fund subsidiary needs special purpose vehicles ("SPVs") for purposes such as fund management, it shall hold 35 per cent. or more equity interests or capital investment in, and have management control in, such SPV; a fund management SPV established under the private equity fund subsidiary shall only manage the private equity funds for which the fund management SPV was established. Business of each affiliated SPV shall be explicit and non-repetitive.

The private equity fund subsidiary and the fund management SPVs under it shall invest their own funds in the private equity fund established by the fund management SPV. The amount of investment in respect of each of the funds shall not exceed 20 per cent. of the total amount of such fund.

Alternative Investment

According to the Regulations on Investment Scopes of Securities Investment and Trading Business of Securities Companies and Relevant Matters (《關於證券公司證券自營業務投資範圍及有關事項的規定》) and the Management Criteria for Alternate Investment Subsidiaries of a Securities Firm (《證券公司另類投資子公司管理規範》) (promulgated on 30 December 2016 with immediate effect) securities companies may establish alternative investment subsidiaries to engage in investment on financial products which are excluded on the List of Securities Investment Products for the Securities Investment and Trading of Securities Companies (《 證券公司證券自營投資品種清單》). Alternative subsidiaries shall not engage in businesses other than investment businesses; securities companies shall explicitly part the business scopes between alternative subsidiaries and other subsidiaries to avoid conflicts of interests and transfer of benefits; alternative subsidiaries shall not be financed, shall not provide guarantees and loans, and shall not act as a contributory which bears joint liability of an investee enterprise.

Securities Underwriting and Sponsorship

According to the regulations of the Administrative Measures for the Sponsorship of the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》) (effective from 1 December 2008, and amended on 14 June 2009, 7 December 2017 and 12 June 2020), securities companies shall apply for the sponsoring institution qualification from the CSRC to sponsor the offering and listing business of securities. In order to fulfil sponsorship responsibilities, sponsoring institutions shall designate an individual with good conduct and professional ability to be responsible for sponsorship duties. Issuers shall employ securities companies which have obtained sponsoring institution qualification to perform the sponsorship duties for the following matters: initial public offerings and listing, issuance of new shares or convertible corporate bonds by listing companies, public offering of depository receipts and other conditions identified by the CSRC.

Any securities firm applying for sponsoring institution qualification shall meet the following requirements:

- its registered capital shall be no less than RMB100 million and its net capital shall be no less than RMB50 million;
- it shall have comprehensive systems of corporate governance and internal control and indicators of risk control in line with relevant regulations;
- its sponsor business shall have sound mechanisms of business procedures, internal risk assessment and control, as well as a reasonable internal structure, proper research and sales capabilities, and other background support;
- it shall have a strong sponsor business team, with reasonable professional structure, and the number of professionals shall not be less than 35, among which, the number of personnel who have engaged in sponsor-related businesses during the past three years shall not be less than 20;

- the number of sponsor representatives shall not be less than four;
- it has not been subject to any administrative penalties for any material breach of laws and regulations during the past three years; and
- it shall meet other requirements of the CSRC.

In addition, the Views of the CSRC on Further Promoting IPO Reform (《中國證監會關於進一步推進新股發行體制改革的意見》) (promulgated on 30 November 2013 with immediate effect) further stipulated that sponsor institutions and securities service institutions shall undertake in public offering and listing documents that if false, or misleading statements are made, or a material omission occurs in the documents issued, prepared and produced by issuers for initial public offerings which result in losses to investors, then sponsor institutions and securities service organizations must compensate the losses of investors in accordance with the law.

According to the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) (effective from 15 January 2015 and amended on 26 February 2021), the issuance of corporate bonds shall be underwritten by securities companies with qualification to engage in securities underwriting business. When underwriting corporate bonds, underwriters shall be in compliance with the Administrative Measures for the Issuance and Trading of Corporate Bonds and applicable regulations on due diligence, risk control and internal control issued by the CSRC and the SAC, to formulate a strict risk management system, and to internal control system and enhance pricing and placing management.

Lead Brokerage in the National Equities Exchanges and Quotations

According to the Administrative Measures on National Equities Exchange and Quotations Company Limited (Provisional) (《全國中小企業股份轉讓系統有限責任公司管理暫行辦法》) (effective from 31 January 2013 and amended on 7 December 2017), securities companies may act as lead broker in the NEEQ. The lead brokerage business includes recommending the listing of shares of joint stock companies, continuously supervising listed companies, trading shares of joint stock companies on behalf of investors, providing market-making service for the transfer of shares, and other businesses as specified by the National Equities Exchange and Quotations Company Limited.

Under the supervision of the National Equities Exchange and Quotations Company Limited, lead brokers, law firms, accounting firms and other institutions and personnel providing services in relation to the transfer of shares shall act in good faith and diligently perform their legal duties in strict compliance with laws, regulations and industry standards, and shall also be responsible for the truthfulness, accuracy and completeness of documents they issue.

Over-the-Counter Market Business

As the provisions of the Administrative Measures of Securities Companies on Over-the-Counter Market (for Trial Implementation) (《證券公司櫃檯市場管理辦法(試行)》) (effective from 15 August 2014) stipulate, securities companies shall engage in over-the-counter business in accordance with the provisions and be subject to the governance of the SAC. Apart from private equity products which are subject to prior approval and filing as explicitly required by financial regulatory authorities, private equity products issued, sold and transferred by securities companies in over-the-counter markets are subject to filing after the issuance, selling and transfer. Products issued, sold and transferred by securities companies in over-the-counter markets include but are not limited to: products such as asset management plans and corporate debt financing instruments established or underwritten by securities companies or their subsidiaries by way of private placing; products established by other institutions such as banks, insurance companies and trust companies and issued, sold and transferred by securities companies; and financial derivatives and other products as allowed by the CSRC and the SAC.

Corporate Governance and Risk Control

Corporate Governance and Risk Control of Securities Companies

Corporate governance

Securities companies shall comply with the corporate governance requirements regarding the composition, operation, convening and voting procedures of shareholders' meetings, the board of directors and the supervisory committee as set out in the Company Law, the Securities Law, the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) and the Rules for Governance of Securities Companies (《證券公司治理準則》) (as amended on 1 January 2013 with immediate effect and amended on 20 March 2020).

Securities companies shall establish a sound corporate governance structure. The corporate governance structure of securities companies includes proper decision-making processes and rules of procedures, a highly efficient and rigorous business operating system, a sound and effective internal control and feedback system, and effective incentive and restraint mechanisms. The boards of supervisors and independent directors of securities companies shall fully exercise their supervising functions to avert the risks of manipulation by substantial shareholders or control by insiders.

A securities firm that engages in two or more businesses in securities brokerage, asset management, margin financing and securities lending, securities underwriting and sponsoring shall have a remuneration and nomination committee, an audit committee and a risk control committee under its board of directors to perform the duties and exercise the rights as specified in the articles of association of the company. The persons in charge of the remuneration and nomination committee and the audit committee shall be independent directors.

Measures for the Supervision and Administration of Directors, Supervisors, Senior Executives and Practitioners of Securities or Fund Operators (《證券基金經營機構董事、監事、高級管理人員及從業人員監督管理辦法》) (released on 18 February 2022 and effective from 1 April 2022) specifies the administration of appointment and practice of directors, supervisors, senior executives and practitioners. A securities shall, when appointing any director, supervisor, senior executive or person-in-charge of a branch, file the appointment for record with the local branch of the CSRC according to law. Directors, supervisors, senior executives and practitioners of a securities shall comply with laws and regulations and the provisions of the CSRC, observe the articles of association and industry standards, scrupulously abide by good faith, diligently perform their duties and practice honestly and shall not damage the national interests, public interests and the legitimate rights and interests of investors.

Risk control

Pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) (effective from 1 October 2016 and amended on 20 March 2020), a securities company shall calculate the risk control indicators such as its net capital, risk coverage ratio, capital leverage, liquidity coverage ratio and net stable funding ratios and prepare the calculation sheets of net capital, risk capital reserves, total on-balance-sheet and off-balance sheet assets, liquidity coverage rate, net stable funding rate and risk control indicators in accordance with relevant provisions and in compliance with the principle of prudence and the principle of substance over form. The Administrative Measures for Risk Control Indicators of Securities Companies stipulates a warning standard and a minimum regulatory standard for risk control indicators that securities companies are required to comply with. The CSRC may make adjustments to the standards for risk control indicators, calculation requirements and the ratio of risk capital reserves of a particular business according to the governance structure, the internal control level and the status quo of risk control of the securities companies.

On 1 October 2016, CRSC promulgated the Provisions on the Calculation Standard for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》) (amended on 23 January 2020 and effective from 1 June 2020), which provides different basis of calculation for different risk capital reserves of securities companies based on their different businesses and different types of securities companies.

Pursuant to the Norms for the Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) (promulgated on 30 December 2016 with immediate effect), securities companies shall implement comprehensive risk management to avoid risks such as liquidity risks, market risks, credit risks, operation risks and reputation risks in business operation, shall establish and improve a comprehensive risk management system that is in line with their development strategies, including feasible management systems, a sound organizational framework, a reliable information technology system, a quantitative risk indicators system, a team of professionals and an effective risk response mechanism and shall evaluate regularly the comprehensive risk management system and improve risk management promptly based on the evaluation results.

Pursuant to the provisions of the Guidelines for the Liquidity Risk Management of Securities Companies (《 證券公司流動性風險管理指引》) (effective from 30 December 2016), securities companies shall strengthen liquidity risk management and establish a sound liquidity risk management system for effective identification, measurement, monitoring and control of liquidity risks.

Pursuant to the provisions of the Regulations on Risk Settlement of Securities Companies (《證券公司風險處置條例》) (effective from 6 February 2016), the securities regulatory authorities of the State Council shall organize, coordinate and supervise the risk settlement of securities companies. In the event that risk control indicators don't meet relevant requirements or there are situations that may impact sustainable business operation or any major risk is found, the securities regulatory authorities of the State Council may take risk settlement measures such as rectification, custody, takeover, administrative restructuring, revocation, bankruptcy, liquidation and reorganization, etc.

Pursuant to Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) (effective from 1 October 2017 and amended on 20 March 2020), the compliance management of securities companies shall cover all businesses, departments, branches, subsidiaries at all levels and all staff, and shall be carried out throughout various stages such as decision-making, implementation, supervision and feedback. The securities Company shall have a compliance director, who shall, as a senior manager, directly report to the board of directors and examine, supervise and inspect the operation compliance and management activities of the securities Company as well as the staff's practices.

Classified regulation

Pursuant to the provisions of the Regulations on Classification of Securities Companies (《證券公司分類監管規定》) (amended on 6 July 2017 and 10 July 2020), the CSRC classifies securities companies into five types and eleven categories as A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D and E, based on the risk control capability, competitiveness and continuous compliance of securities companies for prudent regulation purpose. "Regulatory points" system is one of the systems adopted by the CSRC to assess the continuous compliance of securities companies: certain incidents leading to the imposition of penalties will result in the CSRC deducting the corresponding amount of "regulatory points", which may ultimately have negative effects on the securities companies' regulatory rating. However, when determining the regulatory rating of a securities company, the CSRC will not only consider the deduction in regulatory points but will also take into consideration its risk management capability (mainly assessed on the basis of the securities companies' capital adequacy, corporate governance and continuous compliance management, comprehensive risk control, safety of IT system, protection of clients' interest and information disclosure) and market competitiveness (industry-wide ranking of aspects such as net income, net profit, brokerage business, investment banking business, assent management business, comprehensive strength and innovation capacity) and assess the condition of the securities companies as a whole.

Corporate Governance and Risk Control of Futures Companies

Corporate governance

The provisions of the Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) (effective from 6 June 2019) stipulate that the CSRC implements the management system on the qualifications of directors, supervisors, senior management and other futures practitioners of futures companies. The business, personnel, assets, and finance of a futures company shall be strictly separated from those of its controlling shareholders and de facto controller, and they should have independent operations and accounting; a futures company shall have a board of supervisors or supervisors, and shall appoint a chief risk officer, etc.

The Management Measures of Directors, Supervisors and Senior Management of Futures Companies (《期貨公司董事、監事和高級管理人員任職管理辦法》) further strengthens the management of the directors, supervisors and senior management of futures companies.

Risk control

According to the Supervision and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), the Administrative Measures on Futures Trading (《期貨交易管理條例》), and the Administrative Measures for Risk Monitoring Indicators of Futures Companies (《期貨公司風險監管指標管理辦法》) (promulgated on 18 April 2017), futures companies shall establish effective operations systems and procedures related to risk management, internal control and futures margin depository so as to effectively isolate risks among different business as well as to ensure the safety of clients' assets and transactions. A futures company engaging in futures brokerage and other futures business at the same time shall strictly implement the systems for the separation of business and capital, while mixed operations are prohibited. Futures companies shall maintain a chief risk officer responsible for monitoring and inspecting compliance and risk management in its operation and management. The CSRC may dynamically adjust the standard of futures companies' risk management indicators and its calculation requirements based on industry opinions, together with consideration of the development of the futures market and futures industry with respect to the principle of prudent supervision.

Classified regulation

Pursuant to the provisions of the Regulations on Classification of Futures Companies (《期貨公司分類監管規定》) (effective from 12 April 2011 and amended on 15 February 2019), the CSRC classifies futures companies into five types and eleven categories as A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D and E, based on the risk management capability, the capability of serving the real economy, market competitiveness and continuous compliance of futures companies for prudent regulation purposes. According to the principle of classified regulation, the CSRC set up various standards on margin proportions of futures investors for different types of futures companies and treats them differently in respect of regulation resource allocation and the frequency of on-site and off-site inspections, and stipulate different risk capital provision computation ratios for different types of futures companies.

Corporate Governance and Risk Control of Asset Management Company

Corporate governance

Pursuant to provisions of the Regulations on Formation of Subsidiaries of Securities Companies (Provisional) (《證券公司設立子公司試行規定》) (as amended on 11 October 2012), as the subsidiary of a securities company, an asset management company shall establish a sound corporate governance structure, sound risk management system, compliance management system and internal control system, and a securities company shall not take advantage of its capacity as controlling shareholder to damage the legal rights and interests of its asset management subsidiaries and their clients; Chinese Wall systems should be established between a securities firm and its asset management subsidiaries to avoid potential risk transference or conflicts of interests.

Risk control

In accordance with provisions of the Administrative Measures on Private Offering Asset Management Business of Securities and Futures Business Organisations (《證券期貨經營機構私募資產管理業務管理辦法》) (effective from 22 October 2018), the securities companies shall comply with prudent operation rules, formulate scientific and reasonable investment strategies and risk management system, effectively prevent and control risks, and ensure that their business matches their capital, management capacity and risk control level, and shall implement centralised operation management, establish and improve upon internal control and compliance management system, adopt effective measures, manage private offering asset management business and other businesses separately, control improper flow and use of sensitive information, and prevent insider trading, use of undisclosed information for trading, conflict of interest and profit tunneling.

Pursuant to Regulations on the Operation and Management of Private Asset Management Plans for Securities and Futures Operators (《證券期貨經營機構私募資產管理計劃運作管理規定》) (effective from 22 October 2018), a securities and futures operator shall prepare an investment description when raising funds under an asset management scheme. The risk disclosure shall have targeted content and a clear, definite and understandable statement, and fully disclose various risks, such as the market risk, credit risk, liquidity risk, operational risk, related-party transaction risk and specific risk in regard to the employment of investment consultants in an eye-catching manner.

Corporate Governance and Risk Control of Sponsoring Institution

Corporate governance

Pursuant to provisions of the Regulations on Formation of Subsidiaries of Securities Companies (Provisional) (《證券公司設立子公司試行規定》) (as amended on 11 October 2012), as the subsidiary of a securities firm, a company engaged in securities sponsoring and underwriting business shall establish a sound corporate governance structure, sound risk management system, compliance management system and internal control system, and a securities firm shall not take advantage of its capacity as controlling shareholder to damage the legal rights and interests of its subsidiaries and their clients. Chinese Wall systems should be established between a securities firm and its subsidiaries to avoid potential risk transference or conflicts of interests.

Risk control

According to provisions of the Measures for the Administration of the Sponsorship of the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》) (effective from 14 June 2009 and amended on 7 December 2017 and 12 June 2020), a sponsoring institution shall establish a sound internal control system for sponsorship and establish as well as improve the due diligence system, guidance system, internal auditing system for documents of application, system of continuing supervision over the issuer after the listing of securities, continuing training system for sponsor representatives and sponsorship-related personnel as well as a working paper system and maintain separate working papers for sponsorship work related to each project.

Corporate Governance and Risk Control of Private Equity Subsidiaries

Corporate governance

Pursuant to provisions of the Regulations for Private Equity Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》), securities companies shall strengthen people management and avoid moral risks. Employees of securities companies shall not serve as director, supervisors, senior management members or investment practitioners members concurrently for a private equity fund subsidiary and its SPV affiliates if conflicts of employees between private equity fund subsidiaries, securities companies and other subsidiaries arise. For employees taking up the above duties concurrently, securities companies shall establish a strict and effective internal control mechanism to avoid conflicts of interests and moral risks arising. Securities companies, private equity subsidiaries and their SPV affiliates, private equity funds and other subsidiaries of securities companies, shall establish an effective information isolation mechanism, strengthen the isolation, monitoring and management of sensitive information and prevent dissemination and improper use of sensitive information between each business, so as to prevent insider trading and the risk of tunnelling.

Risk control

Pursuant to provisions of the Regulations for Private Equity Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》), securities companies should integrate subsidiaries' compliance and risk management into the security companies' comprehensive risk management system, in order to avoid private equity fund subsidiaries related risks such as compliance risks, liquidity risks, market risks, credit risks and operation risks.

Other Regulations

Foreign Exchange Control

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible. SAFE, under the authority of the PBOC, is responsible for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to provisions of the Regulations on the Foreign Exchange Management of the People's Republic of China (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Management Regulations"), (amended on 5 August 2008 with immediate effect), international payments and transfers are classified into current account items and capital account items. In the PRC, current international payments and transfers are not subject to approval from foreign exchange administration, while capital account items are.

According to the Foreign Exchange Management Regulations, current account foreign exchange income may, in accordance with the relevant provisions of the state, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business. Where any foreign exchange income on capital account shall be retained or sold to a financial institution engaged in foreign exchange settlement and sales business, approval shall be obtained from the relevant foreign exchange administrative authority, other than where no approval is required under state provisions. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, with the provision of valid receipts and proof of transactions. Foreign invested enterprises which need foreign exchange for the distribution of profits to shareholders, and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may with the provision of shareholders' resolutions of such PRC enterprises or board resolutions on the distribution of profits, and with the submission of other required supporting documents, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Convertibility of foreign exchange in respect of capital account items, such as private equity investment and capital contribution, is still subject to restriction, and prior approval from SAFE or the relevant branch.

According to the Foreign Exchange Management Regulations and the Circular of the State Administration of Foreign Exchange on Distributing the Administrative Measures for Registration of Foreign Debts (《國家外匯管理局關於發佈<外債登記管理辦法>的通知》) (amended on 9 June 2016), the State exercises scale management on administer foreign debts. Foreign currency borrowings shall be handled in accordance with relevant provisions of the state and registered as foreign debts with the relevant foreign exchange administrative authority.

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "SAFE Circular 16"). The SAFE Circular 16 unifies the Discretional Foreign Exchange Settlement for all the domestic institutions. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretional Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100 per cent..

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

- directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;

- directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;

- used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and

- used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

Issuance of Foreign Debts

Pursuant to the Circular on Promoting the Reform of Administrative System on the Issuance by Enterprises of Foreign Debts Filings and Registrations (《國家發展改革委員會關於推進企業發行外債備案登記制管理改革的通知》) (effective from 14 September 2015), the quota review and approval for issuance of foreign debts by enterprises have been removed, the management of foreign debts have been reformed, and the administration of record-filing and the registration have been implemented. Before the issuance of foreign debts, enterprises shall first apply to the NDRC for handling of the record-filing and registration procedures and shall report the information on the issuance to the NDRC within 10 working days of completion of each issuance. Enterprises issuing foreign debts shall meet the requirements of maintaining good credit records; no outstanding bonds or other debts in default; having good corporate governance and foreign debt risk control mechanism, good credit standing, and strong solvency. The issuer of foreign debts shall handle cash inflow and flow formalities of the foreign debts with the filing certificate in accordance with regulations.

Information Disclosure

The Notice on the Relevant Issues Regarding Information Disclosure of Securities Companies (《關於證券公司信息公示有關事項的通知》) (effective from 25 July 2006), sets forth the specific requirements on information disclosure by securities companies, including methods, requirements and contents of information disclosure.

Provisions on Strengthening the Supervision and Administration of Listed Securities Companies (《關於加強上市證券公司監管的規定》) (amended on 17 September 2020 with immediate effect), requires timely disclosure of regular reports and interim reports by listed securities companies within the prescribed period. Meanwhile, it requires that listed companies shall establish a sound information management system in accordance with the characteristics of the securities industry in the PRC, their practices and general regulations regarding information disclosure by listed companies.

Anti-Money Laundering

Securities companies shall comply with the requirements related to anti-money laundering stipulated in the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) (effective from 1 January 2007), the Provisions on Anti-Money Laundering of Financial Institutions (《金融機構反洗錢規定》) (effective from 1 January 2007), and the Measures on Administration of Identification of Clients and Preservation of Client Identities Information and Trading Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), (effective from 1 August 2007).

The Measures on Anti-Money Laundering by the Securities and Futures Industry (《證券期貨業反洗錢工作實施辦法》), enacted by the CSRC and effective from 1 October 2010, further regulates the anti-money laundering regulations for the securities and futures industries, as well as the anti-money laundering responsibilities of the institutions engaging in sales of funds in their business operation. Securities and futures entities shall also establish and enhance internal control systems for anti-money laundering.

The Financial Action Task Force on Money Laundering ("FATF"), is an inter-governmental body established in 1989 with the objective of setting standards and promoting effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF monitors the progress of its members in implementing necessary measures, reviewing money laundering and terrorist financing techniques and countermeasures, and promoting the adoption and implementation of appropriate measures globally. The PRC became a member of the FATF in 2007, and the first mutual evaluation report was adopted in June 2007 with a follow-up report published in March 2012.

International Convention for the Suppression of the Financing of Terrorism (《制止向恐怖主義提供資助的國際公約》)

The International Convention for the Suppression of the Financing of Terrorism was adopted by Resolution 54/109 on 9 December 1999 at the 54th session of the General Assembly of the United Nations. This convention aims to prevent, prosecute and punish the financing of terrorist activities and to promote inter-governmental co-operation to achieve this purpose. The government of the PRC ratified this convention on 28 February 2006 with some reservations.

The United Nations Convention Against Corruption (《聯合國反腐敗的公約》)

The PRC is a party to the United Nations Convention against Corruption, a multilateral convention adopted by the General Assembly of the United Nations on 31 October 2003. This convention requires parties to implement anti-corruption measures affecting their laws, constitution and practices, to measures aimed at promoting the prevention, detection and sanctioning of corruption, as well as to strengthen the cooperation between ratifying parties on these matters. The government of the PRC ratified this convention on 27 October 2005, with reservation on paragraph 2 of Article 66.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer nor the Arrangers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("CMU Members") of money market and capital markets instruments (together, "CMU Instruments") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Any financial institution regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority may apply to the HKMA to become a CMU Member. For further details on the full range of the CMU's membership and custodial services, please refer to the CMU Reference Manual.

The CMU provides income distribution service which is a service offered by the CMU to facilitate CMU Members who are paying agents to distribute interest, coupon or redemption proceeds or all of them to the legal title holders of CMU Instruments via the CMU system. This is an optional service provided to them for debt securities lodged with CMU before 23 April 2018. As for debt securities lodged on or after 23 April 2018, they will automatically be linked up to the CMU system with income payment distributed via CMU's corporate action platform. Furthermore, the CMU's corporate action platform supports corporate actions announcement (e.g. offer, options) and the execution of custody instructions (e.g. certification, exercise of an option) of debt securities lodged with the CMU. For further details, please refer to the CMU Reference Manual. An investor holding an interest through an account with either Euroclear, Clearstream or Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear, Clearstream or Luxembourg each has with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream. Each Global Note will, where applicable, have an International Securities Identification Number ("ISIN") and/or a CMU Instrument Number.

Investors in Notes may hold their interest in a Global Note only through a common depositary for Euroclear and/or Clearstream or a sub-custodian for CMU.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Registered Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number ("ISIN") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Subscription and Sale."

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

Transfers of Notes Represented by Global Registered Notes

Transfers of any interests in Notes represented by a Global Certificate within Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. Euroclear and Clearstream have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among accountholders of Euroclear and Clearstream. However, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee, the Paying Agents, the Registrar or any Dealer will be responsible for any performance by Euroclear or Clearstream or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by holders or beneficial owners that are not residents of mainland China for PRC tax purposes. These holders or beneficial owners are referred to as non-PRC Holders. Non-PRC Holders include (a) non-PRC resident individuals, and (b) non-PRC resident enterprises, which are entities that are either located outside the PRC without establishments within the PRC, or entities with establishments within the PRC but their income from holding the Notes have no connection with their establishments within the PRC. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC ("EIT Law") (effective from 1 January 2008 and subsequently amended on 24 February 2017 and 29 December 2018), and its implementation regulations and Individual Income Tax Law of the PRC ("IIT Law") (amended on 31 August 2018) and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Holders. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals.

Such income tax must be withheld at source by the Issuer acting as the obligatory withholding agent from each payment of interest or any redemption premium due. In addition, under the EIT Law and its implementation rules as well as the IIT Law, any capital gains realised on the sale or transfer of the Notes by non-resident enterprises holders or individual holders will be subject to the 10 per cent. PRC enterprise income tax or the 20 per cent. individual income tax, respectively. The PRC tax liability may be reduced under applicable tax treaties, such as the arrangement for avoidance of double taxation with Hong Kong. However, it is unclear whether in practice non-PRC Holders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

VAT

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation ("SAT") issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業税改徵增值税試點的通知》) (Caishui [2016] No. 36, "Circular 36") pursuant to which business tax was completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services, which previously attracted business tax is subject to VAT.

According to Circular 36, entities and individuals providing financial services within China are subject to VAT. Services are treated as being provided within China where either the service provider or the service recipient is located in China. Services subject to VAT include the provision of financial services such as the provision of loans. Under Circular 36, "loans" refer to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes may be treated as the holders of the Notes providing loans to the Issuer, which may be regarded as financial services under Circular 36, in which case the non-PRC Holders may be subject to VAT at the rate of 6 per cent. on interest payments under the Notes. In addition, non-PRC Holders may be subject to local levies at the rate of approximately 12 per cent. of the VAT rate which may result in a combined rate of VAT and local levies of 6.72 per cent. The Issuer, acting as the obligatory withholding agent in accordance with applicable law, may be required to withhold VAT and local levies from the payment of interest to non-PRC Holders if the non-PRC Holders are treated as providing financial services to the Issuer by the PRC tax authorities.

Where a non-PRC Holder of Notes sells the Notes to an entity or individual located outside of the PRC and derives any gain, Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

The Circular on the Adjustment to VAT Rates (關於調整增值稅稅率的通知) ("Circular 32") issued by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and effective on 1 May 2018, confirms the major relevant policies for adjusting VAT rates as follows: (i) the deduction rates of 17 per cent. and 11 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16 per cent. and 10 per cent., respectively, (ii) for the export goods to which a tax rate of 17 per cent. was originally applicable and the export rebate rate was 17 per cent., the export rebate rate is adjusted to 16 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 11 per cent. was originally applicable and the export rebate rate was 11 per cent., the export rebate rate is adjusted to 10 per cent. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值稅改革有關政策的公告) ("Announcement 39") promulgated by the MOF, the SAT and General Administration of Customs on 20 March 2019, which took effect on 1 April 2019, the deduction rates of 16 per cent. and 10 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13 per cent. and 9 per cent., respectively, and (iii) for the export goods to which a tax rate of 16 per cent. was originally applicable and the export rebate rate was 16 per cent., the export rebate rate is adjusted to 13 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 10 per cent. was originally applicable and the export rebate rate was 10 per cent., the export rebate rate is adjusted to 9 per cent.

In the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT or VAT otherwise) on payments of interest or any redemption premium to non-PRC Holders, the Issuer has agreed to pay, subject to certain exceptions, such additional amounts as will result in receipt by the non-PRC Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "Terms and Conditions of the Notes – Taxation".

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Holders either upon issuance of the Notes or upon a subsequent transfer of Notes.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) Interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(b) Interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or

(c) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of the laws of Hong Kong (the "Inland Revenue Ordinance")) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) Interest on the Notes is received by or accrues to a corporation (other than a financial institution) and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Gains or profits derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal and redemption of Notes will be subject to profits tax.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) (the "Stamp Duty Ordinance").

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any sale and purchase, or change in beneficial ownership of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any sale and purchase, or change in beneficial ownership of Registered Notes provided that either:

(a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance).

With effect from 1 August 2021, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 18 September 2019 as amended and/or supplemented by a supplemental programme agreement dated 20 April 2022 and as further amended and/or supplemented from time to time (the "Programme Agreement"), agreed with the Issuer a basis on which they or any of them may from time to time agree to subscribe the Notes. Any such agreement will extend to those matters stated under "Terms and Conditions of the Notes." Under the terms of the Programme Agreement, the Issuer will pay each Dealer a commission (if any) agreed between the Issuer and the Dealer in respect of the Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses properly incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

In connection with each Tranche of the Notes issued under the Programme, the Dealers or certain of their affiliates may purchase the Notes and allocate the Notes for asset management and/or proprietary purposes but not with a view to distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Further, the Dealers or their respective affiliates may purchase the Notes for their or their affiliate's own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries, affiliates, jointly controlled entities or associate companies at the same time or proximate to as the offer and sale of each Tranche of Notes or in secondary market transactions and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of the Notes).

Selling Restrictions

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold or, in the case of Bearer Notes having a maturity of more than one year (taking into account any unilateral right to extend or rollover the term), delivered, and shall not offer and sell or, in the case of Bearer Notes having a maturity of more than one year (taking into account any unilateral right to extend or rollover the term), deliver, Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer and its affiliates also agree that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the Relevant Dealer(s), in the case of a non-syndicated issue, or the lead manager, in the case of syndicated issue, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the paragraphs above have the meanings given to them by Regulation S.

In addition, unless the Purchase Information (as defined in the Programme Agreement), the Pricing Supplement or the Subscription Agreement (as defined in the Programme Agreement) relating to one or more Tranches specifies that the applicable TEFRA exemption is either "TEFRA C" or "TEFRA not applicable", each Dealer represents and agrees in relation to each Tranche of Bearer Notes:

(A) except to the extent permitted under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") ("TEFRA D"):

    (i) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and

    (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;

(B) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by TEFRA D;

(C) if it is a U.S. person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it shall only do so in accordance with the requirements of rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) for the purpose of Section 4701 of the Code; and

(D) with respect to each affiliate that acquires from it Bearer Notes for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in (A) through (C) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in (A) through (C) above.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA D.

Bearer Notes issued pursuant to TEFRA D and any receipts or coupons appertaining thereto will bear the following legend:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE".

To the extent that the Purchase Information or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "TEFRA C", under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("TEFRA C"), Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Bearer Notes within the United States or its possessions in connection with the original issuance. Further, in connection with the original issuance of Bearer Notes, each Dealer represents and agrees that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

Each issuance of index-, commodity- or currency-linked Notes may be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

    (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

    (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may make an offer of such Notes to the public in that Member State:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

United Kingdom

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

    (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

    (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

    (iii) not a qualified investor as defined in Article 2 of UK Prospectus Regulation; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "Public Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "SFO") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) pursuant to Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region and the Macau Special Administrative Region or Taiwan), except as permitted by the securities laws of the PRC.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

GENERAL INFORMATION

1. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the Trust Deed and the Agency Agreement. According to a resolution of the board of directors of the Issuer passed on 28 March 2019 (the "Board Resolution", as amended from time to time) and a resolution of the shareholders of the Issuer passed on 28 May 2019 (the "Shareholder Resolution", as amended from time to time, and together with the Board Resolution, the "Resolutions"), the Issuer is authorized to issue offshore indebtedness instruments provided that the aggregate outstanding balance of the Issuer's all offshore indebtedness does not exceed RMB20.0 billion after the issuance of such instruments (the "Quota"). Thus, Tranches of Notes may be issued pursuant to the Resolutions. With respect to each Tranche of Notes issued under the Programme, if the Tranche of Notes issued would cause the Issuer to exceed such Quota, prior to the issue of any such Tranche of Notes, the Issuer will obtain all necessary consents, approvals and authorisations, including authorisations from the Issuer's board of directors and shareholders, as applicable, in connection with the entry into and performance of its obligations under transaction documents in connection with such Tranche of Notes.

2. **NDRC Registration**: With respect to any applicable Tranche of the Notes, registration will be completed, or confirmation of reliance on the relevant NDRC quota will be obtained, by the Company in accordance with the NDRC Circular as set forth in the applicable Pricing Supplement. After issuance of any applicable Tranche of the Notes, the Company shall report the issuance information to the NDRC within the time period prescribed in the NDRC Circular.

3. **No Material Adverse Change**: Except as disclosed in this Offering Circular, there has been no material adverse change since 31 December 2021 in the financial or trading position, condition (financial or otherwise), prospects, results of operations, profitability, shareholders' equity, business, properties, management or general affairs of the Group.

4. **Litigation**: None of the Issuer or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer or the Group (as the case may be) believes are material in the context of the Notes.

5. **Listing**: Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which the Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

6. **Available Documents**: As long as any Note is outstanding, copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sunday and public holidays excepted) at the corporate trust office of the Trustee:

   (a) the agency agreement dated 18 September 2019, as amended and supplemented by a supplement agency agreement dated 20 April 2022;

   (b) the trust deed dated 18 September 2019, as amended and supplemented by a supplement trust deed dated 20 April 2022;

   (c) the Procedures Memorandum;

   (d) each Pricing Supplement (save that Pricing Supplements relating to an unlisted Series of Notes will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity); and

   (e) a copy of this Offering Circular together with any supplements or amendments and any other documents incorporated by reference herein.

7. **Auditor's Report**: The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2019, 2020 and 2021 incorporated by reference in the Offering Circular have been prepared in accordance with the IFRSs issued by the IASB and audited by Deloitte Touche Tohmatsu, Certified Public Accountants in accordance with the ISAs issued by the IAASB.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021[1]

FOR THE YEAR ENDED 31 DECEMBER 2020[2]

[1] The independent auditor's report on the consolidated financial information of the Company as at and for the year ended 31 December 2021 set out herein is reproduced from the Company's annual report for the year ended 31 December 2021 published on 30 March 2022. Page references referred to in the report are to pages set out in such annual report.

[2] The independent auditor's report on the consolidated financial information of the Company as at and for the year ended 31 December 2020 set out herein is reproduced from the Company's annual report for the year ended 31 December 2020 published on 30 March 2021. Page references referred to in the report are to pages set out in such annual report.

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit loss ("ECL") of stock-pledged repurchase agreements under financial assets held under resale agreements	
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. 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. 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.	Our procedures in relation to management's measurement of ECL for stock-pledged repurchase agreements under financial assets held under resale agreements included: • Testing and evaluating key controls of the management over the measurement of ECL; • Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model; • 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; • 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; • Checking the calculation process of the ECL.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. 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. 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.	Our procedures in relation to management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • 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; • 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. • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 RMB'000	2020 RMB'000
Revenue			
Commission and fee income	*6*	**10,399,067**	7,953,858
Interest income	*7*	**5,981,386**	5,538,183
		16,380,453	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		**28,562,802**	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		**(23,699,951)**	(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		**5,373,139**	2,721,764
Attributable to:			
Equity holders of the Company		**5,371,496**	2,722,989
Non-controlling interests		**1,643**	(1,225)
		5,373,139	2,721,764
Earnings per share attributable to shareholders of the Company 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 RMB'000	2020 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 at fair value through other comprehensive income	*54(4)*	**448,732**	(64,468)
Income tax relating to items that will not be reclassified 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 other comprehensive income	*54(4)*	**306,359**	(581,415)
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	*54(4)*	**(39,019)**	147,842
Income tax impact relating to items that may be reclassified subsequently	*54(4)*	**(66,835)**	108,393
Share of other comprehensive expense of associates, 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, 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 RMB'000	2020 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 other comprehensive income	*28*	**58,599,581**	62,645,975
Equity instruments at fair value through 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
Total assets		**326,599,622**	291,117,442

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	As at 31 December 2021 RMB'000	 2020 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
Total liabilities		**262,456,516**	230,886,298
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
Total equity		**64,143,106**	60,231,144
Total equity and liabilities		**326,599,622**	291,117,442

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	**Shu Hong**
Chairman of Board	*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								
		Share capital RMB'000 (Note 52)	Other equity instrument RMB'000 (Note 53)	Capital reserve RMB'000 (Note 54)	Surplus reserve RMB'000 (Note 54)	General reserve RMB'000 (Note 54)	Investment revaluation reserve RMB'000 (Note 54)	Translation reserve RMB'000 (Note 54)	Retained profits RMB'000 (Note 55)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity 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										
				Reserves								
	NOTES	Share capital RMB'000 (Note 52)	Other equity instrument RMB'000 (Note 53)	Capital reserve RMB'000 (Note 54)	Surplus reserve RMB'000 (Note 54)	General reserve RMB'000 (Note 54)	Investment revaluation reserve RMB'000 (Note 54)	Translation reserve RMB'000 (Note 54)	Retained profits RMB'000 (Note 55)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	**2020**
	RMB'000	**RMB'000**
OPERATING ACTIVITIES		
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 RMB'000	2020 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)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(9,458,019)**	1,714,455

(continued)

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	NOTE	Year ended 31 December 2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
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
NET CASH FROM INVESTING ACTIVITIES		**18,492,483**	3,462,434

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTE	Year ended 31 December 2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES			
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)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(6,900,303)**	(6,365,944)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,134,161**	(1,189,055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**19,984,516**	21,552,456
Effect of foreign exchange rate changes		**(180,964)**	(378,885)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*19*	**21,937,713**	19,984,516

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, 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".

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.

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 Hong Kong Interbank Offered Rate ("HIBOR") RMB'000	USD London Interbank Offered Rate ("LIBOR") RMB'000
Financial assets		
Financial assets at fair value through profit or loss	–	317,144
Financial liabilities		
Borrowings	(168,402)	(261,116)
Bond payables	–	(1,964,550)
Derivatives		
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.

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

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 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.

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 data. Fair value for measurement and/or disclosure purpose in these consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are 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*.

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.

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.

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.

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).

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3%	Over the shorter of the lease term and estimated useful life of buildings of 30 years
Electronic and communication equipment	3%	3-10 years
Motor vehicles	3%	6 years
Office equipment	3%	5 years
Leasehold improvements	nil	Over the lease term

3. 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.

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.

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.

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.

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.

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”.

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.

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.

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.

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.

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*.

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.

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.

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.

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.

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 aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	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
Segment assets and liabilities								
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
Other segment information								
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

5. SEGMENT REPORTING *(Continued)*

Operating segment *(Continued)*

For the year ended 31 December 2020

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	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
Segment assets and liabilities								
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
Other segment information								
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.

6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Commission on securities dealing, broking and handling fee income	**3,362,383**	2,704,131
Underwriting, sponsors and financial advisory fee income	**1,781,302**	1,638,704
Commission on futures and options contracts dealing, broking and handling fee income	**938,431**	492,707
Asset and fund management fee income	**3,834,990**	2,792,442
Consultancy fee income	**122,112**	173,358
Others	**359,849**	152,516
	10,399,067	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.

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 **RMB'000**	**2020** **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 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
	5,981,386	5,538,183

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2021 RMB'000	2020 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)
	3,301,001	5,175,065

9. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Foreign exchange gains, net	**217,107**	208,303
Rental income	**4,575**	5,853
Government grants *(Note)*	**126,728**	134,641
Bulk commodity trading income and others	**8,532,938**	8,631,083
	8,881,348	8,979,880

Note: The government grants were received unconditionally from the local governments to support operations on certain purposes.

10. DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2021 RMB'000	2020 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
	719,989	662,189

11. STAFF COSTS

	Year ended 31 December	
	2021 RMB'000	2020 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
	4,994,030	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.

12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2021	**2020**
	RMB'000	**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	**2020**
	RMB'000	**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

14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2021	**2020**
	RMB'000	**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
	11,155,792	10,871,077

15. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Expected credit losses in respect of account receivables, 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 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 resale agreements	**1,318,267**	3,696,274
	1,313,633	3,885,132

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax	**1,114,978**	634,104
Hong Kong Profits Tax	**8,552**	18,357
	1,123,530	652,461
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)
	933,695	64,600

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%.

16. INCOME TAX EXPENSE *(Continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The income tax expense for the year can be reconciled to the profit before income tax as follows:

	Year ended 31 December	
	2021 RMB'000	**2020 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 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.

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 RMB'000	2020 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 RMB'000	2020 RMB'000
House accounts	**22,624,963**	17,123,229
Restricted bank deposits *(Note b)*	**177,611**	132,708
	22,802,574	17,255,937
Cash held on behalf of clients *(Note a)*	**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.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at 31 December	
	2021	**2020**
	RMB'000	**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 *(Note 18)*	**(177,611)**	(132,708)
	21,937,713	19,984,516

20. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2021	**2020**
	RMB'000	**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

21. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2021 RMB'000	2020 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
	2,655,369	2,183,090

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			
	2021		2020	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures (i)	–	–	332	302
Treasury bond futures (ii)	–	–	–	–
Commodity futures (ii)	–	–	–	–
Gold deferred contracts (ii)	–	–	–	–
Standard bond forward (ii)	–	–	–	–
Interest rate swaps (iii)	19,751	15,178	1,728	11,355
Derivatives embedded in income certificates (iv)	–	–	–	35
Total return swaps (v)	99,098	74,899	6,901	3,098
Stock options (vi)	51,356	91,203	70,875	58,197
Commodity swaps (vii)	–	188,785	–	49,029
Gold forwards (viii)	–	10,839	–	36,224
Credit default swap (ix)	28,625	374	651	3,151
Equity linked derivatives (x)	5,280	138,915	250	17,120
Commodity options (xi)	–	–	12,473	1,372
Currency swaps (xii)	–	–	–	15,002
Gold option arrangements (xiii)	–	–	12,853	268,564
Foreign exchange futures	–	–	47	–
Foreign exchange swap (xiv)	1,826	9,663	–	–
Foreign exchange risk forward (xv)	73,960	200,833	49,739	41,466
Interest rate swap options (xvi)	–	–	27	42
Foreign exchange option (xvii)	–	3,091	–	–
Collar options	6	49	–	–
Total	279,902	733,829	155,876	504,957

(i) Stock index futures: Under the daily mark-to-market and settlement arrangement, any gains of losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that SIF in Hong Kong market which is not under the daily mark-to-market and settlement arrangement is presented in gross as at 31 December 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).

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 an return swap in accordance with the agreed amount of nominal principal and return within a fixed period in the future. The return under such swap is 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' 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).

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).

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's SIF are set out below:

	As at 31 December			
	2021		2020	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value 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 RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value 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		**–**		–

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 RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value 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 RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value 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 RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value 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

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 RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value 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 RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value 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 RMB'000	2020 RMB'000
Placements to banks[(Note)]	**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.

24. ADVANCES TO CUSTOMERS

	As at 31 December	
	2021	**2020**
	RMB'000	**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.

24. ADVANCES TO CUSTOMERS *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for advances to customers.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**24,056,719**	**289,717**	**46,648**	**24,393,084**

As at 31 December 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	20,750,014	423,270	45,236	21,218,520

25. ACCOUNT RECEIVABLES

	As at 31 December 2021 RMB'000	As at 31 December 2020 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)
	1,011,537	874,406

Aging analysis of account receivables from the revenue recognition dates is as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2020 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
	1,011,537	874,406

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.

25. ACCOUNT RECEIVABLES *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for account receivables.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 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 (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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.

25. ACCOUNT RECEIVABLES *(Continued)*

As at 31 December 2021

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**1,011,215**	**11,580**	**1,022,795**

As at 31 December 2020

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	873,816	12,791	886,607

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2021 RMB'000	2020 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.

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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)/ 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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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-credit-impaired	(3,080)	3,080	–	–
– Transfer to 12m ECL	9,330	(9,330)	–	–
– Impairment losses (reversed)/ 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

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Mandatorily measured at FVTPL		
– Debt securities *(Note a)*	**44,018,362**	26,977,231
– Equity securities	**10,704,652**	8,839,918
– Funds	**12,232,040**	11,407,654
– Other investments *(Note b)*	**23,628,952**	25,476,314
	90,584,006	72,701,117
Analysed as:		
– Listed *(Note c)*	**31,674,094**	28,185,629
– Unlisted	**58,909,912**	44,515,488
	90,584,006	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.

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	**2020**
	RMB'000	**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 *(Note a)*	**29,311,458**	30,881,514
	58,599,581	62,645,975
Analysed as:		
– Listed *(Note b)*	**33,253,769**	27,054,265
– Unlisted	**25,345,812**	35,591,710
	58,599,581	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.

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**57,781,227**	**99,625**	**248,246**	**58,129,098**

As at 31 December 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	62,019,434	30,170	432,246	62,481,850

29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
– Equity securities *(Note a)*	**3,555,261**	2,793,477
– Perpetual instruments *(Note b)*	**582,892**	3,013,879
– Other investment	**–**	5,129,102
	4,138,153	10,936,458
Analysed as:		
– Listed *(Note c)*	**3,653,721**	4,231,166
– Unlisted	**484,432**	6,705,292
	4,138,153	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.

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 RMB'000	**2020 RMB'000**
Analysed by type:		
– Debt securities	**3,594,267**	6,244,561
Less: impairment allowance	**(228)**	(664)
	3,594,039	6,243,897
Analysed as:		
– Listed *(Note a)*	**1,034,324**	1,691,535
– Unlisted *(Note b)*	**2,559,715**	4,552,362
	3,594,039	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.

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	**664**	**–**	**–**	**664**
– Impairment losses reversed	**(436)**	**–**	**–**	**(436)**
As at 31 December 2021	**228**	**–**	**–**	**228**

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	1,452	–	–	1,452
– Impairment losses reversed	(788)	–	–	(788)
As at 31 December 2020	664	–	–	664

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**3,594,267**	**–**	**–**	**3,594,267**

As at 31 December 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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.

31. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2021	**2020**
	RMB'000	**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 RMB'000	Accrued staff cost RMB'000	Debt/Equity instruments at FVTOCI RMB'000	Allowance for impairment losses RMB'000	Government grants and others RMB'000	Total RMB'000
At 1 January 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

32. INVESTMENTS IN ASSOCIATES

	As at 31 December 2021 RMB'000	2020 RMB'000
Cost of unlisted investments in associates	**2,970,309**	2,991,174
Share of post-acquisition profits and other comprehensive income, 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 As at 31 December 2021	2020	Principal activities
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC 3 February 2005	**35.41%**	35.41%	Fund management
上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Investment Co., Ltd. *	PRC 12 July 2011	**27.73%**	27.73%	Investment management
東證騰駿(上海)投資合夥企業(有限合夥) Orient Tengjun (Shanghai) Investment LLP. (3)*	PRC 11 September 2015	**N/A**	38.69%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP. (3)*	PRC 16 December 2015	**N/A**	45.45%	Investment management
東證睿波(上海)投資中心(有限合夥) Orient Securities Ruibo (Shanghai) Investment Center LLP. (1)*	PRC 25 June 2015	**55.63%**	55.63%	Investment management

32. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December 2021	2020	Principal activities
上海東證春醫投資中心(有限合夥) Shanghai Orient Securities Chunyi Investment Center LLP. *	PRC 3 November 2015	**49.26%**	49.26%	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP. *	PRC 4 February 2016	**34.51%**	34.51%	Equity investment
海寧東證藍海並購投資合夥企業(有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP. (3)*	PRC 13 July 2016	**25.75%**	25.85%	Investment management
東建國際控股有限公司 OCI International Holdings Limited	Cayman Islands 6 June 2015	**20.94%**	20.94%	Securities Investment
上海東證遠譽投資中心(有限合夥) Shanghai Orient Yuanyu Investment Center LLP. *	PRC 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(有限合夥) Shanghai Orient Jinyuan Equity Investment LLP. *	PRC 16 October 2015	**N/A**	30.00%	Equity investment
溫州俊元資產管理合夥企業(有限合夥) Wenzhou Junyuan Asset Management Partnership LLP. (1)/(4)*	PRC 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) Jiaxing Linyang Equity Investment Partnership LLP. *	PRC 13 April 2021	**39.85%**	N/A	Investment management

32. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December 2021	2020	Principal activities
嘉興岩泉投資合夥企業(有限合夥) Jiaxing Yanquan Investment Partnership LLP. *	PRC 12 July 2018	**33.61%**	N/A	Investment management
上海東愷投資管理有限公司 Shanghai Dongkai Capital Co., Ltd.*	PRC 21 September 2018	**45.00%**	45.00%	Investment management
誠泰融資租賃(上海)有限公司 Chengtay financial leasing (Shanghai) Co., Ltd.	PRC 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) Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. (2)*	PRC 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) Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. (2)*	PRC 14 January 2020	**18.37%**	18.37%	Investment management
寧波梅山保税港區東證夏德投資合夥企業(有限合夥) Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. (2)*	PRC 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) Nantong Orient Securities Fuxiang Equity Investment Center LLP. (2)*	PRC 7 November 2017	**19.93%**	19.93%	Investment management

32. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December 2021	2020	Principal activities
嘉興君兆投資管理合夥企業（有限合夥）Jiaxing Junzhao Investment Partnership LLP. *	PRC 7 April 2020	**40.82%**	40.82%	Investment management
成都交子東方投資發展合夥企業（有限合夥）Chengdu Jiaozi Oriental Investment Development Partnership LLP. (1)*	PRC 17 January 2020	**50.00%**	50.00%	Leasing and investment management
上海頤歌資產管理有限公司 Shanghai Yige Asset Management Co., Ltd *	PRC 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（有限合夥）Shenzhen Menghai No. 5 Intelligent Industry Investment Partnership LLP. (1)*	PRC 8 July 2020	**76.37%**	76.37%	Investment management
邦訊技術股份有限公司 Beijing Boomsense Technology Co., Ltd. (2)	PRC 24 October 2002	**19.67%**	–	Software and information technology services
杭州數行科技有限公司 Hangzhou Shuxing Technology Co., Ltd. (2)*	PRC 9 November 2017	**10.00%**	10.00%	Technology development

* English translated names are for identification purpose only.

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	**2020**
	RMB'000	**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	**2020**
	RMB'000	**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

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	**2020**
	RMB'000	**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	**2020**
	RMB'000	**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

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 RMB'000	Maximum loss exposure 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
Total	4,007,285	4,007,285

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 amount RMB'000	Maximum loss exposure 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.

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 amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	**25,309,995**	**25,309,995**
Investments in associates	**218,961**	**218,961**
Total	**25,528,956**	**25,528,956**

As at 31 December 2020

	Carrying amount RMB'000	Maximum loss exposure 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
Total	32,371,087	32,371,087

34. RIGHT-OF-USE ASSETS

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
COST			
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
ACCUMULATED DEPRECIATION			
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
CARRYING AMOUNT			
As at 1 January 2021	845,351	2,004	847,355
As at 31 December 2021	773,041	972	774,013

34. RIGHT-OF-USE ASSETS *(Continued)*

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
COST			
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
ACCUMULATED DEPRECIATION			
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
CARRYING AMOUNT			
As at 1 January 2020	1,001,428	1,321	1,002,749
As at 31 December 2020	845,351	2,004	847,355

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.

35. INVESTMENT PROPERTIES

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
COST		
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
DEPRECIATION AND IMPAIRMENT		
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
CARRYING VALUES		
At beginning of year	**40,461**	30,071
At end of year	**352,411**	40,461

36. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 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
ACCUMULATED DEPRECIATION							
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
CARRYING VALUES							
As at 31 December 2021	1,620,219	346,191	11,565	62,329	167,850	26,712	2,234,866

36. PROPERTY AND EQUIPMENT *(Continued)*

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 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
ACCUMULATED DEPRECIATION							
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
CARRYING VALUES							
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.

37. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
COST			
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
ACCUMULATED AMORTISATION			
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
CARRYING VALUES			
As at 31 December 2021	21,743	228,904	250,647

37. OTHER INTANGIBLE ASSETS *(Continued)*

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
COST			
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
ACCUMULATED AMORTISATION			
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
CARRYING VALUES			
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.

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 2021	2020	Registered capital as at 31 December 2021	Principal activities	Auditors/GAAP
上海東證期貨有限公司 Shanghai Orient Securities Futures Co., Ltd. (1)	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB2,800,000,000	Commodity futures brokerage, financial futures brokerage, and futures investment advisory	DTT PRC GAAP (2)
上海東祺投資管理有限公司 Shanghai Dongqi Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB250,000,000	Equity investment, investment management, and asset management	DTT PRC GAAP (2)
東證潤和資本管理有限公司 Orient Runhe Asset Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB1,000,000,000	Equity investment, investment management, and asset management	BDO PRC GAAP (2)
上海東方證券資產管理有限公司 Orient Securities Asset Management Co., Ltd. (1)	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB300,000,000	Securities asset management, securities investment, and fund management	DTT PRC GAAP (2)
上海東方證券資本投資有限公司 Orient Securities Capital Co., Ltd. (1)	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB4,000,000,000	Private equity investment, bond investment, and related investment advisory	DTT PRC GAAP (2)
東方睿義(上海)投資管理有限公司 Orient Ruiyi (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB1,350,000,000	Investment management and investment advisory	DTT PRC GAAP (2)
東方星暉(北京)投資基金管理有限公司 Orient Xinghui (Beijing) Investment Funds Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**57.95%**	57.95%	RMB8,800,000	Investment management and investment advisory	DTT PRC GAAP (2)
海寧東方紅投資管理有限公司 Haining Orient Sun Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**51.00%**	51.00%	RMB2,000,000	Investment management and investment advisory	DTT PRC GAAP (2)

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 2021	2020	Registered capital as at 31 December 2021	Principal activities	Auditors/GAAP
上海東方富厚股權投資管理有限公司 Shanghai Orient Fuhou Equity Investment Management Co., Ltd. (5)*	有限責任公司 Limited liability company	PRC	**N/A**	58.00%	RMB5,000,000	Investment management and investment advisory	DTT PRC GAAP (2)
東石發展有限公司 East Milestone Company Limited	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD3,000,000	Investment management and investment advisory	N/A (3)
新疆東證新域股權投資管理有限公司 Xinjiang Orient Securuities Xinyu Equity Investment Management Co., Ltd. (5)*	有限責任公司 Limited liability company	PRC	**N/A**	51.00%	RMB5,000,000	Equity investment	DTT PRC GAAP (2)
海寧東證投資管理有限公司 Haining Orient Securities Investment Management Co., Ltd. (5)*	有限責任公司 Limited liability company	PRC	**N/A**	58.00%	RMB10,000,000	Investment management, investment advisory, and management consulting	DTT PRC GAAP (2)
東方翌睿(上海)投資管理有限公司 Orient Securities Yirui (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**51.00%**	51.00%	RMB2,000,000	Investment management, asset management, and industrial investment	DTT PRC GAAP (2)
東方弘泰資本投資(成都)有限公司 Orient Hongtai Capital Investment (Chengdu) Co., Ltd. *	有限責任公司 Limited liability company	PRC	**51.00%**	51.00%	RMB30,000,000	Investment management, asset management, and project investment	DTT PRC GAAP (2)
Golden Power Group Limited	有限責任公司 Limited liability company	British Virgin Islands ("BVI")	**100.00%**	100.00%	USD100	Equity investment and industrial investment	N/A (3)
誠麒環球有限公司 Chengqi Global Limited *	有限責任公司 Limited liability Company	BVI	**100.00%**	100.00%	USD100	Equity investment and industrial investment	N/A (3)
東方金融控股(香港)有限公司 Orient Finance Holdings (Hong Kong) Limited (1)	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD2,754,078,015	Investment holding and provision of management services	SHINEWING (HK) HKFRSs (2)

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 2021	2020	Registered capital as at 31 December 2021	Principal activities	Auditors/GAAP
東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD1,000,000,000	Securities brokerage	SHINEWING (HK) HKFRSs [2]
東方期貨(香港)有限公司 ORIENT FUTURES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD100,000,000	Futures brokerage	SHINEWING (HK) HKFRSs [2]
東方資產管理(香港)有限公司 ORIENT ASSET MANAGEMENT (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD100,000,000	Asset management	SHINEWING (HK) HKFRSs [2]
東方融資(香港)有限公司 ORIENT CAPITAL (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD150,000,000	Provision of corporate finance advisory services	SHINEWING (HK) HKFRSs [2]
東方信貸財務(香港)有限公司 ORIENT CREDIT FINANCE (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD31,000,000	Credit operations	SHINEWING (HK) HKFRSs [2]
東方鴻盛有限公司 ORIENT HONGSHENG LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A [3]
ORIENT ZHISHENG LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A [3]
東方智匯有限公司 ORIENT ZHIHUI LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A [3]
東方證券承銷保薦有限公司 Orient Securities Investment Banking Co., Ltd. [1]	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB800,000,000	Securities underwriting and sponsor	DTT PRC GAAP [2]
上海東方證券創新投資有限公司 Shanghai Orient Securities Innovation Investment Co., Ltd. [1]*	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB6,250,000,000	Financial assets investment, securities investment, investment management and advisory	DTT PRC GAAP [2]

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 2021	2020	Registered capital as at 31 December 2021	Principal activities	Auditors/GAAP
南京東證明展產業投資管理有限公司 Nanjing Orient Mingzhan Industrial Investment Management Co., Ltd. (6) *	有限責任公司 Limited liability company	PRC	**66.00%**	66.00%	RMB10,000,000	Investment management and advisory	DTT PRC GAAP (2)
ORIENT HUIZHI LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A (3)/(4)
東方睿信有限公司 Orient Ruixin Limited company	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD10,000	Equity investment, Industrial investment	N/A (3)
東證國際金融集團有限公司 Orient Securities International Financial Group Limited	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD2,010,000,000	Investment holding and provision of management services	SHINEWING (HK) HKFRSs (2)
東證期貨國際(新加坡)有限公司 Orient Futures International (Singapore)	私人股份有限公司 Pte Ltd Private Company Limited by shares	Singapore	**100.00%**	100.00%	SGD 40,000,000	Foreign exchange brokers and dealers	N/A (3)
東證科技(深圳)有限公司 Orient Securities Technology (Shenzhen) Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB10,000,000	Software Development Service	N/A (3)
Orient International Investment Products Limited	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Product Investment	SHINEWING (HK) HKFRSs (2)

* These subsidiaries do not have official English names. English translated names are for identification only.

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.

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	**2020**
	RMB'000	**RMB'000**
Cost and carrying value		
Unit A – securities brokerage branches	**18,948**	18,948
Unit B – Shanghai Orient Securities Futures Co., Ltd.	**13,187**	13,187
	32,135	32,135

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	**2020**
	RMB'000	**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)
	1,841,059	1,997,778

40. OTHER ASSETS *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for other loans and receivables.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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

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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**796,102**	**–**	**1,595,995**	**2,392,097**

As at 31 December 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	381,600	–	755,035	1,136,635

41. PLACEMENTS FROM FINANCIAL INSTITUTIONS

	As at 31 December 2021 RMB'000	2020 RMB'000
Placements from banks *(Note a)*	**6,480,155**	8,666,964
Placements from China Securities Finance Corporation Limited *(Note b)*	**2,005,522**	1,003,150
	8,485,677	9,670,114

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 RMB'000	2020 RMB'000
Short-term financing bill payables *(Note a)*	**6,958,466**	5,059,003
Income certificates *(Note b)*	**138,337**	11,196,483
	7,096,803	16,255,486
Analysed as:		
Stock exchange	**6,958,466**	5,059,003
Over the counter	**138,337**	11,196,483
	7,096,803	16,255,486

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.

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 **RMB'000**	**2020** **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
	62,741,993	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
	62,741,993	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).

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	**2020**
	RMB'000	**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 *(Note a)*	**2,012,657**	1,262,526
– Income certificates *(Note b)*	**2,674,736**	468,543
– Others *(Note c)*	**821,416**	684,641
	16,588,356	14,576,073

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.

46. CONTRACT LIABILITIES

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Asset and fund management services	**8,211**	17,118
Sales of bulk commodity and others	**83,202**	387,006
	91,413	404,124

	Asset and fund management services RMB'000	Sales of bulk commodity RMB'000
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**

	Asset and fund management services RMB'000	Sales of bulk commodity RMB'000
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

47. ACCRUED STAFF COSTS

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Salaries, bonus and allowances	**2,408,657**	2,513,716
Social welfares	**1,203**	1,454
Annuity schemes	**22,062**	92,839
	2,431,922	2,608,009

48. BORROWINGS

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Unsecured short-term borrowings repayable within one year *(Note a)*	**558,645**	579,732
	558,645	579,732

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.

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 31 December 2021 RMB'000	As at 31 December 2020 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
	781,842	856,910

50. BOND PAYABLES

	As at 31 December	
	2021	**2020**
	RMB'000	**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
	67,509,217	62,265,473

Name		Issue amount	Issue date	Maturity date	Coupon rate
16 Orient Subordinated Bond (1)	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
17-2 Orient Subordinated Bond (2)	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-4 Orient Subordinated Bond (3)	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
17-2 Corporate Bond (4)	RMB	1,000,000,000	09/06/2017	09/06/2022	5.50%
17-3 Corporate Bond (5)	RMB	4,000,000,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond (6)	USD	500,000,000	30/11/2017	30/11/2022	3.625%
17 Offshore USD Bond (7)	USD	250,000,000	22/03/2018	30/11/2022	3.625%
20 Offshore USD Bond (8)	USD	160,000,000	13/10/2020	13/10/2023	2.40%
19-1 Orient Subordinated Bond (9)	RMB	6,000,000,000	19/03/2019	19/03/2022	4.20%
19-2 Orient Subordinated Bond (10)	RMB	4,000,000,000	14/06/2019	14/06/2022	4.20%
19 Offshore USD Bond (11)	USD	300,000,000	20/08/2019	20/08/2022	6 month Libor+1.25%
19 Offshore EUR Bond (12)	EUR	200,000,000	20/08/2019	20/08/2022	0.625%
19 Offshore SGD Bond (13)	SGD	200,000,000	27/09/2019	27/09/2022	2.90%
19 Corporate Bond (14)	RMB	4,900,000,000	25/11/2019	25/11/2022	3.50%
20-1 Corporate Bond (15)	RMB	3,000,000,000	24/03/2020	24/03/2022	2.95%
20-2 Corporate Bond (16)	RMB	4,000,000,000	18/06/2020	18/06/2023	3.45%
20-3 Corporate Bond (17)	RMB	4,000,000,000	19/08/2020	19/08/2023	3.50%
20-4 Corporate Bond (18)	RMB	3,500,000,000	28/09/2020	28/09/2023	3.75%
20-5 Corporate Bond (19)	RMB	3,500,000,000	04/11/2020	04/11/2023	3.65%
21-1 Orient Subordinated Bond (20)	RMB	2,500,000,000	08/03/2021	08/03/2024	3.95%
21-2 Orient Subordinated Bond (21)	RMB	3,000,000,000	16/04/2021	16/04/2024	3.70%
21-3 Orient Subordinated Bond (22)	RMB	1,500,000,000	16/04/2021	16/04/2026	4.20%
21-1 Corporate Bond (23)	RMB	4,000,000,000	27/01/2021	27/01/2024	3.60%
21-2 Corporate Bond (24)	RMB	4,000,000,000	24/11/2021	24/11/2024	3.08%

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.

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%).

51. OTHER LIABILITIES

	As at 31 December	
	2021	**2020**
	RMB'000	**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
	4,766,949	3,070,820

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

53. OTHER EQUITY INSTRUMENT

	As at 31 December	
	2021 RMB'000	2020 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.

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 RMB'000	Addition RMB'000	Closing 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.

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 RMB'000	Addition RMB'000	Closing 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

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 RMB'000	Addition RMB'000	Closing RMB'000
General risk reserve	**4,112,322**	**843,829**	**4,956,151**
Transaction risk reserve	**4,578,775**	**493,707**	**5,072,482**
For the year ended 31 December 2021	**8,691,097**	**1,337,536**	**10,028,633**
General risk reserve	3,661,478	450,844	4,112,322
Transaction risk reserve	4,336,198	242,577	4,578,775
For the year ended 31 December 2020	7,997,676	693,421	8,691,097

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 **RMB'000**	**2020** **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 on expected credit loss	**(39,019)**	147,842
Income tax related to reclassification adjustment to profit or loss during the year	**63,907**	53,878
Share of fair value losses on debt instruments at FVTOCI of associates	**(6,788)**	(9,682)
Transfer to retained profits for cumulative fair value change of 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.

55. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at 31 December	
	2021 RMB'000	**2020 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 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 RMB'000	**2020 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.

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 assets at fair value through profit or loss RMB'000	Debt instruments at FVTOCI RMB'000	Equity instruments at FVTOCI RMB'000	Advances to customers RMB'000	Financial assets held under resale agreements RMB'000	Debt instruments measured at amortised cost RMB'000	Securities borrowing arrangements RMB'000	Total RMB'000
Carrying amount of transferred assets	34,958,202	26,900,177	353,035	4,242,188	-	3,374,210	748,894	70,576,706
Carrying amount of 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

57. TRANSFERS OF FINANCIAL ASSETS *(Continued)*

Repurchase agreements *(Continued)*

As at 31 December 2020

	Financial assets at fair value through profit or loss RMB'000	Debt instruments at FVTOCI RMB'000	Equity instruments at FVTOCI RMB'000	Advances to customers RMB'000	Financial assets held under resale agreements RMB'000	Debt instruments measured at amortised cost RMB'000	Securities borrowing arrangements RMB'000	Total RMB'000
Carrying amount of 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 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.

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* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Song Xuefeng [(a)]	–	–	–	–	–
Jin Wenzhong [(a)]	–	993	226	2,102	3,321
Non-executive Directors:					
Yu Xuechun [(c)]	–	–	–	–	–
Liu Wei [(d)]	–	–	–	–	–
Zhou Donghui [(e)]	–	–	–	–	–
Chen Feng [(c)]	–	–	–	–	–
Ren Zhixiang [(c)]	–	–	–	–	–
Zhu Jing [(f)]	–	660	226	2,115	3,001
Li Xiang [(g)]	–	–	–	–	–
Xia Jinghan [(h)]	–	–	–	–	–
Xu Jianguo [(i)]	–	–	–	–	–
Independent Non-executive Directors:					
Xu Zhiming [(j)]	160	–	–	–	160
Jin Qinglu [(k)]	190	–	–	–	190
Wu Hong [(l)]	190	–	–	–	190
Feng Xingdong [(l)]	160	–	–	–	160
Luo Xinyu [(m)]	107	–	–	–	107
He Xuan [(n)]	40	–	–	–	40

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* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Supervisors:					
Zhang Qian (o)	–	–	–	–	–
Du Weihua (p)	–	793	213	2,544	3,550
Wu Junhao (q)	–	–	–	–	–
Zhang Jian (r)	–	–	–	–	–
Shen Guangjun (r)	–	–	–	–	–
Tong Jie (s)	–	–	–	–	–
Xia Lijun (t)	83	–	–	–	83
Ruan Fei (t)	–	615	226	1,853	2,694
Ding Yan (t)	–	585	217	1,675	2,477
Huang Laifang (u)	–	–	–	–	–
Liu Wenbin (v)	–	–	–	–	–
Yin Keding (w)	–	–	–	–	–
Wu Zhengkui (x)	–	–	–	–	–
Zhou Wenwu (y)	–	205	–	30	235
Yao Yuan (w)	–	212	–	30	242
	930	4,063	1,108	10,349	16,450

58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2020

Name	Independent director and supervisor fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Pan Xinjun (z)	–	800	–	2,157	2,957
Jin Wenzhong (b)	–	960	115	2,157	3,232
Non-executive Directors:					
Chen Bin (aa)	–	–	–	–	–
Li Xiang (g)	–	–	–	–	–
Wu Junhao (q)	–	–	–	–	–
Xu Jianguo (i)	–	–	–	–	–
Liu Wei (d)	–	–	–	–	–
Xia Jinghan (h)	–	–	–	–	–
Chen Xiaobo (bb)	–	683	–	1,921	2,604
Zhou Donghui (e)	–	–	–	–	–
Independent Non-executive Directors:					
Xu Guoxiang (cc)	160	–	–	–	160
Tao Xiuming (dd)	160	–	–	–	160
Wei Anning (dd)	190	–	–	–	190
Jin Qinglu (k)	190	–	–	–	190
Xu Zhiming (k)	160	–	–	–	160
Wu Hong (j)	16	–	–	–	16
Feng Xingdong (l)	13	–	–	–	13
He Xuan (n)	13	–	–	–	13
Supervisors:					
Zhang Qian (o)	–	–	–	–	–
Li Bin (ee)	–	64	–	–	64
Liu Wenbin (v)	–	–	–	–	–
Yin Keding (w)	–	–	–	–	–
Wu Zhengkui (x)	–	–	–	–	–
Huang Laifang (u)	–	–	–	–	–
Tong Jie (s)	–	–	–	–	–
Du Weihua (p)	–	768	105	2,118	2,991
Zhou Wenwu (y)	–	820	112	1,841	2,773
Yao Yuan (w)	–	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.

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.

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.

59. COMMITMENTS AND CONTINGENT LIABILITY

Capital commitments

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Capital expenditure in respect of acquisition of property and equipment:		
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	**2020**
	RMB'000	**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.

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 As at 31 December	
	2021	**2020**
	%	**%**
申能(集團)有限公司 Shenergy (Group) Company Limited	**25.27**	25.27

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 RMB'000	**2020 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 Shibei Gas Co.,Ltd	**5**	5
– Shanghai Shenergy Inovation & Development Co., Ltd.*	**617**	–

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 RMB'000	2020 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 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 Inovation & 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

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	**2020**
	RMB'000	**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**	–

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	**2020**
	RMB'000	**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	**2020**
	RMB'000	**RMB'000**
Financial assets at FVTPL		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**88,817**	289,116

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 RMB'000	**2020 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

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	**2020**
	RMB'000	**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

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	**2020**
	RMB'000	**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

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	**2020**
	RMB'000	**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**	–

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	**2020**
	RMB'000	**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 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

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 RMB'000	**2020 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
	35,067	40,940

The amounts of bonus paid and disclosed for the year ended 31 December 2021 are actually performance bonus in 2020.

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.

62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at 31 December	
	2021 RMB'000	2020 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
Total assets	**238,937,400**	228,615,068

62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

	As at 31 December	
	2021 RMB'000	2020 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
Total liabilities	**181,514,797**	172,951,016
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
Total equity	**57,422,603**	55,664,052
Total equity and liabilities	**238,937,400**	228,615,068

62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

	Share capital RMB'000	Other equity instrument RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000	General reserve RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January, 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.

63. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Financial assets		
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
	314,446,123	278,962,757
Financial liabilities		
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
	258,249,308	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.

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.

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.

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;

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).

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.

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.

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.

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 RMB'000	2020 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
	263,742,326	222,302,413

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.

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 predicable extreme cases, and grade and manage the significant events according to the seriousness.

Interest rate risk

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

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, advances to customers, clearing settlement funds, debt instruments 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.

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 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	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 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 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 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 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

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.3 Market risk *(Continued)*

Interest rate risk *(Continued)*

As at 31 December 2021 *(Continued)*

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Liabilities							
Borrowings	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 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 agreements	55,630,643	4,670,792	2,440,558	–	–	–	62,741,993
Subtotal	155,926,251	17,827,318	40,158,375	32,938,258	4,090,383	8,090,565	259,031,150
Net interest-bearing position	(47,310,349)	(1,054,691)	(2,102,981)	33,549,647	27,602,031	44,731,316	55,414,973

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.3 Market risk *(Continued)*

Interest rate risk *(Continued)*

As at 31 December 2020

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	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 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 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 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 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

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.3 Market risk *(Continued)*

Interest rate risk *(Continued)*

As at 31 December 2020 *(Continued)*

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Liabilities							
Borrowings	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 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 agreements	45,681,063	2,245,794	4,934,026	–	–	–	52,860,883
Subtotal	131,953,623	11,968,798	24,050,227	49,961,108	4,094,983	4,973,598	227,002,337
Net interest-bearing position	(25,346,692)	(1,293,495)	1,980,458	(10,721,008)	34,282,826	53,058,331	51,960,420

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	**2020**
	RMB'000	**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.

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	**2020**
	RMB'000	**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)

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.

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 RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	–	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 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 payables	4,522,663	–	–	–	–	4,522,663	4,522,663
Financial assets sold under repurchase 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

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 RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	–	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 profit or loss	657,570	7,634,219	5,881,807	460,785	–	14,634,381	14,576,073
Other account payables and other payables	2,790,038	–	–	–	–	2,790,038	2,790,038
Financial assets sold under repurchase 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

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.

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.

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 show at their carrying amounts and derivatives are shown at their notional amounts.

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 prior to transition	Maturing in	Carrying amounts/ notional amounts RMB thousand	Transition progress for financial instruments
Non-derivative financial liabilities			
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 agreements linked to 3-month USD LIBOR	2022	162,555	LIBOR will continue till maturity
Bond payables linked to 6-month USD LIBOR	2022	1,919,891	LIBOR will continue till maturity
Derivatives			
Receive 6-months USD LIBOR, pay USD fixed interest rate swaps	2022	1,912,710	To transition derivatives via International Swaps and Derivatives Association ("ISDA") 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.

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.

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 RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Debt instruments measured at amortised cost	**3,594,039**	**3,624,187**	6,243,897	6,242,305
Financial liabilities				
Bond payables				
– Corporate bonds	**36,429,599**	**36,911,219**	28,280,531	28,446,997
– Subordinated bonds	**20,601,787**	**20,630,733**	17,414,768	17,412,691
– Income certificates	**368,626**	**368,347**	6,113,681	5,943,530
– Offshore bonds	**10,109,205**	**10,551,219**	10,456,493	10,694,234
Total	**67,509,217**	**68,461,518**	62,265,473	62,497,452

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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	**1,032,197**	**2,591,990**	**–**	**3,624,187**
Financial liabilities				
Bond payables	**57,541,952**	**10,919,566**	**–**	**68,461,518**

As at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	1,692,810	4,549,495	–	6,242,305
Financial liabilities				
Bond payables	45,859,688	16,637,764	–	62,497,452

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.

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 P/B multiples P/S multiples Discount for lack of marketability.	The higher the multiples, the higher the fair value. 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 Discount for lack of marketability.	The higher the multiples, the higher the fair value. The higher the discount, the lower the fair value.

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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 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
Total	67,518,043	80,138,364	5,945,235	153,601,642
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
Total	9,103,247	7,666,873	552,065	17,322,185

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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 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
Total	58,761,306	83,489,098	4,189,022	146,439,426
Financial liabilities:				
Financial liabilities at FVTPL	9,906,000	4,227,237	442,836	14,576,073
Derivative financial liabilities	302	504,655	–	504,957
Total	9,906,302	4,731,892	442,836	15,081,030

There were no transfers between instruments in Level 1 and Level 2 during the relevant year.

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 RMB'000	**2020 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 *(Note a)*	**–**	145,840
Transfer out of level 3 *(Note b)*	**–**	(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)

65. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Financial assets at FVTPL

	Year ended 31 December	
	2021	**2020**
	RMB'000	**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 *(Note a)*	**8,760**	420,434
Transfer out of level 3 *(Note b)*	**(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		
– unrealised gains/(losses) recognised in profit or loss	**447,253**	(193,349)

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 RMB'000	Financial liabilities at FTVPL RMB'000	Bond payables and short-term financing bill payables RMB'000	Derivative financial assets and liabilities RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Total 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

66. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Borrowings RMB'000	Financial liabilities at FTVPL RMB'000	Bond payables and short-term financing bill payables RMB'000	Derivative financial assets and liabilities RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Total 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.

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.

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 317 to 520, which comprise the consolidated statements of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit loss ("ECL") of advances to customers and financial assets held under resale agreements	
We identified the measurement of ECL for the Group's advances to customers and financial assets held under resale agreements as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management judgement and estimation required in the measurement. 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. As at 31 December 2020, the Group held advances to customers of RMB21,219 million, less impairment allowance of RMB47 million as disclosed in Note 23 to the consolidated financial statements and financial assets held under resale agreements of RMB19,494 million, less impairment allowance of RMB5,034 million as disclosed in Note 25 to the consolidated financial statements.	Our procedures in relation to management's measurement of ECL for advances to customers and financial assets held under resale agreements included: • Testing and evaluating key controls of the management over the measurement of ECL; • Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, in particular PD, LGD and forward-looking information; • Evaluating the determination of the criteria for significant increase in credit risk ("SICR") and credit-impaired financial assets by management and, on a sample basis, testing its application; • On a sample basis, examining the major data input into the ECL model, including PD and LGD; • 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; • Checking the calculation process of the ECL.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and funds. As disclosed in Note 4 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and funds that is of such significance that it indicates the Group controlled the structured entities. As disclosed in Notes 37 and 32 to the consolidated financial statements, as at 31 December 2020, the total net assets of the consolidated structured entities amounted to RMB7,368 million and the total net assets of the unconsolidated structured entities managed by the Group amounted to RMB328,845 million, respectively.	Our procedures in relation to management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • 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; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	NOTES	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue			
Commission and fee income	*6*	**7,953,858**	5,050,674
Interest income	*7*	**5,538,183**	6,086,095
		13,492,041	11,136,769
Net investment gains	*8*	**5,175,065**	3,760,362
Other income, gains and losses	*9*	**8,979,880**	9,453,390
Total revenue, gains/(losses) and other income		**27,646,986**	24,350,521
Depreciation and amortisation	*10*	**(662,189)**	(554,535)
Staff costs	*11*	**(5,062,944)**	(3,654,584)
Commission and fee expenses	*12*	**(832,327)**	(535,011)
Interest expenses	*13*	**(4,759,411)**	(5,195,473)
Other operating expenses	*14*	**(10,871,077)**	(11,102,999)
Impairment losses under expected credit loss model, net of reversal	*15*	**(3,885,132)**	(1,044,458)
Total expenses		**(26,073,080)**	(22,087,060)
Share of results of associates		**1,212,458**	591,070
Profit before income tax		**2,786,364**	2,854,531
Income tax expense	*16*	**(64,600)**	(375,792)
Profit for the year		**2,721,764**	2,478,739
Attributable to:			
Equity holders of the Company		**2,722,989**	2,435,080
Non-controlling interests		**(1,225)**	43,659
		2,721,764	2,478,739
Earnings per share attributable to shareholders of the Company			
(Expressed in RMB Yuan per share)			
– Basic	*17*	**0.38**	0.35

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	Year ended 31 December 2020 RMB'000	2019 RMB'000
Profit for the year		**2,721,764**	2,478,739
Other comprehensive (expense)/income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on investment in equity instruments at fair value through other comprehensive income	*53(4)*	**(64,468)**	72,020
Income tax relating to items that will not be reclassified to profit or loss	*53(4)*	**16,117**	(18,005)
Subtotal		**(48,351)**	54,015
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on:			
debt instruments measured at fair value through other comprehensive income	*53(4)*	**(581,415)**	561,410
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	*53(4)*	**147,842**	21,695
Income tax impact relating to items that may be reclassified subsequently	*53(4)*	**108,393**	(145,776)
Share of other comprehensive expense of associates, net of related income tax	*53(4)*	**(9,682)**	(8,524)
Exchange differences arising on translation		**(109,867)**	7,504
Subtotal		**(444,729)**	436,309
Other comprehensive (expense)/income for the year, net of income tax		**(493,080)**	490,324
Total comprehensive income for the year		**2,228,684**	2,969,063
Attributable to:			
Equity holders of the Company		**2,229,909**	2,925,404
Non-controlling interests		**(1,225)**	43,659
		2,228,684	2,969,063

Consolidated Statement of Financial Position

As at 31 December 2020

	NOTES	As at 31 December 2020 RMB'000	2019 RMB'000
Cash and bank balances	*18*	**65,640,360**	48,940,834
Clearing settlement funds	*20*	**21,516,357**	13,243,654
Deposits with exchanges and financial institutions	*21*	**2,183,090**	1,642,894
Derivative financial assets	*22*	**155,876**	609,102
Advances to customers	*23*	**21,171,919**	13,214,262
Account receivables	*24*	**874,406**	1,019,920
Contract assets		**1,742**	–
Financial assets held under resale agreements	*25*	**14,460,425**	24,206,542
Financial assets at fair value through profit or loss	*26*	**72,701,117**	66,901,093
Debt instruments at fair value through other comprehensive income	*27*	**62,645,975**	64,895,563
Equity instruments at fair value through other comprehensive income	*28*	**10,936,458**	10,832,873
Debt instruments measured at amortised cost	*29*	**6,243,897**	7,193,554
Deferred tax assets	*30*	**1,455,922**	760,995
Investments in associates	*31*	**5,771,194**	4,453,754
Right-of-use assets	*33*	**847,355**	1,002,749
Investment properties	*34*	**40,461**	30,071
Property and equipment	*35*	**2,225,662**	2,189,204
Other intangible assets	*36*	**215,313**	168,519
Goodwill	*38*	**32,135**	32,135
Other loans, receivables and prepayments	*39*	**1,997,778**	1,633,724
Total assets		**291,117,442**	262,971,442

Consolidated Statement of Financial Position

As at 31 December 2020

		As at 31 December	
	NOTES	2020 RMB'000	2019 RMB'000
Due to banks and other financial institutions	*40*	**9,670,114**	6,384,659
Short-term financing bill payables	*41*	**16,255,486**	16,113,200
Account payables to brokerage clients	*42*	**66,642,671**	40,179,178
Financial assets sold under repurchase agreements	*43*	**52,860,883**	57,478,063
Financial liabilities at fair value through profit or loss	*44*	**14,576,073**	12,630,961
Derivative financial liabilities	*22*	**504,957**	2,643,375
Contract liabilities	*45*	**404,124**	208,114
Current tax liabilities		**570,867**	161,569
Accrued staff costs	*46*	**2,608,009**	1,601,086
Borrowings	*47*	**579,732**	640,154
Lease liabilities	*48*	**856,910**	995,005
Bond payables	*49*	**62,265,473**	67,309,199
Deferred tax liabilities	*30*	**20,179**	19,031
Other account payables, other payables and accruals	*50*	**3,070,820**	2,596,211
Total liabilities		**230,886,298**	208,959,805
Share capital	*51*	**6,993,656**	6,993,656
Other equity instrument	*52*	**5,000,000**	–
Reserves	*53*	**40,714,243**	40,198,256
Retained profits	*54*	**7,494,952**	6,773,604
Equity attributable to equity holders of the Company		**60,202,851**	53,965,516
Non-controlling interests		**28,293**	46,121
Total equity		**60,231,144**	54,011,637
Total equity and liabilities		**291,117,442**	262,971,442

The consolidated financial statements pages 317 to 520 were approved and authorised for issue by the Board of Directors on 30 March 2021 and signed on behalf by:

Jin Wenzhong	**Zhang Jianhui**
Chairman of Board	*Chief Financial Officer*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

		Equity attributable to equity holders of the Company										
				Reserves								
	NOTES	Share capital RMB'000 (Note 51)	Other equity instrument RMB'000 (Note 52)	Capital reserve RMB'000 (Note 53)	Surplus reserve RMB'000 (Note 53)	General reserve RMB'000 (Note 53)	Investment revaluation reserve RMB'000 (Note 53)	Translation reserve RMB'000 (Note 53)	Retained profits RMB'000 (Note 54)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	*52*	–	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	*55*	–	–	–	–	–	–	–	(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	*50*	–	–	11,928	–	–	–	–	–	11,928	(11,928)	–
Changes in net assets of associates other than profit or loss and other comprehensive income	*31*	–	–	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 Changes in Equity

For the year ended 31 December 2020

	NOTES	Share capital RMB'000 (Note 51)	Capital reserve RMB'000 (Note 53)	Surplus reserve RMB'000 (Note 53)	General reserve RMB'000 (Note 53)	Investment revaluation reserve RMB'000 (Note 53)	Translation reserve RMB'000 (Note 53)	Retained profits RMB'000 (Note 54)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Equity attributable to equity holders of the Company									
			Reserves								
As at January 1, 2019		6,993,656	28,254,930	3,085,378	7,061,605	(192,374)	(6,441)	6,542,724	51,739,478	532,974	52,272,452
Profit for the year		–	–	–	–	–	–	2,435,080	2,435,080	43,659	2,478,739
Other comprehensive income for the year		–	–	–	–	482,820	7,504	–	490,324	–	490,324
Total comprehensive income for the year		–	–	–	–	482,820	7,504	2,435,080	2,925,404	43,659	2,969,063
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	1,530	1,530
Capital returned to non-controlling shareholders upon liquidation of the subsidiaries		–	–	–	–	–	–	–	–	(30,943)	(30,943)
Disposal of subsidiaries		–	–	–	–	–	–	–	–	(2,429)	(2,429)
Appropriation to surplus reserve		–	–	360,311	–	–	–	(360,311)	–	–	–
Appropriation to general reserve		–	–	–	936,071	–	–	(936,071)	–	–	–
Dividends recognised as distribution	*55*	–	–	–	–	–	–	(699,366)	(699,366)	(23,086)	(722,452)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		–	–	–	–	208,452	–	(208,452)	–	–	–
Forward arrangement for acquiring additional interests in a subsidiary	*50*	–	–	–	–	–	–	–	–	(475,584)	(475,584)
At 31 December 2019		6,993,656	28,254,930	3,445,689	7,997,676	498,898	1,063	6,773,604	53,965,516	46,121	54,011,637

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before income tax	**2,786,364**	2,854,531
Adjustments for:		
Interest expenses	**4,759,411**	5,195,473
Share of results of associates	**(1,212,458)**	(591,070)
Depreciation and amortisation	**662,189**	554,535
Impairment losses under expected credit loss model, net of reversal	**3,885,132**	1,044,458
Losses on disposal of property and equipment and right-of-use assets	**228**	1,641
Foreign exchange gains, net	**(208,303)**	(12,163)
Net realised gains and income arising from financial assets at fair value through profit or loss	**(469,563)**	(253,165)
Net realised gains arising from disposal of an associate	**(2,938)**	–
Net realised gains and income arising from debt instruments at fair value through other comprehensive income	**(2,899,183)**	(2,739,315)
Dividend income arising from equity instruments at fair value through other comprehensive income	**(284,615)**	(541,865)
Net realised losses arising from derivative financial instruments	**81,204**	83,795
Net realised gains and income arising from debt instruments measured at amortised cost	**(248,345)**	(297,409)
Unrealised fair value change of financial assets at fair value through profit or loss	**(1,363,920)**	(1,387,529)
Unrealised fair value change of financial liabilities at fair value through profit or loss	**(327,009)**	423,838
Unrealised fair value change of derivative financial instruments	**315,036**	26,980

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Operating cash flows before movements in working capital	**5,473,230**	4,362,735
Increase in advances to customers	**(7,961,536)**	(2,947,892)
Decrease in financial assets held under resale agreements	**5,926,587**	2,988,689
Increase in financial assets at fair value through profit or loss and derivative financial assets	**(1,858,298)**	(8,245,928)
Increase in deposits and reserve funds and deposits with exchanges	**(686,921)**	(627,947)
Increase in bank balances and clearing settlement funds restricted or held on behalf of customers	**(26,393,444)**	(8,232,410)
Increase in account receivables, other receivables, prepayments and contract assets	**(171,666)**	(549,030)
Increase in other account payables, other payables and accruals, contract liabilities	**2,153,126**	1,059,881
Increase in account payables to brokerage clients	**26,463,493**	8,120,113
Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	**1,843,153**	5,457,878
(Decrease)/increase in financial assets sold under repurchase agreements	**(4,610,149)**	8,075,627
Increase/(decrease) in deposits due to banks and other financial institutions	**3,294,490**	(4,630,000)
Cash generated from operations	**3,472,065**	4,831,716
Income taxes paid	**(224,571)**	(595,502)
Interest paid	**(1,533,039)**	(1,888,935)
NET CASH FROM OPERATING ACTIVITIES	**1,714,455**	2,347,279

(continued)

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Dividends and interest received from investments	**3,853,316**	3,945,878
Proceeds on disposal of property and equipment and other intangible assets	**13,114**	2,952
Proceeds from disposal or redemption of:		
financial assets at fair value through profit or loss	**12,151,369**	21,940,572
debt instruments at fair value through other comprehensive income	**101,208,205**	60,726,248
equity instruments at fair value through other comprehensive income	**1,288,389**	583,379
debt instrument measured at amortised cost	**892,303**	896,748
Capital injection in associates	**(672,813)**	(449,465)
Purchases of:		
financial assets at fair value through profit or loss	**(14,370,375)**	(27,679,480)
debt instruments at fair value through other comprehensive income	**(99,271,479)**	(62,689,779)
equity instruments at fair value through other comprehensive income	**(1,456,442)**	(2,029,099)
debt instrument measured at amortised cost	**–**	(210,000)
Purchases of property and equipment and other intangible assets	**(449,311)**	(298,153)
Payments for right-of-use assets	**(3,347)**	(5,906)
Proceeds from disposal of subsidiaries	**–**	1,418
Proceeds from disposal of or capital reduction from associates	**279,505**	539,586
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**3,462,434**	(4,725,101)

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	NOTE	Year ended 31 December 2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		**–**	1,530
Proceeds from bonds and short-term financing bill payables issued		**77,801,516**	66,746,196
Repayments on bonds and short-term financing bill payables issued		**(81,718,646)**	(52,681,299)
Proceeds from issuance of perpetual subordinated bond		**5,000,000**	–
Proceeds from borrowings		**1,927,800**	3,375,435
Repayments of borrowings		**(4,180,627)**	(2,781,205)
Repayments of lease liabilities		**(300,192)**	(262,056)
Dividends paid to shareholders		**(1,053,723)**	(722,452)
Interest of bonds and short-term financing bill payables paid		**(3,207,246)**	(3,404,443)
Interest of borrowings paid		**(123,572)**	(142,733)
Interest paid on lease liabilities		**(35,670)**	(28,921)
Payments on acquisition of additional interests in a subsidiary		**(475,584)**	–
Payments on capital returned to non-controlling shareholders		**–**	(30,943)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(6,365,944)**	10,069,109
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,189,055)**	7,691,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**21,552,456**	13,729,707
Effect of foreign exchange rate changes		**(378,885)**	131,462
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*19*	**19,984,516**	21,552,456

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

New and Amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year 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. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after June 1, 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. 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 data. Fair value for measurement and/or disclosure purpose in these consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are 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*.

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.

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.

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.

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

Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

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 ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (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.

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

Significant accounting policies *(Continued)*

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).

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.

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

Significant accounting policies *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

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

Significant accounting policies *(Continued)*

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

Significant accounting policies *(Continued)*

Goodwill *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of associates is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in 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.

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

Significant accounting policies *(Continued)*

Investments in associates *(Continued)*

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.

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.

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.

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

Significant accounting policies *(Continued)*

Leases *(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.

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

Significant accounting policies *(Continued)*

Leases *(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.

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

Significant accounting policies *(Continued)*

Leases *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. 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.

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:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3%	Over the shorter of the lease term and estimated useful life of buildings of 30 years
Electronic and communication equipment	3%	3-10 years
Motor vehicles	3%	6 years
Office equipment	3%	5 years
Leasehold improvements	nil	Over the lease term

3. 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.

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.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. 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)

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.

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.

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)*

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.

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.

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

Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Significant accounting policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants 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".

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.

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

Significant accounting policies *(Continued)*

Employee benefits *(Continued)*

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.

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.

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.

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.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. 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)*

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*.

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.

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)*

(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.

(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.

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.

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.

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 aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

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.

(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.

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)*

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.

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.

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

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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.

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.

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

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.

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.

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 amortised cost

Financial liabilities including borrowings, short-term financing bill payables, due to banks and other financial institutions, account payable to brokerage clients, other payables and accruals, bond payables and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

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.

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.

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.

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

Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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.

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

Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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.

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.

Interest income

Interest income from a financial asset is accrued on a timely basis using the effective interest method.

Other income

Other income is recognised when the contractual obligations are fulfilled.

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

Significant accounting policies *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

4.1 Critical judgement in applying accounting policies

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and funds 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 and funds that is of such significance that it indicates the Group controlled the structured entities. The collective asset management schemes and funds are consolidated if the Group acts in the role of principal.

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. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial assets

The Group uses valuation techniques to estimate the fair value of financial assets which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis, etc. To the extent practical market observable inputs and data are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial assets.

Impairment of advances to customers and financial assets held under resale agreements

The Group estimates the amount of loss allowance for ECL on its advances to customers and financial assets held under resale agreements. The assessment of the ECL of advances to customers and financial assets held under resale agreements involves high degree of estimation and uncertainty.

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 63.

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.

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)*

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 63.

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 63.

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 63.

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 63.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in Notes 16 and 30.

5. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the "CODM") of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of 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 2020 and 2019.

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.

5. SEGMENT REPORTING *(Continued)*

The segment information provided to the CODM for the operating segments for the years ended 31 December 2020 and 2019 are as follows:

Operating segment

For the year ended 31 December 2020

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	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
Segment assets and liabilities								
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
Other segment information								
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

5. SEGMENT REPORTING *(Continued)*

Operating segment *(Continued)*

For the year ended 31 December 2019

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	4,696,194	2,390,826	4,659,013	1,043,615	3,202,117	15,991,765	(1,094,634)	14,897,131
Segment other income, gains and losses	5,426	63,386	9,285,235	19,214	84,293	9,457,554	(4,164)	9,453,390
Segment revenue, gains/(losses) and other income	4,701,620	2,454,212	13,944,248	1,062,829	3,286,410	25,449,319	(1,098,798)	24,350,521
Segment expenses	(1,939,141)	(1,348,064)	(12,550,982)	(671,332)	(5,658,891)	(22,168,410)	81,350	(22,087,060)
Segment result	2,762,479	1,106,148	1,393,266	391,497	(2,372,481)	3,280,909	(1,017,448)	2,263,461
Share of results of associates	(24,590)	567,633	(1,377)	–	–	541,666	49,404	591,070
Profit/ (loss) before income tax	2,737,889	1,673,781	1,391,889	391,497	(2,372,481)	3,822,575	(968,044)	2,854,531
Segment assets and liabilities								
Segment assets	110,485,910	10,121,840	86,070,721	1,998,944	70,608,819	279,286,234	(16,314,792)	262,971,442
Segment liabilities	62,661,276	1,272,779	44,881,156	527,264	101,456,200	210,798,675	(1,838,870)	208,959,805
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	17,287	40,085	220,964	31,065	246,251	555,652	(1,117)	554,535
Provision for/ (reversal of) impairment losses	57,932	(6,263)	983,793	1	8,995	1,044,458	–	1,044,458
Capital expenditure	1,466	227,700	209,564	87,684	229,916	756,330	(11,642)	744,688

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 2020 and 2019.

6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Commission on securities dealing, broking and handling fee income	**2,704,131**	1,641,045
Underwriting, sponsors and financial advisory fee income	**1,638,704**	1,088,168
Commission on futures and options contracts dealing, broking and handling fee income	**492,707**	267,239
Asset and fund management fee income	**2,792,442**	1,939,156
Consultancy fee income	**173,358**	84,276
Others	**152,516**	30,790
	7,953,858	5,050,674

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.

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	
	2020	**2019**
	RMB'000	**RMB'000**
Advances to customers	**1,099,363**	799,806
Financial assets held under resale agreements	**660,906**	1,331,674
Deposits with exchanges and financial institutions and bank balances	**984,975**	956,943
Interest income from debt instrument measured at amortised cost	**247,486**	297,409
Interest income from debt instruments at FVTOCI	**2,535,829**	2,673,743
Others	**9,624**	26,520
	5,538,183	6,086,095

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net realised gains from disposal of an associate	**2,938**	–
Net realised gains from disposal of debt instruments at FVTOCI	**363,354**	65,572
Dividend income from equity instruments at FVTOCI		
– relating to investments derecognised during the year	**13,640**	15,932
– relating to investments held at the end of the reporting period	**270,975**	525,933
Net realised gains from disposal of financial assets at FVTPL	**2,209,195**	1,020,978
Dividend income and interest income from financial assets at FVTPL	**1,853,322**	1,541,556
Net realised gains from derecognition of debt instruments measured at amortised cost	**859**	–
Net realised losses arising from financial liabilities at FVTPL	**(101,495)**	(27,355)
Net realised losses arising from derivative financial instruments	**(813,616)**	(318,965)
Unrealised fair value change of financial assets at FVTPL	**1,363,920**	1,387,529
Unrealised fair value change of financial liabilities at FVTPL	**327,009**	(423,838)
Unrealised fair value change of derivative financial instruments	**(315,036)**	(26,980)
	5,175,065	3,760,362

9. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Foreign exchange gains, net	**208,303**	12,163
Rental income	**5,853**	9,247
Government grants *(Note)*	**129,627**	154,727
Bulk commodity trading income and others	**8,636,097**	9,277,253
	8,979,880	9,453,390

Note: The government grants were received unconditionally from the local governments to support operations on certain purposes.

10. DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation of property and equipment	**240,096**	204,525
Depreciation of right-of-use assets	**322,093**	273,556
Depreciation of investment properties	**2,664**	5,590
Amortisation of other intangible assets	**97,336**	70,864
	662,189	554,535

11. STAFF COSTS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, bonus and allowances	**4,437,618**	3,079,297
Social welfare	**414,814**	474,382
Contributions to annuity schemes	**210,512**	100,905
	5,062,944	3,654,584

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.

12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Securities and futures dealing and broking expenses	**576,236**	362,694
Underwriting, sponsors and financial advisory fee expenses	**56,908**	38,156
Other service expenses	**199,183**	134,161
	832,327	535,011

13. INTEREST EXPENSES

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Account payables to brokerage clients	**93,802**	73,732
Financial assets sold under repurchase agreements	**1,295,452**	1,655,921
Borrowings	**42,176**	57,111
Due to banks and other financial institutions	**117,244**	180,651
Short-term financing bill payables	**507,052**	456,392
Bond payables	**2,668,709**	2,736,924
Lease liabilities	**34,976**	34,742
	4,759,411	5,195,473

14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Advisory expenses	**107,621**	112,144
Auditor's remuneration	**8,121**	7,307
Business travel expenses	**79,276**	109,007
Communication expenses	**190,649**	129,462
Electronic equipment operating expenses	**308,506**	199,995
Entertainment expenses	**102,882**	92,980
Administrative expenses	**346,203**	294,234
Operating lease rentals in respect of short-term leases/low value assets	**39,621**	44,388
Products distribution expenses	**660,121**	549,816
Securities and futures investor protection funds	**65,061**	46,739
Stock exchange management fees	**76,492**	54,685
Sundry expenses	**98,260**	97,140
Tax and surcharges	**96,943**	71,339
Donation	**35,117**	35,449
Bulk commodity trading and others	**8,656,204**	9,258,314
	10,871,077	11,102,999

15. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Expected credit losses in respect of account receivables, other loans and receivables	**35,358**	43,750
Expected credit losses in respect of debt instruments at FVTOCI	**147,842**	21,695
Expected credit losses in respect of debt instruments measured at amortised cost	**(788)**	(489)
Expected credit losses in respect of advances to customers	**6,446**	6,149
Expected credit losses in respect of financial assets held under resale agreements	**3,696,274**	973,353
	3,885,132	1,044,458

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax	**634,104**	305,850
Hong Kong Profits Tax	**18,357**	18,885
	652,461	324,735
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax	**(8,729)**	97,158
Deferred tax	**(579,132)**	(46,101)
	64,600	375,792

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%.

16. INCOME TAX EXPENSE *(Continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The income tax expense for the year can be reconciled to the profit before income tax as follows:

	Year ended 31 December	
	2020 **RMB'000**	**2019** **RMB'000**
Profit before income tax	**2,786,364**	2,854,531
Tax at the statutory tax rate of 25%	**696,591**	713,633
Effect of share of results of associates	**(232,178)**	(111,921)
Adjustments for prior years	**(8,729)**	97,158
Tax effect of expenses not deductible for tax purpose	**74,824**	68,565
Tax effect of income not taxable for tax purpose	**(513,627)**	(434,076)
Tax effect of tax losses not recognised	**74,334**	62,253
Utilisation of tax losses previously not recognised	**(984)**	(401)
Income tax at concessionary rate	**105**	(4,602)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,914)**	(14,817)
Others	**(20,822)**	–
Income tax expense for the year	**64,600**	375,792

Note: Income not taxable for tax purpose mainly includes dividends from equity investments, interest income from treasure bonds etc.

The Group has estimated unutilised tax losses of approximately RMB765 million as at 31 December 2020 (31 December 2019: RMB692 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.

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	
	2020 RMB'000	**2019 RMB'000**
Earnings for the purpose of basic/diluted earnings per share:		
Profit for the year attributable to equity holders of the Company	**2,722,989**	2,435,080
Less: profit attributable to holders of perpetual subordinated bond	**(83,288)**	–
Subtotal:	**2,639,701**	2,435,080
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)	**0.38**	0.35

There were no potential dilutive ordinary shares in issue during the year ended 31 December 2020 and 2019, thus no diluted earnings per share is presented.

18. CASH AND BANK BALANCES

	As at 31 December	
	2020 RMB'000	**2019 RMB'000**
House accounts	**17,123,229**	19,169,645
Restricted bank deposits *(Note b)*	**132,708**	21,304
	17,255,937	19,190,949
Cash held on behalf of clients *(Note a)*	**48,384,423**	29,749,885
	65,640,360	48,940,834

Cash and bank balances comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

Note a: The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in account payables to brokerage clients *(Note 42)*.

Note b: The restricted bank deposits as of 31 December 2020 include pledged bank deposits due within one year and litigation frozen fund.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Cash and bank balances	**17,250,262**	19,170,595
Clearing settlement funds	**2,924,962**	2,411,165
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	**(50,000)**	–
restricted bank deposits *(Note 18)*	**(132,708)**	(21,304)
	19,984,516	21,552,456

20. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Clearing settlement funds held with clearing houses for:		
House accounts	**2,924,962**	2,411,165
Clients	**18,591,395**	10,832,489
	21,516,357	13,243,654

21. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deposits with stock exchanges:		
– Shanghai Stock Exchange	**102,299**	90,475
– Shenzhen Stock Exchange	**60,062**	40,791
– Hong Kong Stock Exchange	**17,918**	17,035
– Others	**1,699**	998
Deposits with futures and commodity exchanges:		
– Shanghai Futures Exchange	**174,612**	161,242
– Dalian Commodity Exchange	**161,993**	180,158
– Zhengzhou Commodity Exchange	**30,243**	83,375
– China Financial Futures Exchange	**357,258**	249,230
– Shanghai Gold Exchange	**267**	241
Guarantee fund paid to Shanghai Stock Exchange	**23,476**	9,894
Guarantee fund paid to Shenzhen Stock Exchange	**25,017**	13,070
Deposits with China Securities Finance Corporation Limited	**512,242**	335,911
Deposits with Shanghai Clearing House	**297,844**	150,464
Deposits with other financial institutions	**418,160**	310,010
	2,183,090	1,642,894

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			
	2020		2019	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures (i)	**332**	**302**	–	–
Treasury bond futures (ii)	**–**	**–**	–	–
Commodity futures (ii)	**–**	**–**	24,017	–
Forward contracts	**–**	**–**	–	–
Interest rate swaps (iii)	**1,728**	**11,355**	1,703	–
Derivatives embedded in income certificates (iv)	**–**	**35**	–	3,480
Total return swaps (v)	**6,901**	**3,098**	720	5,510
Stock options (vi)	**70,875**	**58,197**	22,051	49,637
Commodity swaps (vii)	**–**	**49,029**	500,644	–
Gold forwards (viii)	**–**	**36,224**	–	5,378
Credit default swap	**651**	**3,151**	1,102	5,314
Equity linked derivatives (ix)	**250**	**17,120**	–	4,275
Commodity options (x)	**12,473**	**1,372**	16,189	10,278
Currency swaps (xi)	**–**	**15,002**	6,899	4,175
Gold option arrangements (xii)	**12,853**	**268,564**	35,777	2,555,328
Foreign exchange futures	**47**	**–**	–	–
Foreign exchange swap (xiii)	**–**	**–**	–	–
Foreign exchange risk forward (xiv)	**49,739**	**41,466**	–	–
Interest rate swap options (xv)	**27**	**42**	–	–
Total	**155,876**	**504,957**	609,102	2,643,375

(i) Stock index futures: Under the daily mark-to-market and settlement arrangement, any gains of losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that SIF in Hong Kong market which is not under the daily mark-to-market and settlement arrangement is presented in gross as at 31 December 2020.

The contract value of the Group's SIF contracts as at 31 December 2020 was approximately RMB3,193 million (31 December 2019: RMB2,477 million).

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(ii) Treasury bond futures, commodity futures and forward contracts: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury bond futures, commodity futures and forward contracts were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that commodity futures in Hong Kong market which is not under the daily mark-to-market and settlement arrangement is presented in gross.

Commodity futures: The notional principal amount of the Group's commodity futures as at 31 December 2020 was approximately RMB10,588 million (31 December 2019: RMB11,149 million).

(iii) Interest rate swaps: The notional principal amount of the Group's interest rate swaps contracts as at 31 December 2020 was RMB485,237 million (31 December 2019: RMB624,601 million). The contract period usually lasts for one to five years. As at 31 December 2020, fixed rate paid ranged from 0.5% to 4.63%, and floating reference rates received were SHIBOR_3M and FixingRepoRate007. While, fixed rate received ranged from 1.39% to 4.63%, and floating reference rates paid were SHIBOR_3M and FixingRepoRate007. As at 31 December 2019, fixed rate paid ranged from 2.45% to 4.63%, and floating reference rates received were SHIBOR_3M and FixingRepoRate007. While fixed rate received ranged from 0.4% 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 2020 was approximately RMB18 million (31 December 2019: RMB196 million).

(v) Total return swaps: Derivative transactions, through which the Group and a qualified client agree to conduct an return swap in accordance with the agreed amount of nominal principal and return within a fixed period in the future. The return under such swap is linked with the performance of the underlying equity securities or debt securities. The notional principal amount of the Group's total return swaps as at 31 December 2020 was RMB486 million (31 December 2019: RMB299 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 2020 was approximately RMB4,316 million (31 December 2019: RMB1,298 million). The notional principal amount of the Group' option sold as at 31 December 2020 was approximately RMB1,722 million (31 December 2019: RMB879 million).

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(vii) Commodity swaps: The notional principal amount of the Group's commodity swaps as at 31 December 2020 was approximately RMB9,803 million (31 December 2019: RMB6,577 million).

(viii) Gold forwards: The notional principal amount of the Group's gold forwards as at 31 December 2020 was approximately RMB516 million (31 December 2019: RMB345 million).

(ix) 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 2020 was approximately RMB1,231 million (31 December 2019: RMB549 million).

(x) Commodity options: The notional principal amount of the Group's commodity options as at 31 December 2020 was approximately RMB1,281 million (31 December 2019: RMB3,608 million).

(xi) Currency swaps: As at 31 December 2020, the notional amount of the Group's currency swaps contracts with exchange of RMB to HKD or USD was approximately RMB399 million (31 December 2019: RMB547 million).

(xii) 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.

(xiii) 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 2020, the notional amount of the Group's foreign exchange swap contracts with exchange of RMB to USD was approximately RMB6,306 million (31 December 2019: nil).

(xiv) Foreign exchange risk forward: As at 31 December 2020, the notional amount of the Group's foreign exchange risk forward contracts with exchange of RMB to HKD or USD was approximately RMB3,840 million (31 December 2019: nil).

(xv) Interest rate swap options: As at 31 December 2020, the notional amount of the Group's interest rate swaps options was approximately RMB20 million (31 December 2019: nil).

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's SIF are set out below:

	As at 31 December			
	2020		2019	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
SIF	**3,192,945**	**(78,287)**	2,477,330	(50,646)
Less: settlement		**(78,317)**		(50,646)
Net position of SIF		**30**		–

Details of the Group's treasury bond futures, commodity futures and forward contracts are set out below:

	As at 31 December			
	2020		2019	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Treasury bond futures	**8,404,926**	**6,617**	16,542,772	(5,488)
Less: settlement		**6,617**		(5,488)
Net position of treasury bond futures		**–**		–
Commodity futures	**10,588,143**	**(20,855)**	11,148,530	54,093
Less: settlement		**(20,855)**		30,076
Net position of commodity futures		**–**		24,017
Forward contracts	**403**	**11**	317	7
Less: settlement		**11**		7
Net position of forward contracts		**–**		–

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's interest rate swaps are set out below:

	As at 31 December			
	2020		2019	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Interest rate swaps	**485,237,470**	**122,422**	624,601,449	(80,067)
Less: settlement		**132,049**		(81,770)
Net position of interest rate swaps		**(9,627)**		1,703

Details of the Group's foreign exchange swap and foreign exchange risk forward are set out below:

	As at 31 December			
	2020		2019	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Foreign exchange swap	**6,305,547**	**85,350**	–	–
Less: settlement		**85,350**		–
Net position of foreign exchange swap		**–**		–

	As at 31 December			
	2020		2019	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Foreign exchange risk forward	**3,840,334**	**19,886**	–	–
Less: settlement		**11,613**		–
Net position of foreign exchange risk forward		**8,273**		–

23. ADVANCES TO CUSTOMERS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Loans to margin clients	**20,951,466**	12,930,751
Other advances to customers	**267,054**	498,107
Subtotal	**21,218,520**	13,428,858
Less: impairment allowance	**(46,601)**	(214,596)
	21,171,919	13,214,262

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients which are secured by the underlying pledged securities and cash collateral as disclosed in Note 42 are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call when the customers have to make up the difference.

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 RMB80,383 million as at 31 December 2020 (31 December 2019: RMB48,659 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.

23. ADVANCES TO CUSTOMERS *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for advances to customers.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 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 recognised/(reversed)	**(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**

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	1,560	1,503	201,148	204,211
– Transfer to lifetime-credit-impaired	–	(4)	4	–
– Transfer to lifetime-not-credit-impaired	(20)	20	–	–
– Transfer to 12m ECL	748	(748)	–	–
– Impairment losses recognised/(reversed)	(1,115)	(640)	7,904	6,149
– Foreign exchange differences	–	–	4,236	4,236
As at 31 December 2019	1,173	131	213,292	214,596

23. ADVANCES TO CUSTOMERS *(Continued)*

The table below details the credit risk exposures of the Group's advances to customers, which are subject to ECL assessment.

As at 31 December 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**20,750,014**	**423,270**	**45,236**	**21,218,520**

As at 31 December 2019

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	13,035,817	179,334	213,707	13,428,858

In 2020, the gross carrying amount of the Group's advances to customers in stage 2 increased, and the amount of ECL of this stage increased as well. The decrease of gross carrying amount of the Group's advances to customers in stage 3 led to the decrease of ECL in this stage.

24. ACCOUNT RECEIVABLES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Account receivables from/related to:		
– Clearing house	**145,637**	377,245
– Brokers	**289,909**	137,136
– Asset management fee and trading seats commission	**430,652**	497,653
– Advisory and investment banking commission	**20,409**	15,929
Less: impairment allowance	**(12,201)**	(8,043)
	874,406	1,019,920

Aging analysis of account receivables from the revenue recognition dates is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
– Within 1 year	**867,301**	903,511
– Between 1 and 2 years	**436**	58,309
– Between 2 and 3 years	**4,440**	58,100
– Over 3 years	**2,229**	–
	874,406	1,019,920

The normal settlement terms of account receivables from clearing house and brokers are within three months after trading date. Trading limits are set for clients. Normal settlement terms of account receivables from asset management fee and trading seats commission, advisory and investment banking commission are determined in accordance with the contract terms, usually within three months after the service provided.

24. ACCOUNT RECEIVABLES *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for account receivables.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 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**

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	10,636	3,000	13,636
– Impairment losses reversed	(5,598)	–	(5,598)
– Transfer to credit-impaired	(434)	434	–
– Foreign exchange differences	5	–	5
As at 31 December 2019	4,609	3,434	8,043

24. ACCOUNT RECEIVABLES *(Continued)*

The table below details the credit risk exposures of the Group's account receivables, which are subject to ECL assessment.

As at 31 December 2020

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**873,816**	**12,791**	**886,607**

As at 31 December 2019

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	1,015,172	12,791	1,027,963

25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Analysed by collateral type:		
– Stock	**16,338,943**	20,531,490
– Bonds	**3,155,428**	5,482,150
Subtotal	**19,494,371**	26,013,640
Less: impairment allowance	**(5,033,946)**	(1,807,098)
	14,460,425	24,206,542
Analysed by market:		
– Stock exchange	**16,991,570**	22,158,883
– Inter-bank market	**2,502,801**	3,854,757
Less: impairment allowance	**(5,033,946)**	(1,807,098)
	14,460,425	24,206,542

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price.

25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 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-credit-impaired	**(3,080)**	**3,080**	**–**	**–**
– Transfer to 12m ECL	**9,330**	**(9,330)**	**–**	**–**
– Impairment losses recognised/(reversed)	**(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**

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	9,907	152,349	671,489	833,745
– Transfer to lifetime-credit-impaired	–	(61,715)	61,715	–
– Transfer to lifetime-not-credit-impaired	(5,728)	5,728	–	–
– Transfer to 12m ECL	11,011	(11,011)	–	–
– Impairment losses recognised/(reversed)	(10,288)	51,671	931,970	973,353
As at 31 December 2019	4,902	137,022	1,665,174	1,807,098

25. 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 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**3,839,920**	**2,936,499**	**12,717,952**	**19,494,371**

As at 31 December 2019

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	8,228,676	9,910,335	7,874,629	26,013,640

In 2020, the gross carrying amount of the Group's financial assets held under resale agreements in stage 1 and stage 2 decreased, and the amount of ECL of these stages decreased as well. The decrease in expected future cash flow from realisation of collaterals in stage 3 led to the increase of ECL in this stage.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Mandatorily measured at FVTPL		
– Debt securities *(Note a)*	**26,977,231**	30,575,190
– Equity securities	**8,839,918**	8,125,586
– Funds	**11,407,654**	9,599,803
– Other investments *(Note b)*	**25,476,314**	18,600,514
	72,701,117	66,901,093
Analysed as:		
– Listed *(Note c)*	**28,185,629**	32,332,525
– Unlisted	**44,515,488**	34,568,568
	72,701,117	66,901,093

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 2020, the Group's pledged collateral of bonds and funds included in financial assets at fair value through profit or loss in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB20,005 million (31 December 2019: RMB20,705 million) and RMB1,004 million (31 December 2019: RMB1,055 million), respectively.

27. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Government bonds	**27,872,186**	27,328,199
Bonds issued by policy banks	**591,927**	2,216,586
Bonds issued by commercial banks and other financial institutions	**3,300,348**	1,266,318
Other debt securities *(Note a)*	**30,881,514**	34,084,460
	62,645,975	64,895,563
Analysed as:		
– Listed *(Note b)*	**27,054,265**	36,821,013
– Unlisted	**35,591,710**	28,074,550
	62,645,975	64,895,563

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 2020, 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 RMB24,840 million (31 December 2019: RMB33,456 million) and RMB3,113 million (31 December 2019: RMB5,263 million), respectively.

27. 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 RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total 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**

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	18,293	–	84,660	102,953
– Transfer to lifetime-credit-impaired	–	(125)	125	–
– Transfer to lifetime-not-credit-impaired	(125)	125	–	–
– Impairment losses (reversed)/recognised	(380)	–	22,075	21,695
As at 31 December 2019	17,788	–	106,860	124,648

27. 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 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**62,019,434**	**30,170**	**432,246**	**62,481,850**

As at 31 December 2019

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	64,006,323	–	143,700	64,150,023

28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
– Equity securities *(Note a)*	**2,793,477**	2,553,973
– Perpetual instruments *(Note b)*	**3,013,879**	3,264,037
– Other investment *(Note c)*	**5,129,102**	5,014,863
	10,936,458	10,832,873
Analysed as:		
– Listed *(Note d)*	**4,231,166**	4,020,366
– Unlisted	**6,705,292**	6,812,507
	10,936,458	10,832,873

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 RMB17,302 thousand on equity securities traded on the NEEQ, RMB32,471 thousand on equity securities listed on stock exchanges, and the cumulative gains on disposal of RMB7,058 thousand on private equity investments have been transferred to retained profits respectively.

28. 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 RMB14,002 thousand on perpetual instruments have been transferred to retained profits.

Note c: Other investment is an investment in a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. As at 31 December 2020, the cost of the investment was RMB4.89 billion (31 December 2019: RMB4.89 billion) and the Company determined the total fair value of the investment according to a valuation report provided by the CSFCL.

Note d: Securities traded on stock exchanges are included in the "Listed" category.

As at 31 December 2020, 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 RMB1,686 million (31 December 2019: RMB1,778 million) and RMB12 million (31 December 2019: nil), respectively.

29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Analysed by type:		
– Debt securities	**6,244,561**	7,195,006
Less: impairment allowance	**(664)**	(1,452)
	6,243,897	7,193,554
Analysed as:		
– Listed *(Note a)*	**1,691,535**	3,338,353
– Unlisted *(Note b)*	**4,552,362**	3,855,201
	6,243,897	7,193,554

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.

29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for debt instruments measured at amortised cost.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	**1,452**	**–**	**–**	**1,452**
– Impairment losses reversed	**(788)**	**–**	**–**	**(788)**
As at 31 December 2020	**664**	**–**	**–**	**664**

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	1,941	–	–	1,941
– Impairment losses reversed	(489)	–	–	(489)
As at 31 December 2019	1,452	–	–	1,452

29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST *(Continued)*

The table below details the credit risk exposures of the Group's debt instruments measured at amortised cost, which are subject to ECL assessment:

As at 31 December 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**6,244,561**	**–**	**–**	**6,244,561**

As at 31 December 2019

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	7,195,006	–	–	7,195,006

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 2020 and 2019. Therefore, these investments are considered to be low credit risk investments.

As at 31 December 2020, 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 RMB4,843 million (31 December 2019: RMB5,058 million) and RMB85 million (31 December 2019: RMB168 million), respectively.

30. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deferred tax assets	**1,455,922**	760,995
Deferred tax liabilities	**(20,179)**	(19,031)
	1,435,743	741,964

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 RMB'000	Accrued staff cost RMB'000	Debt/Equity instruments at FVTOCI RMB'000	Allowance for impairment losses RMB'000	Government grants and others RMB'000	Total RMB'000
At 1 January 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**
At 1 January 2019	177,525	255,351	108,248	294,801	59,907	895,832
Credit/(charge) to profit or loss	(306,241)	(3,228)	5,378	254,717	59,287	9,913
Charge to other comprehensive income	–	–	(163,781)	–	–	(163,781)
Transfer out upon disposal of equity instruments at FVTOCI	–	–	(69,484)	–	69,484	-
As at 31 December 2019	(128,716)	252,123	(119,639)	549,518	188,678	741,964

31. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Cost of unlisted investments in associates	**2,991,174**	2,494,635
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,780,020**	1,959,119
	5,771,194	4,453,754

At the end of each reporting period, the Group has the following associates:

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December 2020	2019	Principal activities
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC 3 February 2005	**35.41%**	35.41%	Fund management
上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd. *(1)	PRC 7 April 2010	**–**	45.00%	Equity investment
上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Investment Co., Ltd. *	PRC 12 July 2011	**27.73%**	27.73%	Investment management
上海東證遠譽投資中心(有限合夥) Shanghai Orient Yuanyu Investment Center LLP. *	PRC 25 August 2015	**33.33%**	33.33%	Investment management
上海東證今緣股權投資基金合夥企業(有限合夥) Shanghai Orient Jinyuan Equity Investment LLP. *	PRC 16 October 2015	**30.00%**	30.00%	Equity investment

31. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December 2020	2019	Principal activities
東證騰駿(上海)投資合夥企業(有限合夥) Orient Tengjun (Shanghai) Investment LLP. *	PRC 11 September 2015	**38.69%**	38.69%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP. *	PRC 16 December 2015	**45.45%**	45.45%	Investment management
東證睿波(上海)投資中心(有限合夥) Orient Securities Ruibo (Shanghai) Investment Center LLP. * (2)/(4)	PRC 25 June 2015	**55.63%**	35.69%	Investment management
上海東證春醫投資中心(有限合夥) Shanghai Orient Securities Chunyi Investment Center LLP. *	PRC 3 November 2015	**49.26%**	49.26%	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP. *	PRC 4 February 2016	**34.51%**	34.51%	Equity investment
海寧東證藍海並購投資合夥企業(有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	PRC 13 July 2016	**25.85%**	25.85%	Investment management
OCI International Holdings Limited 東建國際控股有限公司* (5)	Cayman Islands 6 June 2015	**20.94%**	29.63%	Securities Investment

31. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December 2020	2019	Principal activities
溫州俊元資產管理合夥企業（有限合夥） Wenzhou Junyuan Asset Management Partnership LLP. * (2)	PRC 11 July 2016	**55.26%**	71.50%	Asset management
上海東愷投資管理有限公司 Shanghai Dongkai Capital Co., Ltd. *	PRC 21 September 2018	**45.00%**	45.00%	Investment management
誠泰融資租賃(上海)有限公司 Chengtay financial leasing (Shanghai) Co., Ltd.	PRC 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） Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. * (3)	PRC 11 March 2020	**19.18%**	N/A	Investment management
珠海橫琴東證雲啟科創投資合夥企業(有限合夥) Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. * (3)	PRC 14 January 2020	**18.37%**	N/A	Investment management
寧波梅山保稅港區東證夏德投資合夥企業(有限合夥) Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. * (3)	PRC 11 February 2018	**18.89%**	18.89%	Investment management

31. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December 2020	2019	Principal activities
南通東證富象股權投資中心（有限合夥） Nantong Orient Securities Fuxiang Equity Investment Center LLP. * (3)	PRC 7 November 2017	**19.93%**	19.93%	Investment management
嘉興君兆投資管理合夥企業（有限合夥） Jiaxing Junzhao Investment Partnership LLP. *	PRC 7 April 2020	**40.82%**	N/A	Investment management
成都交子東方投資發展合夥企業（有限合夥） Chengdu Jiaozi Oriental Investment Development Partnership LLP. * (2)	PRC 17 January 2020	**50.00%**	N/A	Leasing and investment management
上海頤歌資產管理有限公司 Shanghai Yige Asset Management Co., Ltd *	PRC 11 April 2020	**29.00%**	N/A	Asset management
深圳盟海五號智慧產業投資合夥企業（有限合夥） Shenzhen Menghai No. 5 Intelligent Industry Investment Partnership LLP * (2)	PRC 8 July 2020	**76.37%**	N/A	Investment management
杭州數行科技有限公司 Hangzhou Shuxing Technology Co., Ltd. * (3)	PRC 9 November 2017	**10.00%**	–	Technology development

* English translated names are for identification purpose only.

(1) An associate, Shanghai ICY Capital Co., Ltd., was disposed for the year ended 31 December 2020. A gain of RMB2,938 thousand was resulted and net cash inflow arising on disposal of this associate amounted to RMB24,074 thousand.

31. INVESTMENTS IN ASSOCIATES *(Continued)*

(2) 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.

(3) 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.

(4) For the year ended 31 December 2020, one shareholder of Orient Securities Ruibo (Shanghai) Investment Center LLP. (the "Orient Ruibo") transferred the equity interest therein to one of the Orient Ruibo's wholly-owned subsidiary. After this transfer, the Group's percentage of shareholdings increased from 35.69% to 55.63% due to the offsetting of cross-shareholding between the Orient Ruibo and its subsidiary. As a result of this transfer of equity interest, the increase in carrying amount of the Group's investment in this associate other than profit or loss and other comprehensive income amounting to RMB8,161 thousand has been recorded in capital reserve.

(5) For the year ended 31 December 2020, OCI International Holdings Limited completed the private placement to other third parties. Upon completion of this private placement, the equity interest of OCI International Holdings Limited held by the Group decreased from 29.63% to 20.94%. Accordingly, the change in carrying amount of the Group's investment in this associate other than profit or loss and other comprehensive income amounting to RMB36,385 thousand has been recorded in capital reserve.

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	
	2020	**2019**
	RMB'000	**RMB'000**
Total assets	**10,980,067**	8,085,625
Total liabilities	**3,531,077**	2,107,683
Net assets	**7,448,990**	5,977,942

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Total revenue	**6,643,038**	4,078,048
Profit for the year	**2,566,383**	1,248,693
Other comprehensive (expense)/income	**(23,601)**	5,512
Total comprehensive income	**2,542,782**	1,254,205

31. 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	
	2020	**2019**
	RMB'000	**RMB'000**
Equity attributable to equity holders of the associate	**7,302,643**	5,836,032
Proportion of equity interests held by the Group	**35.41%**	35.41%
Carrying amount	**2,585,810**	2,066,502

Aggregate information of associates that are not individually material:

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
The Group's share of profit	**306,601**	147,307
The Group's share of other comprehensive expense	**(1,325)**	(10,476)
The Group's share of total comprehensive income	**305,276**	136,831
Aggregate carrying amount of the Group's interests in these associates	**3,185,384**	2,387,252

32. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

32.1 Structured entities set up and managed by the Group

The Group served as the investment manager of structured entities (including funds, collective asset management schemes and limited partnerships), therefore had power over them during the year ended 31 December 2020 and 2019. Except for the structured entities the Group has consolidated as disclosed in Note 37, 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 RMB328,845 million as at 31 December 2020 (31 December 2019: RMB238,139 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 2020 and 2019. As at 31 December 2020, the carrying amount of the Group's interests in unconsolidated funds, management schemes and limited partnership is RMB4,112 million (31 December 2019: RMB2,652 million), which approximates the maximum risk exposure of the Group, and the assets management fee income is RMB2,792 million (31 December 2019: RMB1,939 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 2020 and 2019.

As at 31 December 2020

	Carrying amount RMB'000	Maximum loss exposure 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

32. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

32.1 Structured entities set up and managed by the Group *(Continued)*

As at 31 December 2019

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	2,144,541	2,144,541
Investments in associates	507,424	507,424
Total	2,651,965	2,651,965

32.2 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 2020 and 2019.

32. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

32.2 Structured entities set up and managed by third party institutions in which the Group holds an interest *(Continued)*

As at 31 December 2020

	Carrying amount RMB'000	Maximum loss exposure 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**
Total	**32,371,087**	**32,371,087**

As at 31 December 2019

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	20,308,842	20,308,842
Equity instruments at FVTOCI	5,014,863	5,014,863
Investments in associates	318,262	318,262
Total	25,641,967	25,641,967

33. RIGHT-OF-USE ASSETS

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
Cost			
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)
31 December 2020	1,379,963	3,336	1,383,299
Accumulated depreciation			
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)
31 December 2020	534,612	1,332	535,944
Carrying amount			
1 January 2020	1,001,428	1,321	1,002,749
31 December 2020	845,351	2,004	847,355

33. RIGHT-OF-USE ASSETS *(Continued)*

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
Cost			
1 January 2019	834,144	923	835,067
Additions	445,353	1,182	446,535
Deductions	(8,734)	(155)	(8,889)
Transfer during the year	(1,077)	–	(1,077)
Exchange difference	917	–	917
31 December 2019	1,270,603	1,950	1,272,553
Accumulated depreciation			
1 January 2019	–	–	–
Charge for the year	272,873	683	273,556
Deductions	(3,916)	(54)	(3,970)
Exchange difference	218	–	218
31 December 2019	269,175	629	269,804
Carrying amount			
1 January 2019	834,144	923	835,067
31 December 2019	1,001,428	1,321	1,002,749

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 2020, total cash outflow for leases amounts to RMB375,483 thousand (31 December 2019: RMB335,365 thousand).

33. RIGHT-OF-USE ASSETS *(Continued)*

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.

For the year ended 31 December 2019, expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounts to RMB41,663 thousand. Expense relating to leases of low value assets excluding short-term leases of low value assets amounts to RMB2,725 thousand.

As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 14.

In addition, lease liabilities of RMB856,910 thousand are recognised as at 31 December 2020 *(Note 48)*. Interest expenses of lease liabilities are set out in Note 13. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2020 and 2019, the Group did not enter into leases that are not yet commenced.

34. INVESTMENT PROPERTIES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
COST		
At beginning of year	**43,794**	4,701
Transfer during the year	**19,723**	39,093
At end of year	**63,517**	43,794
DEPRECIATION AND IMPAIRMENT		
At beginning of year	**13,723**	–
Charge for the year	**2,664**	5,590
Transfer during the year	**6,669**	8,133
At end of year	**23,056**	13,723
CARRYING VALUES		
At beginning of year	**30,071**	4,701
At end of year	**40,461**	30,071

35. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 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
ACCUMULATED DEPRECIATION							
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
CARRYING VALUES							
As at 31 December 2020	1,680,636	279,629	12,407	46,930	140,222	65,838	2,225,662

35. PROPERTY AND EQUIPMENT *(Continued)*

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2019	1,914,586	743,536	40,457	98,308	404,789	61,063	3,262,739
Additions	–	40,728	3,316	8,218	49,669	88,654	190,585
Disposals	–	(68,066)	(1,799)	(7,472)	–	–	(77,337)
Transfer during the year	(11,776)	68,165	780	4,529	–	(99,714)	(38,016)
Exchange difference	–	265	13	24	47	31	380
As at 31 December 2019	1,902,810	784,628	42,767	103,607	454,505	50,034	3,338,351
ACCUMULATED DEPRECIATION							
As at 1 January 2019	86,221	530,194	26,244	66,633	315,879	–	1,025,171
Charge for the year	60,852	91,564	3,868	8,545	39,696	–	204,525
Eliminated on disposals	–	(64,385)	(1,745)	(6,565)	–	–	(72,695)
Transfer during the year	(8,133)	–	–	–	–	–	(8,133)
Exchange difference	–	221	7	18	33	–	279
As at 31 December 2019	138,940	557,594	28,374	68,631	355,608	–	1,149,147
CARRYING VALUES							
As at 31 December 2019	1,763,870	227,034	14,393	34,976	98,897	50,034	2,189,204

The carrying amount of the Group's property and equipment included the leasehold interest in land as consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, as such the entire properties are classified as property and equipment.

36. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
COST			
As at 1 January 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
ACCUMULATED AMORTISATION			
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
CARRYING VALUES			
As at 31 December 2020	21,743	193,570	215,313

36. OTHER INTANGIBLE ASSETS *(Continued)*

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
COST			
As at 1 January 2019	61,553	433,275	494,828
Additions	–	107,568	107,568
Disposals	–	(626)	(626)
Exchange difference	–	176	176
As at 31 December 2019	61,553	540,393	601,946
ACCUMULATED AMORTISATION			
As at 1 January 2019	39,810	322,678	362,488
Charge for the year	–	70,864	70,864
Eliminated on disposals	–	(56)	(56)
Exchange difference	–	131	131
As at 31 December 2019	39,810	393,617	433,427
CARRYING VALUES			
As at 31 December 2019	21,743	146,776	168,519

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 2020 and 2019.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of each reporting period, the Company has the following subsidiaries comprising the Group:

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2020	2019	Registered capital as at 31 December 2020	Principal activities	Auditors/GAAP
上海東證期貨有限公司 Shanghai Orient Securities Futures Co., Ltd. (1)	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB2,300,000,000	Commodity futures brokerage, financial futures brokerage, and futures investment advisory	DTT PRC GAAP (2)
上海東祺投資管理有限公司 Shanghai Dongqi Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB250,000,000	Equity investment, investment management, and asset management	DTT PRC GAAP (2)
東證潤和資本管理有限公司 Orient Runhe Asset Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB1,000,000,000	Equity investment, investment management, and asset management	BDO PRC GAAP (2)
上海東方證券資產管理有限公司 Orient Securities Asset Management Co., Ltd. (1)	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB300,000,000	Securities asset management, securities investment, and fund management	DTT PRC GAAP (2)
上海東方證券資本投資有限公司 Orient Securities Capital Co., Ltd. (1)	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB4,000,000,000	Private equity investment, bond investment, and related investment advisory	DTT PRC GAAP (2)
東方睿義(上海)投資管理有限公司 Orient Ruiyi (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB1,350,000,000	Investment management and investment advisory	DTT PRC GAAP (2)
東方星暉(北京)投資基金管理有限公司 Orient Xinghui (Beijing) Investment Funds Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**57.95%**	57.95%	RMB8,800,000	Investment management and investment advisory	DTT PRC GAAP (2)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2020	2019	Registered capital as at 31 December 2020	Principal activities	Auditors/GAAP
海寧東方紅投資管理有限公司 Haining Orient Sun Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**51.00%**	51.00%	RMB2,000,000	Investment management and investment advisory	DTT PRC GAAP (2)
上海東方富厚股權投資管理有限公司 Shanghai Orient Fuhou Equity Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**58.00%**	58.00%	RMB5,000,000	Investment management and investment advisory	DTT PRC GAAP (2)
東石發展有限公司 East Milestone Company Limited	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD3,000,000	Investment management and investment advisory	N/A(3)
新疆東證新域股權投資管理有限公司 Xinjiang Orient Securuities Xinyu Equity Investment Management Co.Ltd. *	有限責任公司 Limited liability company	PRC	**51.00%**	51.00%	RMB5,000,000	Equity investment	DTT PRC GAAP (2)
海寧東證投資管理有限公司 Haining Orient Securities Investment Management Co.Ltd. *	有限責任公司 Limited liability company	PRC	**58.00%**	58.00%	RMB10,000,000	Investment management, investment advisory, and management consulting	DTT PRC GAAP (2)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2020	2019	Registered capital as at 31 December 2020	Principal activities	Auditors/GAAP
東方翌睿(上海)投資管理有限公司 Orient Securities Yirui (Shanghai) Investment Management Co.Ltd. *	有限責任公司 Limited liability company	PRC	**51.00%**	51.00%	RMB2,000,000	Investment management, asset management, and industrial investment	DTT PRC GAAP (2)
東方弘泰資本投資(成都)有限公司 Orient Hongtai Capital Investment (Chengdu) Co., Ltd. *	有限責任公司 Limited liability company	PRC	**51.00%**	51.00%	RMB30,000,000	Investment management, asset management and project investment	DTT PRC GAAP (2)
Golden Power Group Limited	有限責任公司 Limited liability company	British Virgin Islands ("BVI")	**100.00%**	100.00%	USD100	Equity investment and industrial investment	N/A(3)
誠麒環球有限公司 Chengqi Global Limited *	有限責任公司 Limited liability Company	BVI	**100.00%**	100.00%	USD100	Equity investment and industrial investment	N/A(3)
東方金融控股(香港)有限公司 Orient Finance Holdings (Hong Kong) Limited (1)	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD2,754,078,015	Investment holding and provision of management services	SHINEWING (HK) HKFRSs (2)
東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD1,000,000,000	Securities brokerage	SHINEWING (HK) HKFRSs (2)
東方期貨(香港)有限公司 ORIENT FUTURES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD230,000,000	Futures brokerage	SHINEWING (HK) HKFRSs (2)
東方資產管理(香港)有限公司 ORIENT ASSET MANAGEMENT (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD100,000,000	Asset management	SHINEWING (HK) HKFRSs (2)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2020	2019	Registered capital as at 31 December 2020	Principal activities	Auditors/GAAP
東方融資(香港)有限公司 ORIENT CAPITAL (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD150,000,000	Provision of corporate finance advisory services	SHINEWING (HK) HKFRSs (2)
東方信貸財務(香港)有限公司 ORIENT CREDIT FINANCE (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	**100.00%**	100.00%	HKD31,000,000	Credit operations	SHINEWING (HK) HKFRSs (2)
東方鴻盛有限公司 ORIENT HONGSHENG LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A(3)
ORIENT ZHISHENG LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A(3)
東方智匯有限公司 ORIENT ZHIHUI LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A(3)
東方證券承銷保薦有限公司 Orient Securities Investment Banking Co., Ltd. (1)/(5)	有限責任公司 Limited liability company	PRC	**100.00%**	66.67%	RMB800,000,000	Securities underwriting and sponsor	DTT PRC GAAP (2)
上海東方證券創新投資有限公司 Shanghai Orient Securities Innovation Investment Co., Ltd. (1)*	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB5,800,000,000	Financial assets investment, securities investment, investment management and advisory	DTT PRC GAAP (2)
景德鎮北汽東證產業投資管理有限公司 Jingdezhen Beiqi Orient Industry Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	**66.00%**	66.00%	RMB10,000,000	Investment management and advisory	DTT PRC GAAP (2)
ORIENT HUIZHI LIMITED	有限責任公司 Limited liability company	BVI	**100.00%**	100.00%	USD1	Special purpose	N/A(3)/(4)
東方睿信有限公司 Orient Ruixin Limited company	有限責任公司 Limited liability	Hong Kong	**100.00%**	100.00%	HKD10,000	Equity investment, Industrial investment	N/A(3)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2020	2019	Registered capital as at 31 December 2020	Principal activities	Auditors/GAAP
東證國際金融集團有限公司 Orient Securities International Financial Group Limited company	有限責任公司 Limited liability	Hong Kong	**100.00%**	100.00%	HKD2,010,000,000	Investment holding and provision of management services	SHINEWING (HK) HKFRSs [2]
東證期貨國際(新加坡)有限公司 Orient Futures International (Singapore)	私人股份有限公司 Pte Ltd Private Company Limited by shares	Singapore	**100.00%**	100.00%	SGD 40,000,000	Foreign exchange brokers and dealers	N/A[3]
東證科技(深圳)有限公司 Orient Securities Technology (Shenzhen) Co., Ltd. *	有限責任公司 Limited liability company	PRC	**100.00%**	100.00%	RMB10,000,000	Software Development Service	N/A[3]
Orient International Investment Products Limited company	有限責任公司 Limited liability	BVI	**100.00%**	100.00%	USD1	Product Investment	SHINEWING (HK) HKFRSs [2]

* These subsidiaries do not have official English names. English translated names are for identification only.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(1) These subsidiaries are directly held by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

- DTT represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;

- 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 49.

(5) Please refer to Note 50.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Interests in consolidated structured entities:

The Group has consolidated certain structured entities including asset management schemes, funds and limited partnership. For the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance that it indicates that the Group is a principal.

The total net assets of the consolidated asset management schemes, funds and limited partnership amounted to RMB7,368 million as at 31 December 2020 (31 December 2019: RMB6,077 million).

Interests in all consolidated asset management schemes, funds and limited partnership held by the Group amounted to fair value of RMB6,105 million as at 31 December 2020 (31 December 2019: RMB5,801 million). The Group held no interest in the subordinated tranche of those structured products in 2020 and 2019.

Interests held by other interest holders are mainly included in financial liabilities designated at FVTPL and non-controlling interests in the consolidated statement of financial position.

38. GOODWILL

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated into two individual cash generating units (CGUs), including securities brokerage branches acquired by the Company ("Unit A") and Shanghai Orient Securities Futures Co., Ltd. acquired by the Company ("Unit B"). The carrying amounts of goodwill as at 31 December 2020 and 2019 allocated to these units are as follows:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Cost and carrying value		
Unit A – securities brokerage branches	**18,948**	18,948
Unit B – Shanghai Orient Securities Futures Co., Ltd.	**13,187**	13,187
	32,135	32,135

38. GOODWILL *(Continued)*

Impairment testing on goodwill *(Continued)*

Unit A is the securities brokerage CGU acquired, and the acquisition cost exceeds the fair value of net identifiable assets. As at 31 December 2020 and 2019, 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 2020 and 2019, 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 2020 and 2019, 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 is unlikely the carrying amount of the CGU to exceed its recoverable amount.

39. OTHER LOANS, RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Other receivables	**1,057,519**	657,284
Dividends receivable	**–**	3,658
Other loans	**79,116**	289,786
Prepayments	**459,302**	484,283
Others	**1,105,599**	580,407
Less: impairment allowance	**(703,758)**	(381,694)
	1,997,778	1,633,724

39. OTHER LOANS, RECEIVABLES AND PREPAYMENTS *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for other loans and receivables.

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 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**

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	9,758	–	322,451	332,209
– Transfer to lifetime-credit-impaired	–	(285)	285	–
– Transfer to lifetime-not-credit-impaired	(285)	285	–	–
– Impairment losses (reversed)/recognised	(3,607)	–	52,955	49,348
– Foreign exchange differences	137	–	–	137
As at 31 December 2019	6,003	–	375,691	381,694

39. OTHER LOANS, RECEIVABLES AND PREPAYMENTS *(Continued)*

The tables below detail the credit risk exposures of the Group's other loans and receivables, which are subject to ECL assessment.

As at 31 December 2020

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	**381,600**	**–**	**755,035**	**1,136,635**

As at 31 December 2019

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Gross carrying amount	546,797	–	400,273	947,070

40. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Due to banks *(Note a)*	**8,666,964**	4,871,392
Due to China Securities Finance Corporation Limited *(Note b)*	**1,003,150**	1,513,267
	9,670,114	6,384,659

Note a: As at 31 December 2020, the effective interest rates bearing on the outstanding amount of due to banks vary from 0.45% to 3.3% (31 December 2019: 2.1% to 3.25%) per annum. The amount of due to banks were repayable within seven days from the end of the reporting period.

Note b: As at 31 December 2020, the effective interest rate of due to China Securities Finance Corporation Limited is 2.8% (31 December 2019: 3.25% to 3.5%) per annum. The amount of due to China Securities Finance Corporation Ltd. were repayable within three months from the end of the reporting period.

41. SHORT-TERM FINANCING BILL PAYABLES

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Short-term financing bill payables *(Note a)*	**5,059,003**	7,652,734
Income certificates *(Note b)*	**11,196,483**	8,460,466
	16,255,486	16,113,200
Analysed as:		
Stock exchange	**5,059,003**	6,528,525
Over the counter	**11,196,483**	9,584,675
	16,255,486	16,113,200

Note a: As at 31 December 2020 and 2019, short-term financing bill payables were unsecured and unguaranteed debt securities issued on the Shanghai Stock Exchange and over the counter by the Company and were repayable within 1 year.

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 2020, the yields of all the outstanding income certificates were ranged from 2.1% to 10.0% per annum (31 December 2019: 3.1% to 8.0%), respectively.

42. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the account payables balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Account payables to brokerage clients mainly include money held on behalf of clients in the banks and clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at 31 December 2020, included in the Group's account payables to brokerage clients were approximately RMB2,865 million (31 December 2019: RMB1,933 million) of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2020 RMB'000	**2019 RMB'000**
Analysed by collateral type		
– Bonds	**44,856,999**	54,335,353
– Funds	**4,598,389**	3,142,710
– Advances to customers backed repurchase agreement	**3,405,495**	–
	52,860,883	57,478,063
Analysed by market		
– Stock exchanges	**19,923,402**	34,986,782
– Inter-bank market	**26,024,019**	16,964,573
– Over the counter	**6,913,462**	5,526,708
	52,860,883	57,478,063

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.

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Debt securities	**2,254,363**	4,124,612
Gold borrowings	**9,906,000**	7,514,640
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities *(Note a)*	**1,262,526**	286,059
– Others *(Note b)*	**1,153,184**	705,650
	14,576,073	12,630,961

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: Others mainly include the structured note issued by a subsidiary of the Group and income certificate issued by the Company. The balance of the structured note is linked to performance of the perpetual instrument and the income certificate was hybrid contract containing embedded derivative. The subsidiary of the Group and the Company irrevocably designates these financial liabilities as measured at FVTPL to eliminate an accounting mismatch.

45. CONTRACT LIABILITIES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Asset and fund management services	**17,118**	20,163
Sales of bulk commodity	**387,006**	187,951
	404,124	208,114

	Asset and fund management services RMB'000	Sales of bulk commodity RMB'000
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**

	Asset and fund management services RMB'000	Sales of bulk commodity RMB'000
For the year ended 31 December 2019		
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,583	127,476

46. ACCRUED STAFF COSTS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, bonus and allowances	**2,513,716**	1,588,884
Social welfares	**1,454**	1,118
Annuity schemes	**92,839**	11,084
	2,608,009	1,601,086

47. BORROWINGS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Unsecured short-term borrowings repayable within one year *(Note a)*	**579,732**	640,154
	579,732	640,154

Note a: Short-term bank borrowings are 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.

47. BORROWINGS *(Continued)*

Note a: *(Continued)*

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.

As at 31 December 2019, the unsecured bank borrowing, amounting to HKD300 million (approximately RMB269 million respectively) and bearing a floating rate of 3 month HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2019, the unsecured bank borrowing, amounting to USD20 million (approximately RMB139 million respectively) and bearing a floating rate of 1 month LIBOR plus 2.09% per annum is repayable within one year.

As at 31 December 2019, the unsecured bank borrowing, amounting to USD30 million (approximately RMB209 million respectively) and bearing a floating rate of 3 month LIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2019, the unsecured bank borrowing, amounting to RMB20 million and bearing the rate of 4.7% per annum is repayable within one year.

48. LEASE LIABILITIES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Lease liabilities payable:		
Within three months	**80,978**	87,076
Within a period of more than three months but not more than one year	**225,655**	229,475
Within a period of more than one year but not more than two years	**235,211**	253,766
Within a period of more than two years but not more than three years	**191,561**	185,481
Within a period of more than three years but not more than five years	**112,544**	217,390
Within a period of more than five years	**10,961**	21,817
	856,910	995,005

49. BOND PAYABLES

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Corporate bonds *(Note a)*	**28,280,531**	26,202,985
Subordinated bonds *(Note a)*	**17,414,768**	27,070,475
Income certificates *(Note b)*	**6,113,681**	4,149,811
Offshore bonds *(Note a)*	**10,456,493**	9,885,928
	62,265,473	67,309,199

Name		**Issue amount**	**Issue date**	**Maturity date**	**Coupon rate**
16 Orient Subordinated Bond (1)	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
17-2 Orient Subordinated Bond (2)	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-4 Orient Subordinated Bond (3)	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
17-2 Corporate Bond (4)	RMB	1,000,000,000	09/06/2017	09/06/2022	5.50%
17-3 Corporate Bond (5)	RMB	4,000,000,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond (6)	USD	500,000,000	30/11/2017	30/11/2022	3.625%
17 Offshore USD Bond (7)	USD	250,000,000	22/03/2018	30/11/2022	3.625%
20 Offshore USD Bond (8)	USD	160,000,000	13/10/2020	13/10/2023	2.40%
19-1 Orient Subordinated Bond (9)	RMB	6,000,000,000	19/03/2019	19/03/2022	4.20%
19-2 Orient Subordinated Bond (10)	RMB	4,000,000,000	14/06/2019	14/06/2022	4.20%
19 Offshore USD Bond (11)	USD	300,000,000	20/08/2019	20/08/2022	6 month Libor+1.25%
19 Offshore EUR Bond (12)	EUR	200,000,000	20/08/2019	20/08/2022	0.625%
19 Offshore SGD Bond (13)	SGD	200,000,000	27/09/2019	27/09/2022	2.90%
19 Corporate Bond (14)	RMB	4,900,000,000	25/11/2019	25/11/2022	3.50%
20-1 Corporate Bond (15)	RMB	3,000,000,000	24/03/2020	24/03/2022	2.95%
20-2 Corporate Bond (16)	RMB	4,000,000,000	18/06/2020	18/06/2023	3.45%
20-3 Corporate Bond (17)	RMB	4,000,000,000	19/08/2020	19/08/2023	3.50%
20-4 Corporate Bond (18)	RMB	3,500,000,000	28/09/2020	28/09/2023	3.75%
20-5 Corporate Bond (19)	RMB	3,500,000,000	04/11/2020	04/11/2023	3.65%

49. 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.

49. BOND PAYABLES *(Continued)*

Note a: (Continued)

(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.

(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.

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 2020, the yields of the outstanding income certificates varied from 3.20% to 4.25% per annum (31 December 2019: 4.00% to 4.25%).

50. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Other account payables		
– Payables for underwriting and products distribution fees	**315,995**	337,956
– Settlement payables	**260,589**	142,144
Other payables and accruals		
– VAT and other taxes	**211,948**	116,655
– Payables for securities and futures investor protection fund	**38,735**	26,531
– Futures risk reserve	**106,005**	82,067
– Dividends payable	**80**	80
– Acting underwriting securities	**346,000**	80,000
– Deposit received from customers	**775,057**	205,950
– Arrangement for acquiring additional interests in a subsidiary *(Note)*	**–**	475,584
– Others	**1,016,411**	1,129,244
	3,070,820	2,596,211

Note: On May 30, 2019, Citigroup Global Markets Asia Limited (the "Citigroup Asia"), being the transferor, and the Company, being the transferee, entered into a transfer agreement, that the transferor shall transfer 33.33% of the equity interests in the Citi Orient Securities Co., Ltd (the "Citi Orient") which was a non-wholly owned subsidiary of the Group to the transferee at a consideration of RMB475.58 million, subject to the terms and conditions included in the transfer agreement. On March 11, 2020, the Shanghai Bureau of CSRC (the "SHCSRC") approved the transfer of 33.33% of the equity interests in the Citi Orient from 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 has been recorded in capital reserve upon completion of this transaction. In addition, the Citi Orient has been renamed as Orient Securities Investment Banking Co., Ltd. and become a wholly owned subsidiary of the Group.

51. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):	
As at 1 January 2019, 31 December 2019 and 31 December 2020	6,993,656

52. OTHER EQUITY INSTRUMENT

	As at 31 December	
	2020 RMB'000	**2019 RMB'000**
Perpetual subordinated bond	**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.

53. RESERVES

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value, the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets and deemed gains/losses from associate.

The movements of the capital reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Share premium	**28,251,705**	**–**	**28,251,705**
Other capital reserve	**3,225**	**56,474**	**59,699**
As at 31 December 2020	**28,254,930**	**56,474**	**28,311,404**
Share premium	28,251,705	–	28,251,705
Other capital reserve	3,225	–	3,225
As at 31 December 2019	28,254,930	–	28,254,930

For the year ended 31 December 2020, the details of the addition of other capital reserve are set out in Note 31 and Note 50, respectively.

53. 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 RMB'000	Addition RMB'000	Closing RMB'000
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**
Statutory reserve	2,431,354	240,207	2,671,561
Discretionary reserve	654,024	120,104	774,128
For the year ended 31 December 2019	3,085,378	360,311	3,445,689

53. 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. In 2019, the Company management decided to appropriate 11% of net profit derived as general risk reserve from retained profits. Since 2020, the Company management has decided to appropriate 10% of net profit derived as general risk reserve from retained profits.

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 RMB'000	Addition RMB'000	Closing RMB'000
General risk reserve	**3,661,478**	**450,844**	**4,112,322**
Transaction risk reserve	**4,336,198**	**242,577**	**4,578,775**
For the year ended 31 December 2020	**7,997,676**	**693,421**	**8,691,097**
General risk reserve	3,118,346	543,132	3,661,478
Transaction risk reserve	3,943,259	392,939	4,336,198
For the year ended 31 December 2019	7,061,605	936,071	7,997,676

53. 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	
	2020 RMB'000	**2019 RMB'000**
At beginning of year	**498,898**	(192,374)
Equity instruments at FVTOCI:		
Net fair value changes during the year	**(64,468)**	72,020
Income tax related to net fair value changes during the year	**16,117**	(18,005)
Debt instruments at FVTOCI:		
Net fair value changes during the year	**(218,062)**	626,982
Income tax related to net fair value changes during the year	**54,515**	(156,745)
Reclassification adjustment to profit or loss on disposal	**(363,353)**	(65,572)
Reclassification adjustment to profit or loss on expected credit loss	**147,842**	21,695
Income tax related to reclassification adjustment to profit or loss during the year	**53,878**	10,969
Share of fair value losses on debt instruments at FVTOCI of associates	**(9,682)**	(8,524)
Transfer to retained profits for cumulative fair value change of equity instruments at FVTOCI upon disposal	**28,713**	208,452
At end of year	**144,398**	498,898

(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.

54. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
At beginning of year	**6,773,604**	6,542,724
Profit for the year	**2,722,989**	2,435,080
Appropriation to surplus reserve	**(230,459)**	(360,311)
Appropriation to general reserve	**(693,421)**	(936,071)
Dividends recognised as distribution	**(1,049,048)**	(699,366)
Transfer to retained profit as to cumulative fair value losses of equity instruments at FVTOCI	**(28,713)**	(208,452)
At end of year	**7,494,952**	6,773,604

Details of the dividends are set out in Note 55.

55. DIVIDENDS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution	**1,049,048**	699,366

During the year ended 31 December 2020, a final dividend of RMB1.50 (tax inclusive) per 10 shares in respect of the year ended 31 December 2019 (2019: RMB1.00 (tax inclusive) per 10 shares in respect of the year ended 31 December 2018) was declared.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB2.50 (tax inclusive) per 10 shares (2019: final dividend in respect of the year ended 31 December 2019 of RMB1.50 (tax inclusive)) per 10 share, in an aggregate amount of RMB1.75 billion (2019: RMB1.05 billion), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

56. 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 2020

	Financial assets at fair value through profit or loss RMB'000	Debt instruments at FVTOCI RMB'000	Equity instruments at FVTOCI RMB'000	Advances to customers RMB'000	Financial assets held under resale agreements RMB'000	Debt instruments measured at amortised cost RMB'000	Securities borrowing arrangements RMB'000	Total RMB'000
Carrying amount of 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 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

56. TRANSFERS OF FINANCIAL ASSETS *(Continued)*

Repurchase agreements *(Continued)*

As at 31 December 2019

	Financial assets at fair value through profit or loss RMB'000	Debt instruments at FVTOCI RMB'000	Equity instruments at FVTOCI RMB'000	Advances to customers RMB'000	Debt instruments measured at amortised cost RMB'000	Securities borrowing arrangements RMB'000	Total RMB'000
Carrying amount of transferred assets	20,705,013	33,456,045	1,777,690	–	5,057,632	1,701,055	62,697,435
Carrying amount of associated liabilities	19,003,572	30,725,755	1,622,704	–	4,590,480	1,535,552	57,478,063
Net position	1,701,441	2,730,290	154,986	–	467,152	165,503	5,219,372

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 RMB574 million and RMB204 million as at 31 December 2020 and 2019, 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.

57. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2020 and 2019 are set out below:

For the year ended 31 December 2020

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Pan Xinjun (a)	–	800	–	2,157	2,957
Jin Wenzhong (a)	–	960	115	2,157	3,232
Non-executive Directors:					
Chen Bin (b)	–	–	–	–	–
Li Xiang (b)	–	–	–	–	–
Wu Junhao (c)	–	–	–	–	–
Xu Jianguo (d)	–	–	–	–	–
Liu Wei (e)	–	–	–	–	–
Xia Jinghan (e)	–	–	–	–	–
Chen Xiaobo (f)	–	683	–	1,921	2,604
Zhou Donghui (g)	–	–	–	–	–
Independent Non-executive Directors:					
Xu Guoxiang (h)	160	–	–	–	160
Tao Xiuming (i)	160	–	–	–	160
Wei Anning (i)	190	–	–	–	190
Jin Qinglu (j)	190	–	–	–	190
Xu Zhiming (k)	160	–	–	–	160
Wu Hong (l)	16	–	–	–	16
Feng Xingdong (l)	13	–	–	–	13
He Xuan (l)	13	–	–	–	13
Supervisors:					
Zhang Qian (m)	–	–	–	–	–
Li Bin (n)	–	64	–	–	64
Liu Wenbin (o)	–	–	–	–	–
Yin Keding (p)	–	–	–	–	–
Wu Zhengkui (q)	–	–	–	–	–
Huang Laifang (r)	–	–	–	–	–
Tong Jie (s)	–	–	–	-	-
Du Weihua (t)	–	768	105	2,118	2,991
Zhou Wenwu (u)	–	820	112	1,841	2,773
Yao Yuan (p)	–	835	112	2,733	3,680
	902	4,930	444	12,927	19,203

57. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2019

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Pan Xinjun [(a)]	–	960	145	3,823	4,928
Jin Wenzhong [(a)]	–	960	145	3,823	4,928
Non-executive Directors:					
Chen Bin [(b)]	–	–	–	–	–
Li Xiang [(b)]	–	–	–	–	–
Wu Junhao [(c)]	–	–	–	–	–
Xu Jianguo [(d)]	–	–	–	–	–
Du Weihua [(t)]	–	–	–	–	–
Liu Wei [(e)]	–	–	–	–	–
Xia Jinghan [(e)]	–	–	–	–	–
Independent Non-executive Directors:					
Xu Guoxiang [(h)]	160	–	–	–	160
Tao Xiuming [(i)]	160	–	–	–	160
Wei Anning [(i)]	190	–	–	–	190
Jin Qinglu [(j)]	190	–	–	–	190
Xu Zhiming [(k)]	160	–	–	–	160
Supervisors:					
Zhang Qian [(m)]	–	–	–	–	–
Li Bin [(n)]	–	768	139	3,704	4,611
Liu Wenbin [(o)]	–	–	–	–	–
Yao Yuan [(p)]	–	820	145	2,081	3,046
Yin Keding [(p)]	–	–	–	–	–
Wu Zhengkui [(q)]	–	–	–	–	–
Huang Laifang [(r)]	–	–	–	–	–
Tong Jie [(s)]	–	–	–	–	–
Zhou Wenwu [(u)]	–	820	145	1,716	2,681
	860	4,328	719	15,147	21,054

* The amount of director fee was nil, except for the independent director fee disclosed.

57. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

a. Pan Xinjun was appointed as chairman of the board in January 2010, and resigned in October 2020. Jin Wenzhong was appointed as director in September 2010.

b. Chen Bin and Li Xiang were appointed as director in October 2014.

c. Wu Junhao were appointed as director in March 2011.

d. Xu Jianguo was appointed as director in November 2016.

e. Liu Wei and Xia Jinghan were appointed as director in March 2018.

f. Chen Xiaobo was appointed as director in March 2020, and resigned in November 2020.

g. Zhou Donghui was appointed as director in May 2020.

h. Xu Guoxiang was appointed as independent director in August 2014, and resigned in August 2020.

i. Tao Xiuming and Wei Anning were appointed as independent director in October 2014, and resigned in October 2020.

j. Jin Qinglu was appointed as independent director in October 2017.

k. Xu Zhiming was appointed as independent director in September 2015. The appointment took effect in July 2016.

l. Wu Hong, Feng Xingdong and He Xuan were appointed as independent director in December 2020.

m. 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.

n. Li Bin was appointed as supervisor in November 2014, and resigned in February 2020.

o. Liu Wenbin was appointed as supervisor in March 2011.

p. Yin Keding and Yao Yuan were appointed as supervisor in October 2014.

q. Wu Zhengkui was appointed as supervisor in February 2012.

r. Huang Laifang was appointed as director in May 2016, and resigned in March 2018. Huang Laifang was appointed as supervisor in March 2018.

s. Tong Jie was appointed as supervisor in March 2018.

t. Du Weihua was appointed as director in March 2018, and resigned in February 2020. Du Weihua was appointed as supervisor in February 2020.

u. Zhou Wenwu was appointed as supervisor in August 2015.

57. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services as supervisors of the Company.

The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. The amounts of bonus paid and disclosed for the year ended 31 December 2020 are actually performance bonus in 2019.

For the year ended 31 December 2020 and 2019, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

58. COMMITMENTS AND CONTINGENT LIABILITY

(1) Capital commitments

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Capital expenditure in respect of acquisition of property and equipment:		
Contracted but not provided for	**49,321**	49,530

(2) Operating leasing arrangements

The Group as lessor

During the year of 2020 and 2019, the Group did not have material lease commitment as lessor.

59. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 57. Details of the remuneration of the five highest paid employees during the year ended 2020 and 2019 are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	**13,513**	12,450
Discretionary bonuses	**85,248**	77,226
Employer's contribution to pension schemes	**115**	272
	98,876	89,948

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 2020 and 2019.

59. HIGHEST PAID INDIVIDUALS *(Continued)*

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2020 RMB'000	**2019 RMB'000**
Emolument bands		
– HKD13,000,001 to HKD13,500,000	**–**	1
– HKD17,000,001 to HKD17,500,000	**–**	1
– HKD17,500,001 to HKD18,000,000	**1**	–
– HKD18,000,001 to HKD18,500,000	**1**	1
– HKD21,500,001 to HKD22,000,000	**1**	–
– HKD23,000,001 to HKD23,500,000	**–**	1
– HKD27,500,001 to HKD28,000,000	**1**	–
– HKD28,000,001 to HKD28,500,000	**–**	1
– HKD31,500,001 to HKD32,000,000	**1**	–
	5	5

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related party

The Group and major shareholder

Following major shareholder held more than 10% shares of the Company is considered as a related party of the Group:

	Percentage of shares held As at 31 December	
	2020 %	**2019 %**
申能(集團)有限公司 Shenergy (Group) Company Limited	**25.27**	25.27

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(1) Relationship of related party *(Continued)*

The Company and subsidiaries

The details of the Company's subsidiaries is set out in Note 37.

The Group and associates

The details of the associates of the Group is set out in Note 31.

(2) Related party transaction and balances

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 2020 and 2019, the Group had the following material balances with the major shareholder and entities under its control:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Account payables to brokerage clients		
– Shenergy Group Finance Company Limited*	**9,865**	–
– Shanghai Dazhong Gas Co., Ltd.*	**5,922**	4,163
– Shanghai Jiu Lian Group Co., Ltd.*	**12,665**	394
– Shenergy (Group) Company Limited	**14**	47
– Shanghai Shenergy Property Management Co., Ltd.*	**14**	14
– Shanghai Gas (Group) Co., Ltd.*	**8**	8
– Shanghai Shenergy ICY Capital Co., Ltd.	**7**	–
– Shanghai Shibei Gas Co.,Ltd	**5**	5

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2020 and 2019, the Group had the following material transactions with the major shareholder and entities under its control:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Commission and fee income		
– Shenergy Company Limited	**66**	2,112
– Shenergy (Group) Company Limited	**177**	1,127
– Shanghai Gas (Group) Co., Ltd.*	**–**	500
– Shenergy Group Finance Company Limited*	**107**	44
– Shanghai Jiu Lian Group Co., Ltd.*	**131**	23
– Shanghai Shenergy ICY Capital Co., Ltd.	**2**	-
Interest expenses		
– Shanghai Dazhong Gas Co., Ltd.*	**18**	12
– Shenergy Group Finance Company Limited*	**20**	31
– Shanghai Gas (Group) Co., Ltd.*	**13**	13
– Shenergy (Group) Company Limited	**65**	28
– Shenergy Company Limited	**17**	28
– Shanghai Jiu Lian Group Co., Ltd.*	**24**	42
– Shanghai Shenergy ICY Capital Co., Ltd.	**11**	–
– Shenergy Carbon Technology Co., Ltd.*	**2**	1
Other operating expenses		
– Shanghai Shenergy Property Management Co., Ltd.*	**17,523**	12,173
– Shanghai Dazhong Gas Co., Ltd.*	**147**	211
Net investment gains		
– Shanghai Shenergy ICY Capital Co., Ltd.	**2,938**	–

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

As at 31 December 2020 and 2019, the Group had the following material balances with associates:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Account payables to brokerage clients		
– China Universal	**2,085**	2,141
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	**38**	811
– Shanghai Junyu Investment Center LLP.*	**–**	3
– Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*	**1,245**	115
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP.*	**9,849**	9,798
– Shanghai Junyu Investment Center LLP.*	**–**	2,075
– China Universal	**9,658**	–
Other account payables		
– Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*	**2,123**	1,274

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

As at 31 December 2020 and 2019, the Group had the following material balances of products managed by associates:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Financial assets at FVTPL		
– China Universal	**955,227**	1,360,939
– Shanghai Dongkai Capital Co., Ltd.*	**132,177**	25,221

As at 31 December 2020 and 2019, the Group had the following material balances of securities issued by associates:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Financial assets at FVTPL		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**289,116**	56,656
Debt instruments at FVTOCI		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**–**	77,199

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2020 and 2019, the Group had the following material transactions with associates:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Commission and fee income		
– China Universal	**276,650**	135,735
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	**14,185**	14,079
– Orient Securities Ruibo (Shanghai) Investment Center LLP.*	**–**	4,292
– Shanghai Junyu Investment Center LLP.*	**–**	2,075
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**104**	969
– Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*	**7,642**	3,821
– Nantong Dongzhen Fuxiang Equity Investment Center LLP.*	**5,585**	5,585
– Chengdu Jiaozi Oriental Investment Development Partnership LLP. *	**7,336**	–
– Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. *	**2,024**	-
Interest expenses		
– China Universal	**10**	74
– Shanghai Junyu Investment Center LLP.*	**12**	5
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	**32**	1
– Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.*	**2**	–
Interest income		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**–**	7,903
Net investment gains		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**12,951**	987
– Shanghai Dongkai Investment Management Co., Ltd.*	**113**	–

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

As at 31 December 2020 and 2019, the Group had the following material balances with other related parties**:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Account payables to brokerage clients		
– Shanghai Construction Group., Ltd.	**16**	18,260
– China Pacific Property Insurance Co., Ltd.	**–**	1
– Shanghai Shangbao Asset Management Co., Ltd.	**14,702**	1
– Greenland Group	**183**	2,859
– China Greatwall Technology Group Co., Ltd.	**1**	–
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	**–**	3
Derivative financial assets		
– China Pacific Property Insurance Co., Ltd.	**–**	88

As at 31 December 2020 and 2019, the Group had the following material balances of products managed by other related parties**:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Financial assets at FVTPL		
– Great Wall Fund Management Co., Ltd.	**–**	50,029

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

As at 31 December 2020 and 2019, the Group had the following material balances of products managed by other related parties**:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Financial assets at FVTPL		
– Great Wall Fund Management Co., Ltd.	**279,866**	222,708
– Haitong Securities Co., Ltd.	**13,670**	110,025
– Shanghai Construction Group., Ltd.	**67**	668
– China Pacific Insurance (Group) Co., Ltd.	**22,138**	9,833
– Greenland Group	**215**	39
– Shanghai Qizhong Garden Golf Club.	**15,732**	29,000
– China Greatwall Technology Group Co., Ltd.	**338**	265
– Yantai Changyu Pioneer Wine Co., Ltd.	**31**	43
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	**17**	24
– Jiangsu Financial Leasing Co., Ltd.	**35**	51
Equity instruments at FVTOCI		
– Shanghai Construction Group., Ltd.	**166,785**	165,425
Debt instruments at FVTOCI		
– Shanghai XinHua Distribution Group Co., Ltd.	**51,018**	142,710
– China Pacific Property Insurance Co., Ltd.	**106,409**	104,356
– Shanghai Shangbao Asset Management Co., Ltd.	**40,445**	40,449
– Greenland Group	**–**	20,741

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

For the year ended 31 December 2020 and 2019, the Group had the following material transactions with other related parties**:

	As at 31 December	
	2020 **RMB'000**	**2019** **RMB'000**
Commission and fee income		
– Great Wall Fund Management Co., Ltd.	**3,462**	2,710
– Shanghai XinHua Distribution Group Co., Ltd.	**27**	90
– Shanghai Construction Group., Ltd.	**820**	11
– Greenland Group	**–**	712
– Zhejiang Energy Group CP Ltd.	**218**	125
– Orient International Group Shanghai Investment Co., Ltd.	**8**	90
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	**8**	–
Interest income		
– China Pacific Property Insurance Co., Ltd.	**4,838**	5,637
– Shanghai XinHua Distribution Group Co., Ltd.	**3,179**	4,483
– Shanghai Shangbao Asset Management Co., Ltd.	**1,543**	407
– Greenland Group	**457**	772
Net investment gains/ (losses)		
– Shanghai Construction Group., Ltd.	**7,758**	7,778
– Haitong Securities Co., Ltd.	**(899)**	3,399
– Great Wall Fund Management Co., Ltd.	**6,623**	119
– China Pacific Insurance (Group) Co., Ltd.	**(1,172)**	(298)
– Greenland Group	**(138)**	30
– China Greatwall Technology Group Co., Ltd.	**88**	70
– Yantai Changyu Pioneer Wine Co., Ltd.	**20**	(1)
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	**(3)**	3
– Jiangsu Financial Leasing Co., Ltd.	**12**	6
Interest expenses		
– Shanghai Construction Group., Ltd.	**68**	23
– Shanghai Shangbao Asset Management Co., Ltd.	**–**	1
– Greenland Group	**633**	353
– China Greatwall Technology Group Co., Ltd.	**1**	–
– Orient International Group Shanghai Investment Co., Ltd.	**1**	5
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	**2**	–
Other operating expenses		
– China Pacific Property Insurance Co., Ltd.	**630**	441

60. 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 2020.

Please refer to Note 50 for the details of the transfer of 33.33% of the equity interests in the Citi Orient from the Citigroup Asia to the Company.

(3) Key management personnel

Remuneration for key management personnel of the Group are as follows:

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Short-term benefits:		
Salaries, allowance and bonuses	**40,053**	50,899
Post-employment benefits:		
Employer's contribution to pension schemes/annuity plans	**887**	1,562
	40,940	52,461

The amounts of bonus paid and disclosed for the year ended 31 December 2020 are actually performance bonus in 2019.

(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.

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Guarantees provided by the Group *(Continued)*

In September 2019, Orient Finance Holdings (Hong Kong) Limited agreed to provide the USD166 million amounts of guarantee in respect of bonds with the maturity date in September 2020, issued by the Orient ZhiHui Limited which is the subsidiary of Orient Finance Holdings (Hong Kong) Limited.

In October 2019, Orient Finance Holdings (Hong Kong) Limited agreed to provide the HKD300 million amounts of guarantee in respect of loan facilities with the maturity date in October 2020, provided to Orient Securities (Hong Kong) Limited which is the subsidiary of Orient Finance Holdings (Hong Kong) Limited.

In December 2019, Orient Finance Holdings (Hong Kong) Limited agreed to provide the 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.

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.

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.

61. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Cash and bank balances	**30,827,925**	27,584,529
Clearing settlement funds	**6,665,102**	5,964,640
Deposits with exchanges and financial institutions	**1,368,645**	1,039,479
Derivative financial assets	**140,086**	575,515
Advances to customers	**20,945,414**	12,924,955
Account receivables	**236,450**	515,023
Financial assets held under resale agreements	**14,114,677**	23,189,666
Financial assets at fair value through profit or loss	**51,976,489**	45,611,235
Debt instruments at fair value through other comprehensive income	**62,645,975**	64,895,563
Equity instruments at fair value through other comprehensive income	**10,868,377**	10,796,864
Debt instruments measured at amortised cost	**6,243,897**	7,193,554
Deferred tax assets	**1,118,921**	483,544
Investments in an associate	**2,585,810**	2,066,502
Investments in subsidiaries	**15,773,304**	13,985,793
Right-of-use assets	**520,743**	600,692
Investment properties	**40,957**	31,207
Property and equipment	**2,099,933**	2,100,229
Other intangible assets	**165,438**	133,358
Goodwill	**18,948**	18,948
Other loans, receivables and prepayments	**257,977**	183,739
Total assets	**228,615,068**	219,895,035

61. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Due to banks and other financial institutions	**9,670,114**	6,384,659
Short-term financing bill payables	**16,255,099**	14,988,991
Account payables to brokerage clients	**26,064,505**	18,598,950
Financial assets sold under repurchase agreements	**49,352,916**	51,950,255
Financial liabilities at fair value through profit or loss	**12,277,620**	11,190,369
Derivative financial liabilities	**486,364**	2,618,098
Accrued staff costs	**830,596**	516,764
Lease liabilities	**516,618**	591,193
Current tax liabilities	**66,492**	–
Bond payables	**56,346,130**	62,122,472
Other account payables, other payables and accruals	**1,084,562**	346,388
Total liabilities	**172,951,016**	169,308,139
Share capital	**6,993,656**	6,993,656
Other equity instrument	**4,995,755**	–
Reserves	**38,987,193**	38,826,681
Retained profits	**4,687,448**	4,766,559
Total equity	**55,664,052**	50,586,896
Total equity and liabilities	**228,615,068**	219,895,035

61. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

	Share capital RMB'000	Other equity instrument RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000	General reserve RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 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 income 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**
As at 1 January 2019	6,993,656	–	28,157,008	3,085,378	6,043,383	(40,912)	4,054,427	48,292,940
Profit for the year	–	–	–	–	–	–	2,402,073	2,402,073
Other comprehensive income for the year	–	–	–	–	–	591,249	–	591,249
Total comprehensive income for the year	–	–	–	–	–	591,249	2,402,073	2,993,322
Appropriation to surplus reserve	–	–	–	360,311	–	–	(360,311)	–
Appropriation to general reserve	–	–	–	–	624,539	–	(624,539)	–
Dividends recognised as distribution	–	–	–	–	–	–	(699,366)	(699,366)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal	–	–	–	–	–	5,725	(5,725)	–
At 31 December 2019	6,993,656	–	28,157,008	3,445,689	6,667,922	556,062	4,766,559	50,586,896

Note a: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

62. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Financial assets		
Financial assets at fair value through profit or loss	**72,856,993**	67,510,195
Debt instruments at FVTOCI	**62,645,975**	64,895,563
Equity instruments at FVTOCI	**10,936,458**	10,832,873
Financial assets measured at amortised cost	**132,523,331**	110,030,694
	278,962,757	253,269,325
Financial liabilities		
Financial liabilities at fair value through profit or loss	**15,081,030**	15,274,336
Financial liabilities measured at amortised cost	**211,064,397**	190,577,050
	226,145,427	205,851,386

63. FINANCIAL RISK MANAGEMENT

63.1 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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.1 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 Group has set up a risk management structure with five levels, comprising: (i) the Board, (ii) the management, (iii) Chief Risk Officer and Compliance Officer, (iv) each functional unit in charge of risk management, and (v) risk management function for each business department, branch and subsidiary.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.2 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 positons, 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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.2 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;

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.2 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 2020.

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 2020, the Group invests primarily in bonds with debt ratings of AA or above (inclusive).

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.2 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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.2 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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.2 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 8.34% to 11.12%;

- Growth rate of the CPI: the forecast rate as of 31 December 2021 ranges between 1.13% and 1.50%;

- Growth rate of PPI: the forecast rate as of 31 December 2021 ranges from 1.39% to 1.85%.

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 homogenous exposures.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.2 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	
	2020	**2019**
	RMB'000	**RMB'000**
Advances to customers	**21,171,919**	13,214,262
Account receivables	**874,406**	1,019,920
Other loans and receivables	**432,877**	569,034
Debt instruments at FVTOCI	**62,645,975**	64,895,563
Financial assets held under resale agreements	**14,460,425**	24,206,542
Financial assets at fair value through profit or loss	**26,977,231**	30,575,190
Debt instruments measured at amortised cost	**6,243,897**	7,193,554
Derivative financial assets	**155,876**	609,102
Deposits with exchanges and financial institutions	**2,183,090**	1,642,894
Clearing settlement funds	**21,516,357**	13,243,654
Cash and bank balances	**65,640,360**	48,940,834
	222,302,413	206,110,549

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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.3 Market risk

Market risk is the risk of loss arising from fluctuations in stock prices, interest rates and exchange rates in the securities markets. The Group faces market risk primarily in the Group's securities investment business. The Group's business departments, branches and subsidiaries are the first line of defense against market risk. The Group's risk management functional units are responsible for overall market risk management.

To enhance the management of market risk, the Group currently adopts the following measures:

- Marking-to-market, concentration analysis and quantitative risk model, to manage scale, leverage, risk exposure, duration and to establish dynamic-tracking stop-loss mechanisms.

- Identifying the key factors affecting portfolio returns through sensitivity analysis, and evaluating the tolerance of investment portfolios to extreme market fluctuations by using scenario analysis and stress-testing.

- Ensuring diversified and scientific asset allocation, using derivatives such as stock index futures to hedge against risks, and using various investment strategies for hedging.

- Closely monitoring the macroeconomic indicators and trends and significant development in economic policies, and evaluating the systematic risk on investment that may arise from changes in macro factors.

- Set up the institution for decision-making, performance and responsibility for the significant events, prepare emergency plans under various predicable extreme cases, and grade and manage the significant events according to the seriousness.

Interest rate risk

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

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, advances to customers, clearing settlement funds, debt instruments 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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.3 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.

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 2020

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	1,456,820	6,670,846	13,044,253	–	–	–	21,171,919
Account receivables	–	–	–	–	–	874,406	874,406
Other loans and receivables	–	–	78,721	–	–	354,156	432,877
Financial assets held under resale 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 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 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 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

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.3 Market risk *(Continued)*

Interest rate risk *(Continued)*

As at 31 December 2020 *(Continued)*

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Liabilities							
Borrowings	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 account payables and other payables	–	–	–	–	–	2,790,038	2,790,038
Due to banks and other 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 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 agreements	45,681,063	2,245,794	4,934,026	–	–	–	52,860,883
Subtotal	131,953,623	11,968,798	24,050,227	49,961,108	4,094,983	4,973,598	227,002,337
Net interest-bearing position	(25,346,692)	(1,293,495)	1,980,458	(10,721,008)	34,282,826	53,058,331	51,960,420

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.3 Market risk *(Continued)*

Interest rate risk *(Continued)*

As at 31 December 2019

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	783,662	3,857,970	8,572,630	–	–	–	13,214,262
Account receivables	–	–	–	–	–	1,019,920	1,019,920
Other loans and receivables	–	–	148,813	139,524	–	280,697	569,034
Financial assets held under resale agreements	21,507,141	1,299,529	1,115,015	284,857	–	–	24,206,542
Debt instruments at FVTOCI	156,238	363,125	4,523,569	37,257,646	22,594,985	–	64,895,563
Equity instruments at FVTOCI	–	–	–	–	–	10,832,873	10,832,873
Financial assets at fair value through profit or loss	1,327,603	624,027	6,144,805	16,897,116	5,581,639	36,325,903	66,901,093
Debt instruments measured at amortised cost	–	178,270	229,019	4,662,790	2,123,475	–	7,193,554
Derivative financial assets	16	13,446	22,315	–	–	573,325	609,102
Deposits with exchanges and financial institutions	1,642,894	–	–	–	–	–	1,642,894
Clearing settlement funds	13,243,654	–	–	–	–	–	13,243,654
Cash and bank balances	48,919,530	–	21,304	–	–	–	48,940,834
Subtotal	87,580,738	6,336,367	20,777,470	59,241,933	30,300,099	49,032,718	253,269,325

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.3 Market risk *(Continued)*

Interest rate risk *(Continued)*

As at 31 December 2019 *(Continued)*

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Liabilities							
Borrowings	349,735	290,419	–	–	–	–	640,154
Bonds Payables	–	2,117,130	25,828,657	35,280,458	4,082,954	–	67,309,199
Account payables to brokerage clients	40,179,178	–	–	–	–	–	40,179,178
Other account payables and other payables	–	–	–	–	–	2,472,597	2,472,597
Due to banks and other financial institutions	4,871,391	1,010,063	503,205	–	–	–	6,384,659
Short-term financing bill payables	4,626,537	8,288,990	3,197,673	–	–	–	16,113,200
Financial liabilities at fair value through profit or loss	5,807,585	1,652,880	4,178,787	–	–	991,709	12,630,961
Derivative financial liabilities	103,255	1,008,320	1,443,753	–	–	88,047	2,643,375
Lease liabilities	43,484	43,592	229,475	656,637	21,817	–	995,005
Financial assets sold under repurchase agreements	54,860,001	1,202,568	1,415,494	–	–	–	57,478,063
Subtotal	110,841,166	15,613,962	36,797,044	35,937,095	4,104,771	3,552,353	206,846,391
Net interest-bearing position	(23,260,428)	(9,277,595)	(16,019,574)	23,304,838	26,195,328	45,480,365	46,422,934

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.3 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	
	2020	**2019**
	RMB'000	**RMB'000**
Profit for the year		
50 basis points increase	**(333,117)**	(421,025)
50 basis points decrease	**340,630**	429,329
Equity		
50 basis points increase	**(1,384,387)**	(1,336,688)
50 basis points decrease	**1,457,181**	1,380,547

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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.3 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	
	2020	**2019**
	RMB'000	**RMB'000**
Profit before income tax for the year		
Increase by 10%	**3,079,873**	2,166,067
Decrease by 10%	**(3,079,873)**	(2,166,067)
Other comprehensive income before income tax for the year		
Increase by 10%	**1,093,646**	1,083,287
Decrease by 10%	**(1,093,646)**	(1,083,287)

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.4 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.

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.4 Liquidity risk *(Continued)*

Undiscounted cash flows by contractual maturities of non-derivative financial liabilities *(Continued)*

As at 31 December 2020

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	–	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
Due to banks and other 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 profit or loss	657,570	7,634,219	5,881,807	460,785	–	14,634,381	14,576,073
Other account payables and other payables	2,790,038	–	–	–	–	2,790,038	2,790,038
Financial assets sold under repurchase 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

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.4 Liquidity risk *(Continued)*

***Undiscounted cash flows by contractual maturities of non-derivative financial liabilities** (Continued)*

As at 31 December 2019

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	–	248,072	429,290	–	–	677,362	640,154
Short-term financing bill payables	–	12,963,650	3,252,951	–	–	16,216,601	16,113,200
Due to banks and other financial institutions	–	5,889,728	508,215	–	–	6,397,943	6,384,659
Account payables to brokerage clients	40,179,178	–	–	–	–	40,179,178	40,179,178
Financial liabilities at fair value through profit or loss	–	7,727,555	4,260,249	705,650	–	12,693,454	12,630,961
Other account payables and other payables	2,472,597	–	–	–	–	2,472,597	2,472,597
Financial assets sold under repurchase agreements	–	56,062,636	1,433,197	–	–	57,495,833	57,478,063
Lease liabilities	–	87,967	233,218	721,602	26,603	1,069,390	995,005
Bond Payables	–	3,023,188	29,501,699	39,230,582	4,597,600	76,353,069	67,309,199
	42,651,775	86,002,796	39,618,819	40,657,834	4,624,203	213,555,427	204,203,016

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.5 Capital management

The Group's and the Company's objectives of capital management are:

- To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's and the Company's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Firms (Revision 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").

63. FINANCIAL RISK MANAGEMENT *(Continued)*

63.5 Capital management *(Continued)*

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.

64. 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			
	2020		2019	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Debt instruments measured at amortised cost	**6,243,897**	**6,242,305**	7,193,554	7,191,385
Financial liabilities				
Bond payables				
– Corporate bonds	**28,280,531**	**28,446,997**	26,202,985	26,462,646
– Subordinated bonds	**17,414,768**	**17,412,691**	27,070,475	27,069,056
– Income certificates	**6,113,681**	**5,943,530**	4,149,811	4,098,397
– Offshore bonds	**10,456,493**	**10,694,234**	9,885,928	9,960,236
Total	**62,265,473**	**62,497,452**	67,309,199	67,590,335

64. 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 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	**1,692,810**	**4,549,495**	**–**	**6,242,305**
Financial liabilities				
Bond payables	**45,859,688**	**16,637,764**	**–**	**62,497,452**

As at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	3,321,933	3,869,452	–	7,191,385
Financial liabilities				
Bond payables	53,531,702	14,058,633	–	67,590,335

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.

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Some of the financial assets and financial liabilities are measured at fair value at the end of the year of 2020 and 2019. The following tables give information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key input(s) used.

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
1) **Debt instruments at FVTOCI**						
Debt securities						
– Traded on stock exchanges	**27,054,265**	36,821,013	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on inter-bank market	**35,591,710**	28,074,550	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
	62,645,975	64,895,563				

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
2) **Equity instruments at FVTOCI**						
Equity securities						
– Traded on stock exchanges	**2,454,100**	1,993,631	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	**42,752**	141,978	Level 2	Recent transaction prices.	N/A	N/A
– Traded on National Equities Exchange and Quotations	**87,008**	148,292	Level 3	Calculated based on pricing/yield such as price-to earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability.	P/E multiples P/S multiples Discount for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.
– Private equity investments	**175,837**	189,985	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 P/B multiples P/S multiples Discount for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
2) Equity instruments at FVTOCI *(Continued)*						
Equity securities *(Continued)*						
– Restricted shares	**33,780**	80,087	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.	Discount for lack of marketability.	The higher the discount, the lower the fair value.
Perpetual instruments – Traded on stock exchanges	**1,743,286**	1,946,648	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on inter-bank market	**1,270,593**	1,317,389	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of perpetual instruments as the key parameter.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
2) Equity instruments at FVTOCI *(Continued)*						
Other investment						
– Investment in a special account managed by CSFCL	**5,129,102**	5,014,863	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment and adjustment of related expenses.	N/A	N/A
	10,936,458	10,832,873				
3) Financial assets at FVTPL						
Debt securities						
– Traded on stock exchanges	**16,088,428**	19,926,770	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on inter-bank market	**10,888,803**	10,648,420	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
3) **Financial assets at FVTPL** *(Continued)*						
Equity securities						
– Traded on stock exchanges	**4,858,187**	4,164,112	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	**112,731**	533,640	Level 2	Recent transaction prices.	N/A	N/A
– Traded on National Equities Exchange and Quotations	**184,611**	68,838	Level 3	Calculated based on pricing/yield such as price-to earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability.	P/E multiples P/B multiples P/S multiples Discount for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.
– Private equity investments	**3,008,083**	2,617,415	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 P/B multiples P/S multiples Discount for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
3) **Financial assets at FVTPL** *(Continued)*						
Equity securities *(Continued)*						
– Restricted shares	**676,306**	741,581	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.	Discount for lack of marketability.	The higher the discount, the lower the fair value.
Funds						
– Traded on stock exchanges	**1,905,890**	1,670,636	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	**9,501,764**	7,929,167	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
3) **Financial assets at FVTPL** *(Continued)*						
Other investments						
– Collective assets management schemes issued by financial institutions	**18,371,377**	11,018,349	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
Other investments						
– Other assets management schemes	**23,397**	260,593	Level 3	The fair value is determined with reference to the net asset value of the underlying investments with an adjustment of discount for the credit risk of counterparty.	Discount rate.	The higher the discount, the lower the fair value.
– Perpetual instruments traded on stock exchanges	**4,656,818**	5,829,426	Level 1	Quoted bid price in an active market.	N/A	N/A
– Perpetual instruments traded on inter-bank market	**2,424,722**	1,492,146	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
	72,701,117	66,901,093				

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
4) Financial liabilities at FVTPL						
Debt securities						
– Traded on inter-bank market	**(2,254,363)**	(4,124,612)	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key inputs.	N/A	N/A
Gold borrowings	**(9,906,000)**	(7,514,640)	Level 1	Quoted bid price in an active market.	N/A	N/A
Others	**(684,641]**	(705,650)	Level 2	Transaction price of its underlying assets.	N/A	N/A
Others	**(468,543)**	–	Level 2	Discounted cash flows. Future cash flows are estimated based on the return of underlying gold in terms of quoted prices from futures exchange and the prices agreed in the agreements between the company and the counterparty.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
4) Financial liabilities at FVTPL *(Continued)*						
Debt securities *(Continued)*						
– Interests attributable to other holders of consolidated structured entities	**(819,690)**	(286,059)	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
Interests attributable to other holders of consolidated structured entities	**(442,836)**	–	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 Discount for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.
	(14,576,073)	(12,630,961)				

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments						
Interest rate swaps – assets	**1,728**	1,703	Level 2	Discounted cash flows. Future cash flows are estimated based in forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Interest rate swaps – liabilities	**(11,355)**	–	Level 2	Discounted cash flows. Future cash flows are estimated based in forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Stock index futures – assets	**332**	–	Level 1	Quoted bid price in an active market.	N/A	N/A
Stock index futures – liabilities	**(302)**	–	Level 1	Quoted bid price in an active market.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments *(Continued)*						
Commodity futures – assets	**–**	24,017	Level 2	Recent transaction prices.	N/A	N/A
Total return swaps – assets	**6,901**	720	Level 2	Calculated based on the difference between the equity return of underlying securities based on quoted prices in an active market and the fixed income agreed in the swap agreements between the company and the counterparty.	N/A	N/A
Total return swaps – liabilities	**(3,098)**	(5,510)	Level 2	Calculated based on the difference between the yield of underlying securities based on quoted prices in an active market and the fixed income agreed in the swap agreements between the company and the counterparty.	N/A	N/A
Stock options – assets	**70,875**	22,051	Level 2	Recent transaction prices.	N/A	N/A
Stock options – liabilities	**(58,197)**	(49,637)	Level 2	Recent transaction prices.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments *(Continued)*						
Commodity options – assets	**12,473**	16,189	Level 2	Recent transaction prices.	N/A	N/A
Commodity options – liabilities	**(1,372)**	(10,278)	Level 2	Recent transaction prices.	N/A	N/A
Derivatives embedded in income certificates – liabilities	**(35)**	(3,480)	Level 2	Calculated based on contracted interest rates with reference to the market prices of underlying assets.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments *(Continued)*						
Commodity swaps – assets	**–**	500,644	Level 2	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Commodity swaps – liabilities	**(49,029)**	–	Level 2	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Gold forwards – liabilities	**(36,224)**	(5,378)	Level 2	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Currency swaps – assets	**–**	6,899	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contracted exchange rate.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments *(Continued)*						
Currency swaps – liabilities	**(15,002)**	(4,175)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contracted exchange rate.	N/A	N/A
Credit default swap – assets	**651**	1,102	Level 2	Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to credit default risk of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) **Derivative financial instruments** *(Continued)*						
Credit default swap – liabilities	**(3,151)**	(5,314)	Level 2	Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to credit default risk of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Gold option arrangements – assets	**12,853**	35,777	Level 2	Discounted cash flows. Future cash flows represents the different exercise prices of gold option purchased and sold under the arrangement and discounted by observable yield curve.	N/A	N/A
Gold option arrangements – liabilities	**(268,564)**	(2,555,328)	Level 2	Discounted cash flows. Future cash flows represents the different exercise prices of gold option purchased and sold under the arrangement and discounted by observable yield curve.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	Fair value as at 31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments *(Continued)*						
Equity linked derivatives – assets	**250**	–	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the company and the counterparty.	N/A	N/A
Equity linked derivatives – liabilities	**(17,120)**	(4,275)	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the company and the counterparty.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments *(Continued)*						
Foreign exchange risk forward – assets	**49,739**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contracted forward rate.	N/A	N/A
Foreign exchange risk forward – liabilities	**(41,466]**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contracted forward rate.	N/A	N/A
Foreign exchange futures – assets	**47**	–	Level 2	Recent transaction prices.	N/A	N/A

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at 31 December 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
5) Derivative financial instruments *(Continued)*						
Interest rate swaps options – assets	**27**	–	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates.	N/A	N/A
Interest rate swaps options – liabilities	**(42)**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable interest rates at the end of the reporting period) and the contracted interest rate.	N/A	N/A
	(349,081)	(2,034,273)				

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 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
– Others	4,656,818	20,796,099	23,397	25,476,314
Derivative financial assets	332	155,544	–	155,876
Total	58,761,306	83,489,098	4,189,022	146,439,426
Financial liabilities:				
Financial liabilities at FVTPL	9,906,000	4,227,237	442,836	14,576,073
Derivative financial liabilities	302	504,655	–	504,957
Total	9,906,302	4,731,892	442,836	15,081,030

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	36,821,013	28,074,550	–	64,895,563
Equity instruments at FVTOCI				
– Equity securities	1,993,631	141,978	418,364	2,553,973
– Perpetual instruments	1,946,648	1,317,389	–	3,264,037
– Other investment	–	5,014,863	–	5,014,863
Financial assets at FVTPL				
– Debt securities	19,926,770	10,648,420	–	30,575,190
– Equity securities	4,164,112	533,640	3,427,834	8,125,586
– Funds	1,670,636	7,929,167	–	9,599,803
– Other investments	5,829,426	12,510,495	260,593	18,600,514
Derivative financial assets	–	609,102	–	609,102
Total	72,352,236	66,779,604	4,106,791	143,238,631
Financial liabilities:				
Financial liabilities at FVTPL	7,514,640	5,116,321	–	12,630,961
Derivative financial liabilities	–	2,643,375	–	2,643,375
Total	7,514,640	7,759,696	–	15,274,336

There were no transfers between instruments in Level 1 and Level 2 during the relevant year.

64. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

The following table represents the changes in Level 3 financial instruments for the relevant year.

Equity instruments at FVTOCI

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
At the beginning of the year	**418,364**	632,882
Changes in fair value recognised in other comprehensive income	**(133,465)**	(39,829)
Additions	**39,411**	–
Transfer in level 3 *(Note a)*	**145,840**	175,708
Transfer out of level 3 *(Note b)*	**(137,062)**	(301,258)
Disposals	**(36,463)**	(49,139)
At the end of the year	**296,625**	418,364
Total losses for assets held at the end of the year		
– unrealised losses recognised in other comprehensive income	**(48,060)**	(128,744)

64. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets at FVTPL

	Year ended 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
At the beginning of the year	**3,688,427**	4,149,793
Changes in fair value recognised in profit or loss	**(183,913)**	222,014
Purchases	**1,880,152**	1,548,992
Transfer in level 3 *(Note a)*	**420,434**	317,727
Transfer out of level 3 *(Note b)*	**(1,420,857)**	(1,595,240)
Disposals	**(491,846)**	(954,859)
At the end of the year	**3,892,397**	3,688,427
Total losses for assets held at the end of the year		
– unrealised losses recognised in profit or loss	**(193,349)**	(85,063)

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.

65. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Financial liabilities at FTVPL RMB'000	Bond payables and short-term financing bill payables RMB'000	Derivative financial assets and liabilities RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
At 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	–	–	–	–	–	1,137,011	1,137,011
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	83,368	80,801,447

65. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Borrowings RMB'000	Bond payables and short-term financing bill payables RMB'000	Derivative financial assets and liabilities RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
At 31 December 2018	1,653,162	69,460,574	887,026	–	80	72,000,842
Adjustment upon application of IFRS 16	–	–	–	815,943	–	815,943
At 1 January 2019	1,653,162	69,460,574	887,026	815,943	80	72,816,785
Financing cash flows	(1,070,119)	10,660,454	1,521,616	(290,977)	(722,452)	10,098,522
Interest expenses	57,111	3,193,316	–	34,742	–	3,285,169
New lease	–	–	–	435,090	–	435,090
Dividends declared	–	–	–	–	722,452	722,452
Net investment losses	–	–	83,795	–	–	83,795
Fair value adjustments	–	–	27,114	–	–	27,114
Foreign exchange	–	108,055	–	207	–	108,262
At 31 December 2019	640,154	83,422,399	2,519,551	995,005	80	87,577,189

66. OTHER SIGNIFICANT EVENT

On 13 July, 2020, the first extraordinary general meeting of shareholders (the "Shareholder") approved the resolution as to the Company's Employee Stock Ownership Scheme (the "Scheme") and authorised the Board of Directors to implement the Scheme.

The Company engaged China Universal as the asset manager of the Scheme accordingly. The Company signed two contracts of asset management schemes respectively, on behalf of the Scheme, with China Universal which are China Universal – Orient Securities No.1 Employee Stock Ownership Scheme Single Asset Management Scheme and China Universal – Orient Securities No.2 Employee Stock Ownership Scheme Single Asset Management Scheme in July 2020 (collectively referred to as the "Asset management scheme"). According to the announced Scheme, the funds of the Scheme shall be paid by the employees with their lawful remunerations, self-raised funds and other sources as permitted under the laws and regulations. The Company shall not provide advances, guarantees, loans and other financial assistance to the holders of the Scheme. The Asset management scheme should directly purchase the Company's H-shares in the secondary market through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect, the assets of the Scheme is independent from the Company's assets. As of 31 December 2020, the Scheme has held 65,906,800 H shares of the Company by purchasing in the secondary market through the Asset management scheme, accounting for approximately 0.94% of the Company's total share capital.

67. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

68. SUBSEQUENT EVENTS

Issuance of short-term financing bills and corporate bonds

On 27 January 2021, the Company has issued a corporate bond with par value of RMB4 billion. The bond bears an interest rate of 3.6% with a maturity period of 3 year.

On 8 March 2021, the Company has issued a subordinated bond with par value of RMB2.5 billion. The bond bears an interest rate of 3.95% with a maturity period of 3 year.

Proposed profit distribution

Pursuant to the Board resolution held on 30 March 2021, it is proposed cash dividends of RMB2.50 be distributed for every 10 shares (tax included) based on the Company's existing share capital of 6.99 billion shares. This proposed distribution of cash dividends is subject to the approval by the Shareholders' meetings.

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Appendix 2

PRICING SUPPLEMENT DATED 26 April 2022

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THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer or the Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

The Notes will be Yulan bonds issued under an initiative established by Shanghai Clearing

House (银行间市场清算所股份有限公司) ("SHCH") and Euroclear Bank SA/NV ("Euroclear") in December 2020 through which Yulan bonds are issued, registered, settled and cleared. Investors should note that this initiative is new and there are limited instances in the past where Yulan Bonds have been issued. There are certain key differences between the Notes and typical eurobonds including the form of the Notes (which will be in dematerialised form) and a holder of a beneficial interest in the Notes must rely on the arrangement between SHCH and Euroclear in which the records relating to its beneficial interests in the Notes will be maintained (where definitive certificates may not be issued). In order to be an eligible investor for the Notes, an investor is required to submit an investor disclosure certificate indicating such investor's Legal Entity Identifier ("LEI") code to Euroclear pursuant to the requirement of the Yulan bond initiative in order to subscribe for any Notes. Investors who have an existing Euroclear account may obtain the investor disclosure certificate directly from Euroclear. For prospective investors who are not registered with Euroclear, they may participate in the purchase of the Notes via a custodian who has an account registered with Euroclear, and the relevant custodian may obtain the form of such investor disclosure certificate directly from Euroclear. None of the Issuer or the Managers shall be responsible for filling out such investor disclosure certificate or submitting any investor's LEI code on its behalf to Euroclear. In considering whether to invest in the Notes, prospective investors should consider all the information in the attached document, including but not limited to the risks and uncertainties and the clearing and settlement of the Notes described in the attached document and the Offering Circular (as defined in the attached document). Prospective investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with the Notes.

You are reminded that you have accessed the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Group or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRICING SUPPLEMENT DATED 26 APRIL 2022

DFZQ (東方證券股份有限公司)

Legal entity identifier (LEI): 300300E1005131000066

Issue of €100,000,000 1.75 per cent. Notes due 2025 (the "Notes")

under its U.S.$2,500,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in Schedule 1 (*Terms and Conditions of the Notes*) of this Pricing Supplement. References to "**Conditions**" and to any numbered provision thereof shall mean the Conditions set forth in Schedule 1 (*Terms and Conditions of the Notes*) of this Pricing Supplement. For the avoidance of doubt, the Terms and Conditions of the Notes set out in the Offering Circular dated 20 April 2022 (the "**Offering Circular**") do not apply to the Notes.

This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular as amended and supplemented by the additional disclosure relating to the Notes in the Schedules of this Pricing Supplement. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

The Notes will be constituted by a deed of covenant to be dated on or around 5 May 2022 and entered into by the Issuer (as amended and/or supplemented from time to time, the "**Deed of Covenant**"), substantially in the form set out in Schedule 6 (*Form of Deed of Covenant*) of this Pricing Supplement.

The Notes will be issued in registered dematerialised form by inscription in a register (the "**Register**") maintained by SHCH with Euroclear initially being entered in the Register as the sole registered holder. A services agreement to be dated on or before 29 March 2022 (as amended, restated or supplemented from time to time, the "**Services Agreement**") will be entered into between the Issuer and SHCH as registrar as described in the Services Agreement. The Services Agreement is written in Chinese only and is governed by the PRC laws.

A fiscal agency agreement to be dated on or around 5 May 2022 will be entered into between the Issuer and The Hongkong and Shanghai Banking Corporation Limited as fiscal agent and paying agent in relation to the Notes. For the avoidance of doubt, (i) the trust deed dated 18 September 2019 and the supplemental trust deed dated 20 April 2022 entered into between the Issuer and Citicorp International Limited as trustee, as further amended, restated and/or supplemented from time to time, and (ii) the agency agreement dated 18 September 2019 and the supplemental agency agreement dated 20 April 2022 entered into between the Issuer, Citicorp International Limited as trustee, Citibank, N.A., London Branch as issuing and paying agent and transfer agent, Citicorp International Limited as the CMU lodging and paying agent and Citibank, N.A., London Branch as registrar, as further amended, restated and/or supplemented from time to time, in each case in relation to the Programme, do not apply to the Notes.

1.	(i)	Issuer:	DFZQ (東方證券股份有限公司)
2.	(i)	Series Number:	002
	(ii)	Tranche Number:	001

	(iii)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency or Currencies:		Euro (“€”)
4.	Aggregate Principal Amount:		
	(i)	Series:	€100,000,000
	(ii)	Tranche:	€100,000,000
5.	(i)	Issue Price:	99.97 per cent. of the Aggregate Principal Amount
	(ii)	Gross proceeds:	€99.97 million
	(iii)	Use of Proceeds	For refinancing existing offshore indebtedness of the Group
6.	(i)	Specified Denominations:	€100,000 and integral multiples of €1,000 in excess thereof.
	(ii)	Calculation Amount:	€1,000
7.	(i)	Issue Date:	5 May 2022
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		5 May 2025
9.	Interest Basis:		Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable
13.	Rating Maintenance Covenant (Condition 4(d)):		Applicable
14.	Date of Board approval for issuance of Notes obtained:		30 March 2021
15.	Date of shareholders’ approval for issuance of Notes:		13 May 2021
16.	Listing:		Application has been made to the Hong Kong Stock Exchange for the Notes to be listed by way of debt issues to Professional Investors only. Listing of the Notes is expected to be effective on or about 6 May 2022.

17.	Method of distribution:	Syndicated

Provisions Relating to Interest (if any) Payable

18.	Fixed Rate Note Provisions		Applicable
	(i)	Rate of Interest:	1.75 per cent. per annum payable annually in arrear
	(ii)	Interest Payment Date(s):	5 May in each year
	(iii)	First Interest Payment Date:	5 May 2023
	(iv)	Fixed Coupon Amount(s):	€17.5 per Calculation Amount, save that as long as the Notes are held in an account with a clearing system, calculation of Fixed Coupon Amount(s) shall be made in respect of the aggregate principal amount of the Notes.
	(v)	Broken Amount(s):	Not Applicable
	(vi)	Day Count Fraction:	Actual/Actual (ICMA)
	(vii)	Determination Date(s):	Not Applicable
	(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
19.	Floating Rate Note Provisions		Not Applicable
20.	Zero Coupon Note Provisions		Not Applicable
21.	Index Linked Interest Note Provisions		Not Applicable
22.	Dual Currency Interest Note Provisions		Not Applicable

Provisions Relating to Redemption

23.	Issuer Call Option:	Not Applicable
24.	Investor Put Option:	Not Applicable
25.	Final Redemption Amount:	€1,000 per Calculation Amount
26.	Early Redemption Amount payable on redemption for taxation reasons (Condition 6(b)):	€1,000 per Calculation Amount
27.	Mandatory Redemption for Relevant Events:	As set out in Condition 6(c)

General Provisions Applicable to the Notes

28.	Form of Notes:	**Registered Notes**:

		The Notes will be issued in registered dematerialised form by inscription in the Register maintained by SHCH, with Euroclear initially being entered in the Register as the sole registered holder. The Notes will be constituted by the Deed of Covenant. The holders of the Notes are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Deed of Covenant (substantially in the form set out in Schedule 6 (*Form of Deed of Covenant*) of this Pricing Supplement). Definitive certificates are not contemplated to be issued in respect of the Notes. See Schedule 3 (*Introduction to Yulan Bonds*) of this Pricing Supplement. The section of the Offering Circular entitled "*Summary of Provisions Relating to the Notes While in Global Form*" does not apply to the Notes.
29.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Hong Kong
30.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	Not Applicable
31.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
32.	Details relating to Instalment Notes:	Not Applicable
33.	Redenomination applicable:	Redenomination not applicable
34.	Other terms or special conditions:	As set out in Schedule 1 (*Terms and Conditions of the Notes*) of this Pricing Supplement. Please also see the other Schedules of this Pricing Supplement for additional disclosure.

Distribution

35.	(i)	If syndicated, names and addresses of Managers and commitments:	Orient Securities (Hong Kong) Limited 28/F-29/F, 100 QRC Central, Hong Kong ICBC International Securities Limited 37/F ICBC Tower 3 Garden Road Hong Kong Industrial and Commercial Bank of China (Asia) Limited 28/F, ICBC Tower 3 Garden Road Central, Hong Kong Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central, Hong Kong Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability) 30/F, SPD Bank Tower, One Hennessy 1 Hennessy Road Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China) 20 Pedder Street Central, Hong Kong Standard Chartered Bank One Basinghall Avenue London EC2V 5DD United Kingdom (together, the "**Joint Global Coordinators**") China Minsheng Banking Corp., Ltd., Hong Kong Branch 40/F., Two International Finance Centre 8 Finance Street, Central Hong Kong Bank of China Limited 7/F Bank of China Tower 1 Garden Road, Central Hong Kong Natixis 47, quai d'Austerlitz 75013 Paris France (together, the "**Joint Bookrunners**", together with

			the Joint Global Coordinators, the "**Managers**")
	(ii)	Date of Subscription Agreement	26 April 2022
	(iii)	Stabilisation Manager(s) (if any):	Any Manager appointed and acting in its capacity as stabilization manager
36.	If non-syndicated, name of relevant Dealer:		Not Applicable
37.	U.S. Selling Restrictions:		Reg. S Category 2; TEFRA not applicable
38.	Additional selling restrictions:		Not Applicable

Operational Information

39.	Any clearing system(s) and the relevant identification number(s):	Euroclear See Schedule 4 (*Clearance and Settlement*) of this Pricing Supplement for further information. The section of the Offering Circular entitled "*Summary of Provisions relating to the Notes while in Global Form*" does not apply to the Notes.
40.	Delivery:	Delivery against payment
41.	Additional Paying Agent(s) (if any):	Citicorp International Limited (which is the trustee and CMU lodging and paying agent for the Programme) and Citibank, N.A., London Branch (which is the issuing and paying agent and transfer agent and registrar for the Programme) are not involved in this issuance of the Notes. The fiscal agent and paying agent for the Notes is The Hongkong and Shanghai Banking Corporation Limited. See Schedule 1 (*Terms and Conditions of the Notes*) of this Pricing Supplement.
42.	ISIN Code:	CND10004TFG7
	Common Code:	247478507
43.	LEI Code of the Issuer:	300300E1005131000066
44.	Programme Ratings:	Baa2 by Moody's
45.	Notes Ratings:	Baa2 by Moody's
46.	NDRC registration	Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No 2044) (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(发改委外资[2015]2044 号)), the

Issuer has obtained the NDRC pre-issuance registration certificate on 15 March 2022 which has remained in effect as at the date of this Pricing Supplement.

Stabilisation

In connection with this issue, one or more of the Managers named as Stabilisation Manager (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot and effect transactions with a view to supporting the market price of Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

Purpose of Pricing Supplement

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the US$2,500,000,000 Medium Term Note Programme of DFZQ (东方证券股份有限公司).

Material Adverse Changes Statements

There has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospectus or results of operations of the Issuer or of the Group since 31 December 2021.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:

DFZQ（东方证券股份有限公司）

By: ______________________
Duly authorised

[*Signature Page to Pricing Supplement*]

SCHEDULE 1

TERMS AND CONDITIONS OF THE NOTES

In respect of the Notes only, the section entitled "Terms and Conditions of the Notes" in the Offering Circular dated 20 April 2022 shall be deleted in its entirely and replaced by the following:

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the Pricing Supplement dated 26 April 2022, shall be applicable to the Notes.

The Notes are issued by DFZQ (東方證券股份有限公司) (the "**Issuer**") in the Specified Currency specified hereon under the U.S.$2,500,000,000 Medium Term Note Programme (the "**Programme**"), and will be constituted by a deed of covenant to be dated on or around 5 May 2022 (as amended, restated and/or supplemented from time to time, the "**Deed of Covenant**") to be entered into by the Issuer. A fiscal agency agreement to be dated on or around 5 May 2022 (as amended, restated and/or supplemented from time to time, the "**Fiscal Agency Agreement**") will be entered into in relation to the Notes between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent and paying agent (the "**Fiscal Agent**" and the "**Paying Agent**", which expression, where the context so admits, includes any successor fiscal agent or successor paying agent (as the case may be) appointed from time to time in connection with the Notes). A services agreement to be dated on or before 29 March 2022 (as amended, restated or supplemented from time to time, the "**Services Agreement**") has been entered into in relation to the Notes between the Issuer and Shanghai Clearing House (银行间市场清算所股份有限公司) ("**SHCH**") as registrar as described in the Services Agreement (the "**Registrar**", which expression, where the context so admits, includes any successor registrar appointed from time to time in connection with the Notes). The Services Agreement is written in Chinese only and is governed by the PRC laws. In these terms and conditions (these "**Conditions**"), references to the "**Agents**" are to the Fiscal Agent, the Paying Agents and the Registrar and any reference to an "**Agent**" is to any one of them.

Copies of the Fiscal Agency Agreement, the Services Agreement and the Deed of Covenant are available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time, Monday to Friday other than public holidays) at the specified office of the Paying Agent or the Fiscal Agent (currently at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong), upon prior written request and proof of holding and identity satisfactory to the relevant Paying Agent or the Fiscal Agent (as the case may be).

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Deed of Covenant and are deemed to have notice of those provisions applicable to them of the Fiscal Agency Agreement and the Services Agreement. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Deed of Covenant, the Fiscal Agency Agreement and the Services Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

For the avoidance of doubt, (i) the trust deed dated 18 September 2019 and the supplemental trust deed dated 20 April 2022 entered into between the Issuer and Citicorp International Limited (the "**Trustee**"), as amended, restated and/or supplemented from time to time, and (ii) the agency agreement dated 18 September 2019 and the supplemental agency agreement dated 20 April 2022 entered into between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and paying agent and transfer agent and registrar and Citicorp International Limited as the CMU lodging and paying agent, as amended, restated and/or supplemented from time to time, in each case in relation to the Programme, do not apply to the Notes.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Pricing Supplement hereon or the Fiscal Agency Agreement.

1 Form, Denomination and Title

The Notes will be issued in the Specified Denomination in dematerialised registered form by inscription in a register (the "**Register**") maintained by the Registrar, with Euroclear Bank SA/NV ("**Euroclear**") initially being entered in the Register as the sole registered holder. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Note unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation. The Notes are debt obligations of the Issuer owing under the Deed of Covenant.

When the Notes are held in an account with the Relevant Clearing System and an accountholder in whose name an interest in the Notes is entered on the books and records of the Relevant Clearing System, the amount of interest in the Notes as shown in the books and records of Relevant Clearing System held by such accountholder shall represent the entire holding of interest in the Notes of that accountholder.

In these Conditions:

"**Noteholder**" or, in respect of any Note, "**holder**" means the person whose name appears in the account of the relevant accountholder as being entitled to such Note; and

"**Relevant Clearing System**" means Euroclear and/or any other alterative clearing system or systems designated pursuant to a cooperation agreement entered into between Euroclear and SHCH.

2 Transfers of Notes

(a) **Transfers of Notes**: Transfers of interests in the Notes which are held in an account with the Relevant Clearing System, in collaboration with SHCH, will be effected in accordance with the rules of the Relevant Clearing System in effect from time to time, and any transferee acquiring such interests in the Notes will be required to have and maintain an account with the Relevant Clearing System. Noteholders may not require transfers to be effected on the PRC Payment Business Day (as defined in Condition 7(a) (*Payments in respect of the Notes*) prior to (i) the due date for any payment of principal or interest in respect of the Notes, or (ii) any date on which Notes have been called for redemption by the Issuer pursuant to Condition 6(b) (*Redemption for Tax Reasons*) or Condition 6(c) (*Mandatory Redemption for Relevant Events*).

(b) **Transfers Free of Charge**: Transfers of Notes shall be effected without charge by or on behalf of the Issuer or the Registrar, but upon (i) payment by the relevant Noteholder of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar may require); and (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application.

3 Status of the Notes

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) below) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Notes will be senior in priority of payment and in all other respects to all Indebtedness of the Issuer that is designated as subordinate or junior in right of payment to the Notes.

4 Certain Covenants

(a) **Negative Pledge**: So long as any Notes remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries (other than any Listed Subsidiary and its Subsidiaries) will, create or have outstanding any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness without at the same time or prior thereto (i) according to the Notes equally and rateably the same security on substantially identical terms as is created or subsisting to secure any such Relevant Indebtedness or (ii) providing such other security for the Notes as the Fiscal Agent may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders.

(b) **Undertakings relating to the NDRC Circular and SAFE registration**:

(i) The Issuer undertakes that it will (A) file or cause to be filed with the NDRC (the "**NDRC Post-Issuance Filing**") the requisite information and documents within the time period prescribed by the Circular on Promoting the Reform of the Administration System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發改委關於推進企業發行外債備案登記制管理改革的通知(發改外資 [2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015 and (B) comply with all applicable PRC laws and regulations in connection with the NDRC Post-Issuance Filing (if any).

The Issuer shall within 10 PRC Business Days after submission of such NDRC Post-Issuance Filing, make available for inspection by means of electronic copy by the Noteholders at the specified office of the Fiscal Agent, upon prior written request and proof of holding and identity satisfactory to the Fiscal Agent (as the case may be), (I) copies of the documents evidencing the completion of the NDRC Post-Issuance Filing (the "**Filing Documents**") and (II) a certificate substantially in the form set out in the Fiscal Agency Agreement signed by an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-Issuance Filing and certifying that the copies of the Filing Documents pursuant to (I) of this paragraph are each true and complete copies of the originals.

The Fiscal Agent shall have no obligation to monitor, assist with or ensure the completion of the NDRC Post-Issuance Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing or to give notice to the Noteholders confirming the completion of the NDRC Post-Issuance Filing, and shall not be liable to Noteholders or any other person for not doing so.

(ii) The Issuer undertakes that it will (A) file or cause to be filed with the Shanghai Branch of SAFE, the transaction documents in accordance with, and within the time period prescribed by, the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》) promulgated by the SAFE on 28 April 2013 which came into effect on 13 May 2013 and the Circular of on Relevant Matters about the Macro-Prudential Management of

Cross-Border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated by the People's Bank of China on 12 January 2017 which came into effect on the same day ("**Foreign Debts Registration**"), (B) use its reasonable endeavours to complete the Foreign Debts Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline, (C) before the Registration Deadline, make available for inspection by the Noteholders at the specified office of the Fiscal Agent, upon prior written request and proof of holding and identity satisfactory to the Fiscal Agent (as the case may be), (I) copies of the relevant SAFE registration record or any other document evidencing the completion of registration issued by SAFE (the "**Registration Documents**") and (II) a certificate substantially in the form set out in the Fiscal Agency Agreement signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer confirming the completion of the Foreign Debts Registration and certifying that the copies of Registration Documents delivered as aforesaid are each true and complete copies of the originals.

The Fiscal Agent shall have no obligation to monitor, assist with or ensure the registration of the transaction documents with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Foreign Debts Registration and/or the Registration Documents or to give notice to the Noteholders confirming the completion of the Foreign Debts Registration, and shall not be liable to Noteholders or any other person for not doing so.

(c) **Financial Statements etc.**: So long as any Note remains outstanding, the Issuer shall furnish the Fiscal Agent with:

(i) a Compliance Certificate of the Issuer (on which the Fiscal Agent may rely conclusively as to such compliance) within 14 days of a written request by the Fiscal Agent and at the time of provision of the audited annual financial statements of the Group;

(ii) as soon as practicable after their date of publication and in any event not more than 120 days after the end of each financial year, two copies of the audited annual financial statements (audited by an internationally recognised firm of independent accountants) of the Group; and

(iii) as soon as practicable after their date of publication and in any event not more than 90 days after the end of each financial period, two copies of the unaudited semi-annual consolidated financial statements of the Group,

and if such statements referred to in Condition 4(c)(ii) or Condition 4(c)(iii) above shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally recognised firm of independent accountants or (B) a professional translation service provider, and checked by an internationally recognised firm of independent accountants, together in any such case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate (and the Fiscal Agent shall not be obliged to check or verify any such translation and may rely conclusively without liability to any Noteholder or any other person on such certificate and the accuracy and completeness of any such translation), provided that, if at any time the capital stock of the Issuer are listed for trading on a recognised stock exchange, the Issuer may furnish the Fiscal Agent, as soon as they are available but in any event not more than 10 PRC Business

Days after any financial or other reports of the Issuer are filed with the stock exchange on which the Issuer's shares are at any time listed for trading, with true and correct copies of any financial or other report filed with such stock exchange in lieu of the reports identified in Conditions 4(c)(ii) and 4(c)(iii) above (provided that the obligation to provide Compliance Certificates as set out in this Condition 4(c) (*Financial Statements*) and in the Fiscal Agency Agreement shall continue and not be affected by this proviso) and if such financial or other report referred to in this proviso shall be in the Chinese language, together with an English translation of the same translated by (i) an internationally recognised firm of independent accountants or (ii) a professional translation service provider, and checked by an internationally recognised firm of independent accountants, together in any such case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate (and the Fiscal Agent shall not be obliged to check or verify any such translation and may rely conclusively without liability to any Noteholder or any other person on such certificate and the accuracy and completeness of any such translation).

(d) **Rating Maintenance**: If specified in the relevant Pricing Supplement as being applicable, so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer shall maintain a rating on the Notes by at least one Rating Agency.

(e) The Fiscal Agent shall have no duty to inquire and no duty to monitor as to the financial performance of and compliance of the Issuer's covenants contained herein.

In these Conditions:

"**Authorised Signatory**" has the meaning set forth in the Fiscal Agency Agreement;

"**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

"**Compliance Certificate**" means a certificate in English of the Issuer signed by an Authorised Signatory of the Issuer that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate, (i) no Relevant Event (as defined below), Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Fiscal Agency Agreement or, if such an event had occurred, giving details of it; and (ii) the Issuer has complied with all its obligations under the Fiscal Agency Agreement and the Notes;

"**Group**" means the Issuer and its Subsidiaries, taken as a whole;

"**Listed Subsidiary**" means any Subsidiary of the Issuer, the Voting Shares of which are at the relevant time listed or dealt in or traded on any internationally recognised stock exchange;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**NDRC Circular**" means the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates（国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(發改外資[2015]2044號)）promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Potential Event of Default**” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement or condition provided for in Condition 9 (*Events of Default*) become an Event of Default;

“**PRC**” means the People’s Republic of China, which shall for the purposes of these Conditions, exclude the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**PRC Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

“**Rating Agencies**” means (i) S&P, (ii) Moody’s, or (iii) Fitch; and if one or more of S&P, Moody’s or Fitch shall not make a rating of the Notes publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer and notified in writing to the Fiscal Agent, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be;

“**Registration Business Day**” means a day, other than a Saturday, Sunday or a day on which SAFE is authorised or obligated by law or executive order to remain closed;

“**Registration Deadline**” means the day falling 150 Registration Business Days after the Issue Date;

“**Relevant Indebtedness**” of any Person means, any present or future indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other similar securities (which for the avoidance of doubt, does not include any loans) which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) except for any unsecured promissory instrument with less than one year in tenor issued in the form of commercial paper;

“**SAFE**” means the State Administration of Foreign Exchange of the PRC;

“**Security Interest**” means any mortgage, charge, pledge, lien or other similar security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

For the purposes of this definition, “**control**” means the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body of a Person, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and

"**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

5 Interest and other Calculations

(a) **Interest**: The Notes bear interest on its outstanding principal amount from and including the Interest Commencement Date at the Rate of Interest, payable in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments*).

(b) **Accrual of Interest**: Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Interest and other Calculations*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven calendar days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) **Fixed Coupon Amount**: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) **Calculation of Interest Amount**: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, one cent.

(e) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Calculation Amount**" has the meaning given in the Pricing Supplement;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{}$$

360

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the Pricing Supplement;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement;

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**Issue Date**" has the meaning given in the Pricing Supplement;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified in, or calculated in accordance with the provisions of, the Pricing Supplement;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Relevant Event), the Early Redemption Amount (Tax) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement;

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Specified Currency**" has the meaning given in the Pricing Supplement; and

"**Specified Denomination(s)**" has the meaning given in the Pricing Supplement.

6 Redemption and Purchase

(a) **Final Redemption**: Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount, subject as provided in Condition 7

(*Payments*).

(b) **Redemption for Tax Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders or such other period(s) as may be specified in the Pricing Supplement (which notice shall be irrevocable) at their Early Redemption Amount (Tax) (together with interest accrued to but excluding the date fixed for redemption) if immediately before giving such notice, the Issuer satisfies the Fiscal Agent that:

(i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment (x) in the case of the Issuer (or any successor to the Issuer that is organised or tax resident in a jurisdiction that is already a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)) as of the issue date of the relevant Tranche of Notes) is announced and becomes effective on or after the issue date of the relevant Tranche of the Notes and (y) in the case of any successor to the Issuer that is organised or tax resident in a jurisdiction that is not already a Relevant Jurisdiction as of the issue date of the relevant Tranche of the Notes, is announced and becomes effective on or after the date such successor assumes the Issuer's obligations, as applicable, under the Notes, the Deed of Covenant and the Fiscal Agency Agreement; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Tax Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b) (*Redemption for Tax Reasons*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate signed by an Authorised Signatory of the Issuer stating that the obligation referred to in Condition 6(b)(i) above cannot be avoided by the Issuer taking reasonable measures available to it; and

(B) an opinion in form and substance satisfactory to the Fiscal Agent of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Fiscal Agent shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in Condition 6(b)(i) and Condition 6(b)(ii) above, in which event such evidence shall be conclusive and binding on the Noteholders, and the Fiscal Agent shall have no liability to any Noteholder or any other person for so accepting and relying on such certificate and opinion.

Upon the expiry of any such notice as is referred to in this Condition 6(b) (*Redemption for Tax Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b) (*Redemption for Tax Reasons*).

(c) **Mandatory Redemption for Relevant Events**: If a Relevant Event occurs, the Issuer shall redeem all but not some only of the Notes then outstanding on the Relevant Event Settlement Date (as defined below) at their Early Redemption Amount (Relevant Event), together with accrued interest up to but excluding such Relevant Event Settlement Date.

The "**Relevant Event Settlement Date**" shall be the 45th day after the date of the occurrence of the applicable Relevant Event.

The Issuer shall give notice to the Noteholders in accordance with Condition 13 (*Notices*) and to the Fiscal Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control Triggering Event) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the date of the occurrence of the Relevant Event and the Relevant Event Settlement Date.

The Fiscal Agent shall not be required to take any steps to ascertain whether a Relevant Event has occurred and shall not be responsible or liable to Noteholders, the Issuer or any other person for any loss or liability arising from any failure to do so.

For the purposes of these Conditions:

a "**Change of Control**" occurs when any Person or Persons, acting as a group, other than a Permitted Holder acquiring ownership or control directly or indirectly or in combination (through controlled Subsidiaries) of more than 50 per cent. of the voting rights of the issued share capital of the Issuer;

a "**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

"**Early Redemption Amount (Relevant Event)**" means, in respect of any Note, 101 per cent. of their principal amount (in the case of a Change of Control Triggering Event) or 100 per cent. of their principal amount (in the case of a No Registration Event), or such other amount as may be specified in, or determined in accordance with, the Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the Pricing Supplement;

"**Fitch**" means Fitch (Hong Kong) Limited and its successors;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the Pricing Supplement;

"**Investment Grade**" means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised securities rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be;

"**issued share capital**" means issued and outstanding ordinary shares having voting rights, but does not include ordinary or preference shares without voting rights;

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors;

a "**No Registration Event**" occurs when the Registration Conditions are not satisfied in full on or before the Registration Deadline;

"**Permitted Holder**" means any of the Persons directly or indirectly controlled by the government of the PRC;

a "**Person**", as used in this Condition 6(c) (*Mandatory Redemption for Relevant Events*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

"**Rating Category**" means (i) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (iii) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (iv) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation);

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 calendar days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Issuer or any other Person or Persons to effect a Change of Control;

"**Rating Decline**" means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Issuer or any other Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, in the event the Notes are on the Rating Date:

(i) (A) (x) rated by three Ratings Agencies and (y) rated Investment Grade by at least two of such Rating Agencies, and (B) cease to be rated Investment Grade by at least two of such Rating Agencies;

(ii) (A) (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (B) cease to be rated Investment Grade by both such Rating Agencies;

(iii) (A) (x) rated by one Ratings Agency and (y) rated Investment Grade by such Rating Agency, and (B) cease to be rated Investment Grade by such Rating Agency;

(iv) (A) (x) rated by three Ratings Agencies and (y) rated below Investment Grade by at least two of such Rating Agencies, and (B) the rating by at least two of such Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories);

(v) (A) (x) rated by two but not more Ratings Agencies and (y) rated below Investment Grade by any such Rating Agency, and (B) the rating by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories);

(vi) (A) (x) rated by one Ratings Agency and (y) rated below Investment Grade by such Rating Agency, and (B) the rating by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(vii) not rated by any Rating Agency;

"**Registration Conditions**" means the availability for inspection by the Noteholders of the Registration Documents in accordance with Condition 4(b) (*Undertakings relating to the NDRC Circular and SAFE registration*);

a "**Relevant Event**" will be deemed to occur if:

(i) there is a No Registration Event; or

(ii) there is a Change of Control Triggering Event; and

"**S&P**" means S&P Global Ratings and its successors.

(d) **Purchases**: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of, among other things, Condition 9 (*Events of Default*) and Condition 11 (*Meetings of Noteholders, Modification and Waiver*).

(e) **Cancellation**: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

7 Payments

(a) **Payments in respect of the Notes**: All payments in respect of the Notes will be made by the Fiscal Agent on behalf of the Issuer in the Specified Currency by transfer to an account denominated in that currency and maintained with a bank in the principal financial centre of the country of the Specified Currency or, in the case of euro, a city in which banks have access to TARGET2. "**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

So long as the Notes are held in an account with the Relevant Clearing System, the

Relevant Clearing System will then make each payment to the person shown as the accountholder in the books and records of the Relevant Clearing System at the close of business of the Relevant Clearing System on the PRC Payment Business Day before the due date for such payments or otherwise in accordance with the rules of the Relevant Clearing System in effect from time to time, where "**PRC Payment Business Day**" means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are open for general business (including dealings in foreign currencies) in Beijing. Each payment to the Relevant Clearing System in accordance with these Conditions shall discharge the Issuer's relevant payment obligations under the Notes.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**U.S. Internal Revenue Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Appointment of Agents**: The Fiscal Agent, the Paying Agents and the Registrar initially appointed by the Issuer and its specified offices are listed in the Deed of Covenant. The Fiscal Agent, the Paying Agents and the Registrar act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to terminate the appointment of the Fiscal Agent, the Paying Agent and the Registrar and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying Agent, and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*).

(d) **Non-Payment Business Days**: If any date for payment in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7 (*Payments*), "**Payment Business Day**" means (1) a TARGET Settlement Day, and (2) a day on which dealings in foreign currencies may be carried on in the principal financial centre of the country of the Specified Currency and each (if any) Additional Financial Centre hereon. "**TARGET Settlement Date**" means any day on which TARGET2 is open for the settlement of payments in euro.

(e) **Partial Payments**: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register.

8 Taxation

(a) All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax (each a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

(b) Where such withholding or deduction is required to be made by the Issuer by or within Hong Kong or the PRC at the aggregate rate applicable on the issue date of the first Tranche of Notes (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

(c) Where such withholding or deduction is required to be made by the Issuer by or within Hong Kong or the PRC in excess of the Applicable Rate the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts or additional amounts described in Condition 8(b) (together, the "**Additional Amounts**") shall be payable in respect of any Note to a holder (or to a third party on behalf of a holder) which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note.

Any reference in these Conditions to principal, premium or interest shall be deemed to include any Additional Amounts in respect of principal, premium or interest (as the case may be) which may be payable under this Condition 8 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than Hong Kong or the PRC, references in these Conditions to Hong Kong or the PRC shall be construed as references to Hong Kong, the PRC and/or such other jurisdiction.

9 Events of Default

If an Event of Default (as defined below) occurs, any Note may, by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent by the holder, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together (if applicable) with accrued interest without further action or formality. Notice of any such declaration shall promptly be given by the Issuer to the Noteholders.

An "**Event of Default**" occurs if:

(a) **Non-Payment**: the Issuer (i) fails to pay any amount of principal or premium in respect of the Notes on the due date for payment thereof or (ii) fails to pay any amount of interest in respect of the Notes within seven days after the due date for payment thereof;

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations under the Notes (other than where it gives rise to a redemption pursuant to Condition 6(c) (*Mandatory Redemption for Relevant Events*)) or the Deed of Covenant and such default remains unremedied for 60 days after the written notice thereof has been given to the Issuer, as the case may be or to the Fiscal

Agent at its specified office by any holder;

(c) **Cross-Acceleration**: (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Issuer or any of its Subsidiaries, (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Indebtedness; *provided, however, that* no such event set forth in clause (i), (ii) or (iii) shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds U.S.$60,000,000 (or its equivalent in any other currency);

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and such legal process is not discharged within 60 days after the date thereof;

(e) **Security Enforced**: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries and such action is not discharged within 60 days after the date thereof;

(f) **Insolvency**: (i) the Issuer or any of the Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of the Material Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer or any of the Material Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of the Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it or (iv) the Issuer or any of the Material Subsidiaries ceases or threatens to cease to carry on all or any material part of its business, except (a) in the case of any Material Subsidiary, where the cessation is for the purpose of and followed by a solvent winding up, dissolution, reconstruction, amalgamation, merger or consolidation whereby the business, undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer and/or another Subsidiary or (b) on terms approved by an Extraordinary Resolution of the Noteholders;

(g) **Winding-up, etc.**: an order is made by a competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of the Material Subsidiaries, except (i) in the case of any Material Subsidiary, for the purpose of and followed by a solvent winding up, dissolution, reconstruction, merger or consolidation whereby the business, undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer and/or another Subsidiary, (ii) on terms approved by an Extraordinary Resolution of the Noteholders, or (iii) a disposal of a Material Subsidiary of the Issuer on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in Issuer or any of its Subsidiaries;

(h) **Government intervention**: (i) all or any material part of the undertaking, assets and revenues of the Issuer or any of the Material Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer or any of the Material Subsidiaries is prevented by any such person from exercising normal control over all or any material part of its undertaking, assets and revenues;

(i) **Analogous event**: any event occurs which under the laws of the PRC has an analogous effect to any of the events referred to in Condition 9(e) (*Security enforced*) to Condition 9(h) (*Government intervention*) (both inclusive);

(j) **Authorisations and consents**: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, the Deed of Covenant, the Services Agreement and the Fiscal Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Deed of Covenant and the Fiscal Agency Agreement admissible in evidence in the courts of the PRC is not taken, fulfilled or done; or

(k) **Unlawfulness**: it is or will become unlawful for any of the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Deed of Covenant, the Services Agreement and the Fiscal Agency Agreement.

In this Condition 9 (*Events of Default*), "**Material Subsidiary**" means any Subsidiary of the Issuer:

(i) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 10 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries;

(ii) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 10 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;

(iii) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 10 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Material Subsidiary at the date on which the first audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

(1) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(2) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(3) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(4) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

10 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them. "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made pursuant to these Conditions, the Deed of Covenant and the Fiscal Agency Agreement.

11 Meetings of Noteholders, Modification and Waiver

(a) **Meetings of Noteholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or any provision of the Fiscal Agency Agreement, the Services Agreement or the Deed of Covenant. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not. A "**Reserved Matter**" means any of the proposals to (i) change any date fixed for payment of principal or interest in respect of the Notes, (ii) reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (iv) change the currency or place of payment under the Notes, (v) change any obligation of the Issuer to pay Additional Amounts, (vi) impair the right to institute suit for the enforcement of any payment in respect of the Notes, (vii) reduce the premium payable upon redemption or repurchase of the Notes pursuant to the Conditions, (viii) modify this definition of "Reserved Matter", (ix) modify Condition 11(b) (*Modification of Agreements and Deeds*), (x) change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, or (xi) modify or cancel the Deed of Covenant (other than as provided in Condition 11(b) (*Modification of Agreements and Deeds*)).

In addition, a resolution in writing signed by or on behalf of holders holding not less than 90 percent. of the aggregate principal amount of the Notes for the time being outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of Agreements and Deeds**: The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement and the Services Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law or if to do so could not reasonably be expected to be materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders, and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter.

12 Further Issues

The Issuer may from time to time without the consent of the Noteholders to create and issue further securities having the same terms and conditions and ranking *pari passu* in all respects (or in all respects except for the Issue Date, the issue price, the first payment of interest thereon, the timing for submission of the NDRC Post-Issuance Filing and the timing for completion of the Foreign Debts Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 12 (*Further Issues*).

13 Notices

(a) So long as the Notes are held in account with the Relevant Clearing System, notices to the holders of the Notes may be given by publication on the website of the relevant stock exchange or relevant authority in respect of which the Notes are being listed or admitted to trading. Any such notice will be deemed to have been given on the date of the first publication.

(b) If permitted by the rules and procedures of the Relevant Clearing System and SHCH, notices to the holders of the Notes may be given by delivery of the relevant notice to SHCH and SHCH will then deliver such notice to the Relevant Clearing System for communication by the Relevant Clearing System to entitled accountholders in substitution for publication as required by Condition 13(a). Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to the Relevant Clearing System.

14 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 14 (*Currency Indemnity*), it shall be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue to be in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

16 Governing Law and Jurisdiction

(a) **Governing Law**: The Notes, the Deed of Covenant and the Fiscal Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English laws.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Deed of Covenant or the Fiscal Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Deed of Covenant or the Fiscal Agency Agreement ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Service of Process**: The Issuer irrevocably appoints Orient Finance Holdings (Hong

Kong) Limited (currently at 28/F-29/F, No. 100 Queen's Road Central, Hong Kong) to receive service of process in any Proceedings in Hong Kong based on the Notes, the Fiscal Agency Agreement and the Deed of Covenant. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason Orient Finance Holdings (Hong Kong) Limited shall cease to have a place of business in Hong Kong, the Issuer shall forthwith appoint a new agent for service of process in Hong Kong and notify the Noteholders of such appointment within 30 days. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**: To the extent that the Issuer has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit, proceeding, execution or attachment (whether in aid of execution, before judgement or otherwise) from jurisdiction of any court or from set-off or any legal process (including any immunity from non-exclusive jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, the Issuer agrees not to assert any such right or claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SCHEDULE 2

ADDITIONAL RISK FACTORS

This section describes certain selected risk factors relating to the Notes. Please also see "Risk Factors" in the Offering Circular for a complete list of risk factors relating to the Notes.

New Yulan bond initiative provided by SHCH and Euroclear

Investors should be aware of that the Notes are the Yulan bonds to be issued pursuant to the initiative established by SHCH and Euroclear in December 2020 and that there are limited instances in the past where Yulan bonds have been issued. In particular, the Notes are different in certain respects from typical eurobonds including the issue, registration, transfer, settlement and clearing of, and payment under the Notes are subject to the procedures of SHCH and Euroclear. Prospective investors should consult their own independent advisers and make their own assessment of any potential risks in making any investment decision with the Notes. Please refer to other Schedules in this Pricing Supplement for additional disclosure relating to the Notes as Yulan bonds.

The requirement to provide LEI Code

It is a mandatory requirement of the Yulan bond initiative that each accountholder of Euroclear who holds an interest in the Notes to provide the Legal Entity Identifier ("**LEI**") code(s) of such accountholder (if such accountholder is also the underlying investor) or the underlying investor(s) (to the extent the relevant investor is a legal entity whereas a LEI code is applicable to it) who holds a beneficial interest in the Notes through such accountholder, to Euroclear in order to purchase the Notes. Similarly, subsequent transfers of the Notes can only be made to holders with accounts (either by themselves or through their custodians) registered with Euroclear, and who provide their respective LEI codes (to the extent the relevant holder is a legal entity whereas a LEI code is applicable to it). None of the Issuer or the Managers shall be responsible for filling out any investor disclosure certificate or submitting any investor's LEI code on its behalf to Euroclear.

Additionally, there is no bridge settlement between Euroclear and other clearing systems in respect of the Notes. For example, an investor holding an interest in the Notes through an account with the CMU Service in respect of the Notes held in Euroclear will hold that interest through the account which the CMU has with Euroclear. Therefore, the number of potential transferees is limited. As such, the liquidity and tradability of the Notes may be limited.

Notes in dematerialised form with no definitive certificates

The Notes will be initially issued in dematerialised form and a holder of a beneficial interest in the Notes must rely on the arrangement between SHCH and Euroclear in which the records relating to its beneficial interests in the Notes will be maintained. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Note unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation. No successor to Euroclear has been specified under the cooperation agreement between Euroclear and SHCH, as such investors have no certainty as to which successor clearing system will hold the Notes in the event that Euroclear terminates the cooperation agreement. In the event of closure of Euroclear or SHCH, an investor may not be able to obtain a record of its holding of the Notes, which could cause a delay or make it impossible for the Issuer to make payment to the relevant investor.

Holders of beneficial interest in the Notes must rely on the procedures and cooperation agreement between Euroclear and SHCH

Prospective investors and accountholders of Euroclear who hold a beneficial interest in the Notes must rely on the procedures of Euroclear and SHCH with respect to the issue, registration, transfer, settlement, clearing of and payment under the Notes, and the enforcement of the Noteholders' rights against the Issuer. Investors will acquire direct rights against the Issuer in limited circumstances specified in the Deed of Covenant. Each accountholder of Euroclear who hold an interest in the Notes must rely on the arrangement between SHCH and Euroclear for the records relating to beneficial interests in the Notes. The number of potential holders of the Notes could be limited and there can be no assurance that the liquidity of the Notes would not be affected.

As at the date of this Pricing Supplement, the rules and operational procedures of Yulan bonds are still under development, and there are limitations on certain aspects such as collection of instructions from the accountholders and investors. Please also see "*Notices and provisions relating to meetings of Noteholders*" below. Before investing in the Notes, prospective investors should understand thoroughly (either alone or with the help of their advisers) all the potential risks of holding the Notes.

Notices and provisions relating to meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Conditions. Any such modification may be made if sanctioned by the passing of certain resolutions by Noteholders.

The quorum at any meeting convened to vote on any resolution or procedures to give any consent will be subject to the rules of Euroclear in effect from time to time. As at the date of this Pricing Supplement, the infrastructure to facilitate the procedures relating to provision of information to Noteholders via Euroclear and *vice versa* under the Yulan bond initiative is not yet available. Prior to such procedures being made available, any notices to the Noteholders shall be given by publication on the website of the relevant stock exchange or relevant authority in respect of which the Notes are being listed or admitted to trading.

Mandatory redemption by the Issuer of all the Notes after the occurrence of a Relevant Event (as defined in the Conditions)

Pursuant to the Conditions, if a Relevant Event occurs, the Issuer shall redeem all but not some only of the Notes at the relevant redemption price as set out in the Conditions. In such circumstance, there is no option for the Noteholders to decide whether to sell the Notes back to the Issuer. This contrasts with the terms and condition under the Programme that provide a noteholder with a right to require the Issuer to redeem their bonds at such noteholder's option upon the occurrence of a Relevant Event.

If the Issuer redeems the Notes upon the occurrence of a Relevant Event prior to the Maturity Date of the Notes, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities.

There are potential PRC tax consequences for investors in relation to the Notes

There is no rule or regulation publicly known and currently effective in the PRC which sets out the PRC stamp duty implications of the issuance, sale or transfer of bonds, notes or other securities in the PRC. Currently, no PRC stamp duty has imposed on the issuance, sale or transfer of bonds, notes or other securities issued by the Issuer in China. As at the date of this Pricing Supplement, the issuance or sale or transfer of the Notes in the PRC is not subject to any PRC stamp duty. The Notes are to be issued within the quota of foreign debt dated 15 March 2022 granted by the NDRC pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No 2044) (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(发改委外资[2015]2044 号)) and will be governed by English laws. However, there can be no assurance as to whether the PRC tax authorities will interpret that the Notes are entered into, received, issued or delivered in the PRC purely because SHCH is the registrar of the Notes. In addition, there can be no assurance as to whether the PRC tax authorities will promulgate rules or regulations with respect to PRC stamp duty in the future. Therefore, if the PRC tax authorities interpret that the Notes are entered into, received, issued or delivered in the PRC and they promulgate rules or regulations with respect to stamp duty in the future, there can be no assurance that the stamp duty would not be imposed on the transfer of the Notes and uncertainty remains as to what the tax rate would be at that time.

Please also refer to the risk factor entitled "*Gains on the transfer of the Notes may be subject to income tax or VAT under PRC tax laws.*" in the Offering Circular.

Before investing in the Notes, each prospective investor should understand thoroughly (either alone or with the help of its own tax adviser) the possible PRC tax consequences of buying, holding or selling any Notes and the procedures for paying relevant taxes.

One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Notes.

One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Notes. If such an event occurs, any holder of a significant portion of or majority of the aggregate principal amount of the Notes may be able to exercise certain rights and powers on its own, which will be binding on all holders of the Notes and control the outcome of votes on such matters. Any such holder of a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Noteholders. Additionally, the existence of any such significant Noteholder may reduce the liquidity of the Notes in the secondary trading market. If any such Noteholder sells a material amount of the aggregate principal amount of the Notes at any one time, it may materially and adversely affect the trading price of the Notes. In addition, the Notes may initially be sold to a small number of investors. Accordingly, there may not be a liquid trading market for the Notes, in which case investors may not be able to resell their Notes at their fair market value or at all.

SCHEDULE 3

INTRODUCTION TO YULAN BONDS

The following summary describes certain key features of Yulan bonds. *In considering whether to invest in the Notes, which will be Yulan bonds to be issued pursuant to the initiative established by SHCH and Euroclear in December 2020, prospective investors should consider all the information in this Pricing Supplement, including but not limited to the risks and uncertainties described in the Offering Circular and this Pricing Supplement. In particular, there are certain key differences between Yulan bonds and eurobonds including procedures and requirements of SHCH and Euroclear which are unique to Yulan bonds, some of which are described in this Schedule. Prospective investors should consult their own independent advisers and make their own assessment of any potential risks in making any investment decision with the Notes.*

Yulan bonds

Yulan bonds (including the Notes) are issued pursuant to an initiative established by SHCH and Euroclear in December 2020 and through which are issued, registered, settled and cleared. Yulan bonds are offshore bonds denominated in U.S. dollars, euro or other currencies issued by PRC incorporated entities (including offshore entities or branches under their control) pursuant to the cooperation between SHCH and Euroclear.

Provision of LEI code

In order to be an eligible investor for the Notes, an investor needs to have an account registered with Euroclear or participate indirectly through a custodian who has an account registered with Euroclear and such accountholder of Euroclear who holds an interest in the Notes is required to submit an investor disclosure certificate indicating the LEI code(s) of itself (if such accountholder is also the underlying investor) or the underlying investor(s) (to the extent the relevant investor is a legal entity whereas a LEI code is applicable to it) who holds a beneficial interest in the Notes through such accountholder, to Euroclear pursuant to the requirement of the Yulan bond initiative in order to subscribe for any Notes. For further details, see Schedule 4 (*Clearing and Settlement*) of this Pricing Supplement. Investors who have an existing Euroclear account may obtain the form of such investor disclosure certificate directly from Euroclear. For prospective investors who are not registered with Euroclear, they may participate in the purchase of the Notes via a custodian who has an account registered with Euroclear, and the relevant custodian may obtain the form of such investor disclosure certificate directly from Euroclear. None of the Issuer or the Managers shall be responsible for filling out such investor disclosure certificate or submitting any investor’s LEI code on its behalf to Euroclear.

Similarly, subsequent transfers of the Notes can only be made to holders with accounts (either by themselves or through their custodians) registered with Euroclear, and who provide their respective LEI codes (to the extent the relevant holder is a legal entity whereas a LEI code is applicable to it). Additionally, there is no bridge settlement between Euroclear and other clearing systems in respect of the Notes. For example, an investor holding an interest in the Notes through an account with the CMU Service in respect of the Notes held in Euroclear will hold that interest through the account which the CMU Service has with Euroclear.

Holders of beneficial interest in the Notes must rely on the procedures and cooperation agreement between Euroclear and SHCH

Prospective investors and accountholders of Euroclear who hold a beneficial interest in the Notes must rely on the procedures of Euroclear and SHCH with respect to the issue, registration, transfer, settlement, clearing of and payment under the Notes, and the enforcement of the Noteholders’ rights against the Issuer. Investors will acquire direct rights against the Issuer in limited circumstances specified in the Deed of Covenant.

Distributions of principal, premium (if any) or interest with respect to the Notes held through Euroclear will be credited to the accounts of Euroclear participants in accordance with its rules and procedures. The Issuer will not be responsible or liable for the records relating to, or payments made in respect of, beneficial interests in the Notes held through the facilities of any clearing system.

The Notes will be issued in dematerialised form entered by inscription in a register maintained by SHCH, with Euroclear initially being entered in the register as the sole registered holder. Pursuant to the cooperation agreement entered into between Euroclear and SHCH (the "**Cooperation Agreement**"), if Euroclear notifies SHCH that the Cooperation Agreement is to be terminated, Euroclear has agreed to transfer the Notes to one or more participant(s) of SHCH (as the successor clearing platform) and, upon the instructions of Euroclear, SHCH will enter the name of such participant(s) as the registered holder(s) of the Notes. The Cooperation Agreement is a bilateral agreement between Euroclear and SHCH entered into pursuant to the abovementioned initiative and is not available to third parties for inspection. Unlike traditional eurobonds, the Notes will be issued in dematerialised form, and definitive certificates may not be issued in respect of the Notes if (i) Euroclear is closed for business for a prescribed period or announces an intention to permanently cease business, or (ii) any circumstances described in Condition 9 (*Events of Default*) occurs. In the circumstance described in (i), pursuant to the Cooperation Agreement, Euroclear has agreed that the Notes shall be transferred to one or more participant(s) of SHCH (as the successor clearing platform) by Euroclear and the registration of such successor clearing platform as the registered holder and a holder of a beneficial interest in the Notes must rely on such arrangement for the records relating to beneficial interests in the Notes. At the date of this Pricing Supplement, a named successor to Euroclear has not been specified under the Cooperation Agreement nor the Conditions.

Notices and provisions relating to meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Conditions. Any such modification may be made if sanctioned by the passing of certain resolutions by Noteholders. The quorum at any meeting convened to vote on any resolution or procedures to give any consent will be subject to the rules of Euroclear in effect from time to time. As at the date of this Pricing Supplement, the infrastructure to facilitate the procedures relating to provision of information to Noteholders via Euroclear and *vice versa* under the Yulan bond initiative is not yet available. Prior to such procedures being made available, any notices to the Noteholders shall be given by publication on the website of the relevant stock exchange or relevant authority in respect of which the Notes are being listed or admitted to trading.

SCHEDULE 4

CLEARANCE AND SETTLEMENT

The section entitled "Summary of Provisions relating to the Notes while in Global Form" in the Offering Circular shall be deleted in its entirely and replaced as follows:

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear (the "Clearing System"), in collaboration with SHCH, pursuant to the Yulan bond initiative, currently in effect. The information in this section concerning the Clearing System has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer or any Manager takes any responsibility for the accuracy thereof and undue reliance should not be placed on any such information. Prospective investors should read and understand the prevailing rules and procedures of the relevant clearing systems before making any investment decision. Investors wishing to use the facilities of the Clearing System are advised to confirm the continued applicability of the rules, regulations and procedures of the Clearing System. None of the Issuer, the Managers or any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial interests in the Notes held through the facilities of the Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Shanghai Clearing House

The following has been extracted from the company profile of SHCH and the Issuer takes no responsibility or liability for the description of SHCH set out below.

SHCH was established on 28 November 2009. It is an important financial market infrastructure approved and directed by the People's Republic of China (the "**PBOC**") and is a qualified central counterparty (合格中央对手方) accepted by the PBOC and also one of the central securities depositories in China.

SHCH's main business includes registration, custody, clearing, settlement, delivery, margin management and collateral management for direct and indirect RMB and foreign currency transactions and derivatives transactions in financial market; information service and consultancy service etc.

Euroclear

Euroclear holds securities for its customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between its account holders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships.

Euroclear's customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors in the Notes need to be eligible investors who are registered with Euroclear.

In December 2020, SHCH and Euroclear established the initiative, through which the Yulan bonds are issued, registered, settled and cleared.

It is a mandatory requirement of the Yulan bond initiative that each accountholder of Euroclear who holds a beneficial interest in the Notes will be required to submit a one-off investor disclosure certificate – China (the "**RG 621 form**"), indicating the LEI code(s) of such accountholder (if such accountholder is also the underlying investor) or the underlying investor(s) (to the extent the relevant investor is a legal entity whereas a LEI code is applicable to it) who holds a beneficial interest in the Notes through such accountholder, together with a settlement instruction (which shall also include the relevant LEI code(s)) via EasyWay or SWIFT, to Euroclear in order to subscribe for any Notes. Each RG 621 form is to be submitted to Euroclear at least two or three Euroclear Business Days prior to the Issue Date. Each settlement instruction is to be submitted to Euroclear at least two Euroclear Business Days prior to the Issue Date. "**Euroclear Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January. Any investor who has an existing Euroclear account may obtain the RG 621 form from Euroclear's newsletter or the official website of Euroclear. For prospective investors who are not registered with Euroclear, they may participate in the purchase of the Notes via a custodian who has an account registered with Euroclear, and the relevant custodian may obtain the form of such investor disclosure certificate directly from Euroclear. None of the Issuer or the Managers shall be responsible for filling out any RG 621 form or submitting any investor's LEI code on its behalf to Euroclear. In this paragraph, "**one-off**" means an investor or its custodian/agent who uses its Euroclear account to trade the Notes will not be required to re-fill or re-submit the RG 621 form once it has completed the RG 621 form.

Similarly, subsequent transfers of the Notes can only be made to holders with accounts (either by themselves or through their custodians) registered with Euroclear, and who provide their respective LEI codes (to the extent the relevant holder is a legal entity whereas a LEI code is applicable to it). Euroclear will reject a settlement instruction on the basis that (i) such settlement instruction contains no LEI code, or (ii) the LEI code in such settlement instruction is incorrectly formatted, or (iii) Euroclear is not able to identify such LEI code.

Additionally, there is no bridge settlement between Euroclear and other clearing systems in respect of the Notes. For prospective investors who are not registered with Euroclear, they may participate in the purchase of the Notes via a custodian/agent account with Euroclear who may be required to settle the relevant Notes on their behalf. If any investor needs to place an order through its custodian/agent, its custodian/agent shall ensure that the requirements of Euroclear are met and, where such underlying investor is required to provide a settlement instruction to its custodian/agent, such custodian/agent shall be responsible for filling out the RG 621 form, indicating its LEI code and submitting it to Euroclear in order to purchase any Notes. The settlement instruction is subject to the mutual arrangement between such underlying investor and its custodian/agent.

For the avoidance of doubt, the RG 621 form is required to disclose the LEI code of each beneficial holder of the Notes (to the extent the relevant beneficial holder is a legal entity whereas a LEI code is applicable to it). Investors trading in principal and custodians trading on behalf of underlying investors for the first time, will need to submit such form to Euroclear on behalf of itself or the relevant underlying investors trading through custodians, respectively.

SCHEDULE 5

PRC TAXATION

The section entitled "Taxation – PRC – Stamp duty" in the Offering Circular shall be replaced as follows:

Stamp Duty

Pursuant to the Provisional Rules of the People's Republic of China on Stamp Duty ("**Provisional Rules of Stamp Duty**") promulgated and effective on 8 January 2011, any entity or individual which enters into or receives any of the documents listed in the Provisional Rules of Stamp Duty shall pay stamp duty. There is no rule or regulation publicly known and currently effective in the PRC which sets out the PRC stamp duty implications of the issuance, sale or transfer of bonds, notes or other securities in the PRC. Currently, no PRC stamp duty has imposed on the issuance, sale or transfer of bonds, notes or other securities issued by the Issuer in China. As at the date of this Pricing Supplement, the issuance or sale or transfer of the Notes in the PRC is not subject to any PRC stamp duty. The Notes are to be issued within the quota of foreign debt dated 15 March 2022 pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No 2044) (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(发改委外资[2015]2044 号)) and will be governed by English law. However, there can be no assurance as to whether the PRC tax authorities will interpret that the Notes are entered into, received, issued or delivered in the PRC purely because SHCH is the registrar of the Notes. In addition, there can be no assurance as to whether the PRC tax authorities will promulgate rules or regulations with respect to PRC stamp duty in the future. Therefore, if the PRC tax authorities interpret that the Notes are entered into, received, issued or delivered in the PRC and they promulgate rules or regulations with respect to stamp duty in the future, there can be no assurance that the stamp duty would not be imposed on the transfer of the Notes and uncertainty remains as to what the tax rate would be at that time.

SCHEDULE 6

FORM OF DEED OF COVENANT

Dated 5 May 2022

DEED OF COVENANT

in respect of

€100,000,000 1.75 per cent. Notes due 2025

issued under

DFZQ (东方证券股份有限公司)

U.S.$2,500,000,000 Medium Term Note Programme

by

DFZQ (东方证券股份有限公司)

as Issuer

This Deed is made on 5 May 2022 by DFZQ (东方证券股份有限公司) (the "**Issuer**") in favour of the Noteholders and the Relevant Account Holders (as defined below) from time to time.

Whereas:

(A) The Issuer has established of a U.S.$2,500,000,000 medium term note programme (the "**Programme**") in connection with which the Issuer has entered into a programme agreement dated 18 September 2019 and a supplemental programme agreement dated 20 April 2022 (as further amended, restated and/or supplemented from time to time), a trust deed dated 18 September 2019 and a supplemental trust deed dated 20 April 2022 (as further amended, restated and/or supplemented from time to time, the "**Trust Deed**") and an agency agreement dated 18 September 2019 and a supplemental agency agreement dated 20 April 2022 (as further amended, restated and/or supplemented from time to time, the "**Agency Agreement**"). The Trust Deed and the Agency Agreement do not apply to the Notes (as defined below).

(B) The Issuer has agreed to issue €100,000,000 1.75 per cent. notes due 2025 under the Programme (the "**Notes**" which expression shall include, unless the context otherwise requires, any further securities issued pursuant to Condition 12 (*Further Issues*) and forming a single series with the Notes).

(C) The Issuer and The Hongkong and Shanghai Banking Corporation Limited have entered into a fiscal agency agreement (as amended, restated and/or supplemented from time to time, the "**Fiscal Agency Agreement**") dated 5 May 2022 in respect of the Notes only and not in respect of any other notes issued under the Programme.

(D) A services agreement dated on or around 29 March 2022 (as amended, restated and/or supplemented from time to time, the "**Services Agreement**") has been entered into in relation to the Notes between the Issuer and Shanghai Clearing House (银行间市场清算所股份有限公司) ("**SHCH**") as registrar as described in the Services Agreement. The Services Agreement is written in Chinese only and is governed by the PRC laws.

(E) Euroclear Bank SA/NV ("**Euroclear**") and SHCH have entered into a cooperation agreement dated 8 December 2020 (as amended, restated and/or supplemented from time to time, the "**Cooperation Agreement**").

(F) The Notes will be issued in dematerialised form by inscription in a register maintained by SHCH with Euroclear initially being entered in the register as the sole registered holder. No certificate or other evidence of title, other than this Deed, will be issued by, or on behalf of, the Issuer to evidence title to the Notes unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

(G) The Issuer wishes to make arrangements for the protection of the interests of Noteholders and Relevant Account Holders in the circumstances set out below.

This Deed witnesses as follows:

1. **INTERPRETATION**

1.1. **Defined Terms:** In this Deed, unless the context otherwise requires:

"**Account Holder**" means a holder of a Securities Account;

"**Conditions**" means the terms and conditions of the Notes as set out in Schedule 1 to the Fiscal Agency Agreement as amended or supplemented by the pricing supplement dated 26 April 2022 and as amended or supplemented from time to time, with respect to any Notes held in an account with Euroclear, in collaboration with SHCH, by the rules and procedures of Euroclear and SHCH in effect from time to time and any reference to a particularly numbered Condition shall be construed accordingly;

An Entry "**corresponds**" with another Entry if (i) both Entries relate to the Notes, (ii) one of those Entries has been debited from the Securities Account of an Account Holder in connection with, and substantially at the same time as, the credit of the other Entry to the Securities Account of another Account Holder and (iii) the purpose of debiting the first Entry and crediting the second Entry was to transfer all rights relating to the debited Entry from the Account Holder to whose Securities Account it was debited to the other Account Holder to whose Securities Account the other Entry has been credited; and one Entry "**corresponds**" with another Entry if they both correspond with a third Entry, the term "**corresponding**" has meanings correlative to the foregoing;

"**Direct Rights**" means the rights referred to and defined in Clause 4.1;

"**Entry**" means an entry relating to a Note in a Securities Account of an Account Holder;

"**Fiscal Agent**" means The Hongkong and Shanghai Banking Corporation Limited as initial fiscal agent or such other replacement or successor fiscal agent as may be appointed pursuant to the Fiscal Agency Agreement;

"**Original Account Holder**" means an Account Holder who has one or more Entries credited to his Securities Account on 5 May 2022;

"**Relevant Account Holder**" means an Original Account Holder or a Subsequent Account Holder, as the case may be;

"**Relevant Clearing System**" means Euroclear and/or any other alterative clearing system or systems designated pursuant to the Cooperation Agreement;

"**Securities Account**" means any arrangement between the Relevant Clearing System and any other person (the "**holder of the Securities Account**") pursuant to which the Relevant Clearing System may acknowledge to the holder of the Securities Account that it holds securities, or rights in respect of securities, for the account or benefit of such holder and, in relation to a specific Entry, means the Securities Account to which such Entry is credited;

"**Subsequent Account Holder**" means an Account Holder who has had an Entry credited to his Securities Account in connection with the debit of a corresponding Entry in respect of which Direct Rights have arisen from the Securities Account of another Account Holder (a "**Previous Account Holder**"); and

"**Transfer Time**" means, in relation to any Subsequent Account Holder's Entry, the time at which such Entry is credited to his Securities Account.

1.2. **Headings:** Headings shall be ignored in construing this Deed.

1.3. **Contracts:** References in this Deed to this Deed or any other document are to this Deed or these documents as amended, supplemented or replaced from time to time in relation to the Notes and includes any document that amends, supplements or replaces them.

1.4. **Incorporation of terms:** Terms which are defined (or given a particular meaning) in the Conditions have the same meaning when used in this Deed unless the same term is also defined in this Deed, in which case the definition in this Deed prevails.

2. THE NOTES

2.1. Creation of Notes

2.1.1 The obligations of the Issuer under the Notes are constituted by, and owing under, this Deed.

2.1.2 The Notes will be issued in dematerialised form by inscription in the Register, with Euroclear initially being entered in the Register as the sole registered holder and will remain in such form unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

2.2. Undertaking to pay

The Issuer unconditionally and irrevocably undertakes with each holder of a Note issued by it:

2.2.1 to pay, in respect of that Note:

(a) principal, premium (if any) and any interest; and

(b) any other amounts that may be payable, each in accordance with the Conditions; and

2.2.2 otherwise to observe its obligations under, and to comply with, the Conditions of that Note.

3. REGISTER

The Issuer undertakes that it shall procure the Registrar to establish and maintain a register of the registered holder of the Notes (the "**Register**").

4. DIRECT RIGHTS

4.1. **Acquisition of Direct Rights:** Each Relevant Account Holder shall automatically acquire at the Relevant Time for each of its Entries, without the need for any further action on behalf of any person, against the Issuer all those rights ("**Direct Rights**") which the Relevant Account Holder would have had if such Relevant Account Holder had been duly registered in the Register. The Issuer's obligations under this Clause shall be a separate and independent obligation by reference to each Note which each Relevant Account Holder has credited to its Securities Account with the Relevant Clearing System and the Issuer agrees that each Relevant Account Holder may assign its rights under this Deed in whole or in part. With respect to each Relevant Account Holder, "**Relevant Time**" is the time at which (i) Euroclear is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

4.2. **Termination of Direct Rights:** The Direct Rights of each Previous Account Holder in relation to any Entry shall terminate at the Transfer Time.

5. RECORDS CONCLUSIVE

The records of the Relevant Clearing System shall, in the absence of manifest error, be conclusive evidence as to the identity of each Relevant Account Holder and each Entry in respect of which Direct Rights have arisen and the Relevant Time and the amount of any payment made in respect of any Entry. For the purposes of this Clause 5, one or more certificate(s) issued by the Relevant Clearing System stating the relevant information shall be conclusive evidence of the records of the Relevant Clearing System at the date of such certificate.

6. **TITLE TO ENTRIES**

6.1. **Each Relevant Account Holder Entitled to Enforce:** Any Relevant Account Holder is entitled to enforce its rights arising out of this Deed in respect of any Entry in which its own name is entered without using the name of or obtaining any authority from any predecessor in title.

6.2. **Payment to Relevant Account Holder Good Discharge:** Each Relevant Account Holder is entitled to receive payment of the amount due in respect of each of its Entries and of all other sums referable to its Direct Rights to the exclusion of any other person and payment in full by the Issuer to such Relevant Account Holder shall discharge the Issuer from all obligations in respect of each such Entry and such Direct Rights.

7. **COUNTERPARTS OF THIS DEED**

This Deed may be executed in one or more counterparts all of which when taken together shall constitute the same instrument. Executed originals of this Deed have been delivered to the Fiscal Agent and shall be held until all the obligations of the Issuer under this Deed have been discharged in full. The Issuer covenants with each Relevant Account Holder on demand to produce or procure that there is produced an executed original hereof to such Relevant Account Holder and to allow it to take copies thereof on demand at any reasonable time. Any Relevant Account Holder is entitled severally to, in any proceedings relating to this Deed, protect and enforce its rights arising out of this Deed in respect of any Entry to which it is entitled on the basis of the records of the Relevant Clearing System as provided in Clause 5 and a copy of this Deed without the need for production in such proceedings or in any court of the actual records or this Deed. This Clause shall not limit any right of any Relevant Account Holder to the production of the originals of such records or documents in evidence in accordance with the applicable laws, rules and regulations.

8. **AMENDMENT OF THIS DEED**

The Issuer may not amend, vary, terminate or suspend this Deed or its obligations hereunder unless such amendment, variation, termination or suspension is to correct a manifest error or shall have been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) to which the special quorum provisions specified in the Fiscal Agency Agreement apply, save that nothing in this Clause shall prevent the Issuer from increasing or extending its obligations under this Deed by way of supplement to it at any time.

9. **PAYMENTS**

9.1. **Payments Free of Taxes:** All payments by the Issuer under this Deed shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, subject to and in accordance with Condition 8 (*Taxation*) (with references therein to a "**Noteholder**" or "**holder**" being construed as a Noteholder or Relevant Account Holder, as the case may be).

9.2. **Stamp Duties:** The Issuer covenants to and agree with the Noteholders and the Relevant Account Holders that the Issuer will pay any stamp, issue, registration, documentary or other taxes, fees, assessments, governmental charges and duties, including interest and penalties (if any), payable in any jurisdiction in respect of the creation, issue and offering of the Notes and the execution, delivery or performance of this Deed and the Notes (as the case may be). The Issuer will also indemnify the Noteholders and the Relevant Account Holders, on demand on an after tax basis, from and against all stamp, issue, registration, documentary or other taxes, fees, assessments, governmental charges or duties paid by any of them in any jurisdiction in connection with any action taken by or on behalf of the Noteholders and/or the Relevant Account Holders to enforce the Issuer's obligations under this Deed.

10. **DEED POLL**

This Deed shall take effect as a deed poll for the benefit of the Noteholders and the Relevant Account Holders from time to time.

11. **NOTICES**

11.1. Notices to the holders of the Notes shall be given in accordance with the Conditions.

11.2. The initial Agents and their initial specified offices are set out in Schedule 1 to this Deed.

12. **GOVERNING LAW AND JURISDICTION**

12.1. **Governing Law:** This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

12.2. **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed and accordingly any legal action or proceedings arising out of or in connection with this Deed ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

12.3. **Agent for Service of Process**: The Issuer has irrevocably appointed the Orient Finance Holdings (Hong Kong) Limited (currently at 28/F-29/F, No. 100 Queen's Road Central, Hong Kong) as its authorised agent in Hong Kong to accept service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason the Issuer ceases to have such an agent in Hong Kong, it will promptly appoint a substitute agent in Hong Kong to accept service of process on behalf of the Issuer and deliver to the Fiscal Agent a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing in this Clause 12.3 shall affect the right to serve process in any other manner permitted by law.

12.4. **Waiver of Immunity:** The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

Schedule 1
The Specified Offices of the Agents

The Fiscal Agent and Paying Agent

The Hongkong and Shanghai Banking Corporation Limited

Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong
Fax no.: +852 3478 9198
Attention: Issuer Services

The Registrar

Shanghai Clearing House

No.2 East Beijing Road
Huangpu District
Shanghai, PRC
Fax no.: +86 21 2319 8866
Attention: ICD cross border business team

In witness whereof the Issuer has caused this Deed to be duly delivered as a deed the day and year first above mentioned.

DFZQ (东方证券股份有限公司)

By: ________________________________

Name:

Title: