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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 (the "Listing Rules") 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 (as defined below) 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) and the Guarantor (as defined below) confirm that the Bonds 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 and Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

Orient ZhiSheng Limited

(incorporated in the British Virgin Islands with limited liability)

(the "**Issuer**")

Issue of U.S.$300,000,000 5.125 per cent. Guaranteed Bonds due 2025 (the "Bonds")

(Stock Code: 5574)

unconditionally and irrevocably guaranteed by

东方证券

DFZQ

東方證券股份有限公司

(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 "**Guarantor**")

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

Please refer to the offering circular dated 20 October 2022 (the "**Offering Circular**") appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer or the Guarantor, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

Shanghai, PRC
27 October 2022

As at the date of this announcement, the sole director of the Issuer is LU Yuanyuan.

As at the date of this announcement, the Board of Directors of the Guarantor comprises Mr. SONG Xuefeng, Mr. JIN Wenzhong and Mr. LU Weiming 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.

TABLE OF CONTENTS

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IMPORTANT: You must read the following before continuing. The following applies to the attached offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, 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.

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE DESCRIBED HEREIN 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 AND THE GUARANTEE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, OR TO OR FOR THE ACCOUNT AND BENEFIT OF, U.S. PERSONS, 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. THIS OFFERING IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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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 any of the Joint Global Coordinators (as defined in the attached Offering Circular), the Joint Bookrunners (as defined in the attached Offering Circular), the Joint Lead Managers (as defined in the attached Offering Circular) or either the Issuer or the Company to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Global Coordinator, Joint Bookrunner, Joint Lead Manager or such affiliate on behalf of such Joint Global Coordinator, Joint Bookrunner or Joint Lead Manager in such jurisdiction.

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The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee (as defined in the attached Offering Circular), the Agents (as defined in the attached Offering Circular) or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version. A hard copy version will be provided to you upon request.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The securities 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 (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. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS – The securities 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**"); 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. 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 securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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Strictly confidential

ORIENT ZHISHENG LIMITED

(*incorporated in the British Virgin Islands with limited liability*)

U.S.$300,000,000 5.125 PER CENT. GUARANTEED BONDS DUE 2025
UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

(*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)

Issue Price: 99.739 per cent.

The 5.125 per cent. guaranteed bonds due 2025 in aggregate principal amount of U.S.$300,000,000 (the "**Bonds**") will be issued by Orient ZhiSheng Limited (the "**Issuer**") and bear interest at a rate of 5.125 per cent. per year. Interest will be paid on the Bonds semi-annually and in arrear on 26 April and 26 October of each year, beginning on 26 April 2023. The Bonds will be irrevocably and unconditionally guaranteed (the "**Guarantee**") by DFZQ (東方證券股份有限公司) (the "**Company**"). The Issuer is an indirect wholly-owned subsidiary of the Company.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be preferred by provisions of applicable laws and subject to Condition 3(a) of the Terms and Conditions of the Bonds, rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer. The Company's obligations under the Guarantee shall, save for such obligations as may be preferred by provisions of applicable laws and subject to Condition 3(a) of the Terms and Conditions of the Bonds, at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company. Payments on the Bonds will be made without deduction for or on account of taxes of the British Virgin Islands, Hong Kong or the PRC to the extent described in "Terms and Conditions of the Bonds – Taxation".

Unless previously redeemed, or purchased and cancelled, the Bonds will mature on 26 October 2025 at their principal amount. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time at their principal amount, together with interest accrued to but excluding the date fixed for redemption in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the PRC. Prior to the Par Call Date (as defined in the Terms and Conditions of the Bonds), the Issuer may at any time and from time to time redeem the Bonds, in whole or in part, at a Make Whole Amount (as defined in the Terms and Conditions of the Bonds) as specified in the Terms and Conditions of the Bonds. On or after the Par Call Date, the Issuer may at any time redeem all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with interest accrued to, but excluding, the date fixed for redemption, as further described in Condition 5(d) of the Terms and Conditions of the Bonds. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only of such holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control Triggering Event (as defined in the Terms and Conditions of the Bonds)) or 100 per cent. (in the case of a redemption for a No Registration Event) (as defined in the Terms and Conditions of the Bonds)) of their principal amount, together with interest accrued to but excluding the Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and purchase*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Bonds 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) (the "**Professional Investors**") only, and such permission is expected to become effective on 27 October 2022. **This document is for distribution to Professional Investors only.**

Notice to Hong Kong investors: The Issuer and the Company confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Company confirm that the Bonds 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 document, 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 document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer or the Company or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, 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 document.

The Company has been assigned a rating of "Baa2" by Moody's Investors Service, Inc. ("**Moody's**") with a stable outlook and a rating of "BBB-" by S&P Global Ratings ("**S&P**") with a stable outlook. The Bonds are expected to be assigned a rating of "Baa2" by Moody's. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

Singapore SFA Product Classification: In connection with Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018).

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 10.

The Bonds and the Guarantee 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 other jurisdiction. The Bonds and the Guarantee 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 ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee may be offered and sold to non-U.S. Persons in offshore transactions in compliance with Regulation S. For a description of certain restrictions on resales and transfers, see "*Subscription and Sale*".

The denomination of the Bonds shall be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Company has made an application for the filing registration (the "**Pre-Issuance Registration**") of the offering of the Bonds with the National Development and Reform Commission (the "**NDRC**") 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) (the "**NDRC Circular**") (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) issued by the NDRC and which came into effect on 14 September 2015. The Company has received an Enterprise Foreign Debt Filing Registration Certificate dated 15 March 2022 and the Letter on Agreeing to Adjust the Enterprise Foreign Debt Filing Registration Certificate dated 2 August 2022 from the NDRC in connection with the Pre-issuance Registration. Pursuant to the requirements of the NDRC Circular, the Company will be required to complete the filing in respect of the issue of the Bonds within 10 Registration Business Days (as defined in the Terms and Conditions of the Bonds) following the Issue Date (the "**NDRC Post-Issuance Filing**"). The Company undertakes to file or cause to be filed with the Shanghai Branch of SAFE, the deed of guarantee to be dated on or about 26 October 2022 (the "**Deed of Guarantee**") in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by the State Administration of Foreign Exchange ("**SAFE**") on 12 May 2014 which came into effect on 1 June 2014 (the "Cross-border Security Registration") and shall use its reasonable endeavours to complete the Cross-border Security 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 Bonds).

The Bonds will be represented initially by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 26 October 2022 (the "**Issue Date**") with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Orient Securities (Hong Kong)

ICBC

Standard Chartered Bank

Shanghai Pudong Development Bank Hong Kong Branch

Bank of Communications

China Minsheng Banking Corp., Ltd., Hong Kong Branch

CMB Wing Lung Bank Limited

Joint Bookrunners and Joint Lead Managers

Zhongtai International

BOSC International

ABC International

China CITIC Bank International

Industrial Bank Co., Ltd. Hong Kong Branch

Offering Circular dated 20 October 2022

TABLE OF CONTENTS

NOTICE TO INVESTORS

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Each of the Issuer and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Company and each of their respective subsidiaries taken as a whole (the "**Group**"), the Bonds and the Guarantee, which is material in the context of the issue, offering, sale or distribution of the Bonds (including all information which is required by applicable laws and the relevant rules and regulations imposed by the Hong Kong Stock Exchange and all information which, according to the particular nature of the Issuer, the Guarantor, Group taken as a whole and of the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group taken as a whole and of the rights attaching to the Bonds and the Guarantee); (ii) the statements contained in this Offering Circular relating to the Issuer, the Company, the Group, the Bonds and the Guarantee are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Company, the Group, the Bonds and the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds and the Guarantee, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, each of the Issuer and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular is intended solely for the purpose of soliciting indications of interests in the Bonds from qualified investors and does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the trust deed (the "**Trust Deed**") or the agency agreement (the "**Agency Agreement**") relating to the Bonds and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Circular has been obtained by the Issuer and the Company from publicly available sources deemed by them to be reliable.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular is (a) limited to Professional Investors only; or (b) for a person outside Hong Kong, a person to whom securities may be sold in accordance with a relevant exemption from public offer regulations in that jurisdiction. None of the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers is making an offer to sell the Bonds in any jurisdictions except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. None of the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers represents that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Company or any of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers which is intended to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular 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.

Persons into whose possession this Offering Circular comes are required by the Issuer, the Company, Orient Securities (Hong Kong) Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Standard Chartered Bank, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability), Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability), China Minsheng Banking Corp., Ltd., Hong Kong Branch and CMB Wing Lung Bank Limited (collectively, the "**Joint Global Coordinators**"), Zhongtai International Securities Limited, BOSC International Company Limited, ABCI Capital Limited, China CITIC Bank International Limited and Industrial Bank Co., Ltd. Hong Kong Branch (together with the Joint Global Coordinators, collectively, the "**Joint Bookrunners**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions, including the United States, the United Kingdom, the People's Republic of China, Hong Kong, Singapore, Japan and the British Virgin Islands, to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

Each prospective purchaser of the Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers shall have any responsibility therefor.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, the Group, the Bonds or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives. The appointment of the Trustee and the Agents is subject to internal approvals by the entities named as such in this Offering Circular.

This Offering Circular is personal to the prospective investors to whom it has been delivered by the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Investors may not reproduce or distribute this Offering Circular, in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without prior written consent of the Issuer and the Company, is prohibited. By accepting delivery of this Offering Circular, the prospective investor agrees to the foregoing and to make no photocopies or other reproduction of this Offering Circular.

No prospectus is required in accordance with European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "**EEA**") (the "**EU Prospectus Directive**") in relation to the offer of the Bonds.

No representation or warranty, express or implied, is made or given by the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives. None of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives has independently verified any of the information contained in this Offering Circular (financial, legal or otherwise) and can give any assurance that this information is accurate, truthful or complete or accept any responsibility for any acts or omissions of the Issuer or the Company or any other person (other than the relevant Joint Global Coordinators, the Joint Bookrunners or the Joint Lead Managers) in connection with the issue and offering of the Bonds.

Prospective investors in the Bonds should rely only on the information contained in this Offering Circular. None of the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives has authorised the provision of information different from that contained in this Offering Circular, to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Company, any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives. The information contained in this Offering Circular is accurate in all material respects only as at the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Bonds. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has not been a change in affairs of the Issuer, the Company, the Group or any of them or that the information set forth herein is correct in all material respects as at any date subsequent to the date hereof. None of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, advisers, directors, employees, officers, agents and representatives undertake to review the financial condition and affairs of the Issuer or the Company following the date of this Offering Circular, nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives in connection with its investigation of the accuracy or completeness of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement made or purported to be made by the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives or on its or their behalf in connection with the Issuer, the Company, the Group, the Guarantee or the issue and offering of the Bonds. Each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents and each of their respective affiliates, advisers, directors, employees, officers, agents and representatives accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives undertakes to review the financial condition or affairs of the Issuer, the Company or the Group for so long as the Bonds remain outstanding, nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents and representatives.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE 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 BONDS 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 BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents or representatives that any recipient of this Offering Circular, or any other information supplied in connection with the offering of the Bonds, should purchase the Bonds. In making an investment decision, investors must rely on their own independent examination of the Issuer, the Company, the Group and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisors as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations; in making an investment decision, investors must rely on their own examination of the Issuer, the Company and the terms of the offering, including the merits and risks involved.

None of the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, advisers, directors, employees, officers, agents or representatives is or are making any representation to investors regarding the legality of an investment in the Bonds under any legal, investment or similar laws or regulations. Investors should not consider any information in this Offering Circular to be legal, business or tax advice. Investors should consult their own attorney, business adviser and/or tax adviser for legal, business and tax advice regarding an investment in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds. The Issuer and the Company reserve the right to withdraw the offering of the Bonds at any time. The Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of, the Bonds offered hereby. You should read this Offering Circular before making a decision whether to purchase the Bonds.

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

Singapore SFA Product Classification: In connection with Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018).

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code**"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMI(s) may also be acting as "overall coordinator(s)" ("**OC(s)**") for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer and the Guarantor, a CMI or its group companies would be considered under the Code as having an association ("**Association**") with the Issuer and the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer and the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this offering ("**Private Banks**")) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the Code, including to the Guarantor, any OC(s), relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein.

This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of the Issuer, the Company, the Group and the terms of the offering and the Bonds, including the merits and risks involved.

Unless otherwise indicated, all references in this Offering Circular to the "Group" are to the Company and its subsidiaries.

Unless otherwise indicated, all references in this Offering Circular to "Hong Kong" are to the Hong Kong Special Administrative Region of China and all references to "China" or the "PRC" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan. "PRC Government" or the "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

Unless otherwise specified or the context requires, all references in this Offering Circular to "Renminbi", "RMB" or "CNY" are to the lawful currency of the PRC; references herein to "Hong Kong dollars", "HK dollars" or "HK$" are to the lawful currency of Hong Kong; and references herein to "U.S. dollars" or "U.S.$" are to the lawful currency of the United States of America.

Solely for your convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollars, Renminbi amounts into Hong Kong dollars, and Hong Kong dollars into U.S. dollars at specified rates. Unless indicated otherwise, the translation of Renminbi into U.S. dollars has been made at the rate of RMB6.6981 to U.S.$1.00, the noon buying rate in effect on 30 June 2022 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "**Federal Reserve Board**"). Further information on exchange rates is set forth in "*Exchange Rate Information*" in this Offering Circular. No representation is made that the Renminbi or Hong Kong dollars amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the 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. In the event of any inconsistency, the Chinese name prevails.

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 as well as the unaudited condensed consolidated financial information of the Group as at and for the six months ended 30 June 2021 and 2022.

The financial statements of the Group as at and for the years ended 31 December 2019, 2020 and 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and audited by Deloitte Touche Tohmatsu, Certified Public Accountants in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). The unaudited condensed consolidated financial information of the Group as at and for the six months ended 30 June 2021 and 2022 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the IASB and reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the IAASB. Such unaudited condensed consolidated financial information of the Group should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2022.

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 Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, advisers, directors, employees, officers, agents and representatives and none of the Issuer, the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, advisers, directors, employees, officers, agents and representatives 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 or the Company 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 and the Company believe 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 and the Company undertake 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 and the Company'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 and the Company expressly disclaim 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.

GLOSSARY

This glossary contains explanations of certain technical terms used in this Offering Circular in connection with our business. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"AMAC"	the Asset Management Association of China (中國證券投資基金業協會)
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
"Articles of Association" or "Articles"	the articles of association of the Company
"AUM"	asset-under-management
"Board" or "Board of Directors"	the board of directors of our Company
"BVI"	the British Virgin Islands
"CAM"	collective asset management
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CFA"	China Futures Association
"CPC"	Communist Party of China
"China Financial Futures Exchange"	the China Financial Futures Exchange (中國金融期貨交易所)
"China Securities Finance Corporation"	China Securities Finance Corporation Limited (中國證券金融股份有限公司), a joint stock company established under the direction of the State Council to provide, among other functions, margin and securities intermediation service to support the margin financing and securities lending businesses of PRC securities firms
"China Universal"	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司) (formerly known as China Universal Asset Management Company Limited), a joint stock company incorporated in the PRC with limited liability on 3 February 2005, and our Company had 35.412% of its equity interest as at 30 June 2022

"Company" or "our Company" or "the Company" or "Orient Securities" or "Guarantor"	DFZQ (東方證券股份有限公司), a joint stock company incorporated in the PRC with limited liability under the corporate name "東方證券股份有限公司", converted from our predecessor, Orient Securities Limited Liability Company (東方證券有限責任公司), on 8 October 2003, conducting business in Hong Kong as "東方證券" under Part 16 of the Companies Ordinance (in Chinese) and "DFZQ" (in English), and was registered as a non-Hong Kong company under the Chinese corporate name approved as "東方證券股份有限公司", the A Shares and H Shares of which have been listed on the Shanghai Stock Exchange since 23 March 2015 (Stock Code: 600958) and on the Hong Kong Stock Exchange since 8 July 2016 (Stock Code: 3958), and except where the context otherwise requires includes its predecessors
"CSDC"	the China Securities Depositary and Clearing Corporation (中國證券登記結算有限責任公司)
"CSI 300 Index"	a capitalization-weighted stock market index compiled by the China Securities Index Co., Ltd. to replicate the performance of 300 stocks traded in the Shanghai Stock Exchange and Shenzhen Stock Exchange
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"CSRC Shanghai Bureau"	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
"Dalian Commodity Exchange"	the Dalian Commodity Exchange (大連商品交易所)
"Director(s)"	the Director(s) of our Company
"EIT"	enterprise income tax of the PRC
"ETF(s)"	exchange-traded fund(s)
"FICC"	fixed-income, currencies and commodities
"GDP"	gross domestic product
"GFA"	gross floor area
"Group", "our Group", "we" or "us"	our Company and its subsidiaries, and their respective predecessors
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange

"Hong Kong Listing Rules" or "Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IFRS"	Standards and Interpretations issued by the International Accounting Standards Board. They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; (c) International Financial Reporting Interpretations Committee Interpretations; and (d) Standing Interpretations Committee Interpretations
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules to the knowledge of our directors after all reasonable enquiries
"Joint Bookrunners"	Orient Securities (Hong Kong) Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Standard Chartered Bank, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability), Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability), China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, Zhongtai International Securities Limited, BOSC International Company Limited, ABCI Capital Limited, China CITIC Bank International Limited and Industrial Bank Co., Ltd. Hong Kong Branch
"Joint Global Coordinators"	Orient Securities (Hong Kong) Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Standard Chartered Bank, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability), Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability), China Minsheng Banking Corp., Ltd., Hong Kong Branch and CMB Wing Lung Bank Limited

"Joint Lead Managers"	Orient Securities (Hong Kong) Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Standard Chartered Bank, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability), Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability), China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, Zhongtai International Securities Limited, BOSC International Company Limited, ABCI Capital Limited, China CITIC Bank International Limited and Industrial Bank Co., Ltd. Hong Kong Branch
"Macau"	the Macau Special Administrative Region of the PRC
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National People's Congress of the PRC (中華人民共和國發展和改革委員會)
"NEEQ"	National Equities Exchange and Quotations
"Orient Finance Holdings"	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on 17 February 2010, and a wholly-owned subsidiary of our Company
"Orient Futures"	Orient Futures Co., Ltd (上海東證期貨有限公司), a company incorporated in the PRC with limited liability on 8 December 1995, and a wholly-owned subsidiary of our Company. On 20 September 2007, the Company acquired 100% of equity interest in the predecessor Shanghai Jiulian Futures Brokerage Co., Ltd. (上海久聯期貨經紀有限公司) of Orient Futures via Shanghai united assets and equity exchange by agreement transfer. Henceforth, Orient Securities Futures became a wholly-owned subsidiary of our Company
"Orient Investment Banking"	Orient Securities Investment Banking Co., Ltd (東方證券承銷保薦有限公司), a company incorporated in the PRC with limited liability on 4 June 2012 and a wholly owned subsidiary of our Company. In 2020, the Company acquired 33.3% of equity interest in the predecessor Citi Orient Securities Co., Ltd. (東方花旗證券有限公司) of Orient Investment Banking from Citigroup Global Markets Asia Limited. Henceforth, Orient Investment Banking became a wholly-owned subsidiary of our Company

"Orient Securities Asset Management"	Shanghai Orient Securities Asset Management Co., Ltd (上海東方證券資產管理有限公司), a company incorporated in the PRC with limited liability on 8 June 2010, and a wholly-owned subsidiary of our Company
"Orient Securities Capital Investment"	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a company incorporated in the PRC with limited liability on 8 February 2010, and a wholly-owned subsidiary of our Company
"Orient Securities International"	Orient Securities International Financial Group Co., Ltd. (東證國際金融集團有限公司), a company incorporated in Hong Kong with limited liability on 10 November 2016, and a wholly-owned subsidiary of Orient Finance Holdings
"Orient Securities Innovation Investment"	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a company incorporated in the PRC with limited liability on 19 November 2012, and a wholly-owned subsidiary of our Company
"Orient Securities Runhe"	Orient Securities Runhe Capital Management Co., Ltd. (東證潤和資本管理有限公司), a company incorporated in the PRC with limited liability on 5 September 2014, and a wholly-owned subsidiary of Orient Futures
"PBOC"	People's Bank of China
"PRC GAAP"	generally accepted accounting principles in the PRC
"QFII"	Qualified Foreign Institutional Investor (合格境外機構投資者)
"SAC" or "Securities Association of China"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAM"	specialized asset management
"Science and Technology Innovation Board" or "Sci-Tech Innovation Board"	The Science and Technology Innovation Board of Shanghai Stock Exchange (上海證券交易所科創板)
"SFC"	the Securities and Futures Commission
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shanghai Futures Exchange"	the Shanghai Futures Exchange (上海期貨交易所)
"Shanghai International Energy Exchange"	the Shanghai International Energy Exchange (上海國際能源交易中心)
"Shanghai SASAC"	Shanghai State-owned Assets Supervision and Administration Commission of the State Council (上海市國有資產監督管理委員會)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shenergy Ltd"	Shenergy Company Limited (A share stock code on the Shanghai Stock Exchange: 600642)
"Shenergy Group"	Shenergy (Group) Company Limited (申能(集團)有限公司)
"Shenzhen Stock Exchange" or "SZSE"	The Shenzhen Stock Exchange (深圳證券交易所)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"TAM"	targeted asset management
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Wind Info" or "Wind"	Wind Information Co., Ltd. (上海萬得資訊技術股份有限公司), a company with limited liability incorporated in the PRC and a service provider of financial data, information and software, being an Independent Third Party of the Company
"Zhengzhou Commodity Exchange"	the Zhengzhou Commodity Exchange (鄭州商品交易所)

SUMMARY

This summary highlights certain information contained in this Offering Circular and does not contain all the information that you should consider before investing in the Bonds. You should carefully read this Offering Circular in its entirety, including the sections entitled "Forward-Looking Statements" and "Risk Factors", as well as the financial statements and related notes thereto included elsewhere in this Offering Circular before making an investment decision.

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 30 June 2022, our market capitalisation was RMB80.1 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 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.

Our extensive geographic presence enables us to serve a broad customer base. We are 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. As at 30 June 2022, we had 177 securities branches in total, covering 87 cities in all provinces, autonomous regions and municipalities directly under the central government. According to the published annual reports of Chinese securities companies, we ranked 13th in terms of net capital, 13th in terms of net assets, and 12th in the industry in terms of total assets for the year ended 31 December 2021. As at 30 June 2022, our total assets amounted to RMB355.5 billion, representing an increase of 8.85 per cent. as compared with 31 December 2021. For the six months ended 30 June 2022, our total revenue, other income and net gains and losses was RMB9.8 billion, and our profit was RMB0.6 billion.

Recent Development

Resignation and appointment of independent non-executive director

On 7 July 2022, the Board received the written resignation letter from Mr. Xu Zhiming, an independent non-executive director of the Company, to comply with the Rules for Independent Directors of Listed Companies and other relevant regulations that the consecutive term of an independent non-executive director serving in the same listed company shall not exceed six years. The resignation of Mr. Xu Zhiming shall take effect upon the Company electing an independent non-executive director. Upon the resignation taking effect, Mr. Xu Zhiming will no longer hold any position in the Company.

On 30 August 2022, the Board agreed to nominate Mr. CHAN Hon, Rollin as an independent non-executive director to the fifth session of the Board, who shall take office commencing from consideration and approval at the general meeting till expiry of the fifth session of the Board.

Appointment of new chief risk officer and chief compliance officer

On 23 September 2022, to cater to the Company's operation and management, Mr. Yang Bin would stop serving as a vice president, the chief risk officer and the chief compliance officer of the Company, but would still serve other positions in the Company.

The Board appointed Mr. Jiang Helei as the chief risk officer and the chief compliance officer of the Company. Mr. Jiang Helei shall take office as the chief risk officer commencing from 23 September 2022 till expiry of the fifth session of the Board. Mr. Jiang Helei's appointment as the chief compliance officer shall take effect upon relevant authority's approval, which was granted on 11 October 2022, till expiry of the fifth session of the Board.

For information regarding Mr. Jiang Helei, please see "Directors, Supervisors and Senior Management – Senior Management".

Resignation of the chairman of the Supervisory Committee

On 23 September 2022, the Board received the written resignation report from Mr. Zhang Qian, the chairman of the Supervisory Committee. Due to work arrangement, Mr. Zhang applied to resign as the chairman and a supervisor of the fifth session of the Supervisory Committee. Mr. Zhang has confirmed that, he has no disagreement with the Company, the Board and the Supervisory Committee and there are no other matters relating to his resignation that need to be brought to the attention of the shareholders and the Hong Kong Stock Exchange. The resignation of Mr. Zhang Qian will not result in the number of members of the Supervisory Committee falling below the statutory minimum requirement and will not affect the normal operation of the Supervisory Committee. Mr. Zhang Qian's resignation shall take effect upon the receipt of the resignation letter by the Supervisory Committee, and Mr. Zhang will no longer hold any position in the Company after his resignation.

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 an A+H dual listed company
- We have a prudent, effective and comprehensive risk management system and industry-leading liquidity management capabilities
- We have a professional and outstanding 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 seven perspectives lay a solid foundation for business development

THE ISSUE

The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more comprehensive description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	Orient ZhiSheng Limited.
Guarantor	DFZQ (東方證券股份有限公司).
Guarantee	The Company has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds.
Issue	U.S.$300,000,000 in aggregate principal amount of 5.125 per cent. guaranteed Bonds due 2025.
Issue Price	99.739 per cent.
Form and Denomination	The Bonds will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest from and including 26 October 2022 at the rate of 5.125 per cent. per annum, payable semi-annually in arrear in equal instalments on 26 April and 26 October in each year.
Issue Date	26 October 2022.
Maturity Date	26 October 2025.
Status of the Bonds	The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be preferred by provisions of applicable laws and subject to Condition 3(a) of the Terms and Conditions of the Bonds, rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

Status of the Guarantee	The obligations of the Company under the Guarantee shall, save for such exceptions as may be preferred by provisions of applicable laws and subject to Condition 3(a) of the Terms and Conditions of the Bonds, at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.
Negative Pledge	The Bonds contain a negative pledge provision, as further described in Condition 3(a) of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 8 of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium and interest by or on behalf of the Issuer or the Company in respect of the Bonds or under the Guarantee 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 the British Virgin Islands, Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event, the Issuer or, as the case may be, the Company, shall, subject to the exceptions specified in Condition 7 of the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of the same amounts as would have been received by them had no such withholding or deduction been required.
Notification to SAFE	The Company undertakes to file or cause to be filed with the Shanghai Branch of SAFE the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定), promulgated by SAFE on 12 May 2014, which came into effect on 1 June 2014 (the "**Cross-border Security Registration**"), and shall use its reasonable endeavours to complete the Cross-border Security 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. "**Registration Deadline**" means the day falling 150 Registration Business Days after the Closing Date.

Notification to NDRC	The Company undertakes to file or cause to be filed with the NDRC the requisite information and documents within ten Registration 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)) (the "**NDRC Circular**") 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).
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Tax Reasons	The Bonds 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 Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to but excluding the date fixed for redemption) if immediately prior to the giving of such notice, the Issuer (or the Company, as the case may be) satisfies the Trustee that (i) the Issuer (or, if the Guarantee of the Bonds was called, the Company) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the British Virgin Islands 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 becomes effective on or after 20 October 2022, and (ii) such obligation cannot be avoided by the Issuer (or the Company, as the case may be) 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 (or the Company, as the case may be) would be obligated to pay such Additional Tax Amounts if a payment in respect of the Bonds (or the Guarantee of the Bonds, as the case may be) were then due, as further described in Condition 5(b) of the Terms and Conditions of the Bonds.
Redemption for Relevant Events	At any time following the occurrence of a Relevant Event, the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only (subject to the proviso as set out in the Terms and Conditions of the Bonds), of such holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control Triggering Event) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date, as further described in Condition 5(c) of the Terms and Conditions of the Bonds.

Redemption at the Option of the Issuer	Prior to the Par Call Date, the Issuer may at its option redeem the Bonds, in whole or in part, at a Make Whole Amount, as further described in Condition 5(d) of the Terms and Conditions of the Bonds. On or after the Par Call Date, the Issuer may at any time redeem all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with interest accrued to, but excluding, the date fixed for redemption, as further described in Condition 5(d) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Common Code	254762253
LEI Code of the Issuer	549300744J116LZ5PV56
ISIN	XS2547622535
Governing Law	English law.
Trustee	Citicorp International Limited.
Principal Paying Agent	Citibank, N.A., London Branch.
Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citicorp International Limited.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest and the timing for complying with the requirements set out in the Terms and Conditions of the Bonds in relation to the Cross-border Security Registration and the NDRC Post-Issuance Filing) so as to be consolidated to form a single series with the Bonds, as further described in Condition 15 of the Terms and Conditions of the Bonds.
Use of Proceeds	See "*Use of Proceeds*".
Rating	The Company has been assigned a rating of "Baa2" by Moody's with a stable outlook and a rating of "BBB-" by S&P with a stable outlook. The Bonds are expected to be assigned a rating of "Baa2" by Moody's.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The Group's consolidated financial information as at and for each of the years ended 31 December 2019, 2020 and 2021 has been extracted from the consolidated financial statements for the years ended 31 December 2021 and 2020, including the comparative financial information in respect of the year ended 31 December 2019, which have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. Such financial information should be read in conjunction with the Group's consolidated financial statements and the notes thereto, included elsewhere in this Offering Circular. The Group's consolidated financial statements were prepared and presented in accordance with the IFRSs issued by the IASB. The Group's consolidated financial information as at and for each of the six months ended 30 June 2021 and 2022 has been extracted from the unaudited condensed consolidated financial statements for the six months ended 30 June 2022, including the comparative financial information in respect of the six months ended 30 June 2021, which have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants. Such financial information should be read in conjunction with the Groups unaudited condensed consolidated financial statements of the Group and the notes thereto included elsewhere in this Offering Circular. The Group's unaudited condensed consolidated financial statements were prepared and presented in accordance with the IAS 34 issued by the IASB. See also "Presentation of Financial Information".

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the Year Ended 31 December			For the Six Months Ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000 (audited)	**RMB'000 (audited)**	**RMB'000 (audited)**	**RMB'000 (unaudited)**	**RMB'000 (unaudited)**
Revenue					
Commission and fee income	5,050,674	7,953,858	10,399,067	4,885,912	4,501,399
Interest income	6,086,095	5,538,183	5,981,386	2,942,874	2,731,336
	11,136,769	13,492,041	16,380,453	7,828,786	7,232,735
Net investment gains	3,760,362	5,175,065	3,301,001	1,929,997	410,229
Other income, gains and losses, net	9,453,390	8,979,880	8,881,348	5,591,928	2,118,604
Total revenue, other income and net gains and losses	24,350,521	27,646,986	28,562,802	15,350,711	9,761,568
Depreciation and amortisation	(554,535)	(662,189)	(719,989)	(350,640)	(386,776)
Staff costs	(3,654,584)	(5,062,944)	(4,994,030)	(3,222,572)	(2,435,763)
Commission and fee expenses	(535,011)	(832,327)	(998,871)	(460,928)	(434,851)
Interest expenses	(5,195,473)	(4,759,411)	(4,517,636)	(2,234,521)	(2,052,102)
Other operating expenses	(11,102,999)	(10,871,077)	(11,155,792)	(6,429,535)	(2,996,543)
Impairment losses under expected credit loss model, net of reversal	(1,044,458)	(3,885,132)	(1,313,633)	(258,544)	(869,454)
Other impairment losses	–	–	–	–	(174,951)
Total expenses	(22,087,060)	(26,073,080)	(23,699,951)	(12,956,740)	(9,350,440)
Share of results of associates	591,070	1,212,458	1,443,983	735,436	231,407
Profit before income tax	2,854,531	2,786,364	6,306,834	3,129,407	642,535
Income tax expense	(375,792)	(64,600)	(933,695)	(431,370)	4,640
Profit for the year/period	2,478,739	2,721,764	5,373,139	2,698,037	647,175
Attributable to:					
Equity holders of the Company	2,435,080	2,722,989	5,371,496	2,700,360	647,365
Non-controlling interests	43,659	(1,225)	1,643	(2,323)	(190)
	2,478,739	2,721,764	5,373,139	2,698,037	647,175

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000 (audited)	**RMB'000 (audited)**	**RMB'000 (audited)**	**RMB'000 (unaudited)**
Assets				
Cash and bank balances	48,940,834	65,640,360	90,555,816	103,765,312
Clearing settlement funds	13,243,654	21,516,357	25,472,872	31,786,820
Deposits with exchanges and financial institutions	1,642,894	2,183,090	2,655,369	4,278,493
Derivative financial assets	609,102	155,876	279,902	917,034
Placements to banks and financial institutions	–	–	382,833	538,248
Advances to customers	13,214,262	21,171,919	24,344,922	20,091,271
Account receivables	1,019,920	874,406	1,011,537	2,713,043
Contract assets	–	1,742	–	–
Financial assets held under resale agreements	24,206,542	14,460,425	11,502,955	13,048,961
Financial assets at fair value through profit or loss	66,901,093	72,701,117	90,584,006	86,362,147
Debt instruments at fair value through other comprehensive income	64,895,563	62,645,975	58,599,581	69,678,825
Equity instruments at fair value through other comprehensive income	10,832,873	10,936,458	4,138,153	4,919,698
Debt instruments measured at amortised cost	7,193,554	6,243,897	3,594,039	3,414,605
Investments in associates	4,453,754	5,771,194	6,553,668	6,342,058
Right-of-use assets	1,002,749	847,355	774,013	730,791
Investment properties	30,071	40,461	352,411	329,567
Property and equipment	2,189,204	2,225,662	2,234,866	2,132,872
Other intangible assets	168,519	215,313	250,647	210,713
Goodwill	32,135	32,135	32,135	32,135
Deferred tax assets	760,995	1,455,922	1,438,838	1,641,068
Other assets	1,633,724	1,997,778	1,841,059	2,582,899
Total assets	262,971,442	291,117,442	326,599,622	355,516,560
Liabilities				
Placements from banks and financial institutions	6,384,659	9,670,114	8,485,677	2,779,960
Short-term financing bill payables	16,113,200	16,255,486	7,096,803	12,734,826
Account payables to brokerage clients	40,179,178	66,642,671	90,012,125	101,952,923
Financial assets sold under repurchase agreements	57,478,063	52,860,883	62,741,993	73,892,468
Financial liabilities at fair value through profit or loss	12,630,961	14,576,073	16,588,356	16,842,396
Derivative financial liabilities	2,643,375	504,957	733,829	311,628
Contract liabilities	208,114	404,124	91,413	108,073
Current tax liabilities	161,569	570,867	638,543	174,972
Accrued staff costs	1,601,086	2,608,009	2,431,922	2,190,587
Borrowings	640,154	579,732	558,645	492,384
Lease liabilities	995,005	856,910	781,842	736,990
Bond payables	67,309,199	62,265,473	67,509,217	55,474,634
Deferred tax liabilities	19,031	20,179	19,202	47,175
Other liabilities	2,596,211	3,070,820	4,766,949	11,962,526
Total liabilities	208,959,805	230,886,298	262,456,516	279,701,542
Shareholders' equity				
Share capital	6,993,656	6,993,656	6,993,656	8,496,645
Other equity instrument	–	5,000,000	5,000,000	5,000,000
Reserves	40,198,256	40,714,243	43,003,283	54,969,337
Retained profits	6,773,604	7,494,952	9,130,172	7,336,601
Equity attributable to equity holders of the Company	53,965,516	60,202,851	64,127,111	75,802,583
Non-controlling interests	46,121	28,293	15,995	12,435
Total equity	54,011,637	60,231,144	64,143,106	75,815,018
Total equity and liabilities	262,971,442	291,117,442	326,599,622	355,516,560

SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended 31 December			For the Six Months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Net cash flow generated from/(used in) operating activities	2,347,279	1,714,455	(9,458,019)	(5,898,216)	12,294,541
Net cash flow (used in)/generated from investment activities	(4,725,101)	3,462,434	18,492,483	2,152,718	(10,755,313)
Net cash flow generated from/(used in) financing activities	10,069,109	(6,365,944)	(6,900,303)	1,137,191	5,516,908
Net increase/(decrease) in cash and cash equivalents	7,691,287	(1,189,055)	2,134,161	(2,608,307)	7,056,136
Cash and cash equivalents at the end of the year/period	21,552,456	19,984,516	21,937,713	17,429,052	28,912,442

RISK FACTORS

An investment in the Bonds 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 Bonds. The following describes some of the significant risks that could affect the Group and the value of the Bonds. 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 Bonds could decline due to any of these risks, and investors may lose part or all of their investment. Neither the Issuer nor the Company represents that the statements below regarding the risk factors of holding any Bonds 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:

- *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.

- *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 and the six months ended 30 June 2022, the average stock and fund brokerage commission rate of our securities branches was 3.43 bps, 3.06 bps, 2.79 bps and 1.80 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 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. For the six months ended 30 June 2022, revenues from our securities brokerage business and our average stock and fund brokerage commission rates of securities branches was RMB1,060.6 million and 1.80 bps, respectively, as compared to RMB1,202 million and 2.11 bps, respectively, in six months ended 30 June 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 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.

- *Headquarters and other business.* Our headquarters and other business is largely dependent on market conditions and technologies. Unfavourable economic conditions and other adverse geopolitical conditions, such as geopolitical uncertainties, high and volatile commodity prices, rapidly rising benchmark interest rates, high inflation, volatility in global stock and bond markets, rapid evolution of digital technology, may negatively impact our ability to manage liquidity risk, develop and expand our business in overseas markets and provide our clients with advanced financial technologies.

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. The COVID-19, as well as the restrictions imposed and actions taken by the governments and society as a whole in response to the COVID-19 pandemic, could present significant challenges and uncertainties. For instance, in an effort to halt the outbreak in China, the PRC Government placed significant travel restrictions, quarantines and other measures. Any recurrence of the COVID-19 outbreak in China (such as the recurrence of COVID-19 in the first quarter of 2022), the increased infection rate or severity of some variants of the virus (including the Delta, Omicron and other variants), or continuance of the outbreak in other parts of the world could adversely impact our business operations or the business operations of our suppliers and customers, thus in turn having an adverse impact on our business, results of operations and financial condition.

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 (including the Delta, Omicron and other 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.

The PRC Government (including but not limited to the Shanghai Municipal Government and Shanghai SASAC) has no obligation to pay any amount under the Bonds.

The PRC Government (including but not limited to the Shanghai Municipal Government and Shanghai SASAC) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer or the Guarantor. The payment obligations under the Bonds remain the sole obligation of the Issuer and the Guarantor. This position has been reinforced by the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the "**Joint Circular**") promulgated on 11 May 2018 and took effect on the same day.

The repayment obligations under the Bonds remain the sole obligation of the Issuer and the Guarantor. Any ownership or control by the PRC Government (including but not limited to the Shanghai Municipal Government and Shanghai SASAC) does not necessarily correlate to, or provide any assurance as to, the Issuer's, the Guarantor's or the Group's financial condition. Similar to other companies beneficially controlled by the PRC Government, the Issuer, the Guarantor and the Group may be generally perceived to have access to liquidity support from their beneficial controlling shareholder in light of the ownership structure and the nature of the beneficial controlling shareholder, particularly in the event that the Issuer, the Guarantor or the Group becomes financially distressed. However, the PRC Government as the ultimate shareholder of the Issuer and the Guarantor only has limited liability in the form of its equity contribution in the Guarantor. As such, the PRC Government (including but not limited to the Shanghai Municipal Government and Shanghai SASAC) is under no contractual obligation to pay any amount under the Bonds, the Trust Deed or the Deed of Guarantee if both the Issuer and the Guarantor fail to meet their obligations under these instruments, and, as a result, no financial support from any PRC governmental entity may materialise. The Issuer and the Guarantor should rely upon the cash flow generated from their operations and external borrowings to satisfy their cash needs for servicing their outstanding indebtedness and for financing their operating activities. Investments in the Bonds are on the credit risk of the Issuer and the guarantee of the Guarantor. In the event that the Issuer and the Guarantor do not fulfil their obligations under the Bonds, Bondholders will only be able to claim as an unsecured creditor against the Issuer and the Guarantor and their respective assets, and not any other person including the PRC Government (including but not limited to the Shanghai Municipal Government and Shanghai SASAC).

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 and the six months ended 30 June 2022, 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.

- *Investment management business.* For our investment management business, we compete primarily with publicly offered funds, wealth management banks, trust companies, wealth management securities firms and wealth management insurers. Facing the evolving industry and regulations, we need to identify our own positioning based on the overall strategy and our own resources and advantages, so as to achieve differentiated development. Intense competition may result in loss of our clients and decrease in our revenue.

- *Brokerage and securities financing business.* For our brokerage and securities financing 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.

- *Securities sales and trading business.* For our securities sales and trading business, we compete primarily with other funds, innovative investment institutions and securities research institutions. Intense competition may result in lower yields and returns.

- *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.

- *Headquarters and other business.* For our headquarters and other business, we compete primarily with overseas securities companies and financial technology companies. Intense competition may result in less revenue and market share in overseas market.

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, CSRC 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 CSRC. As a result, the Group's business, financial condition and results of operations may be adversely affected.

Our securities sales and 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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses derived from securities sales and trading business, which includes proprietary trading, innovative investment and securities research services, amounted to RMB4.7 billion, RMB6.0 billion, RMB5.6 billion, RMB2.6 billion and RMB2.3 billion, representing 19.3 per cent., 21.6 per cent., 19.7 per cent., 17.2 per cent. and 23.6 per cent. of our total revenue, other income and net gains and losses, 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 commission and fee 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, 2.79 bps and 1.80 bps, and our average futures brokerage commission rates were 260 bps, 183 bps, 288 bps and 296 bps for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, 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, or that the majority stakeholders or the management of the company may take decisions or 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 30 June 2022, we had 177 securities branches serving 2.33 million clients, including 5,739 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. We may be required to implement 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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses from our investment banking business amounted to RMB1.06 billion, RMB1.70 billion, RMB1.81 billion, RMB0.9 billion and RMB1.0 billion, respectively, representing 4.4 per cent., 6.1 per cent., 6.3 per cent., 5.6 per cent. and 10.5 per cent. of our total revenue, other income and net gains and losses, 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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses from our investment management business, excluding fund management business of China Universal, amounted to RMB2.5 billion, RMB3.4 billion, RMB4.2 billion, RMB2.2 billion and RMB1.7 billion, representing 10.1 per cent., 12.2 per cent., 14.6 per cent., 14.3 per cent. and 17.3 per cent. of our total revenue, other income and net gains and losses, respectively. As at 30 June 2022, total AUM by our asset management schemes and our mutual funds amounted to approximately RMB330.7 billion, including publicly offered funds of RMB239.0 billion. China Universal, our associate, also conducts fund management with AUM of RMB1.2 trillion, including AUM of non-monetary wealth management publicly offered funds of RMB580.0 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 at 31 December 2019, 2020 and 2021 and 30 June 2022, we had no 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 and the six months ended 30 June 2022, our investment management segment had not recorded impairment charges 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.

Our business may be adversely affected if there is any significant disruption in the operations of our overseas operations.

We conduct overseas business, mainly in Hong Kong, through Orient Finance Holdings and Orient Securities International, wholly-owned subsidiaries of the Company, and their subsidiaries, with their place of business located in Hong Kong. Since the listing of our H Shares, we have been placing more reliance on the business of Orient Finance Holdings and Orient Securities International. 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. 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. Our overseas business depends on, to a large extent, the results of operations of Orient Finance Holdings and Orient Securities International and their wholly-owned subsidiaries. However, we cannot assure investors that Orient Finance Holdings and Orient Securities International and their subsidiaries will continue to experience the same level of growth or profitability in the future. A variety of external factors that could significantly affect the Group's operations in Hong Kong include, but are not limited to, changes in the general economic and market conditions in Hong Kong and compliance with various regulatory and legal requirements in Hong Kong. For example, the Hong Kong economy has experienced significant downturns in the past, including in connection with the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") in 2003, the global financial crisis in 2008, the market volatility in the second half of 2011, social unrests in 2014 and 2019 and the COVID-19 pandemics since 2020. These economic downturns resulted in substantial losses in the securities markets, significant deterioration in customers' asset quality and increases in the cost of funding in the overseas markets. Any significant disruption in the operations of the Group's overseas operations could have an adverse effect on our business, financial condition, results of operations and prospects.

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's 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 due to the limited intellectual property right protection provided by the laws, or as a result of any changes in the laws, regulations and policies of local governments, which 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, client relationship management 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. However, for the six months ended 30 June 2022, China reported a GDP of RMB56.3 trillion, representing a year-on-year growth of 2.5 percent. If China's economy growth slows down, our business, financial condition, results of operations and prospects can be materially and adversely affected.

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 Bonds, 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 Group and its directors, supervisors and management.

The Company 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 U.S. dollars, although its functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, Hong Kong dollar and U.S. 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 U.S. 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 U.S. 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 U.S. dollar. However, in light of the recent depreciation of the Renminbi against the U.S. 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 U.S. 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 COVID-19 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 variant 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.

The PRC Government's 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 Bonds. 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 Bonds 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 Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 BONDS AND THE GUARANTEE OF THE BONDS

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

The NDRC issued the NDRC Circular 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 Company has obtained the NDRC pre-issuance registration certificate on 15 March 2022 and its adjustment on 2 August 2022. The Company is also required to file or cause to be filed with the Shanghai Branch of SAFE, the Deed of Guarantee in accordance with, and within the time period prescribed by, the Cross-border Security 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 and the Company to perform or comply with any of their respective obligations under the Bonds and the Guarantee and the Bonds might be subject to acceleration as provided in Condition 8 of the Terms and Conditions of the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

The Issuer has limited financial resources.

The Issuer is an indirect offshore subsidiary of the Company. The Issuer does not conduct business or any other activities other than issuance and sale of bonds and the lending of the proceeds of the offering to any company controlled, directly or indirectly, by the Company and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from the Company or its subsidiaries, and its ability to make payments under the Bonds depends on receipt of timely remittances from the Company or its subsidiaries from whom the amounts are due from. If the Issuer does not receive sufficient payment from the Company or its subsidiaries when any amount is due from it as a result of any redemption (including redemption upon maturity and upon occurrence of a Relevant Event as described in the Terms and Conditions of the Bonds), the Issuer will not be able to fulfil its obligations under the Bonds.

The Company 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 Company derives a substantial portion of its operating income from its subsidiaries. As a result, the Company 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 Company 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 Company'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 Company have also agreed to certain contractual restrictions on their ability to make distributions. The Company and its respective subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Company will have sufficient cash flows from its own operations and distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Bonds or the Guarantee, as the case may be. Although the Company believes that it will be able to meet its obligations in respect of the Bonds or the Guarantee, as the case may be, 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 Company.

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Company, respectively. The payment of the principal and interest of the Bonds and the payment under the Guarantee may be adversely affected if:

- the Issuer or the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings; or

- there is a default in or acceleration of payment under the Issuer's or the Company's existing or future secured indebtedness or other unsecured indebtedness.

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

The Trustee may request holders of Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including, without limitation, the giving of notice to the Issuer pursuant to Condition 8 (*Events of Default*) of the Terms and Conditions of the Bonds and the taking of any actions, steps and/or proceedings pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions of the Bonds), the Trustee may (at its sole discretion) request holders of Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of holders of Bonds. The Trustee shall not be obliged to take any such action if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when any such action can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) and in such circumstances or 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 holders of Bonds to take such action directly.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes, in which case the Issuer may be subject to PRC income taxes on its worldwide income, and interest payable by the Issuer to foreign investors may be subject to PRC withholding tax and gains on the sale of the Bonds may be subject to PRC tax.

Under the PRC Enterprise Income Tax Law ("**EIT Law**") and its Implementing Regulation, which became effective on 1 January 2008 and was subsequently amended on 24 February 2017 and 29 December 2018, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC are deemed to be "resident enterprises for PRC tax purposes," and are therefore subject to PRC enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. The Implementing Regulation defines the term "de facto management body" as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an enterprise. In addition, the Notice on Issues Concerning the Determination of Chinese-controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies issued by the State Administration of Taxation ("**SAT**") (國家税務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC Group would be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights, or senior management, reside within the PRC.

There is no assurance that the Issuer will not be treated as a "resident enterprise" under the EIT Law, any aforesaid circulars or any amended regulations in the future. If the Issuer is treated as a PRC resident enterprise for PRC enterprise income tax purposes, among other things, it would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its taxable income. Furthermore, if the Issuer is treated as a PRC resident enterprise, payments of interest by the Issuer may be regarded as derived from sources within the PRC and therefore the Issuer may be obligated to withhold PRC income tax at 10 per cent. on payments of interest on the Bonds to non-PRC resident enterprise investors without an establishment within the PRC or whose income has no connection to its establishment with the PRC. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20 per cent. In addition, as the Company is a PRC tax resident, in the event that the Company is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Company will be required to withhold a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals if such payments are regarded as derived from sources within the PRC.

In addition, if the Issuer is treated as a PRC resident enterprise, any gain realised on the transfer of the Bonds by non-PRC resident investors may be regarded as derived from sources within the PRC and accordingly may be subject to a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals. The PRC tax on interest or gains may be reduced or exempted under applicable tax treaties between the PRC and the Bondholder's home country. For example, according to an arrangement between the PRC and Hong Kong for the avoidance of double-taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, the Ministry of Commerce of the People's Republic of China and SAT issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. According to Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that the loans refers 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 Bonds may be treated as the Bondholders providing the loans to the Issuer, which thus may be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may be subject to withholding of VAT and related local levies at the rate of 6.72 per cent. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

If the Issuer and/or the Company is required to withhold PRC tax (including VAT) from interest payments on the Bonds or the Guarantee, the Issuer and the Company will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received had no such withholding been required. In certain circumstances, the Issuer and/or the Company may have the option to redeem the Bonds prior to their maturity upon the requirement to pay such additional amounts arising, and a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds. In addition, the requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds and could have an adverse effect on the Group's financial condition.

The Bonds are subject to optional redemption by the Issuer and may have a lower market value than bonds that cannot be redeemed.

The Issuer has the option to redeem the Bonds, in whole, but not in part, at the price as described in the Conditions at any time. Such an optional redemption feature is likely to limit the market value of the Bonds, and the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. The Issuer may be expected to redeem the Bonds when its cost of borrowing (taking into account costs of exercising such optional redemption) is lower than its costs under the Bonds. At those times, a Bondholder may not be able to reinvest the redemption proceeds at an effective interest rate to achieve the returns it would have been able to achieve had there been no redemption. A prospective investor should consider reinvestment risk in light of other investments available at that time.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof.

The Issuer may, on the occurrence of a Relevant Event (as defined under the Terms and Conditions of the Bonds), and at maturity will, be required to redeem part or all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Group.

Credit ratings may not reflect all risks. Any downgrade in our credit ratings could adversely affect our business or liquidity.

The Bonds are expected to be assigned a rating of "Baa2" by Moody's. In addition, the Company has been assigned a rating of "Baa2" by Moody's with a stable outlook and a rating of "BBB-" by S&P with a stable outlook. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer and the Company to perform their respective obligations under the Bonds and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. The ratings may not fully reflect the potential impact of all risks relating to the structure, market and other factors in relation to the Bonds as discussed above, and there may be other factors that may affect the value of the Bonds.

A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision, suspension or withdrawal at any time by the rating agency. The rating agency may also amend or fully replace the method it uses for assigning credit ratings.

The Company's rating may be affected by changes in its results of operations, capital structure or other factors, which will mean certain risks for the investors. In addition, there can be no assurance that a rating will remain unchanged during a specific range of time, or the rating agency will not downgrade or withdraw a rating based on its assessment of the future developments or as a result of the adoption of a different rating methodology. Any adverse revision to the Company's corporate ratings or the sovereign ratings of the PRC by rating agencies may adversely affect the Company's business, financial performance and market price of the Bonds. Further, the Company's ability to obtain financing or to access capital markets may also be limited, thereby lowering its liquidity.

If any of the Company or its subsidiaries, is unable to comply with the restrictions and covenants in its respective debt agreements, or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the relevant debt to be accelerated.

If the Issuer or the Company is unable to comply with the restrictions and covenants in the Bonds, or if any of the Company or its subsidiaries is unable to comply with its current or future debt obligations 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 debt could terminate their commitments to lend to the Company or its relevant subsidiary, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the Group's debt agreements, and the Bonds, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the Company or such subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the assets and cash flows of the Company and its subsidiaries would be sufficient to repay in full all of their indebtedness, or that they would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favourable or commercially acceptable to the Company or its subsidiaries.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed and the Deed of Guarantee by the Trustee or less than all of the holders of the Bonds that may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Bonds, including those holders of Bonds who do not attend and vote at the relevant meeting and those holders of Bonds who vote in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of holders of Bonds, agree to any modification of any of the Terms and Conditions of the Bonds or any provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of holders of Bonds and to any modification of any of the Terms and Conditions of the Bonds or any provisions the Trust Deed, the Agency Agreement or the Deed of Guarantee which in the opinion of the Trustee 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.

In addition, the Trustee may, without the consent of the holders of Bonds, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed, the Agency Agreement or the Deed of Guarantee (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the holders of Bonds will not be materially prejudiced thereby.

The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

Because the Issuer is incorporated under the laws of the British Virgin Islands and the Company is incorporated under the laws of the PRC, as applicable, any insolvency proceeding relating to the Issuer and the Company would likely involve insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

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

Each potential investor in any Bonds 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 relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds 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 relevant Bonds;

- understand thoroughly the terms of the relevant Bonds 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.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor’s overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Additional procedures may be required to be taken to bring English law-governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law-governed matters or disputes.

The Terms and Conditions of the Bonds and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts.

In order to hear English law-governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Reciprocal Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Arrangement. In addition, on 18 January 2019, the Supreme People's Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"), which will become effective when both parties announce a commencement date after the Supreme People's Court promulgates a judicial interpretation and relevant procedures are completed in Hong Kong. The New Arrangement extends the scope of judicial assistance, but the effective date has not been announced as at the date of this Offering Circular. However, there is still no certainty that a PRC court will enforce a judgment by a Hong Kong court or that parties will not have to relitigate the merits of the case before a PRC court.

While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared with other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest and the timing for complying with the requirements set out in these Conditions in relation to the Cross-border Security Registration and the NDRC Post-Issue Filing) (see "*Terms and Conditions of the Bonds – Further Issues*") and so that such further issue will be consolidated and form a single series with the Bonds. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing system(s).

Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer, failing whom the Company, will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. None of the Issuer or the Company has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right thereunder to take enforcement action against the Issuer or the Company in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Certificates are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The obligations of the Company under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The Company's ability to perform its obligations under the Guarantee is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Company in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which have not provided any guarantee under the Bonds), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

RISKS RELATING TO THE MARKET GENERALLY

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading marked for, the Bonds. None of the Joint Global Coordinators, the Joint Bookrunners nor Joint Lead Managers are obligated to make a market in the Bonds, and if any Joint Global Coordinator, Joint Bookrunner or Joint Lead Manager does so it may discontinue such market-making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. Please see "*Subscription and Sale*". None of the Issuer or the Company can predict or give any assurance as to whether an active trading market for the Bonds will develop or be sustained or whether there will be any disruptions to trading in the Bonds that may result in volatility in prices.

A small number of investors may purchase a significant percentage of the Bonds and may therefore be able to significantly influence matters which require to be voted on by the Bondholders. Additionally, this may reduce the liquidity of the Bonds in the secondary trading market.

A small number of investors may purchase a significant percentage of the Bonds in this offering. Any holder of a significant portion of the Bonds may therefore be able to significantly influence matters which require to be voted on by the Bondholders. Additionally, the interests of these substantial investors may be different from the interests of the other holders of the Bonds and the significant portion of the Bonds to be held by them may reduce the liquidity of the Bondholders in the secondary trading market.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which none of the Issuer or the Company has any control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds 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 the Bonds.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies or any adverse change in the credit rating, revenues, earnings or results of operations could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

International financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds 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 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 the PRC. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

EXCHANGE RATE INFORMATION

PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets.

On 21 July 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. On the same day, the value of the Renminbi appreciated by 2.0 per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, PBOC further widened the floating band against the U.S. dollar to 2.0 per cent.

On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar.

In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Renminbi per U.S. Dollar Noon Buying Rate(1)			
Period	**End**	**Average(2)**	**High**	**Low**
	(RMB per U.S.$1.00)			
2017	6.5063	6.7564	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1348	6.5250
2021	6.3726	6.4382	6.5716	6.3435
2022				
March	6.3393	6.3446	6.3720	6.3116
April	6.6080	6.4310	6.6243	6.3590
May	6.6715	6.6990	6.7880	6.6079
June	6.6981	6.6952	6.7530	6.6534
July	6.7433	6.7352	6.7655	6.6945
August	6.8890	6.8007	6.9100	6.7230
September	7.1135	7.0195	7.1990	6.8985
October (through 14 October 2022)	7.1895	7.1385	7.1895	7.1103

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant period.

USE OF PROCEEDS

The Issuer estimates that the aggregate proceeds from the issuance of the Bonds, before deducting underwriting commissions and other estimated expenses in connection with this offering, will be approximately US$299.2 million. The net proceeds from the issue of the Bonds will be used for refinancing the Group's existing offshore indebtedness.

CAPITALISATION AND INDEBTEDNESS

The following table set forth the consolidated capitalisation and indebtedness of the Group as derived from its unaudited condensed consolidated financial statements as at 30 June 2022. The table should be read in conjunction with the Group's unaudited condensed consolidated financial statements as at 30 June 2022 and the notes thereto.

	As at 30 June 2022			
	Actual		As Adjusted	
	RMB (unaudited)	U.S.$[(1)] (unaudited)	RMB (unaudited)	U.S.$[(1)] (unaudited)
		(in '000)		
Debts:				
Borrowings	492,384	73,511	492,384	73,511
Placements from banks and financial institutions	2,779,960	415,037	2,779,960	415,037
Account payables to brokerage clients	101,952,923	15,221,171	101,952,923	15,221,171
Bond payables	55,474,634	8,282,145	55,474,634	8,282,145
Financial assets sold under repurchase agreements	73,892,468	11,031,855	73,892,468	11,031,855
Bonds to be issued[(2)]	–	–	2,009,430	300,000
Total debts	234,592,369	35,023,719	236,601,799	35,323,719
Equity:				
Share capital	8,496,645	1,268,516	8,496,645	1,268,516
Other equity instrument	5,000,000	746,480	5,000,000	746,480
Reserves	54,969,337	8,206,706	54,969,337	8,206,706
Retained profits	7,336,601	1,095,326	7,336,601	1,095,326
Equity attributable to equity holders of the Company	75,802,583	11,317,028	75,802,583	11,317,028
Non-controlling interests	12,435	1,856	12,435	1,856
Total Equity	75,815,018	11,318,884	75,815,018	11,318,884
Total Capitalisation[(3)]	310,407,387	46,342,603	312,416,817	46,642,603

Notes:

(1) Based on the exchange rate of RMB6.6981 to U.S.$1.00, the noon buying rate in effect on 30 June 2022 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) Refers to the aggregate principal amount of the Bonds.

(3) Total capitalisation represents the sum of total debts and total equity.

We incur indebtedness from time to time to fund our operations in the ordinary course of business. On 11 August 2022, we issued domestic bonds with a principal amount of RMB2.5 billion, an annual interest rate of 2.03% and a tenure of 341 days. Except as otherwise disclosed herein, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 30 June 2022.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds and be incorporated by reference into the Global Certificate:

The issue of the U.S.$300,000,000 5.125 per cent. guaranteed bonds due 2025 (the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) was authorised by a resolution of the board of Directors of Orient ZhiSheng Limited (the "**Issuer**") passed on 30 September 2022 and the guarantee of the Bonds was authorised by a resolution of the board of Directors of DFZQ (東方證券股份有限公司) (the "**Guarantor**") passed on 30 March 2022. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated on or about 26 October 2022 among the Issuer, the Guarantor and Citicorp International Limited (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds.

The Bonds have the benefit of a deed of guarantee (as amended or supplemented from time to time, the "**Deed of Guarantee**") dated on or about 26 October 2022 entered into by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement (as amended or supplemented from time to time, the "**Agency Agreement**") dated on or about 26 October 2022 relating to the Bonds among the Issuer, the Guarantor, Citicorp International Limited as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds), 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 Bonds) and as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Bonds), the other agents named therein and the Trustee.

Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection following prior written request and satisfactory proof of holding at all reasonable time during usual business hours at the principal office of the Trustee (being at the date of issue of the Bonds at 20/F, Citi Tower, One Bay East. 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office of the Principal Paying Agent. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds. All capitalised terms that are not defined in these terms and conditions (these "**Conditions**") will have the meanings given to them in the Trust Deed. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement will be mailed to the Bondholders upon the receipt by the Trustee of such request from such Bondholders and the proof of holding at such Bondholders' cost.

1 FORM, DENOMINATION, STATUS AND GUARANTEE OF THE BONDS

(a) Form and Denomination

The Bonds are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (an "**Authorised Denomination**").

(b) Status of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such exceptions as may be provided by provisions of applicable laws.

(c) Guarantee of the Bonds

The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds. Such guarantee (the "**Guarantee of the Bonds**") constitutes direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such exceptions as may be provided by provisions of applicable laws.

2 REGISTER, TITLE AND TRANSFERS

(a) Register

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

(b) Title

The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in the Global Certificate. See "**Summary of Provisions Relating to the Bonds in Global Form**".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Bond Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(c) Transfers

Subject to the Agency Agreement and Condition 2(f) (*Closed periods*) and Condition 2(g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Bond 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 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 Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. In the case of a transfer of part only of a holding of Bonds represented by one Bond Certificate, a new Bond Certificate shall be issued to the transferee in respect of the part transferred and a further new Bond Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Bond Certificate representing the enlarged holding shall only be issued against surrender of the Bond Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) Registration and delivery of Bond Certificates

Within five business days of the surrender of a Bond Certificate and delivery of the completed and signed form of transfer in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds 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, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d) (*Registration and delivery of Bond Certificates*), "**business day**" means a day, other than a Saturday or Sunday, 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.

(e) No charge

The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity and/or security and/or prefunding 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 which may be levied or imposed in connection with such transfer.

(f) Closed periods

Bondholders may not require transfers to be registered (i) during the period of seven days ending on (but excluding) the due date for any payment of principal (or premium (if any)) in respect of that Bond; (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(a)(ii)); (iii) during the period of 15 days prior to (and including) any date on which

Bonds may be called for redemption by the Issuer pursuant to Condition 5(b) (*Redemption for tax reasons*) or Condition 5(d) (*Redemption at the Option of the Issuer*); or (iv) after any such Bond has been put for redemption pursuant to Condition 5(c) (*Redemption for Relevant Events*).

(g) Regulations concerning transfers and registration

All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Holder and at the Issuer's (failing which, the Guarantor's) expense) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

3 COVENANTS

(a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and each of the Issuer and the Guarantor shall procure that none of their respective 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 or Guarantee of Relevant Indebtedness without at the same time or prior thereto (i) according to the Bonds equally and rateably the same security on substantially identical terms as is created or subsisting to secure any such Relevant Indebtedness or Guarantee of Relevant Indebtedness or (ii) providing such other security for the Bonds as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) Limitation on the Issuer's Activities

For so long as any Bond remains outstanding, the Issuer shall not, and the Guarantor shall procure that the Issuer will not, conduct any business or any activities other than the issue of bonds and the lending of the proceeds thereof to any of the Guarantor's Subsidiaries and affiliates and any other activities reasonably incidental thereto.

(c) SAFE Filing and Notification

The Guarantor undertakes that it will (i) file or cause to be filed with the Shanghai Branch of SAFE, the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 ("**Cross-border Security Registration**"), (ii) use its reasonable endeavours to complete the Cross-border Security 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 below), (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 an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-border Security

Registration and certifying that the copies of Registration Documents delivered as aforesaid are each true and complete copies of the originals. In addition, the Guarantor 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 Bondholders (in accordance with Condition 16 (*Notice*)) confirming the completion of the Cross-border Security Registration.

The Trustee shall have no obligation to monitor, assist with or ensure the registration of the Deed of Guarantee 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 Cross-border Security Registration and/or the Registration Documents or to give notice to the Bondholders confirming the completion of the Cross-border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(d) NDRC Post-Issuance Filing and Notification

The Guarantor undertakes that it will (i) within 10 Shanghai Business Days after the Closing Date file or cause to be filed with the NDRC (the "**NDRC Post-Issuance Filing**") the requisite information and documents in accordance with 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 Guarantor shall within 10 Shanghai 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 Guarantor 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, the Guarantor shall procure that within 10 Shanghai Business Days after the documents comprising the Filing Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16 (*Notice*)) 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 Bondholders confirming the completion of the NDRC Post-Issuance Filing, and shall not be liable to Bondholders or any other person for not doing so.

(e) Financial Statements

So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor shall furnish the Trustee with:

(A) a Compliance Certificate of the Guarantor (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;

(B) 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

(C) 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 3(e)(B) or Condition 3(e)(C) 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 Guarantor 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 Bondholder 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 Guarantor are listed for trading on a recognised stock exchange, the Guarantor 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 Guarantor are filed with the stock exchange on which the Guarantor'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 3(e)(B) and 3(e)(C) above (provided that the obligation to provide Compliance Certificates as set out in this Condition 3(e) 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 Guarantor 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 Bondholder or any other person on such certificate and the accuracy and completeness of any such translation).

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall furnish the Trustee with 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 by the Guarantor.

(f) Rating Maintenance

For so long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer shall maintain a rating on the Bonds by at least one Rating Agency.

(g) Definition

In these Conditions:

"**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 or the Guarantor, as the case may be, signed by an Authorised Signatory of the Issuer or, as the case may be, by an Authorised Signatory of the Guarantor that, having made all reasonably enquiries, to the best of the knowledge, information and belief of the Issuer or, as the case may be, the Guarantor 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) each of the Issuer and the Guarantor has complied with all their respective obligations under the Trust Deed, the Deed of Guarantee and the Bonds;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"**Group**" means the Guarantor and its Subsidiaries, taken as a whole;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Indebtedness**" 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;

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

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

(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 Guarantor and its Subsidiaries; or

(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 Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(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 Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor 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 Guarantor 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 Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor 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 Guarantor 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 Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(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 Guarantor; 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 Guarantor, 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 Guarantor;

A certificate signed by an Authorised Signatory of the Guarantor 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 Guarantor is or is not a Material Subsidiary, be accompanied by a report by an internationally recognised firm of accountants addressed to the Guarantor as to proper extraction of the figures used by the Guarantor in determining the Material Subsidiaries of the Guarantor and mathematical accuracy of the calculation;

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

"**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 8 become an Event of Default;

"**PRC**" means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, 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 the PRC;

"**Rating Agency**" means (i) S&P Global Ratings, and its successors ("**S&P**"), (ii) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"), or (iii) Fitch Ratings, Inc. and its successors ("**Fitch**"); and if one or more of S&P, Moody's or Fitch shall not make a rating of the Bonds 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's 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 Closing Date;

"**Relevant Indebtedness**" 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 or its local Branch;

"**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;

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

"**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.

"**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).

4 INTEREST

The Bonds bear interest on their outstanding from and including 26 October 2022 (the "**Closing Date**") at the rate of 5.125 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 26 April and 26 October in each year (each an "**Interest Payment Date**"). In these Conditions, the period beginning on and including 26 October 2022 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**". If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case, it shall continue to bear interest in accordance with this Condition 4 (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable on each Interest Payment Date shall be U.S.$25.625 per Calculation Amount.

5 REDEMPTION AND PURCHASE

(a) Final redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 26 October 2025 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than subject as provided in this Condition 5 (*Redemption and Purchase*).

(b) Redemption for tax reasons

The Bonds 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 Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to but excluding the date fixed for redemption) if immediately before giving such notice, the Issuer (or the Guarantor, as the case may be) satisfies the Trustee that:

(i) the Issuer (or, if the Guarantee of the Bonds were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 7 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, 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 becomes effective on or after 20 October 2022; and

(ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) 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 (or the Guarantor, as the case may be) would be obligated to pay such Additional Tax Amounts if a payment in respect of the Bonds (or the Guarantee of the Bonds, as the case may be) were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(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 or, as the case may be, a certificate signed by an Authorised Signatory of the Guarantor stating that the obligation referred to in Condition 5(b)(i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) 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 or the Guarantor (as the case may be) 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 5(b)(i) and Condition 5(b)(ii) above, in which event such evidence shall be conclusive and binding on the Bondholders and the Trustee shall be protected and shall have no liability to any Bondholder 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 5(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b) (*Redemption for tax reasons*).

(c) Redemption for Relevant Events

At any time following the occurrence of a Relevant Event (as defined below), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only of that holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control Triggering Event) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond 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 Bond Certificates evidencing the Bonds 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 Bondholders by the Issuer or the Guarantor in accordance with Condition 16 (*Notices*).

The "**Put Settlement Date**" shall be the 45th day (in the case of a redemption for a Change of Control Triggering Event) or the 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 Bonds subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer or the Guarantor shall give notice to Bondholders 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 Bonds pursuant to this Condition 5(c) (*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 Bondholders, the Issuer, the Guarantor or any other person for any loss or liability arising from any failure to do so.

In this Condition 5(c) (*Redemption for Relevant Events*):

(A) a "**Change of Control**" occurs when:

(i) the Guarantor ceases to own or control, directly or indirectly, 100 per cent. of the issued share capital of the Issuer; or

(ii) 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 Guarantor;

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;

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

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

a "**Person**", as used in this Condition 5(c) (*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 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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.

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

(C) "**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 an Authorised Signatory of the Guarantor confirming the completion of the Cross-border Security Registration and certifying that each of the copies of the Registration Documents delivered are true and complete copies of the originals; and

(D) 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.

(d) Redemption at the Option of the Issuer

Prior to 26 September 2025 (being the date that falls one month prior to the Maturity Date, the "**Par Call Date**"), the Issuer may, at any time upon giving not less than 30 nor more than 60 days' notice to Bondholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Make-Whole Optional Redemption Date**")), redeem the Bonds, in whole or in part, at a redemption amount equal to (i) the principal amount of the Bonds plus any accrued but unpaid interest up to (but not including) the Make-Whole Optional Redemption Date or, if higher, (ii) the Make Whole Amount (the "**Early Redemption Amount**").

On or after the Par Call Date, the Issuer may redeem the Bonds at any time by giving not less than 30 nor more than 60 days' irrevocable notice to the Bondholders (in accordance with Condition 16 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable), redeem all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with interest accrued to, but excluding, the date fixed for redemption.

For the purpose of this Condition 5(d) (*Redemption at the Option of the Issuer*):

"**Make Whole Amount**" means an amount determined in good faith by the Issuer (who may, but shall not be obliged to, in turn consult with an independent financial institution of recognised standing) on the fifth Business Day before the Make-Whole Optional Redemption Date to be equal to the sum of (A) the present value of the principal amount of the Bonds, assuming a scheduled repayment thereof on the Par Call Date, plus (B) the present value of the remaining scheduled payments of interest to and including the Par Call Date, in each case discounted to the Make-Whole Optional Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) at the Treasury Yield plus 10 basis points;

"**Treasury Yield**" means:

(a) the yield, under the heading which represents the average for the week immediately preceding the date on which such yield is calculated, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System, available on the world-wide-website of the Board of Governors Federal Reserve System at http://www.federalreserve.gov/releases/hl5/, or any successor site, or, failing which, on Bloomberg pages PX1, PX2 and PX3 and which established a yield for actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", with a maturity comparable to the time period between the Make-Whole Optional Redemption Date and the Par Call Date (the "**Remaining Maturity**"), (if no maturity falls within three months before or after such time period, yields for the two published maturities most closely corresponding to such time period shall be determined and the Treasury Yield shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month); or as such aforesaid yield is displayed on the Reuters screen FRBCMT page (or such other page which may replace that page on that service or a successor service); or

(b) in the event that such yield referred to in paragraph (A) above of this definition does not appear in such statistical release or any successor publication, site, page servicer or any successor thereto during the week preceding the date on which the Early Redemption Amount shall be determined (which shall be the fifth New York Business Day before the Make-Whole Optional Redemption Date), the yield shall be determined as follows:

The Issuer shall select and appoint in good faith, three or more primary U.S. Government securities dealers in New York City (each a "**Primary Treasury Dealer**") or their respective successors as reference dealer; provided, however, that if any of the foregoing ceases to be a Primary Treasury Dealer, the Issuer shall substitute therefore another Primary Treasury Dealer. The Issuer shall also select and appoint in good faith, one of the reference dealers as the quotation agent. The quotation agent will select a United States Treasury security having a maturity comparable to the Remaining Maturity, which would be used in accordance with customary financial practice to price new issues of corporate debt securities with a maturity comparable to the Remaining Maturity. The reference dealers will provide one of the Primary Treasury Dealers appointed by the Issuer in good faith (the "**Independent Investment Bank**") with the bid and asked prices for that comparable United States Treasury security as of 3:00 p.m. (New York City time) on the fifth New York Business Day before the Make-Whole Optional Redemption Date. The Independent Investment Bank will calculate the average of the bid and asked prices provided by each reference dealer to obtain such reference dealer's quotation. The Independent Investment Bank will eliminate the highest and the lowest quotations and then calculate the average of the remaining quotations; provided, however, that if the Independent Investment Bank obtains fewer than four quotations, it will calculate the average of all the quotations without eliminating any of them. The average quotation is called the comparable treasury price. The applicable Treasury Yield will be the semi-annual equivalent yield to maturity of a security whose price is equal to the comparable treasury price, in each case expressed as a percentage of its principal amount.

Absent any manifest error, the determination of the Treasury Yield in accordance with the procedures set forth above will be final and binding; and

"**New York Business Day**" means, for the purposes of this Condition 5(d) (*Redemption at the Option of the Issuer*), a day on which commercial banks are open for business in New York City.

(e) No other redemption

The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in Condition 5(a) (*Scheduled redemption*) to Condition 5(d) (*Redemption at the Option of the Issuer*) (both inclusive).

(f) Purchase

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of, among other things, Condition 8 (*Events of Default*), Condition 12(a) (*Meetings of Bondholders*) and Condition 13 (*Enforcement*).

(g) Cancellation

All Bonds so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

6 PAYMENTS

(a) Method of Payment

(i) *Principal and premium*: Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Bond Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Bond Certificates) in the manner provided in Condition 6(a)(ii) (*Interest*).

(ii) *Interest*: Interest on each Bond shall be paid to the person shown as the holder on the Register at the close of business on the fifth Payment Business Day (as defined below) before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the Holder of such Bond. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, or at the discretion of the relevant Agent, such payment of interest may be made by transfer to a U.S. dollar account maintained by the payee with a bank.

*So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global 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.*

(iii) If the amount of principal being paid upon surrender of the relevant Bond Certificate is less than the outstanding principal amount of such Bond Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Bond Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) Payments subject to fiscal laws

All payments will be 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 7 *(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 "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal where the relevant Bond Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent or the Registrar (as the case may be) is open for business and on which the relevant Bond Certificate is surrendered.

(d) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Bond Certificate (if required to do so) or if a transfer made in accordance with Condition 6(a)(ii) (*Interest*) reaches the registered account of the relevant Holder after the due date for payment.

(e) Non-Payment Business Days

If any date for payment in respect of any Bond 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 6 (*Payments*), "**Payment Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in New York City and the city in which the specified office of the Principal Paying Agent is located and, in the case of presentation of a Bond Certificate, (if surrender of the relevant Bond Certificate is required) the relevant place of presentation and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York City.

7 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee of the Bonds, as the case may be, 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 the British Virgin Islands, Hong Kong or the PRC or, in any such case, any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor, by or within the PRC at the aggregate rate applicable on 20 October 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate, or (ii) by or within the British Virgin Islands or Hong Kong, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders 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 shall be payable in respect of any Bond:

(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 Bond by reason of its having some connection with the British Virgin Islands, Hong Kong or the PRC by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond; 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 Bond 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 Bondholder would have been entitled to such Additional Tax Amounts if it had presented such Bond 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 Bondholders.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any Additional Tax Amounts in respect of principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

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

8 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 Bonds 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 and the Guarantor that the Bonds 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 or the Guarantor (i) fails to pay any amount of principal or premium (if any) in respect of the Bonds or the Guarantee of the Bonds, as the case may be, on the due date for payment thereof or (ii) fails to pay any amount of interest in respect of the Bonds or the Guarantee of the Bonds, as the case may be, within seven days after the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, the Trust Deed or the Deed of Guarantee (other than those referred to in Condition 8(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 or the Guarantor, as the case may be; or

(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, the Guarantor or any of their respective Subsidiaries, (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) or the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or (iii) the Issuer, the Guarantor or any of their respective 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, the Guarantor or any of the Material Subsidiaries and such legal process is not discharged within 60 days after the date thereof; or

(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, the Guarantor or any of their respective Material Subsidiaries and such action is not discharged within 60 days after the date thereof; or

(f) *Insolvency, etc.*: (i) the Issuer, the Guarantor 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, the Guarantor or any of the Material Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Material Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor 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, the Guarantor 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, the Guarantor and/or another Subsidiary or (b) on terms approved by an Extraordinary Resolution of the Bondholders; or

(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, the Guarantor 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, the Guarantor and/or another Subsidiary, (ii) on terms approved by an Extraordinary Resolution of the Bondholders, or (iii) a disposal of a Material Subsidiary of the Issuer or the Guarantor on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in Issuer, the Guarantor or any of their respective Subsidiaries; or

(h) *Government intervention*: (i) all or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor 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, the Guarantor 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; or

(i) *Analogous event*: any event occurs which under the laws of the British Virgin Islands or the PRC has an analogous effect to any of the events referred to in Condition 8(e) (*Security enforced*) to Condition 8(h) (*Government intervention*) (both inclusive); or

(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 and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Bonds, the Trust Deed, the Deed of Guarantee or the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bonds, the Trust Deed, the Deed of Guarantee or the Agency Agreement admissible in evidence in the courts of the British Virgin Islands or the PRC is not taken, fulfilled or done; or

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

(l) *Unenforceability of Guarantee of the Bonds*: the Guarantee of the Bonds is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in *full* force and effect by the Guarantor.

9 PRESCRIPTION

Claims against the Issuer and the Guarantor for payment in respect of the Bonds 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.

10 REPLACEMENT OF BOND CERTIFICATES

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or the Transfer Agent, subject to all applicable laws and stock exchange 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 Bond Certificates must be surrendered before replacements will be issued.

11 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 Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or the Guarantor or any entity related to the Issuer and/or the Guarantor 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 Bondholders as a class and will not be responsible for any consequence for individual holders of Bonds 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 Bonds, the Agents act solely as agents of the Issuer and the Guarantor 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 Bondholders.

The initial Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve 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 and the Guarantor 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 Bondholders.

12 MEETINGS OF BONDHOLDERS; MODIFICATION AND WAIVER

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions 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, the Guarantor or the Trustee and shall be convened by the

Trustee upon the request in writing of Bondholders holding at least 10 per cent. of the aggregate principal amount of the outstanding Bonds and subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided*, *however*, *that* certain proposals (including any proposal to modify the maturity date of the Bonds or any date fixed for payment of principal, premium or interest in respect of the Bonds, to reduce or cancel the amount of principal, premium or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend Condition 3 (*Covenants*), to modify or cancel the Guarantee of the Bonds, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") or to amend the definition of Reserved Matter) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of holders holding not less than 90 per cent. of the aggregate principal amount of the Bonds outstanding shall for purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders 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 Bondholders.

(b) Modification and waiver

The Trustee may (but shall not be obliged to), without the consent of the Bondholders agree to any modification of these Conditions, the Trust Deed, the Deed of Guarantee, the Bonds or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, not materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Deed of Guarantee, the Agency Agreement, or the Trust Deed which is, in its opinion, of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provisions of law.

In addition, the Trustee may (but shall not be obliged), without the consent of the Bondholders authorise or waive any proposed breach or breach of the Bonds, the Deed of Guarantee or the Trust Deed (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 Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Bondholders as soon as practicable thereafter and shall be binding on all Bondholders.

(c) Directions from Bondholders

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, the Deed of Guarantee 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 Bondholders by way of an Extraordinary Resolution and to be indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which in its opinion it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which in its opinion 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 or in the event that the directions sought are not forthcoming.

(d) Certificates and Reports

The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, information, confirmation, certificate from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, information, certificate, advice or opinion and, in such event, such report, confirmation, information, certificate, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders.

(e) Trustee not Responsible

The Trust Deed provides that the Trustee shall not be responsible for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of the Trust Deed, the Deed of Guarantee, the Bonds, the Agency Agreement or any other document relating thereto, any licence, consent or other authority for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, performance, enforceability or admissibility in evidence of the Trust Deed, the Deed of Guarantee, Agency Agreement or any other document relating thereto. In addition, the Trust Deed states that the Trustee shall not be responsible for the effect of the exercise of any of its powers, rights, duties and discretions hereunder or thereunder, save to the extent resulting directly from its own gross negligence, wilful misconduct or fraud.

(f) Responsibility for Statements

The Trust Deed provides that the Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in the Trust Deed, the Deed of Guarantee, the Agency Agreement, any offering document in relation to the Bonds or any other agreement or document relating to the transactions contemplated in the Trust Deed, the Deed of Guarantee, the Agency Agreement, or under such other agreement or document and shall be entitled to assume the accuracy and correctness thereof or for the execution, legality, effectiveness, adequacy, genuineness, validity or enforceability or admissibility in evidence of any such agreement or other document or any security constituted thereby or pursuant thereto.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

13 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 or the Deed of Guarantee in respect of the Bonds, 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 Bonds 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 Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and/or the Guarantor and/or any entity related to the Issuer and/or the Guarantor without accounting for any profit.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, 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, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

The Trustee shall have no obligation to monitor whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

15 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest and the timing for complying with the requirements set out in these Conditions in relation to the Cross-border Security Registration and the NDRC Post-Issue Filing) so as to be consolidated to form a single series with the Bonds, provided that (a) the Guarantor shall undertake to comply with Conditions 3(c) (*SAFE Filing and Notification*) and 3(d) (*NDRC Post-Issuance Filing and Notification*) with respect to such new bonds and the Closing Date as used therein shall be deemed to mean the initial closing date of such new bonds and (b) either (i) the Deed of Guarantee with respect to the existing Bonds may be amended without consent from any Bondholders to reflect the issuance of such new bonds or (ii) the Guarantor may enter into a new deed of guarantee with respect to such new bonds in favour of the Trustee having the same terms and conditions as the Deed of Guarantee with respect to the existing Bonds. Any further securities forming a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

Notices to the Bondholders 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 Bonds 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 Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or any Alternative Clearing System (as defined in the Trust Deed), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear Bank SA/NV or Clearsteam Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System.

17 CURRENCY INDEMNITY

If any sum due from the Issuer or the Guarantor in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Issuer and the Guarantor shall indemnify the Trustee and each Bondholder, on the written demand of the Trustee or such Bondholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Bonds expressly provide for such Act to apply to any of their terms.

19 GOVERNING LAW AND JURISDICTION

(a) Governing law

The Bonds, the Trust Deed, the Deed of Guarantee 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 Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Agency Agreement, and the Deed of Guarantee ("**Proceedings**") may be brought in such courts. The Issuer and the Guarantor have in the Trust Deed, and the Guarantor has in the Deed of Guarantee, 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) Waiver of immunity

To the extent that the Issuer or the Guarantor 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, each of the Issuer and the Guarantor 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.

(d) Agent for Service of Process

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed Orient Finance Holdings (Hong Kong) Limited 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 any of the Bonds, the Trust Deed or the Deed of Guarantee.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear Bank SA/NV and Clearstream, Banking S.A.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream, Luxembourg, or any other clearing system (an "**Alternative 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 such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

PAYMENT

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate 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 such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

CALCULATION OF INTEREST

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

TRUSTEE'S POWERS

In considering the interests of the Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holder of the Bonds in respect of which such Global Certificate is issued.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System, for communication by it to entitled accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 5(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 5(b) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

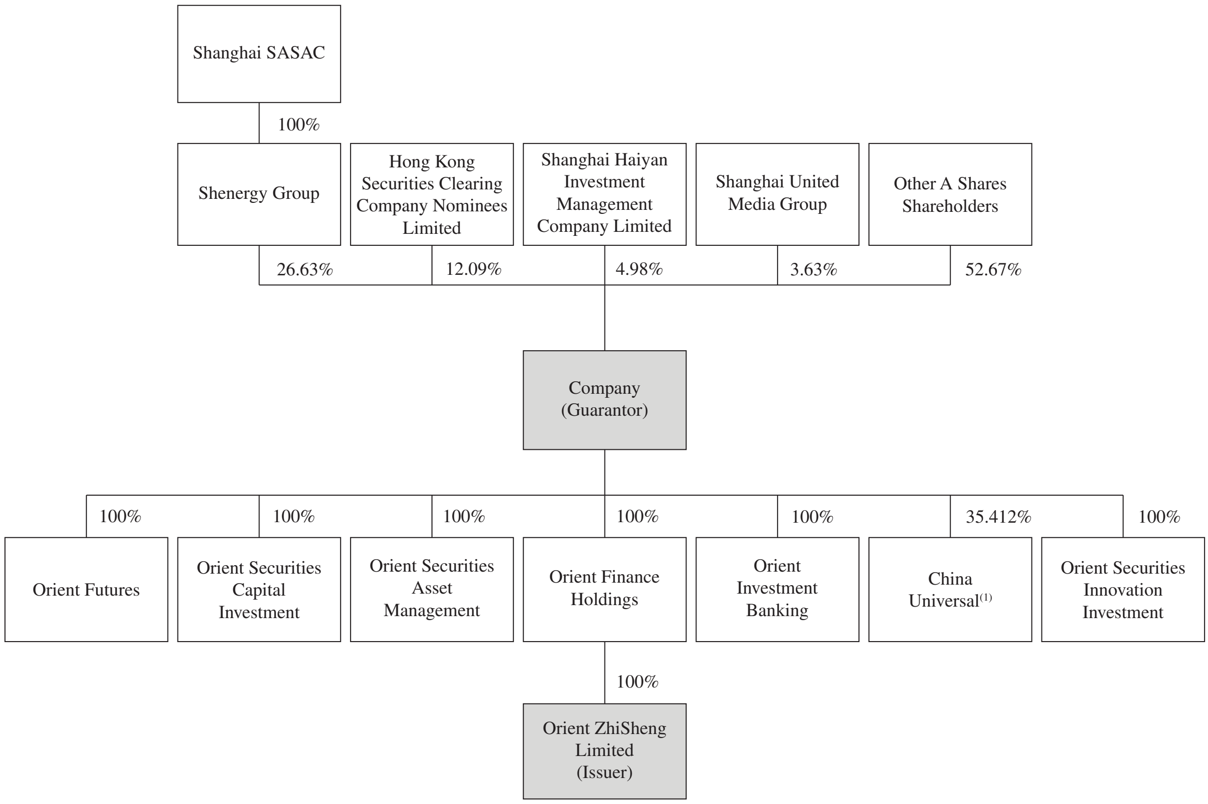
Cancellation of any Bond represented by the Global Certificate will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in Schedule A to the Global Certificate.

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued.

OUR CORPORATE STRUCTURE

The following chart sets forth our shareholding structure, principal subsidiaries and affiliates as at 30 June 2022. There has been no material change to such structure.



Note:

(1) The remaining 64.588% equity interest in China Universal is held by CES Finance Holdings Co., Ltd. (東航金控有限責任公司) and Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司).

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer was incorporated as a BVI business company with limited liability on 23 June 2015 under the laws of the British Virgin Islands (company number: 1879045). The registered office of the Issuer is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each. The Issuer has one share in issue, which is held by Orient Finance Holdings. None of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

BUSINESS ACTIVITIES

The Issuer is a wholly-owned subsidiary of Orient Finance Holdings, which in turn is a wholly-owned subsidiary of the Company. As at the date of this Offering Circular, the Issuer has not engaged and will not engage, in any activities other than those incidental to its incorporation and establishment as an indirect wholly-owned subsidiary of the Company, those relating to the proposed issue of the Bonds and those relating to the on-lending of the proceeds thereof to the Company and its subsidiaries.

DIRECTORS

Ms. LU, Yuanyuan (盧媛媛) is the sole director of the Issuer.

FINANCIAL INFORMATION

Under the laws of the British Virgin Islands, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep such accounts and records that are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

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 30 June 2022, our market capitalisation was RMB80.1 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 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.

Our extensive geographic presence enables us to serve a broad customer base. We are 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. As at 30 June 2022, we had 177 securities branches in total, covering 87 cities in all provinces, autonomous regions and municipalities directly under the central government. According to the published annual reports of Chinese securities companies, we ranked 13th in terms of net capital, 13th in terms of net assets, and 12th in the industry in terms of total assets for the year ended 31 December 2021. As at 30 June 2022, our total assets amounted to RMB355.5 billion, representing an increase of 8.85 per cent. as compared with 31 December 2021. For the six months ended 30 June 2022, our total revenue, other income and net gains and losses was RMB9.8 billion, and our profit was RMB0.6 billion.

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.

Brokerage and Securities Financing

We conduct securities brokerage business and futures brokerage business and provide our client with such services as margin financing and securities lending, collateralized stock repurchase, over-the-counter ("**OTC**") trading and custodian. 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. Our margin financing and securities lending business mainly refers to a transaction in which an investor provides us with collateral to borrow funds and purchase securities (margin financing transaction) or borrow and sell securities (securities lending transaction). Our collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their stocks or other securities as collateral to obtain financing from us and agree to repay the funds on a future date to release such pledge. We provide OTC financial products and also provides transfer, market making quotation and other services to our clients. Our custodian business mainly includes providing asset custody and fund services to private equity investment funds, publicly offered funds and various asset management institutions. According to the Monthly Journal of Securities Association China, for the six months ended 30 June 2022, the market share of the Company in terms of income of the securities brokerage business was 1.6 per cent., ranking 21th in the industry, which remained the same as compared to the same period of 2021. For the six months ended 30 June 2022, the cumulative number of newly opened accounts amounted to 142.9 thousand. As at 30 June 2022, we had 2.3 million customers, representing an increase of 6.4 per cent. from 31 December 2021, and total assets under custody amounted to RMB812.2 billion.

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, innovating investment and securities research services. 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
2022.	2021 Best Investment Advisory Outstanding Organization Award (2021最佳投資顧問卓越組織獎)	New Fortune
	2021 Fund Investment Advisory Golden Advisory Award (2021基金投顧金諮獎)	Xinhua Finance
	Outstanding Institution in Supporting the Opening-up Strategy (優秀對外開放參與機構)	China Foreign Exchange Trading Center
	Outstanding Cross-Market Bond Trading Institution (優秀跨市場債券交易機構)	Shenzhen Stock Exchange
	Golden Award for Outstanding Market Maker of Treasury Bond Futures (國債期貨優秀做市商金獎)	China Financial Futures Exchange
	Golden Award for Outstanding Market Maker (優秀做市商金獎)	Shanghai Futures Exchange
2021.	Best Practice Case of Annual Report Presentation 2020 (2020年報業績說明會最佳實踐案例)	National Business Daily
	Best Investor Relations Award (最佳投資者關係獎)	China Association for Public Companies
	Best Board Award for Main Board Companies (主板最佳董事會獎)	Securities Times
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)	

Year	Award	Authority
	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)	
	Excellent Interest Rate Underwriting Agency (優秀利率債承銷機構)	Shenzhen Stock Exchange

Recent Developments

Resignation and appointment of independent non-executive director

On 7 July 2022, the Board received the written resignation letter from Mr. Xu Zhiming, an independent non-executive director of the Company, to comply with the Rules for Independent Directors of Listed Companies and other relevant regulations that the consecutive term of an independent non-executive director serving in the same listed company shall not exceed six years. The resignation of Mr. Xu Zhiming shall take effect upon the Company electing an independent non-executive director. Upon the resignation taking effect, Mr. Xu Zhiming will no longer hold any position in the Company.

On 30 August 2022, the Board agreed to nominate Mr. CHAN Hon, Rollin as an independent non-executive director to the fifth session of the Board, who shall take office commencing from consideration and approval at the general meeting till expiry of the fifth session of the Board.

Appointment of new chief risk officer and chief compliance officer

On 23 September 2022, to cater to the Company's operation and management, Mr. Yang Bin would stop serving as a vice president, the chief risk officer and the chief compliance officer of the Company, but would still serve other positions in the Company.

The Board appointed Mr. Jiang Helei as the chief risk officer and the chief compliance officer of the Company. Mr. Jiang Helei shall take office as the chief risk officer commencing from 23 September 2022 till expiry of the fifth session of the Board. Mr. Jiang Helei's appointment as the chief compliance officer shall take effect upon relevant authority's approval, which was granted on 11 October 2022, till expiry of the fifth session of the Board.

For information regarding Mr. Jiang Helei, please see "Directors, Supervisors and Senior Management – Senior Management".

Resignation of the chairman of the Supervisory Committee

On 23 September 2022, the Board received the written resignation report from Mr. Zhang Qian, the chairman of the Supervisory Committee. Due to work arrangement, Mr. Zhang applied to resign as the chairman and a supervisor of the fifth session of the Supervisory Committee. Mr. Zhang has confirmed that, he has no disagreement with the Company, the Board and the Supervisory Committee and there are no other matters relating to his resignation that need to be brought to the attention of the shareholders and the Hong Kong Stock Exchange. The resignation of Mr. Zhang Qian will not result in the number of members of the Supervisory Committee falling below the statutory minimum requirement and will not affect the normal operation of the Supervisory Committee. Mr. Zhang Qian's resignation shall take effect upon the receipt of the resignation letter by the Supervisory Committee, and Mr. Zhang will no longer hold any position in the Company after his resignation.

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 SASAC, has been our largest shareholder ever since our establishment. As at 30 June 2022, Shenergy Group holds 26.63 per cent. of our equity interest. As the largest shareholder of the Company, Shenergy Group provides long-term and unwavering support to the innovative development of the Company. In recent years, Shenergy Group, together with other shareholders, has provided significant support to the Company on major issues such as optimisation of the senior management team and market-oriented mechanism reform. 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. The general meeting, the Board, the Supervisory Committee and the management team perform their respective duties diligently and give full play to the leading core and political core functions of the Company's party committee. 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. During the six months ended 30 June 2022, we amended certain articles of the Articles of Association, improved the management and control of related transactions and strengthened the specialised management of litigation and arbitration of the Group, aiming to ensure that the general meeting, the Board and its special committees work compliantly and effectively, and the effective governance and standardized operation of the Company. 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

We have comprehensive service capabilities covering all functions and the whole industry chain, including particularly outstanding investment ability. Our investment management businesses such as asset management, fund management, fixed income investment and securities investment have stood the test of the market with long-term outstanding performance and a relatively high brand reputation in the industry. In recent years, our futures business experienced rapid development with increasing market share and established comparative competitive advantage in the industry.

For example, as a wholly-owned subsidiary of the Company, Orient Securities Asset Management has a long history of outstanding performance and maintains a leading position among securities firms in terms of revenue from asset management business, and the "Dong Fang Hong (東方紅)" brand enjoys a sound reputation in the market. During the six months ended 30 June 2022, it actively managed over RMB300 billion of assets and ranked among the top in the industry in terms of operating performance. China Universal has developed an industry-leading operating model with stable and top-class overall capabilities and strives to build the most recognized asset management brand in China with a total asset management scale of approximately RMB1.2 trillion. During the six months ended 30 June 2022, it successfully issued the China Universal China Securities Shanghai, Hong Kong and Shenzhen Zhangjiang Proprietary Innovation 50ETF, realising the organic integration of financial resources and scientific innovation elements. The investment income from fixed income business remained stable with optimized investment portfolio. During the six months ended 30 June 2022, it recorded significant growth in various business indicators and won the award of Bond Connect Outstanding Market Maker for the fifth consecutive year. Orient Futures continued to rank among the top in the industry in terms of customer equity size and market-wide trading volume, and maintained a leading rating in the annual assessment of futures companies.

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 six months ended 30 June 2022, our key business segments, namely investment management, brokerage and securities financing, securities sales and trading, investment banking and headquarters and others, contributed approximately 17.3 per cent., 48.0 per cent., 23.6 per cent., 10.5 per cent. and 15.6 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 and 30 June 2022, our bonds investment accounted for 89.4 per cent., 86.5 per cent., 83.5 per cent. and 84.2 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 April 2022, we raised RMB12.7 billion through private placement of 1,502.9 million A-share, upon which our registered capital increased to RMB8.5 billion.

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 uphold the concept of creating value through compliance, implements comprehensive risk management, continuously enhances the awareness of compliance and risk control among all staff, keeps optimising the comprehensive risk management system, and continuously improves the effectiveness of compliance and risk management.

Since 2015, the regulators have been shifting their focus to "strict risk control". Facing the new trend of stricter regulatory requirements in all aspects, we have stringently controlled risks, developed a vertical risk control and management plans to enhance the synergies in compliance, risk control and auditing, implemented vertical management and risk control requirements, sorted out the hierarchical decision-making and authorization system, and issued internal control and management measures.

During the six months ended 30 June 2022, we formulated the implementation plan for vertical management and control of compliance and risk control, strengthened the collaboration among compliance, risk control and audit, implemented the requirements for vertical and transparent management and control of compliance and risk control, rationalised our hierarchical decision-making and authorisation system, and issued internal control and management measures. To address the dual impact of the pandemic and market fluctuation, we strengthened stress testing, risk monitoring and risk limit optimisation management, and implemented and improved the systematic and automatic risk limit monitoring and early warning functions; continued to optimise the Group's consolidated management and promoted the construction of a digital early warning closed-loop management system; and strengthened the connection of risk control systems within the Group, joint development of risk management systems, management of new products and businesses and other key tasks. During the six months ended 30 June 2022, we did not experience any major non-compliance or risk-related events, and continuously improved the effectiveness of our compliance and risk management. No administrative penalties have been imposed for major violations of laws and regulations since 2019.

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. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our liquidity coverage ratio was 295.2 per cent., 245.6 per cent., 272.5 per cent. and 214.84 per cent., respectively, and our net stable funding ratio was 134.6 per cent., 151.1 per cent., 132.2 per cent. and 142.65 per cent., respectively. As at 30 June 2022, we had received a total of 137 banks' credits, with a total amount of RMB470.6 billion, representing an increase of RMB19.6 billion as compared to 31 December 2021. Among these banks' credits, credit facilities from Chinese banks and public listed banks amounted to RMB230.9 billion, representing an increase of RMB16.0 billion as compared to 31 December 2021. As at 30 September 2022, our current major debt financing instruments include a total of RMB87.5 billion bonds in domestic interbank bond market and exchange traded bond market.

We have a professional and outstanding senior management team and business team

We have a professional and outstanding talent team. Our leaders are united and enterprising. During the six months ended 30 June 2022, we appointed the new president, formed a more young and professional management team, adjusted the duties of senior management and strengthened the incentive and constraint assessment mechanism. In addition, our business teams are professional and stable. Our business teams have outstanding professional capabilities and have developed various well-known brands in the market with extensive market experience. Moreover, we have a reasonable structure of talent team. Through the combination of external recruitment and internal cultivation of talents, we significantly optimized the structure of our talent team, with a more balanced structure in terms of number of staff, position matching, employment form and labor cost. 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 continuously improve our talent mechanism. In recent years, we have implemented the H Share employee stock ownership plan of the listed company, explored the reform of business unit system for our wealth management business, improved the employee stock ownership plan for China Universal, and facilitated market-oriented reform of staff remuneration. During the six months ended 30 June 2022, based on the middle and back office human resources management system optimization plan and the national spirit of "common prosperity", we reformed the remuneration and performance bonus assessment and allocation mechanism to facilitate the optimisation of internal distribution and motivate key core talents. In addition, we amended the Cadre Management Measures to strengthen the assessment and evaluation and disciplinary supervision of cadres and improve the exit mechanism of cadres. We won the first prize in the 2021 Best Employer Awards in Shanghai by Zhaopin. 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:

- **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.

- **Securities Sales and Trading:** We intend to expand our customer bases to include diversified institutions including insurance institutions, trusts and large enterprises. We plan to expand the investment and trading range while implementing strict risk management. We strive to balance our revenue growth with risk tolerance.

- **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;

- **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; and

- **Digital transformation:** We will use the financial technology to facilitate business model development and management model optimization, the experience of which will fully cover customer services, investment decision, operation and management, compliance and risk control and other areas, in order to create the core competitiveness in digitization.

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;

- 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; and

- We will closely monitor the regulatory policies and directions and onshore and offshore market needs, accumulate experience of leading international investment banks, strengthen allocation of overseas institutions and cross-border resource integration to promote the internationalization proactively, steadily and pragmatically.

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 seven 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, collective management 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 decision-making and implementation;

- We will coordinate and optimize the overall resource allocation and business footprint, facilitate external cooperation and expansion, and improve the capability in scientific and intensive management to build our all-round and comprehensive strengths; 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	• Securities brokerage	• Proprietary trading	• Stock underwriting	• Treasury business
• Fund management[(1)]	• Futures brokerage	• Innovative investment	• Bond underwriting	• Overseas business
• Private equity investment	• Securities financing	• Securities research	• Financial advisory services[(3)]	• Financial technology
	• Other business			

Notes:

(1) 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.

(2) We mainly engage 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, other income and net gains and losses by business segment for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except percentages)									
Investment management[(1)]	2,454.21	10.1	3,375.13	12.2	4,164.76	14.6	2,188.22	14.3	1,691.93	17.3
Brokerage and securities financing	13,944.25	57.3	14,487.88	52.4	15,420.77	54.0	8,462.01	55.1	4,687.42	48.0
Securities sales and trading	4,701.62	19.3	5,985.18	21.6	5,616.41	19.7	2,645.17	17.2	2,299.71	23.6
Investment banking	1,062.83	4.4	1,695.36	6.1	1,805.93	6.3	862.40	5.6	1,029.30	10.5
Headquarters and others	3,286.41	13.5	2,900.04	10.5	2,428.87	8.5	1,895.12	12.3	1,517.95	15.6
Inter-segment balances elimination[(2)]	(1,098.80)	(4.5)	(796.60)	(2.9)	(873.93)	(3.1)	(702.22)	(4.6)	(1,464.74)	(15.0)
Total	24,350.52	100.0	27,646.99	100.0	28,562.80	100.0	15,350.71	100.0	9,761.57	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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses from our investment management business segment was RMB2.5 billion, RMB3.4 billion, RMB4.2 billion, RMB2.2 billion and RMB1.7 billion, accounting for 10.1 per cent., 12.2 per cent., 14.6 per cent. 14.3 per cent. and 17.3 per cent. of our total revenue, other income and net gains and losses, 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. As at 30 June 2022, the return of equity investment actively managed by Orient Securities Asset Management was 121.96 per cent. for the last seven years, ranking third in the industry. For the six months ended 30 June 2022, facing the severe challenges of the market environment, Orient Securities Asset Management firmly adhered to its development philosophy and continued to promote the development of its core competitiveness. Orient Securities Asset Management continued to strengthen the capability of its investment research system, enriched the strength of its investment research team, improved the Dongfanghong value investment framework and broadened its research scope. It continuously expanded its product portfolio based on its investment research capabilities, and successfully invested in funds related to medical upgrade and ESG sustainable investment with its first pension target date 2045 FOF being approved. It also continued to improve the service system, kept enhancing the brand influence, held over 10,000 "Dongfanghong Miles" client activities, and launched a series of joint broadcast activities under the theme of "Making investment in China at the right time" based on the market changes and needs of investors in an effort to boost market confidence and guide and accompany customers to make rational and long-term investments.

As at 30 June 2022, the total size of entrusted assets under management reached RMB330.7 billion, in which the size of publicly offered funds under management was RMB239.0 billion. We used closed-end products as long-term investment tools for clients. As at 30 June 2022 the size of the long-term closed-end[1] equity funds[2] under management reached RMB91.9 billion, accounted for 68 per cent. of all equity funds under management of the Company.

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.

Since its establishment in 2005, Orient Securities Asset Management has been adhering to the business principle of "putting clients' interests first" and insisting on value investment and long-term investment with the aim of providing investors with a better investment experience by continuously enhancing its core competitiveness driven by the dual cores of "professional investment research + professional services". We always focus on active management, adhere to market-oriented concepts and mechanisms, benchmark ourselves against top-tier public offering institutions, continue to consolidate our core competitiveness in active equity and fixed income, maintain our long-term investment performance at the top of the industry and strive to achieve long-term asset preservation and appreciation for our clients. As at 30 June 2022, the return of equity investment actively managed by Orient Securities Asset Management was 122.0 per cent. for the last seven years, ranking third 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 28.5 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.

The following table sets forth the AUM of the Company by product type for the periods indicated:

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	(RMB in millions)				
CAM schemes	48,466.07	59,251.52	66,067.95	61,723.41	59,381.59
TAM schemes	35,045.61	27,333.53	13,907.51	17,458.94	16,342.00
SAM schemes	15,955.69	12,332.00	16,331.35	13,202.45	15,941.67
Publicly offered funds	123,411.98	199,631.24	269,622.45	260,203.32	239,012.12
Total	222,879.35	298,548.29	365,929.26	352,588.12	330,677.38

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.

For the six months ended 30 June 2022, China Universal carefully studied and implemented the Opinion on Accelerating and Promoting the High-quality Development of Publicly-offered Fund Industry. With focus on the Company's strategic development goal and based on the 2022 business plan and the requirements of the "Year of Management Transformation", China Universal comprehensively strengthened its core capabilities in investment management, risk management, customer service and business innovation. As at 30 June 2022, 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 RMB580.0 billion, ranking among the top in the industry in terms of comprehensive strength. China Universal's businesses have achieved comprehensive development. In particular, it further diversified its product portfolio, successful issued the China Universal CSI Shanghai Hong Kong Shenzhen Zhangjiang Independent Innovation 50 ETF, and innovatively realized the organic integration of financial resources and science and innovation elements, thereby facilitating the high-quality development of Zhangjiang's technology industry and enterprises. The institutional client service operation system continued to improve, and strategic cooperation with core institutional clients was further deepened. Digital transformation was fully implemented for channel business to provide online and offline multi-dimensional services. For e-commerce business, we carried out refined operation based on different customer groups, diversified our customer base and developed new customers under multiple models. Breakthroughs were made in fund investment advisory business and a major internet tri-party platform was successfully launched. We continued to develop strategic businesses and actively facilitated the development in personal pensions, ESG responsible investment and international operation.

China Universal also persisted in carrying out various investor education activities and actively promoted the development of its investment advisory business. During the six months ended 30 June 2022, we won various awards, including the Top 10 Investment Education Organizations of 2021 and the Persistent Investment Education Organization of 2021 by Alipay, the Best Investor Education Fund Company of 2022 and the Most Promising Fund Investment Advisory Organization of 2022 by Sina Finance.

For the six months ended 30 June 2022, China Universal maintained stable performance in mid to long-term investment and was recognized as an institution with outstanding investment research capability by China Central Depository and Clearing Co., Ltd., and the China Universal Consumption ETF became the most popular ETF among investors in Shenzhen Stock Exchange.

Private Equity Investment

We mainly engage in private equity investment business through Orient Securities Capital Investment, a wholly-owned subsidiary. 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. With its development in recent years, Orient Securities Capital Investment has established its industry presence and brand advantages. Orient Securities Capital Investment actively pursued high-quality investment opportunities in counter-cyclical industries and placed emphasis on investment opportunities in biomedicine, advanced manufacturing, artificial intelligence, cloud computing, new energy and other related fields that are in line with social and national development trends, and optimised its investment portfolio. 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. During the six months ended 30 June 2022, six target companies of the funds under management of Orient Securities Capital Investment passed the review by the listing committee of the Sci-Tech Innovation Board or the ChiNext, and nine companies applied for IPO. As at 30 June 2022, a total of 14 target companies of the funds under management 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 2 target companies were accepted. 13 target companies were listed on the ChiNext or passed the review by the listing committee and the listing applications of three target companies were accepted.

As at 30 June 2022, Orient Securities Capital Investment managed 47 funds with a scale of RMB15.1 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 225, in which 76 projects have achieved investment exit. A total of 149 projects were under investment involving an investment amount of approximately RMB9.6 billion.

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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses from our brokerage and securities financing business was RMB13.9 billion, RMB14.5 billion, RMB15.4 billion, RMB8.5 billion and RMB4.7 billion, respectively, accounting for 57.3 per cent., 52.4 per cent., 54.0 per cent., 55.1 per cent. and 48.0 per cent. of total revenue, other income and net gains and losses, 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 30 June 2022, we 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.

During the six months ended 30 June 2022, the market share in terms of income of the securities brokerage business was 1.6 per cent., ranking 21th in the industry, which remained the same as compared to the same period in 2021 (data from monthly report of the Securities Association of China). During the six months ended 30 June 2022, the cumulative number of newly opened accounts amounted to 142.9 thousand. As at 30 June 2022, we had 2.33 million customers, representing an increase of 6.4 per cent. from the same period in 2021, and total assets under custody amounted to RMB12.2 billion.

We responded to market volatility with strong confidence and continued to develop our core competitiveness in the financial products agency sales business. We carry out wealth management business with focus on agency sale of financial products and financial product system construction. 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, we strengthened the construction of the front office team in branches, and continuously encouraged frontline staff to participate in products agency sales.

During the six months ended 30 June 2022, despite the market decline, we actively guided our customers to establish the idea of long-term investment and maintained a high level of overall business scale by carefully selecting products and offering high-quality investor education and client companionship. During the six months ended 30 June 2022, our total revenue related to agency sale of products amounted to RMB303 million, representing a year-on-year decrease of 36.3 per cent. As at 30 June 2022, the size of our equity products amounted to RMB53.0 billion, representing a decrease of 17.8 per cent. from 31 December 2021.

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 58 per cent., establishing a leading position in the industry and safeguarding the long-term holding experience of our customers. According to the data of Asset Management Association, as at 30 June 2022, the size of equity+mixed publicly offered funds held by us amounted to RMB44.9 billion, ranking 9th among securities dealers.

During the six months ended 30 June 2022, we seized the opportunities from the development of fund investment advisory and expanded our business with an incremental mindset, and took the lead in exploring the industry outreach cooperation model, with over 150,000 clients for our fund investment advisory and strategy services covering a size of over RMB14 billion. We adhered to the long-term service concept, established the content systems including "Investment Advisory Dictionary, Investment Advisory Academy, Investment Advisory Wisdom and Investment Advisory Know-How" and continue to accompany clients to better guide clients to participate in the fund investment advisory business, thereby effectively improving and solving 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:

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	(RMB in millions)				
Publicly offered funds (including monetary funds)	104,841	166,267	151,714	78,065	56,550
CAM products	86	0	21	33	–
Trust schemes.	3,116	3,477	1,421	1,363	279
Private equity investment fund products	422	3,547	2,870	1,946	161
Other financial products	25,403	8,610	3,936	518	2,632
Total	133,868	181,901	159,962	81,925	59,622

With a focus on institutional wealth management, we have built an institutional services ecosystem covering the whole business chain. During the six month ended 30 June 2022, we completed the construction of the institutional wealth management platform system, firstly introduced various business models for institutional wealth management business and promoted them to various customer groups, including urban commercial banks, agricultural commercial banks, publicly offered funds, trust companies, listed companies and private equity institutions, thereby building our first-mover advantage in the institutional wealth management business as a securities firm. Meanwhile, we actively implemented our internationalisation strategy by introducing WFOE and QFII clients, steadily developing its foreign public offering business, and promoting the interaction with institutional clients of Orient Securities International. During the six months ended 30 June 2022, we acquired 426 new institutional clients. The asset size of the newly acquired institutional clients was RMB11.5 billion, and the asset size of institutional clients reached RMB460.5 billion as at 30 June 2022.

We developed the innovative service business model for high-net-worth customer and gradually developed a private wealth management system which provided more and more effective services. During the six months ended 30 June 2022, we organised planned and systematic activities for high net worth clients. Through concept presentation and brand penetration, we explored our client base with an incremental mindset and continuously strengthened and improved the product portfolio of “Oriental Beauty – Fortune 100” to meet the investment needs of high-net-worth clients and facilitate the expansion of business scale. Meanwhile, we fully utilised the advantages of our investment banking and research resources to provide multi-dimensional and comprehensive services such as product customisation, asset allocation, wealth inheritance and risk segregation to high net worth clients. As at 30 June 2022, the number of our high net worth retail customers reached 7,074, and the size of clients’ assets was RMB161.9 billion.

For Internet finance, during the six months ended 30 June 2022, we continued to enhance our online service capabilities and improved the overall user experience in account opening, quotation, trading and wealth management, effectively ensuring the orderly and stable operation of all online businesses during the pandemic. We also actively explored paid Internet value-added services to drive continuous growth in users and asset under management; actively responded to the national strategy for the development of digital RMB, explored the use of digital RMB by customers to purchase financial value-added services, and promoted the innovative application of digital RMB in the capital market. As at 30 June 2022, we had more than 556,000 active brokerage customers on the Internet and mobile phone platforms with stock and fund trading volume of RMB2.3 trillion. The number of customers trading through the Internet and mobile terminals accounts for 99.0 per cent. of the total number of customers, and the online transaction amount accounts for 79.7 per cent. of the total.

During the six months ended 30 June 2022, we were highly recognized by different sectors for our wealth management transformation. In particular, we were awarded the "2021 Best Investment Advisory Outstanding Organisation Award" and the "2021 Best Investment Advisory Most Promising Investment Advisory Team" by New Fortune, the "2021 Fund Investment Advisory Golden Advisory Award", the "2021 Advisory Service Golden Advisory Award", the "2021 System Operation Golden Advisory Award" and the "2021 Industry Contribution Golden Advisory Award" by Xinhua Finance.

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, 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.

During the six months ended 30 June 2022, Orient Futures adhered to its customer-centric approach, leveraged its two core competitive advantages in research and technology, expanded its financial technology service tools such as big data, focused on institutional client development and tracking services, and made progress for all business lines. Facing adverse factors in the market environment, Orient Futures utilised its professional service capabilities and recorded steady growth in its operating results.

During the six months ended 30 June 2022, the key operating indicators of Orient Futures remained among the top five in China, with the five indicators of net profit, operating profit, fee income, operating income and customer equity ranking third. The brokerage business grew in an orderly manner, secured the industry leading position in terms of customer equity size and ranked first in terms of market share of trading volume. During the six months ended 30 June 2022, Orient Futures deeply explored the needs of both domestic and overseas clients and opened a total of 903 new institutional accounts. As at 30 June 2022, it has over 117,000 existing customers with a customer equity size of over RMB70 billion, representing an increase of 11.9 per cent. and 7.7 per cent., respectively, as compared to the beginning of the period. Orient Futures maintained its industry leading position in information technology system and research strength, and gradually developed and promoted its brand image through years of operation and development of its institution business. During the six months ended 30 June 2022, the Company further developed its "Fanwei" intelligent investment research platform and successfully established customized library for certain institutional clients.

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.

Margin financing and securities lending business

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 the Company successfully completed our A share listing and replenished net capital in 2015, the Company has increased its efforts in developing margin financing and securities lending business under prudent risk management. Margin financing and securities lending business has gradually become its important source of revenue and profit. During the six months ended 30 June 2022, we strived to overcome the adverse impact of the significant market decline, actively developed its customers and business resources, and continued to optimise its business and customer structure. It also continued to develop its systems to enhance the customer experience by optimising its business processes. In addition, we further improved its risk management system, actively responded to the impact of the epidemic, mitigated various risks and maintained a guarantee ratio higher than the market average, thereby achieving an organic integration of business development and risk control. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our margin financing and securities lending balance was RMB12.85 billion, RMB22.56 billion, RMB24.60 billion and RMB20.04 billion, respectively. As at 30 June 2022, our margin financing and securities lending business enjoyed a market share of 1.25 per cent.

Collateralized stock business

Collateralized stock 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.

During the six months ended 30 June 2022, we continued to adhere to the keynote of "risk control and scale reduction" and continuously reduced the scale of collateralized stock business. As at 30 June 2022, our outstanding balance collateralized stock business amounted to RMB10.8 billion, all of which were contributed with proprietary funds, representing a decrease of 8.2 per cent. from 31 December 2021, effectively reducing the business scale.

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 six months ended 30 June 2022, the securities market experienced significant fluctuations and the issuance and sales of all types of public and private equity products generally weakened, which also adversely affected the overall size of the OTC products and business. During the six months ended 30 June 2022, our total business volume in OTC market amounted to RMB62.0 billion, representing a year-on-year decrease of 32.3 per cent. We actively overcame the impact from market downturn and lock-down measures for pandemic control and delivered certain remarkable results. In particular, during the six months ended 30 June 2022, we launched 683 new OTC products, representing a year-on-year increase of 86.1 per cent.; issued variable income certificates of RMB2.8 billion, representing a year-on-year increase of 40.0 per cent.; and recorded a market making and transfer transaction volume of RMB0.3 billion, representing a year-on-year increase of 52.0 per cent.

Our OTC business positioned itself as a business support department to continuously create synergy by focusing on providing services and support for our various business lines and building our OTC "trading center", "product center" and "innovation incubation center". During the six months ended 30 June 2022, we established a long-term mechanism for middle platform management, developed product information and data standards, further refined the processes and improved the systems for product assessment, transaction management, parameter management, assistance in product filing and information disclosure, thereby enhancing the efficiency of product management.

Custody business

We actively followed the development direction of "focusing on the original custody function as a securities dealer and vigorously developing securities products", took custody products as a link, facilitated the institutional and product-based operation of brokerage business based on the settlement model of securities dealers, enhanced the quality of personalised services and increased customer stickiness in a homogenized business. During the six months ended 30 June 2022, we optimised our product structure, focused on the development of securities products, strictly controlled the scale of non-standard asset custody, complied with regulatory requirements and continued to enhance the compliance and internal control capabilities, and our custody business and fund services business once again passed the ISAE3402 international accreditation. As at 30 June 2022, the number of securities products under custody increased by 16.3 per cent. as compared to 31 December 2021. 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 securities dealers and fund companies, and ranked among the top in the industry in terms of size of publicly offered funds, demonstrating a favourable growth trend and providing strong support for the development of our wealth management business.

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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses from our securities sales and trading business amounted to RMB4.7 billion, RMB6.0 billion, RMB5.6 billion, RMB2.6 billion and RMB2.3 billion, respectively, representing 19.3 per cent., 21.6 per cent., 19.7 per cent., 17.2 per cent. and 23.6 per cent. of our total revenue, other income and net gains and losses, 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			As at 30 June	
	2019	2020	2021	2021	2022
	(RMB in millions)				
Stocks	6,948.16	7,472.66	8,434.35	8,226.00	7,723.69
Funds	2,553.75	3,139.66	9,090.18	2,552.26	8,687.38
Bonds	87,906.29	83,051.22	97,667.78	94,152.68	107,077.84
Others[1]	933.75	2,328.19	1,812.69	2,268.11	3,741.53
Total	98,341.95	95,991.73	117,005.00	107,199.05	127,230.44

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.

Proprietary equity investment business

In terms of proprietary equity investment business, during the six months ended 30 June 2022, we mainly adopted a bottom-up approach for stock selection, and concentrated our resources on research of leading companies with sound and solid financial position and high-quality management in different industries, maintained a balanced trading position, and strictly implemented risk control indicators. Meanwhile, we formulated the strategy of investment in designated companies with high dividends, and tapped into quantitative strategy investment, FOF investment 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 facilitated the IPO of relevant projects. As at 30 June 2022, we held 37 NEEQ projects.

FICC business

In terms of FICC business, during the six months ended 30 June 2022, 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, the investment size grew steadily with continuous optimisation of position structure. Our spot securities trading volume in the interbank market amounted to RMB4.98 trillion, and the interest rate swap trading volume amounted to RMB189.1 billion, both ranked at the top among securities companies. For interest rate bonds, we mainly focused on increasing the holding of local government bonds, extended the term as appropriate and conducted swing trading. For credit bond investment, we appropriately reduced our positions, strengthened our credit research capabilities, refrained from lowering qualification, and increased returns by extending maturities.

For market-making business, we actively updated our quotation strategy and delivered outstanding performance in our bond market making business. The trading volume of market-making business in the inter-bank bond market amounted to RMB3.07 trillion, representing a year-on-year increase of 22 per cent.; in the second quarter, the market making business for CDB bonds, bonds of Agricultural Development Bank of China and bonds of the Export-Import Bank of China ranked first in the market, the trading volume through the Bond Connect recorded a year-on-year increase of 60 per cent., ranking among the top four in the industry, and the Company won the Bond Connect Outstanding Market Maker Award for the fifth consecutive year.

Steady progress was made in the innovative transformation of the FICC business. In particular, the foreign exchange business operated on multiple platforms, actively expanded into the global market, enriched our trading currencies, and actively explored innovative areas such as exotic options. During the six months ended 30 June 2022, the total size of the foreign exchange business exceeded US$160 billion. Commodity business maintained stable operation with steadily increasing size of proprietary operations and accelerated development of agency business, and was granted the qualification of the first batch of tier 1 dealers for commodity swap business on the Shanghai Futures Exchange. Capital intermediary business grew steadily in size and achieved progress in its transformation.

During the six months ended 30 June 2022, we won various awards including the "Annual Market Influence Award – Core Trader", "Outstanding Trader in Bond Market", "Outstanding Trader in Derivatives Market" and "Outstanding Institution in Supporting the Opening-up Strategy" by China Foreign Exchange Trading Center, "Outstanding Market Maker for Northbound Trading" by Bond Connect Company Limited, "Outstanding Market Maker in Interbank Market" by China Development Bank, "Outstanding Market Maker" by Agricultural Development Bank of China, "Outstanding Cross-Market Bond Trading Institution" by the SZSE and "Golden Award for Outstanding Market Maker of Treasury Bond Futures" by China Financial Futures Exchange.

Financial derivatives business

In terms of derivatives business, during the six months ended 30 June 2022, we continuously optimized resource allocation, strengthened collaboration in the Group and established the Orient Derivatives business brand. In particular, we implemented various strategies for quantitative business and continuously improved T0 strategies and CTA strategies to reduce overall volatility of the portfolio. For market-making business, with all licences for equity options and fund market making, we continued to strengthen system construction and strategy optimisation to expand our business scale during the six months ended 30 June 2022, significantly improved the profitability of high frequency options market making, achieved the goal of stabilising profitability and was granted the license of the first batch of market makers on the Fund Connect platform of the SSE and the SZSE. For the OTC derivatives business, we continued to explore business models, diversified its product offering, promoted the implementation of income swaps, expanded the scope of trading counterparties and increased market activities. During the six months ended 30 June 2022, the trading volume of OTC options reached RMB42.8 billion, representing a year-on-year increase of 260 per cent., and the trading volume of income swaps amounted to RMB9.7 billion, 64 times the size of the same period in 2021. As at 30 June 2022, the notional principal size of OTC derivatives reached RMB43.8 billion, an increase of over 48.5 per cent. since 31 December 2021; and the notional principal size of income swaps amounted to RMB4.2 billion. During the six months ended 30 June 2022, we received the highest monthly rating of AA Grade for option market-making on both the SSE and SZSE, received the average rating of Grade A and above for products of bond market-making business. We won the "Golden Award for Outstanding Market Maker" and "Progress Award for Market Making Business" by Shanghai Futures Exchange.

Innovative Investment

We engage in innovating 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 continuously optimized the allocation structure based on the investment terms and risk levels of different assets to enhance the stability of returns.

Equity Investment

We steadily developed our equity investment business and continued to strengthen the proportion of equity investment, persistently focused on hard technology industries, assisted in the incubation of specialized and innovative enterprises, and made co-investment on the Science and Technology Innovation Board. As at 30 June 2022, Orient Securities Innovation Investment had 72 existing equity investment projects with an investment scale of RMB3,537 million, and enhanced the risk management efficiency through the co-investment system. In addition, Orient Securities Innovation Investment proactively participated in co-investment on the Science and Technology Innovation Board and made co-investment in 7 projects under registration system with an investment scale of RMB369 million.

Special Asset Acquisition and Disposal

We promoted special asset acquisition and disposal business, and developed comprehensive operating capabilities in merger and acquisition, restructuring and full chain integration to consolidate our core competitiveness. As at 30 June 2022, Orient Securities Innovation Investment had 23 existing special asset projects with an investment scale of RMB2,245 million.

Quantitative Investment

We invested in quantitative hedge funds and other relevant products, maintained stable investment performance, strictly controlled the withdrawal and optimised 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 six months ended 30 June 2022, 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. In addition, we strengthened research collaboration between corporate and industry teams and between upstream and downstream industries, continued to create in-depth and high-quality research products, and enhanced research and management efficiency through information technology and other means. As at 30 June 2022, our securities research business had a total of 104 researchers, including 70 with analyst qualifications and 22 with investment consultancy qualifications, and published a total of 1,341 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 six months ended 30 June 2022, the Research Institute realized commission income of RMB325 million, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB303 million, with a market share of 2.8 per cent. and improved ranking among customers of core public offering funds. According to the data of Wind, we received public offering commissions of RMB738 million in 2021, and the number of commission earning seats accounted for 3.3 per cent. of the total and ranked 11th in the market. At the same time, 4 public offering customers, 1 bank customer and 22 customers of private placement, insurance and proprietary business of securities firms were newly secured, comprehensively covering the new bank wealth management subsidiaries.

During the six months ended 30 June 2022, led by the Securities Research Institute, we continued to facilitate integration within the Group with focus on “identifying, analysing and solving problems” in order to promote project implementation and business development. In particular, we put great efforts in making collaborative breakthrough with focus on new customer development, collaborative implementation of sales transactions, integration of investment and research and talent cultivation and daily management of collaboration within the Group, and made comprehensive progress in strategic client activation, overseas client development and collaborative development with corporate clients.

During the six months ended 30 June 2022, the strategy team continued to rank first in the industry in terms of over-allotment in the quantitative evaluation by “Wise Eye” of JRJ.com, and a number of industry analysts ranked among the top three in the 9th Choice “Best Analysts” 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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses from investment banking business amounted to RMB1.1 million, RMB1.7 billion, RMB1.8 billion, RMB0.9 billion and RMB1.0 billion, respectively, representing 4.4 per cent., 6.1 per cent., 6.3 per cent. 5.6 per cent. and 10.5 per cent. of our total revenue, other income and net gains and losses, respectively.

According to Securities Association of China, for the six months ended 30 June 2022, Orient Investment Banking ranked 10th in the industry in terms of net income from investment banking business.

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 six months ended 30 June 2022, Orient Investment Banking completed 8 equity financing projects with lead underwriting amount of RMB12.1 billion.

During the six months ended 30 June 2022, Orient Investment Banking participated in 3 IPO projects as the lead underwriter, with total underwriting amount of RMB4.5 billion, ranking 12th in the industry. In particular, Yuneng Technology was listed on the Science and Technology Innovation Board, which was widely recognised by investors and was the second largest project under registration system in terms of over-allotment ratio since the beginning of 2022, reflecting our efforts in providing financial services to real economy enterprises in the new energy sector and contributing to carbon peaking and carbon neutrality. For secondary offering, Orient Investment Banking participated in the underwriting of five projects of issuance of additional shares, rights issue and convertible bonds with lead underwriting amount of RMB7.6 billion. In particular, Orient Investment Banking participated in 3 non-public offering and ancillary financing projects (excluding asset portion) as the lead underwriter with underwriting amount of RMB3.1 billion.

During the six months ended 30 June 2022, with strict control of project quality, Orient Investment Banking assisted seven enterprises in passing the IPO administrative review with a passing rate of 100 per cent. without cancellation of review or suspension of voting. In particular, one enterprise passed the administrative review of the main board of SZSE, four enterprises passed the administrative review of the ChiNext and two enterprises passed the administrative review of the Science and Technology Innovation Board, and some of these enterprises are leaders in their respective sectors. By following policy guidance and ensuring project quality, we strived to identify real economy enterprises with genuine attributes of scientific innovation to enter the capital market.

During the six months ended 30 June 2022, Orient Investment Banking won various awards, including the "Best Equity Underwriting Investment Bank" and "Best Secondary Offering Investment Bank" by New Fortune, the "Best A Share Equity Underwriter", "Best A Share Secondary Offering Underwriter" and "Best Science and Technology Innovation Board Equity Underwriter" by Wind in 2021.

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

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	(RMB in millions)				
IPO:					
Number of issuances	3	11	9	6	3
Amount underwritten as lead underwriter	1,584.48	10,234.94	13,025.00	11,108.26	4,509.16
Secondary Offering:					
Number of issuances	8	10	17	7	5
Amount underwritten as lead underwriter	9,293.07	6,847.14	26,028.16	9,738.56	7,617.29
Total					
Number of issuances	11	21	26	13	8
Amount underwritten as lead underwriter	10,877.55	17,082.08	39,053.16	20,846.82	12,126.45

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 six months ended 30 June 2022, we conducted 174 lead underwriting projects, with a total underwritten amount of RMB94.4 billion. According to Wind, the total underwriting size of our bond underwriting business amounted to RMB186.6 billion on a consolidated basis, ranking 8th in the industry.

Orient Investment Banking's bond underwriting business grew steadily with increasing market influence. During the six months ended 30 June 2022, Orient Investment Banking continued to innovate bond varieties, enhanced its customer service capability, and issued innovative products such as carbon neutrality corporate bonds, green financing bonds, technological innovation corporate bonds, corporate bonds for the new area of the free trade zone, car park special corporate bonds and small and micro financial bonds, including the China Three Gorges Corporation Carbon Neutrality Corporate Bonds, the first green technology innovation exchangeable corporate bond in China, the carbon neutrality asset-backed special program and other innovative products. 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 six months ended 30 June 2022, Orient Investment Banking won various awards including the "Best Equity Underwriting Investment Bank" by New Fortune, the "Best Bond Underwriter" and "Bond Underwriting Rapid Improvement Award" by Wind.

During the six months ended 30 June 2022, we maintained our industry leading position in terms of sales of interest rate bonds. In particular, we ranked among the top three in the industry in terms of size of treasury bonds, CDB bonds and bonds of Agricultural Development Bank of China underwritten, and actively participated in the underwriting of green bonds, rural revitalization bonds and other ESG related bonds. During the six months ended 30 June 2022, we won various awards including the "Outstanding Underwriter" by Agricultural Development Bank of China, the "Outstanding Underwriter for Local Government Bonds" and "Outstanding Underwriter for Financing Bonds" by the SSE and the "Outstanding Underwriter for Interest Rate Bonds" by the SZSE.

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

	As at 31 December			As at 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in millions)				
Corporate debentures:					
Number of underwriting as lead underwriter	44	86	130	41	100
Amount underwritten as lead underwriter	35,271	65,681	73,155	26,598	57,530
Corporate bonds:					
Number of underwriting as lead underwriter	15	11	18	7	12
Amount underwritten as lead underwriter	9,400	7,573	11,376	4,106	6,227
Financial bonds:					
Number of underwriting as lead underwriter	23	17	26	8	19
Amount underwritten as lead underwriter	13,710	24,903	24,180	11,420	20,193
Asset-backed securities:					
Number of underwriting as lead underwriter	14	14	55	9	17
Amount underwritten as lead underwriter	14,745	7,170	14,287	6,106	3,380
Debt financing instruments of non-financial enterprises:					
Number of underwriting as lead underwriter	33	56	64	35	26
Amount underwritten as lead underwriter	14,452	26,875	28,850	15,665	7,078
Total					
Number of issuances	129	184	293	100	174
Amount underwritten as lead underwriter	87,578	132,202	151,846	63,895	94,408

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.

During the six months ended 30 June 2022, Orient Investment Banking carried out M&A business in an orderly manner, 2 M&A and asset reorganization projects passed the administrative review and were completed. In particular, the merger and reorganization project of Asia-Potash International passed the administrative review of the CSRC with a total transaction size of RMB3.4 billion. The financial advisory project of privatization of Jin Jiang Capital by Jin Jiang International was completed in May 2022 with a total transaction size of HK$4.3 billion. Orient Investment Banking has outstanding execution capabilities as an independent financial advisor in M&A and reorganization transactions subject to administrative review. In the six months ended 30 June 2022, it ranked fifth in the market in terms of number of M&A and reorganization projects passing administrative review, and ranked sixth in the market in terms of size of M&A and reorganization projects passing administrative review.

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 and the six months ended 30 June 2021 and 2022, segment revenue, other income and net gains and losses from the headquarters and others businesses amounted to RMB3.3 billion, RMB2.9 billion, RMB2.4 billion, RMB1.9 billion and RMB1.5 billion, respectively, representing 13.5 per cent., 10.5 per cent., 8.5 per cent., 12.3 per cent. and 15.6 per cent., respectively, of our total revenue, other income and net gains and losses.

Treasury Business

We carried out the treasury business with focus on four basic functions of liquidity risk management, capital operation and reserve management, debt financing management, and peer customer and product management. During the six months ended 30 June 2022, we strengthened its liquidity risk management, carried out coordination of capital and liabilities in an orderly manner, and took various measures to ensure the safety of liquidity indicators. As at 30 June 2022, the liquidity coverage ratio and net stable capital ratio of the Company were 214.8 per cent. and 142.7 per cent., respectively. We continued to strengthen its capital intake and outflow capacity, made proper provision for our various funds, optimised our reserve structure, and invested in reserve assets to generate income on the basis of ensuring liquidity safety. We also conducted domestic and overseas bond issuance and issued the Euro Yulan bonds to help develop Shanghai as a financial center; improved our cash product line and continued to enhance our product management capabilities.

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 six months ended 30 June 2022, we actively tackled unfavourable external factors, continued to improve the governance of its overseas organisations, strived to seize business opportunities, strictly prevented various operational risks, and strived to promote the cross-border extension of the Group's entire business chain.

We facilitated the transformation and strengthened the development of our brokerage business. For retail brokerage business, we strengthened the development of local market, established a "commercial banking + investment banking" partnership with Chinese-funded commercial banks in Hong Kong, carried out cross-sales with Chinese-funded companies in Hong Kong and conducted online and offline advertising and marketing. We continued to strengthen the development of our overseas product sales platform, with the total volume of products available for sale as at 30 June 2022 increasing by 33 per cent. as compared to as at 31 December 2021. The ESOP business achieved initial success with the introduction of 2 listed clients and 3 trust and private equity partners. We also expanded our institutional client base and enhanced our institutional service capabilities, with institutional business volume reaching HK$18.3 billion, up 120 per cent. year-on-year.

For our asset management business, we improved its investment research system, enhanced the credit quality of our targets and optimised and updated our product lines. We were successfully granted the domestic RQFII qualification and the license for type 4 regulated activity issued by the SFC, and were ranked fifth in Hong Kong in the 2021 "Top Investment Houses in Asian G3 Bonds" by The Asset. Our products won various awards including the 2022 Best of the Best Awards for "5-Year China Bonds, Onshore" by Asia Asset Management, a reputable magazine; the "China Bonds, Onshore (5 Years and 3 Years)", "Asia Pacific ex-Japan Equity (3 Years)", "China Bonds, Off-shore (5 Years)" and "China High Yield Bonds (5 Years)" Performance Awards by Insights & Mandates.

For investment banking business, we enhanced our capabilities and strengthened execution. During the six months ended 30 June 2022, Orient Securities International participated in 6 equity sponsoring projects, 4 underwriting projects and 4 compliance financial advisory projects; completed 25 bond underwriting projects with a total underwriting amount of HK$8.5 billion. Total revenue from "equity + bond" investment banking increased by 185 per cent. year-on-year. We acted as the sole global coordinator for the issuance of Pingdu State-owned U.S. dollar bonds and Huangyan Transportation & Tourism Euro bonds, and assisted Dalian Wanda to complete its first cash offer project.

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 optimized and improved the functions of the proprietary investment management platform, launched the bond market making business on the SSE and the SZSE, met the investment needs covering all assets, all businesses and all processes, and developed a carrier-class application for investment management business. For wealth management business, we built a unified technological framework for our core business system, and continued to iterate and develop our independent research and fund investment advisory trading system to enhance the continuous service capability of our core business system and ensure security and stability; created a quantitative ecosystem, integrated our quantitative investment research and big data platform resources, created the project of strategy and algorithm center and completed the design of architecture system, and provided diversified quantitative services for professional investors. For institutional services, we facilitated the construction of securities and stock options business functions of the Orient Speed Trading (OST) system, built a multi-level institutional trading ecosystem, completed the connection of the express counter and various PB systems, and gradually formed a closed loop of services.

We improved the level of digital management. We promoted the construction of a smart anti-money laundering management and control platform, continued to reconstruct, upgrade and optimise our compliance risk control system, and carried out comprehensive position matching for our risk data pools. We also achieved full coverage of lifecycle data governance for system construction; built an integrated platform for research and development and operation, and continued to improve the automatic collaboration capability of research and development and operation; and continued to promote the construction of a middle platform for innovative technologies such as artificial intelligence and block chain as well as the construction of capability sharing center.

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 30 June 2022, we had a total of 7,791 employees (including brokers), including 5,470 in the Parent Company and 2,321 in its wholly-owned and controlling subsidiaries. The employee structure is as follows:

	Unit: person
Number of staff employed by the Parent Company	5,470
Number of staff employed by the major subsidiaries	2,321
Total number of staff employed	**7,791**

PROFESSIONAL COMPOSITION

Category of profession	Number of professional composition
Business staff	6,196
IT staff	266
Finance staff	530
Other staff	799
Total	**7,791**

EDUCATION

Level of education	Number
Doctor	92
Master	2,666
Bachelor	4,412
Junior college graduate and below	621
Total	**7,791**

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 “priority is given to efficiency while taking fairness into account”. Pursuant to the applicable laws and regulations of the PRC, we entered into a labor contract with each of our 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. During the six months ended 30 June 2022, we continued to focus on the goal of "Empowering Outstanding Talents, Improving the Skills of Staff and Promoting Core Value", continuously improved the multi-level, diversified and multi-form personnel training system, optimised and improved the training system and designed customized training programs to help improve the vocational skills of cadre and staff based on the learning needs of different cadre and staff at different stages of career development.

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 and the six months ended 30 June 2022, 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 Company'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
Lu Weiming (魯偉銘)	1971	Executive Director, president of the Company 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 Company. 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 Company since September 2020. Mr. Song Xuefeng has served as a shareholder representative Supervisor and the chairman of Supervisory Committee of the Company from October 2014 to March 2018, and has been serving as an executive Director of the Company 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 Company. 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 Company from December 1997 to September 2010 and the general manager of the securities investment business department of the Company from March 2016 to March 2017. He has been serving as the deputy CPC party committee secretary, executive director of the Company since September 2010, serving as the president of the Company from September 2010 to March 2022, acting as the chairman of the Board of the Company from October 2020 to March 2021, and serving as the chairman of the Board of the Company since March 2021.

Lu Weiming (魯偉銘), born in 1971, is an executive Director, the deputy secretary of the CPC party committee and the president of the Company. 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 Company since March 2022.

Yu Xuechun (俞雪純), born in 1964, is a non-executive Director of the Company. 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 Company since March 2021.

Zhou Donghui (周東輝), born in 1969, is a non-executive Director of the Company. 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 Company since May 2020.

Cheng Feng (程峰), born in 1971, is a non-executive Director of the Company. 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. (上海解放傳媒資訊發展有限公司), 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. (上海介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. (上海瑞力金融資訊服務有限公司) 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 Company since March 2021.

Ren Zhixiang (任志祥), born in 1969, is a non-executive Director of the Company. 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 Company 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 Company. 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 Company from March 1999 to January 2015, the general manager of strategic development department of the Company since February 2015, the employee representative Director of the Company since March 2021, and the manager of the office of the labour union of the Company since September 2021.

Xu Zhiming (許志明), born in 1961, is an independent non-executive Director of the Company. 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 Company since July 2016.

Jin Qinglu (靳慶魯), born in 1972, is an independent non-executive Director of the Company. 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 Company since October 2017.

Wu Hong (吳弘), born in 1956, is an independent non-executive Director of the Company. 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 Company since December 2020.

Feng Xingdong (馮興東), born in 1977, is an independent non-executive Director of the Company. 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 Company since December 2020.

Luo Xinyu (羅新宇), born in 1974, is an independent non-executive Director of the Company. 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 Company since May 2021.

SUPERVISORS

The supervisory committee ("**Supervisory Committee**") of the Company comprises eight supervisors. The table below sets forth the information regarding the Company's supervisors:

Name	Year of Birth	Position
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

Du Weihua (杜衛華), born in 1964, is the vice chairman of the Supervisory Committee of the Company, 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 Company. 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 Company from June 1998 to May 2017, an assistant to the president and employee representative Supervisor of the Company from January 2012 to August 2015, the vice president of the Company 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 Company since January 2020 and an employee representative Supervisor and the vice chairman of the Supervisory Committee of the Company since February 2020.

Wu Junhao (吳俊豪), born in 1965, is a shareholder representative Supervisor of the Company. 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 Company from October 2014 to March 2021, and has been serving as a shareholder representative Supervisor of the Company since March 2021.

Zhang Jian (張健), born in 1965, is a shareholder representative Supervisor of the Company. 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 Company since March 2021.

Shen Guangjun (沈廣軍), born in 1979, is a shareholder representative Supervisor of the Company. 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 Company since March 2021.

Tong Jie (佟潔), born in 1968, is a shareholder representative Supervisor of the Company. 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 Company since March 2018.

Xia Lijun (夏立軍), born in 1976, is an independent supervisor of the Company. 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. (東方財富資訊股份有限公司), 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 (上海巴財資訊科技有限公司). 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 Company 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 Company. 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 Company from June 1998 to March 2005, the assistant to office manager and deputy office manager of the Company from March 2005 to March 2012, the secretary to the Supervisory Committee and office manager of the Supervisory Committee of the Company since March 2012, the manager of the discipline inspection office of the Company since December 2012, and an employee representative Supervisor of the Company since March 2021.

Ding Yan (丁艷), born in 1979, is an employee representative Supervisor of the Company. 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 Company 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 Company from January 2017 to April 2020, the deputy general manager (in charge of affairs) of the audit department of the Company since April 2020, and an employee representative Supervisor of the Company since March 2021.

SENIOR MANAGEMENT

The Company's senior management team consists of seven members. The table below sets forth information regarding the Company'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
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
Jiang Helei (蔣鶴磊)	1974	Chief risk officer and chief compliance officer

Lu Weiming (魯偉銘), see "Directors, Supervisors and Senior Management – Directors".

Shu Hong (舒宏), born in 1967, is a vice president and chief financial officer of the Company. 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 Company from October 1998 to March 2004. He also served as the assistant to president and general manager of the information technology center, the assistant to president and general manager of the brokerage business department, the director of information technology and assistant to president, operating controller and assistant to president, and operating controller of the Company from December 2001 to April 2014. Mr. Shu has been serving as the chief information officer of the Company from June 2019 to November 2021, a vice president of the Company since April 2014 and the chief financial officer of the Company since November 2021.

Zhang Jianhui (張建輝), born in 1968, is a vice president of the Company. 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 Company from July 2003 to June 2015, the chief financial officer of the Company from May 2014 to November 2021, the general manager of the general office of financial planning of the Company from June 2015 to August 2019. Mr. Zhang has been serving as the general manager of fund management department of the Company from August 2020 to November 2021 and the vice president of the Company since July 2015.

Xu Haining (徐海寧), born in 1970, is a vice president and the general manager of the wealth management business headquarters of the Company. 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 Company from October 2012 to October 2014, and has been serving as the general manager of the wealth management business headquarters of the Company since October 2014, the assistant to the president of the Company from September 2017 to March 2021, and a vice president of the Company 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 Company. 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 Company 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 Company from March 2008 to November 2016, the manager of the Board office of the Company since October 2014, the secretary to the Board of the Company since November 2016. He has been concurrently serving as the joint company secretary since November 2019.

Lu Dayin (盧大印), born in 1972, is the chief information officer of the Company. 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 Company. From July 2002 to March 2004, he served as the deputy general manager (presiding over work) of the e-commerce business headquarters of the Company. From March 2004 to October 2009, he served as the deputy general manager of the brokerage business headquarters of the Company. 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 Company since November 2021.

Jiang Helei (蔣鶴磊), born in 1974, is the chief risk officer of the Company. Mr. Jiang is a holder of master's degree in finance. Mr. Jiang served as the clerk of the planning and finance department of Shanghai Baoshan Steel Group Co. Ltd. (上海寶山鋼鐵集團有限公司) from July 1996 to September 1998, a project manager at research and development department and the M&A & reorganization department of the Shanghai Yashang Enterprise Consulting Co.,Ltd (上海亞商企業諮詢股份有限公司) from September 1998 to November 2000, a staff at the inspection office of Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission (中國證監會上海證券監管辦公室) from November 2000 to November 2001, a deputy senior staff at the No. 2 investigation office of Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission from November 2001 to March 2004, a senior staff of the No. 1 investigation office of Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission from March 2004 to October 2004, a senior staff, deputy researcher and deputy director at the No. 2 regulatory office of Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission from October 2004 to April 2013, a researcher at the No. 1 regulatory office of Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission from April 2013 to January 2016, a researcher at the No. 2 inspection office of Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission from January 2016 to October 2016 (concurrently serving as the vice president and chief secretary of Shanghai Securities Association (上海市證券同業公會) from March 2014 to June 2016), the deputy general manager of Shanghai Boweiyicheng Investment (Group) Co., Ltd. (上海博威益誠投資(集團)有限公司) from November 2016 to October 2020, the deputy general manager of Oriental Huayu Capital Management Co., Ltd. (東方華宇資本管理有限公司), and the vice president and chief compliance officer of Shanghai Jiyu Fund Sales Co., Ltd. (上海基煜基金銷售有限公司). Mr. Jiang has served as the chief risk officer of the Company since September 2022 and as the chief compliance officer of the Company since October 2022.

PRC REGULATIONS

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC Government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing state agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law.

After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

Under the PRC Constitution and the Law of Organisation of the People's Courts, the PRC Judicial System is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts.

The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts. The Supreme People's Court has established circuit courts to accept relevant cases within the regions under their circuit jurisdictions. Circuit courts are hearing organs dispatched by the Supreme People's Court. The judgments, rulings and decisions rendered by circuit courts are judgments, rulings and decisions by the Supreme People's Court.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was first adopted on 9 April 1991 and was subsequently amended on 28 October 2007, 31 August 2012, 1 July 2017 and 24 December 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

REGULATORY ENVIRONMENT OF THE PRC

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, proprietary securities trading, securities asset management or 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, proprietary securities trading, securities asset management or 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 have the required qualifications, while other personnel involved in the securities business shall possess proper professional qualifications, and no less than three of the senior officers shall have served as senior officers for no less than two years in the securities industry; 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, 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% 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% or more of the shares in a listed domestically-funded securities firm through securities trading on a stock exchange or who jointly hold 5% 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 December 27, 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% 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專案等事項的公告》)(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 existing branches are under effective management; 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% 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% or above.

According to the Negative List (Edition 2021), the limit on the foreign shareholding proportion 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 and amended on 12 August 2022 with immediate effect), 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 Measures for Supervision and Administration of Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理人監督管理辦法》) (effective from 20 June 2022), any securities firm applying for business of fund management shall comply with the following conditions:

- it shall have standardized corporate governance, sound internal control mechanism and good risk control; its management capacity, asset quality and financial status shall be good, and it shall have good business conditions in the latest three years and the capability of continuous profitability; its asset-liability and leverage levels shall be appropriate, and it shall have the capital strength compatible with its publicly offered fund management business;

- it shall have good integrity and compliance records and have no record of major violation of laws and regulations or major dishonesty record in the latest three years; it shall not have been given criminal punishment due to an intentional crime and it has not elapsed since the completion of the criminal punishment; it shall not be under investigation or under rectification for being suspected of a major violation of laws and regulations; its main regulatory indicators in the latest 12 months shall comply with the regulatory requirements;

- it shall have three years or more of experience in securities asset management, and the securities products under its management shall operate in a standardized and stable manner and perform well, and there shall be no major irregularities or risk events;

- it shall have internal management system, business premises, security facilities, system equipment and other business-related facilities that satisfy the relevant requirements;

- it shall have directors, supervisors and senior executives in compliance with laws, administrative regulations and the provisions of the CSRC as well as staff members for the research, investment, operation, sales and compliance positions relating to the publicly offered fund management business, and the number of employees who have obtained the qualification for fund practice shall not be less than 30 in principle; its organizational structure and the division of posts shall be reasonably established with clear responsibilities;

- it shall have a clear and effective restraint mechanism for maintaining the independence of the publicly offered fund management business, preventing risk transmission and improper tunneling, etc.; and

- other conditions as prescribed by the CSRC.

Securities companies engaging in management of publicly offered securities investment funds shall comply with laws, administrative regulations, provisions of the CSRC and self-regulation rules, fulfill their duties, perform the obligations of good faith, prudence and diligence, employ fund assets for the interests of fund unitholders, protect the legitimate rights and interests of fund unitholders, and shall not harm the interests of the State, public interest and the legitimate rights and interests of others.

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% 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% 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 12 June 2020, 14 June 2009 and 7 December 2017), 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 its professionals who have qualified as 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.

Pursuant to the principle of classified regulation, the CSRC sets up different standards on risks control indicators and calculating proportions for different types of securities companies and treats them differently in respect of regulation resource allocation and the frequency of on-site and off-site inspections.

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.

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 and amended on 12 August 2022), 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 and 12 August 2022), 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%.

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, effective from 1 October 2010 and amended on 12 August 2022, 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.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion 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 Bonds 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 Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal, premium (if any) or interest in respect of the Bonds or in respect of any capital gains arising from the sale of the Bonds.

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 Bonds 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:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds 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 IRO).

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 and redemption of Bonds will be subject to Hong Kong profits tax. 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 IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has 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 Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond as long as the register of the Bonds is maintained outside of Hong Kong.

Estate Duty

No Hong Kong estate duty is payable in respect of the Bonds.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, 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 Bonds have no connection with their establishments within the PRC. In considering whether to invest in the Bonds, investors should consult their individual tax advisers 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.

Income Tax

Under the PRC EIT Law and its Implementing Regulation, which became effective on 1 January 2008 and was subsequently amended on 24 February 2017 and 29 December 2018, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC are deemed to be "resident enterprises for PRC tax purposes", and are therefore subject to PRC enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. The Implementing Regulation defines the term "de facto management body" as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an enterprise. In addition, the Notice on Issues Concerning the Determination of Chinese-controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies issued by the SAT (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC Group would be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights, or senior management, reside within the PRC.

There is no assurance that the Issuer will not be treated as a "resident enterprise" under the EIT Law, any aforesaid circulars or any amended regulations in the future. If the Issuer is treated as a PRC resident enterprise for PRC enterprise income tax purposes, among other things, it would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its taxable income. Furthermore, if the Issuer is treated as a PRC resident enterprise, payments of interest by the Issuer may be regarded as derived from sources within the PRC and therefore the Issuer may be obligated to withhold PRC income tax at 10 per cent. on payments of interest on the Bonds to non-PRC resident enterprise investors without an establishment within the PRC or whose income has no connection to its establishment with the PRC. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20 per cent. In addition, as the Guarantor is a PRC tax resident, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be required to withhold a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals if such payments are regarded as derived from sources within the PRC.

In addition, if the Issuer is treated as a PRC resident enterprise, any gain realised on the transfer of the Bonds by non-PRC resident investors may be regarded as derived from sources within the PRC and accordingly may be subject to a 10 per cent. PRC income tax in the case of non-PRC resident enterprises or 20 per cent. in the case of non-PRC resident individuals. The PRC tax on interest or gains may be reduced or exempted under applicable tax treaties between the PRC and the Bondholder's home country. For example, according to an arrangement between the PRC and Hong Kong for the avoidance of double-taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

Stamp Duty

No PRC stamp duty will be imposed on non-resident holders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issue and sale of the Bonds is made outside the PRC.

VAT

On 23 March 2016, the Ministry of Commerce of the People's Republic of China and SAT issued the Circular 36, which introduced a new VAT from 1 May 2016. According to Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that the loans refers 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 Bonds may be treated as the Bondholders providing the loans to the Issuer, which thus may be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may be subject to withholding of VAT and related local levies at the rate of 6.72 per cent. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement with the Joint Lead Managers dated 20 October 2022 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and each of the Joint Lead Managers has agreed to, severally and not jointly, subscribe and pay for the aggregate principal amount of the Bonds at an issue price in the amount set forth opposite its name below.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**Principal Amount of Bonds**
Orient Securities (Hong Kong) Limited	US$30,000,000
ICBC International Securities Limited	US$30,000,000
Industrial and Commercial Bank of China (Asia) Limited	US$30,000,000
Industrial and Commercial Bank of China Limited, Singapore Branch	US$30,000,000
Standard Chartered Bank	US$30,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the PRC with limited liability)	US$30,000,000
Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability)	US$30,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	US$30,000,000
CMB Wing Lung Bank Limited	US$30,000,000
Joint Bookrunners and Joint Lead Managers	
Zhongtai International Securities Limited	US$ 6,000,000
BOSC International Company Limited	US$ 6,000,000
ABCI Capital Limited	US$ 6,000,000
China CITIC Bank International Limited	US$ 6,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	US$ 6,000,000
Total	**US$300,000,000**

The Subscription Agreement provides that the Issuer and the Company will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitle the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their affiliates have, from time to time, performed, and may in the future perform, various Banking Services or Transactions for the Issuer and the Company, for which they received or will receive customary fees and expenses.

The Joint Lead Managers and their respective affiliates may purchase the Bonds and allocate the Bonds for asset management and/or proprietary purposes but not with a view to distribution. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Company, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks relating to the Bonds and the Guarantee – A trading market for the Bonds may not develop*"). The Issuer, the Company and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates 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. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Company, including the Bonds. Certain of the Joint Lead Managers or their respective affiliates that have a lending relationship with the Issuer and/or the Company routinely hedge their credit exposure to the Issuer and/or the Company consistent with their customary risk management policies. Typically, the Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Company's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Lead Managers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Company, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Global Coordinator, Joint Bookrunner, Joint Lead Manager or such affiliate on behalf of such Joint Global Coordinator, Joint Bookrunner or Joint Lead Manager in such jurisdiction.

Important Notice to CMIs (including Private Banks)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OC(s) for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Guarantor, a CMI or its group companies would be considered under the Code as having an Association with the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Guarantor or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and, if applicable, any MiFID II product governance and UK MiFIR product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OC(s) when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Guarantor. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that placing an order on a "principal" basis may require an affiliated Joint Lead Manager (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) that are subject to the Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: DCM@dfzq.com.hk; Linziying.Lavinia@icbcasia.com; Qiruixiao.Tracy@icbcasia.com; Jackie.jq.chen@icbcasia.com; tiantian.li@icbcasia.com; Lisixuan.hester@icbcasia.com; SYNHK@SC.COM; dcm@bankcomm.com.hk; abcic.dcm@abci.com.hk; hkdcm@cmbc.com.cn.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OC(s); and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OC(s). By submitting an order and providing such information to any OC(s), each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OC(s) and/or any other third parties as may be required by the Code, including to the Guarantor, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Joint Lead Managers with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Joint Lead Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://eeas.europa.eu/headquarters/headquartershomepage_en/8442/Consolidated%20list%20of%20sanctions); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military- Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons. "**Sanctions Authority**" means: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

General

None of the Issuer, the Company nor the Joint Lead Managers makes any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Company that would permit a public offering of the Bonds, or possession or distribution of the Offering Circular (in proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes the Offering Circular (in proof or final form) or any such other material, in all cases at its own expense. The Issuer, the Company and the Joint Lead Managers will have no responsibility for, and the Joint Lead Managers will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery of the Bonds. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, the Offering Circular (in final form) or any amendment or supplement to it.

United States

The Bonds and the Guarantee 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 the registration requirements of the Securities Act. Each Joint Lead Manager has represented that it has offered and sold the Bonds and the Guarantee, and has agreed that it will offer and sell the Bonds and the Guarantee (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, 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 Bonds and the Guarantee, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Joint Lead Manager has agreed that, at or prior to confirmation of sale of the Bonds and the Guarantee, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds and Guarantee from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not been 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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, 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 this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with any offer and sale of the Bonds and the Guarantee in the United States.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) 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 Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to United Kingdom Retail Investors:

In addition, each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by the Offering Circulars 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 (the "**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 the 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; 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Prohibition of Sales to European Economic Area Retail Investors:

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by the Offering Circulars 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, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

(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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Singapore

Each Joint Lead Manager has acknowledged that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, will not offer or sell any Bonds or cause the Bonds 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 Bonds, 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) (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.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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 Bonds 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 (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 Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) 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;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Hong Kong

Each Joint Lead Manager has represented and agreed that (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; 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) or which do not constitute an offer to the public within the meaning of that Ordinance; and (b) 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 the Bonds, 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 Bonds 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 that Ordinance.

PRC

Each Joint Lead Manager has represented, warranted and agreed that the Bonds 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 and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Japan

The Bonds 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 Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds 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.

British Virgin Islands

Each Joint Lead Manager has represented, warranted and agreed that no invitation has been made or will be made either directly or indirectly to the public in the British Virgin Islands or any person in the British Virgin Islands to purchase the Bonds, the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

RATINGS

The Company has been assigned a rating of "Baa2" by Moody's with a stable outlook and a rating of "BBB-" by S&P with a stable outlook. The Bonds are expected to be rated "Baa2" by Moody's. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Bonds. The ratings do not constitute recommendations to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Bonds, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for the Issuer and the Company by Linklaters as to matters of English law and Hong Kong law. Certain legal matters regarding the Bonds will be passed upon for the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers by Davis Polk & Wardwell with respect to matters of English law. Certain matters of PRC law will be passed upon for the Issuer and the Company by Grandall Law Firm (Shanghai). Certain matters of PRC law will be passed upon for the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers by Commerce & Finance Law Offices. Certain matters of British Virgin Islands law will be passed upon for the Issuer and the Company by Ogier.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds will be lodged and cleared through Euroclear and Clearstream. The ISIN and Common Code for the Bonds are XS2547622535 and 254762253, respectively.

2. **LEI:** The Issuer's Legal Entity Identifier (LEI) is 549300744J116LZ5PV56.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Bonds and the execution, delivery and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by the resolutions of the board of directors of the Issuer on 30 September 2022. The Issuer is not required to obtain any consents or approval of any regulatory authorities or other relevant authorities in the BVI in connection with the issue of the Bonds.

   The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving of the Guarantee of the Bonds and the execution, delivery and performance of its obligations under the Trust Deed, the Deed of Guarantee and the Agency Agreement. The giving of the Guarantee of the Bonds was authorised by the resolutions of the Board of the Guarantor on 30 March 2022. The Guarantor will file or cause to be filed with the Shanghai Branch of SAFE the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its reasonable endeavours to complete the Cross-Border Security 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 (being the day falling 150 Registration Business Days after the Closing Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee of the Bonds.

   Pursuant to the NDRC Circular, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 15 March 2022 and its adjustment on 2 August 2022 evidencing such registration, which as of the date of this Offering Circular, remains valid and in full force and effect. The Guarantor will within 10 Shanghai Business Days after the Closing Date file or cause to be filed with the NDRC (the "**NDRC Post-Issuance Filing**") the requisite information and documents in accordance with 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 comply with all applicable PRC laws and regulations in connection with the NDRC Post-Issuance Filing (if any).

4. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, the Company and the Group since 30 June 2022.

5. **Litigation:** Save as disclosed in this Offering Circular, none of the Issuer, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Company, as the case may be, believes are material in the context of the Bonds, nor is any of the Issuer or the Company aware that any such proceedings are pending or threatened.

6. **Available Documents:** Copies of the following documents will be available for inspection from the Issue Date at the Issuer's office at 29/F, 100 Queen's Road Central, Central, Hong Kong during normal business hours, so long as any of the Bonds is outstanding:

   (a) the Company's audited consolidated financial statements for the year ended 31 December 2020 and 2021 and the unaudited condensed consolidated financial statements as at and for the six months ended 30 June 2022;

   (b) the Trust Deed;

   (c) the Agency Agreement;

   (d) the Deed of Guarantee;

   (e) the memorandum and articles of association of the Issuer; and

   (f) the Articles of Association of the Company.

7. **Independent Auditor's Reports and Independent Review Report:** The audited consolidated financial statements of the Group as at and for the years ended 31 December 2020 and 2021 included elsewhere 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. The unaudited condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2022 contained in the Offering Circular have been prepared in accordance with the IAS 34 issued by the IASB and reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants in accordance with ISRE 2410 issued by the IAASB.

8. **Listing of the Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 27 October 2022.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:

(1) The independent review report on the condensed consolidated financial statement of the Group as at and for the six months ended 30 June 2022 set out herein is reproduced from the Company's interim report for the six months ended 30 June 2022 published on 30 August 2022. Page references referred to in the report are to pages set out in such interim report.

(2) The independent auditor's report on the consolidated financial statement of the Group 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.

(3) The independent auditor's report on the consolidated financial statement of the Group 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.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF 東方證券股份有限公司
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed 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 149 to 228, which comprise the condensed consolidated statement of financial position as at June 30, 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 30, 2022

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022

	NOTES	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue			
Commission and fee income	5	**4,501,399**	4,885,912
Interest income	6	**2,731,336**	2,942,874
		7,232,735	7,828,786
Net investment gains	7	**410,229**	1,929,997
Other income, gains and losses, net	8	**2,118,604**	5,591,928
Total revenue, other income and net gains and losses		**9,761,568**	15,350,711
Depreciation and amortisation	9	**(386,776)**	(350,640)
Staff costs	10	**(2,435,763)**	(3,222,572)
Commission and fee expenses		**(434,851)**	(460,928)
Interest expenses	11	**(2,052,102)**	(2,234,521)
Other operating expenses	12	**(2,996,543)**	(6,429,535)
Impairment losses under expected credit loss model, net of reversal	13	**(869,454)**	(258,544)
Other impairment losses		**(174,951)**	–
Total expenses		**(9,350,440)**	(12,956,740)
Share of results of associates		**231,407**	735,436
Profit before income tax		**642,535**	3,129,407
Income tax expense	14	**4,640**	(431,370)
Profit for the period		**647,175**	2,698,037
Attributable to:			
Equity holders of the Company		**647,365**	2,700,360
Non-controlling interests		**(190)**	(2,323)
		647,175	2,698,037
Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	15	**0.07**	0.36

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period	**647,175**	2,698,037
Other comprehensive income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on investments in equity instruments at fair value through other comprehensive income	**1,068,968**	221,476
Income tax relating to items that will not be reclassified to profit or loss	**(267,242)**	(55,369)
Subtotal	**801,726**	166,107
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on debt instruments measured at fair value through other comprehensive income		
– net fair value changes during the period	**218,842**	74,795
– reclassification adjustment to profit or loss on disposal	**(424,074)**	(56,086)
Charge for/(reversal of) impairment losses for debt instruments measured at fair value through other comprehensive income	**11,659**	(32,690)
Income tax relating to items that may be reclassified subsequently to profit or loss	**49,513**	3,495
Share of other comprehensive income/(expenses) of associates, net of related income tax	**5,306**	(7,419)
Exchange differences arising on translation	**66,553**	(17,630)
Subtotal	**(72,201)**	(35,535)
Other comprehensive income for the period, net of income tax	**729,525**	130,572
Total comprehensive income for the period	**1,376,700**	2,828,609
Attributable to:		
Equity holders of the Company	**1,376,890**	2,830,932
Non-controlling interests	**(190)**	(2,323)
	1,376,700	2,828,609

The accompanying notes presented on pages 159 to 228 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	NOTES	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Cash and bank balances	*16*	**103,765,312**	90,555,816
Clearing settlement funds	*18*	**31,786,820**	25,472,872
Deposits with exchanges and financial institutions	*19*	**4,278,493**	2,655,369
Derivative financial assets	*20*	**917,034**	279,902
Placements to banks and financial institutions		**538,248**	382,833
Advances to customers	*21*	**20,091,271**	24,344,922
Account receivables	*22*	**2,713,043**	1,011,537
Financial assets held under resale agreements	*23*	**13,048,961**	11,502,955
Financial assets at fair value through profit or loss	*24*	**86,362,147**	90,584,006
Debt instruments at fair value through other comprehensive income	*25*	**69,678,825**	58,599,581
Equity instruments at fair value through other comprehensive income	*26*	**4,919,698**	4,138,153
Debt instruments measured at amortised cost	*27*	**3,414,605**	3,594,039
Investments in associates	*28*	**6,342,058**	6,553,668
Right-of-use assets		**730,791**	774,013
Investment properties		**329,567**	352,411
Property and equipment	*30*	**2,132,872**	2,234,866
Other intangible assets		**210,713**	250,647
Goodwill		**32,135**	32,135
Deferred tax assets	*32*	**1,641,068**	1,438,838
Other assets	*33*	**2,582,899**	1,841,059
Total assets		**355,516,560**	326,599,622

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	NOTES	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Placements from banks and financial institutions	*34*	**2,779,960**	8,485,677
Short-term financing bill payables	*35*	**12,734,826**	7,096,803
Account payables to brokerage clients	*36*	**101,952,923**	90,012,125
Financial assets sold under repurchase agreements	*37*	**73,892,468**	62,741,993
Financial liabilities at fair value through profit or loss	*38*	**16,842,396**	16,588,356
Derivative financial liabilities	*20*	**311,628**	733,829
Contract liabilities		**108,073**	91,413
Current tax liabilities		**174,972**	638,543
Accrued staff costs		**2,190,587**	2,431,922
Borrowings	*39*	**492,384**	558,645
Lease liabilities		**736,990**	781,842
Bond payables	*40*	**55,474,634**	67,509,217
Deferred tax liabilities	*32*	**47,175**	19,202
Other liabilities	*41*	**11,962,526**	4,766,949
Total liabilities		**279,701,542**	262,456,516
Share capital	*42*	**8,496,645**	6,993,656
Other equity instrument	*44*	**5,000,000**	5,000,000
Reserves	*45*	**54,969,337**	43,003,283
Retained earnings		**7,336,601**	9,130,172
Equity attributable to equity holders of the Company		**75,802,583**	64,127,111
Non-controlling interests		**12,435**	15,995
Total equity		**75,815,018**	64,143,106
Total equity and liabilities		**355,516,560**	326,599,622

The accompanying notes presented on pages 159 to 228 form part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 149 to 228 were approved and authorised for issue by the Board of Directors on August 30, 2022 and signed on its behalf by:

Jin Wenzhong
Chairman of the Board

Lu Weiming
Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

		Equity attributable to equity holders of the Company										
				Reserves								
	NOTES	Share capital RMB'000	Other equity instrument RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Unaudited												
As at January 1, 2022		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
Profit for the period		-	-	-	-	-	-	-	647,365	647,365	(190)	647,175
Other comprehensive income for the period		-	-	-	-	-	657,666	71,859	-	729,525	-	729,525
Total comprehensive income for the period		-	-	-	-	-	657,666	71,859	647,365	1,376,890	(190)	1,376,700
Issuance of shares	*42*	1,502,989	-	11,122,255	(4,462)	-	-	-	-	12,620,782	-	12,620,782
Appropriation to general reserve		-	-	-	-	117,883	-	-	(117,883)	-	-	-
Distribution to holders of other equity instrument	*43*	-	-	-	-	-	-	-	(237,500)	(237,500)	-	(237,500)
Dividends recognised as distribution	*43*	-	-	-	-	-	-	-	(2,124,160)	(2,124,160)	(3,370)	(2,127,530)
Transfer to retained earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	-	(38,607)	-	38,607	-	-	-
Other		-	-	39,460	-	-	-	-	-	39,460	-	39,460
As at June 30, 2022		8,496,645	5,000,000	39,515,040	3,994,855	10,146,516	1,383,380	(70,454)	7,336,601	75,802,583	12,435	75,815,018

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

		Equity attributable to equity holders of the Company										
				Reserves								
	NOTES	Share capital RMB'000	Other equity instrument RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Unaudited												
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 period		–	–	–	–	–	–	–	2,700,360	2,700,360	(2,323)	2,698,037
Other comprehensive income/(expense) for the period		–	–	–	–	–	148,202	(17,630)	–	130,572	–	130,572
Total comprehensive income/(expense) for the period		–	–	–	–	–	148,202	(17,630)	2,700,360	2,830,932	(2,323)	2,828,609
Appropriation to general reserve		–	–	–	–	148,719	–	–	(148,719)	–	–	–
Distribution to holders of other equity instrument	*43*	–	–	–	–	–	–	–	(237,500)	(237,500)	–	(237,500)
Dividends recognised as distribution	*43*	–	–	–	–	–	–	–	(1,748,414)	(1,748,414)	(2,616)	(1,751,030)
Transfer to retained earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		–	–	–	–	–	329	–	(329)	–	–	–
As at June 30, 2021		6,993,656	5,000,000	28,311,404	3,676,148	8,839,816	292,929	(126,434)	8,060,350	61,047,869	23,354	61,071,223

The accompanying notes presented on pages 159 to 228 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	**642,535**	3,129,407
Adjustments for:		
Interest expenses	**2,052,102**	2,234,521
Share of results of associates	**(231,407)**	(735,436)
Depreciation and amortisation	**386,776**	350,640
Impairment losses under expected credit loss model, net of reversal	**869,454**	258,544
Other impairment losses	**174,951**	–
Losses on disposal of property and equipment, right-of-use assets and investment properties	**271**	1,131
Foreign exchange losses/(gains), net	**83,137**	(104,669)
Net realised gains and income arising from financial assets at fair value through profit or loss	**(151,899)**	(250,935)
Net realised gains and income arising from debt instruments at fair value through other comprehensive income	**(1,585,923)**	(1,365,602)
Dividend income arising from equity instruments at fair value through other comprehensive income	**(124,564)**	(351,664)
Net realised gains arising from financial liabilities at FVTPL	**(15,788)**	–
Net realised losses arising from derivative financial instruments	**–**	6,736
Interest income from debt instruments measured at amortised cost	**(58,255)**	(93,555)
Unrealised fair value change of financial assets at fair value through profit or loss	**659,049**	(175,212)
Unrealised fair value change of financial liabilities at fair value through profit or loss	**177,479**	(740,093)
Unrealised fair value change of derivative financial instruments	**(1,182,127)**	825,560
Other net investment gains	**(2,810)**	–

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating cash flows before movements in working capital	**1,692,981**	2,989,373
Decrease/(increase) in advances to customers	**4,252,139**	(2,308,859)
Increase in placements to banks and other financial institutions	**(155,415)**	–
(Increase)/decrease in financial assets held under resale agreements	**(2,406,519)**	830,302
Decrease/(increase) in financial assets at fair value through profit or loss and derivative financial assets	**5,221,593**	(2,458,305)
Increase in restricted deposits	**(1,966,721)**	(2,824,590)
Increase in bank balances and clearing settlement funds restricted or held on behalf of customers	**(12,205,118)**	(11,986,381)
Increase in account receivables and other assets	**(2,087,909)**	(4,358,196)
Increase in other liabilities and contract liabilities	**4,609,242**	175,005
Increase in account payables to brokerage clients	**11,940,798**	12,277,395
(Decrease)/increase in financial liabilities at fair value through profit or loss and derivatives financial liabilities	**(503,745)**	3,717,208
Increase in financial assets sold under repurchase agreements	**11,127,547**	4,552,754
Decrease in placements from banks and other financial institutions	**(5,704,772)**	(5,014,490)
Cash generated from/(used in) operations	**13,814,101**	(4,408,784)
Income taxes paid	**(850,917)**	(714,982)
Interest paid	**(668,643)**	(774,450)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**12,294,541**	(5,898,216)

Condensed Consolidated Statement of Cash Flows
For the six months ended June 30, 2022

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	**1,400,057**	2,060,381
Proceeds on disposal of property and equipment and investment properties	**19,763**	556
Proceeds on disposal or redemption of:		
financial assets at fair value through profit or loss	**6,018,077**	6,862,004
equity instruments at fair value through other comprehensive income	**287,423**	3,022,908
debt instruments at fair value through other comprehensive income	**32,814,217**	34,698,059
debt instruments measured at amortised cost	**135,000**	1,336,201
Capital injection in associates	**(96,050)**	(6,300)
Purchases of:		
financial assets at fair value through profit or loss	**(7,700,120)**	(6,476,465)
equity instruments at fair value through other comprehensive income	**–**	(16,914)
debt instruments at fair value through other comprehensive income	**(43,647,677)**	(39,187,350)
Purchases of property and equipment and other intangible assets	**(67,623)**	(187,823)
Payments for right-of-use assets	**(2,561)**	(678)
Proceeds from disposal of a subsidiary, and disposal of and capital reduction from associates	**84,181**	48,139
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(10,755,313)**	2,152,718

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	NOTE	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
FINANCING ACTIVITIES			
Proceeds from H and A shares issued		**12,715,329**	–
Proceeds from bonds and short-term financing bill payables issued		**14,368,351**	24,076,211
Repayments on bonds and short-term financing bill payables issued		**(20,044,779)**	(24,726,266)
Proceeds from borrowings		**835,240**	4,029,958
Repayments of borrowings		**(887,031)**	(710,873)
Repayments of leases liabilities		**(172,871)**	(163,135)
Dividends paid to shareholders		**(3,370)**	(28,062)
Transaction costs paid on issue of H and A shares		**(94,547)**	–
Interest paid on bonds and short-term financing bill payables		**(1,175,576)**	(1,302,711)
Interest paid on borrowings		**(10,527)**	(21,789)
Interest paid on lease liabilities		**(13,311)**	(16,142)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**5,516,908**	1,137,191
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,056,136**	(2,608,307)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*17*	**21,937,713**	19,984,516
Effect of foreign exchange rate changes		**(81,407)**	52,843
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	*17*	**28,912,442**	17,429,052

1. GENERAL INFORMATION

東方證券股份有限公司, formerly known as Orient Securities Limited Liability Company (東方證券有限責任公司), was a limited liability company established on December 10, 1997. On October 8, 2003, upon approval from the China Securities Regulatory Commission ("CSRC") and the Shanghai Municipal Government, Orient Securities Limited Liability Company was converted into a joint stock limited liability company, and was renamed as 東方證券股份有限公司 (the "Company"). On March 23, 2015, the Company became listed on the Shanghai Stock Exchange with the stock code of 600958. On July 8, 2016, the Company became listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with the stock code of 03958.

The registered office of the Company is located at Orient Securities Building, 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 the CSRC.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This condensed consolidated financial statements do not include all of the information required for full set of financial statement prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2021.

Application of amendments to International Financial Reporting Standards

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The directors of the Company consider that the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The significant accounting estimates and judgements applied in preparing the condensed consolidated financial statements for the six months ended June 30, 2022 are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021.

4. 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 organisations, whereby the businesses are organised and managed separately as individual strategic business units that offer different products and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the CODM, which are consistent with the accounting and measurement criteria in the preparation of the condensed consolidated financial statements.

Specifically, the Group's reportable and operating segments are as follows:

(a) Investment management, which primarily includes management and advisory fees earned from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from private equity;

(b) Brokerage and securities financing, which primarily includes 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;

(c) Securities sales and trading, which includes investment gains and investment income earned from trading of stocks, bonds, funds, derivatives, alternative investments and other financial products and fees earned from providing related investment research activities;

(d) Investment banking, which primarily includes commissions and fees earned from equity underwriting, debt underwriting and financial advisory services;

(e) Headquarters and other, covering head office operations and the overseas business in Hong Kong, include 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 six months ended June 30, 2022 and 2021.

4. SEGMENT REPORTING *(Continued)*

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 one segment for another segment.

The segment information provided to the CODM for the six months ended June 30, 2022 and 2021 are as follows:

Operating segment

	Investment management RMB'000	Brokerage and securities financing RMB'000	Securities sales and trading RMB'000	Investment banking RMB'000	Headquarters and other RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended June 30, 2022								
Unaudited								
Segment revenue and results								
Segment revenue and net investment gains	1,563,236	2,746,282	2,210,513	1,006,271	1,581,402	9,107,704	(1,464,740)	7,642,964
Segment other income, gains and losses, net	128,695	1,941,135	89,194	23,028	(63,448)	2,118,604	-	2,118,604
Segment revenue, other income and net gains and losses	1,691,931	4,687,417	2,299,707	1,029,299	1,517,954	11,226,308	(1,464,740)	9,761,568
Segment expenses	(990,003)	(4,736,136)	(1,034,410)	(691,088)	(1,947,718)	(9,399,355)	48,915	(9,350,440)
Segment results	701,928	(48,719)	1,265,297	338,211	(429,764)	1,826,953	(1,415,825)	411,128
Share of results of associates	270,329	(3,492)	23,000	-	(69,327)	220,510	10,897	231,407
Profit/(loss) before income tax	972,257	(52,211)	1,288,297	338,211	(499,091)	2,047,463	(1,404,928)	642,535
As at June 30, 2022								
Unaudited								
Segment assets and liabilities								
Segment assets	13,330,772	150,030,094	145,206,294	2,567,725	67,886,105	379,020,990	(23,504,430)	355,516,560
Segment liabilities	1,941,110	111,607,837	84,134,723	843,269	86,992,887	285,519,826	(5,818,284)	279,701,542
For the six months ended June 30, 2022								
Unaudited								
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	42,256	151,189	24,232	24,422	144,677	386,776	-	386,776
Charge for/(reversal of) impairment losses	255	1,032,333	11,851	207	(241)	1,044,405	-	1,044,405
Capital expenditure	13,587	137,200	28	3,949	53,521	208,285	-	208,285

4. SEGMENT REPORTING *(Continued)*

Operating segment *(Continued)*

	Investment management RMB'000	Brokerage and securities financing RMB'000	Securities sales and trading RMB'000	Investment banking RMB'000	Headquarters and other RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended June 30, 2021								
Unaudited								
Segment revenue and results								
Segment revenue and net investment gains	2,133,003	3,089,401	2,635,795	860,067	1,742,544	10,460,810	(702,027)	9,758,783
Segment other income, gains and losses, net	55,213	5,372,610	9,376	2,337	152,580	5,592,116	(188)	5,591,928
Segment revenue, other income and net gains and losses	2,188,216	8,462,011	2,645,171	862,404	1,895,124	16,052,926	(702,215)	15,350,711
Segment expenses	(1,235,594)	(7,462,230)	(1,114,326)	(539,997)	(2,664,861)	(13,017,008)	60,268	(12,956,740)
Segment results	952,622	999,781	1,530,845	322,407	(769,737)	3,035,918	(641,947)	2,393,971
Share of results of associates	753,502	(2,654)	(1,235)	–	47,435	797,048	(61,612)	735,436
Profit/(loss) before income tax	1,706,124	997,127	1,529,610	322,407	(722,302)	3,832,966	(703,559)	3,129,407
As at June 30, 2021								
Unaudited								
Segment assets and liabilities								
Segment assets	13,134,030	129,206,712	117,517,938	2,103,011	68,380,183	330,341,874	(19,059,265)	311,282,609
Segment liabilities	2,574,634	87,616,387	60,580,422	676,180	101,594,373	253,041,996	(2,830,610)	250,211,386
For the six months ended June 30, 2021								
Unaudited								
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	32,514	136,703	16,780	21,457	143,493	350,947	(307)	350,640
Charge for/(reversal of) impairment losses	3,664	271,818	(18,281)	121	1,222	258,544	–	258,544
Capital expenditure	36,755	78,224	799	11,509	143,539	270,826	–	270,826

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 six months ended June 30, 2022 and 2021.

5. COMMISSION AND FEE INCOME

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Commission on securities dealing, broking and handling fee income	**1,395,477**	1,521,062
Asset and fund management fee income	**1,456,810**	1,977,732
Underwriting, sponsors and financial advisory fee income	**875,729**	832,364
Commission on futures and options contracts dealing, broking and handling fee income	**493,423**	362,793
Consultancy fee income	**135,568**	67,852
Other	**144,392**	124,109
	4,501,399	4,885,912

6. INTEREST INCOME

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Advances to customers	**642,496**	688,870
Financial assets held under resale agreements	**48,663**	133,313
Deposits with exchanges and financial institutions and bank balances	**818,316**	713,417
Interest income from debt instruments measured at amortised cost	**58,255**	93,555
Interest income from debt instruments at fair value through other comprehensive income	**1,161,849**	1,309,516
Other	**1,757**	4,203
	2,731,336	2,942,874

7. NET INVESTMENT GAINS

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net realised gains from disposal of debt instruments at fair value through other comprehensive income ("FVTOCI")	**424,074**	56,086
Net realised (losses)/gains from disposal of financial assets at fair value through profit or loss ("FVTPL")	**(743,858)**	873,410
Net realised gains arising from financial liabilities at FVTPL	**162,339**	18,622
Net realised losses arising from derivative financial instruments	**(810,278)**	(344,447)
Dividend income from equity instruments at FVTOCI	**124,564**	351,664
– relating to investments derecognised during the period	**11,004**	307,553
– relating to investments held at the end of the period	**113,560**	44,111
Dividend income and interest income from financial assets at FVTPL	**904,979**	884,917
Unrealised fair value change of financial assets at FVTPL	**(659,049)**	175,212
Unrealised fair value change of financial liabilities at FVTPL	**(177,479)**	740,093
Unrealised fair value change of derivative financial instruments	**1,182,127**	(825,560)
Other	**2,810**	–
	410,229	1,929,997

8. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Foreign exchange (losses)/gains, net	**(83,137)**	104,669
Rental income	**1,682**	2,733
Government grants	**215,796**	113,297
Bulk commodity trading income	**1,906,063**	5,338,835
Other	**78,200**	32,394
	2,118,604	5,591,928

9. DEPRECIATION AND AMORTISATION

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation of property and equipment	**141,607**	129,721
Depreciation of right-of-use assets	**173,409**	163,834
Depreciation of investment properties	**5,847**	879
Amortisation of other intangible assets	**65,913**	56,206
	386,776	350,640

10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB2,080 million and RMB2,777 million for the period ended June 30, 2022 and 2021 respectively.

11. INTEREST EXPENSES

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Account payables to brokerage clients	**59,899**	52,559
Financial assets sold under repurchase agreements	**654,785**	684,900
Borrowings	**10,288**	14,807
Placements from banks and financial institutions	**46,229**	45,059
Short-term financing bill payables	**108,088**	148,849
Bond payables	**1,159,415**	1,272,574
Lease liabilities	**13,398**	15,773
	2,052,102	2,234,521

12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Advisory expenses	**38,651**	43,537
Auditor's remuneration	**4,640**	4,515
Business travel expenses	**25,668**	44,581
Communication expenses	**62,748**	89,748
Electronic equipment operating expenses	**97,188**	121,887
Entertainment expenses	**35,050**	53,932
Administrative expenses	**152,967**	172,660
Operating lease rentals in respect of short-term leases/low value assets	**6,174**	13,165
Products distribution expenses	**448,572**	507,435
Securities and futures investor protection funds	**31,274**	37,558
Stock exchanges management fees	**48,614**	36,459
Sundry expenses	**69,058**	51,853
Tax and surcharges	**46,726**	53,290
Donation	**3,310**	19,729
Bulk commodity trading	**1,908,113**	5,177,924
Other	**17,790**	1,262
	2,996,543	6,429,535

13. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Expected credit losses ("ECL") in respect of		
– Financial assets held under resale agreements	**860,513**	273,226
– Advances to customers	**(392)**	370
– Account receivables and other receivables	**(2,306)**	3,946
– Debt instruments at FVTOCI	**11,659**	(18,565)
– Debt instruments measured at amortised cost	**(20)**	(433)
	869,454	258,544

14. INCOME TAX EXPENSE

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax	**402,583**	432,589
– Hong Kong Profits Tax	**5,518**	5,544
	408,101	438,133
Adjustments in respect of current income tax in relation to prior years:		
– PRC Enterprise Income Tax	**(20,755)**	1,408
Deferred tax	**(391,986)**	(8,171)
	(4,640)	431,370

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%.

15. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to shareholders of the Company is as follows:

	Six months ended June 30, 2022 (Unaudited)	2021 (Unaudited) (Restated)
Earnings for the purpose of basic earnings per share (RMB'000):		
Profit for the period attributable to equity holders of the Company	**647,365**	2,700,360
Less: profit attributable to holders of perpetual subordinated bond	**(118,750)**	(118,750)
Subtotal	**528,615**	2,581,610
Number of shares (in thousand):		
Number of issued shares on January 1	**6,993,656**	6,993,656
Effect of A share and H share rights issue	**588,731**	100,627
– Weighted average number of ordinary shares in issue	**7,582,387**	7,094,283
Basic earnings per share (RMB Yuan)	**0.07**	0.36

For the six months ended June 30, 2022 and 2021, there were no potential ordinary shares in issue.

During the first half of the year, the Company offered rights issue to its existing A share and H share shareholders, respectively. As the price for A rights share was below the market price at the time of rights issue, there were bonus elements for A share rights issue and the weighted average number of ordinary shares were adjusted retrospectively. As a result, the weighted average number of ordinary shares and the basic earnings per share for the six months ended June 30, 2021 were restated.

16. CASH AND BANK BALANCES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
House accounts	**30,107,961**	22,624,963
Restricted bank deposits *(Note a)*	**243,071**	177,611
	30,351,032	22,802,574
Cash held on behalf of clients *(Note b)*	**73,414,280**	67,753,242
	103,765,312	90,555,816

Cash and bank balances comprise cash on hand and demand deposits which bear interest at the prevailing market rates.

Note a: The restricted bank deposits as of June 30, 2022 and December 31, 2021 included pledged bank deposits and other restricted bank deposits.

Note b: The Group maintains bank accounts to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in account payables to brokerage clients (Note 36).

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Cash and bank balances	**30,298,614**	22,760,847
Clearing settlement funds	**3,049,255**	3,279,387
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	**(4,184,356)**	(3,916,910)
restricted bank deposits	**(243,071)**	(177,611)
	28,912,442	21,937,713

18. CLEARING SETTLEMENT FUNDS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Clearing settlement funds held with clearing houses for:		
House accounts	**3,049,255**	3,279,387
Clients	**28,737,565**	22,193,485
	31,786,820	25,472,872

19. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Trading deposits	**818,187**	1,011,534
Credit deposits	**50,046**	54,083
Performance bonds	**3,410,260**	1,589,752
	4,278,493	2,655,369

20. DERIVATIVE FINANCIAL INSTRUMENTS

	As at June 30, 2022 (Unaudited)		
	Notional amounts RMB'000	Fair Value Assets RMB'000	Fair Value Liabilities RMB'000
Interest rate derivatives			
Interest rate swaps	436,948,420	25,779	15,586
Treasury bond futures	12,677,808	–	–
Collar options	486,440	–	–
Equity derivatives			
Stock index futures	6,621,540	1,062	–
Total return swaps	4,259,582	170,145	32,661
Equity linked derivatives	49,903,734	307,430	63,295
Stock options	7,272,017	165,841	38,958
Currency derivatives			
Foreign exchange option	13,656,069	23,352	32,355
Foreign exchange swap	94,470,678	8,736	6,549
Foreign exchange risk forward	12,225,461	28,354	111,033
Credit derivatives			
Credit default swap	221,533	33,686	577
Other derivative instruments			
Commodity futures	6,230,095	–	–
Gold swaps	4,015,452	143,256	–
Gold forwards	1,099,970	9,393	–
Gold deferred contracts	369	–	–
Commodity options	28,654	–	10,614
	650,117,822	917,034	311,628

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

	As at December 31, 2021 (Audited)		
	Notional amounts	Fair Value Assets	Liabilities
	RMB'000	RMB'000	RMB'000
Interest rate derivatives			
Interest rate swaps	441,025,710	19,751	15,178
Treasury bond futures	11,738,716	–	–
Collar options	283,220	6	49
Equity derivatives			
Stock index futures	5,979,337	–	–
Total return swaps	2,582,603	99,098	74,899
Equity linked derivatives	35,739,382	5,280	138,915
Stock options	7,151,709	51,356	91,203
Currency derivatives			
Foreign exchange option	4,477,250	–	3,091
Foreign exchange swap	39,541,654	1,826	9,663
Foreign exchange risk forward	8,196,101	73,960	200,833
Credit derivatives			
Credit default swap	310,257	28,625	374
Other derivative instruments			
Commodity futures	23,268,343	–	–
Gold swaps	9,138,823	–	188,785
Gold forwards	1,135,341	–	10,839
Gold deferred contracts	392	–	–
Standard bond forward	150,000	–	–
	590,718,838	279,902	733,829

21. ADVANCES TO CUSTOMERS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Loans to margin clients	**20,140,945**	24,393,084
Less: impairment allowance	**(49,674)**	(48,162)
	20,091,271	24,344,922

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	**48,162**	46,601
(Reversal of)/charge for the period/year, net	**(392)**	2,923
Write off for the period/year	**–**	(171)
Exchange differences	**1,904**	(1,191)
At the end of the period/year	**49,674**	48,162

21. ADVANCES TO CUSTOMERS *(Continued)*

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	**1,102**	**48,572**	**49,674**

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,299	46,863	48,162

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The loans to margin clients which are secured by the underlying cash collateral (Note 36) and pledged securities are interest bearing. The Group maintains a list of approved securities 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.

Loan to margin clients were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of pledged securities amounted to approximately RMB75,370 million and RMB81,412 million as at June 30, 2022 and December 31, 2021, respectively.

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the securities margin financing business. As a result, no aging analysis is disclosed.

22. ACCOUNT RECEIVABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account receivables from/related to:		
– Clearing house	**109,904**	79,372
– Brokers	**202,047**	292,798
– Asset management fee and trading seats commission	**682,580**	638,573
– Clients	**1,678,937**	–
– Advisory and investment banking commission	**50,553**	12,052
Subtotal	**2,724,021**	1,022,795
Less: impairment allowance	**(10,978)**	(11,258)
	2,713,043	1,011,537

22. ACCOUNT RECEIVABLES *(Continued)*

Aging analysis of account receivables from the revenue recognition dates is as follows:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Within 1 year	**2,668,666**	974,205
Between 1 and 2 years	**38,876**	32,927
Between 2 and 3 years	**1,096**	–
Over 3 years	**4,405**	4,405
	2,713,043	1,011,537

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	**11,258**	12,201
Reversal of the period/year, net	**(350)**	(897)
Exchange differences	**70**	(46)
At the end of the period/year	**10,978**	11,258

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by collateral type:		
– Stocks	**11,664,616**	12,651,238
– Bonds	**7,305,326**	4,234,523
Subtotal	**18,969,942**	16,885,761
Less: impairment allowance	**(5,920,981)**	(5,382,806)
	13,048,961	11,502,955
Analysed by market:		
– Stock exchanges	**13,287,445**	14,847,389
– Inter-bank market	**5,682,497**	2,038,372
Less: impairment allowance	**(5,920,981)**	(5,382,806)
	13,048,961	11,502,955

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	**5,382,806**	5,033,946
Charge for the period/year, net	**860,513**	1,318,267
Transfer out for the period/year	**(322,338)**	(843,036)
Write off for the period/year	**–**	(126,371)
At the end of the period/year	**5,920,981**	5,382,806

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	**–**	**5,920,981**	**5,920,981**

As at 31 December 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	–	5,382,806	5,382,806

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Debt securities *(Note a)*	**37,528,358**	44,018,362
– Equity securities	**8,640,693**	10,704,652
– Funds	**11,375,411**	12,232,040
– Other investments *(Note b)*	**28,817,685**	23,628,952
	86,362,147	90,584,006
Analysed as:		
– Listed	**24,773,906**	31,674,094
– Unlisted	**61,588,241**	58,909,912
	86,362,147	90,584,006

Note a: Debt securities include convertible bonds 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.

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. These investments mainly invest in debt securities and publicly traded equity securities listed in the PRC.

25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Government bonds	**29,294,934**	26,397,534
– Bonds issued by policy banks	**1,068,816**	323,689
– Bonds issued by commercial banks and other financial institutions	**1,855,807**	2,566,900
– Other debt securities *(Note)*	**37,459,268**	29,311,458
	69,678,825	58,599,581
Analysed as:		
– Listed	**36,652,166**	33,253,769
– Unlisted	**33,026,659**	25,345,812
	69,678,825	58,599,581

Note: Other debt securities mainly comprise bonds and notes issued by corporates.

25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	**233,471**	272,490
Charge for/(reversal of) the period/year, net	**11,659**	(24,894)
Write off for the period/year	**–**	(14,125)
Exchange difference	**5**	–
At the end of the period/year	**245,135**	233,471

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	**15,724**	**229,411**	**245,135**

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	11,225	222,246	233,471

No impairment allowance is recognised in the carrying amount of debt instruments at FVTOCI as they are at fair value.

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Equity securities *(Note a)*	**4,541,942**	3,555,261
– Perpetual instruments *(Note b)*	**377,756**	582,892
	4,919,698	4,138,153
Analysed as:		
– Listed	**4,629,457**	3,653,721
– Unlisted	**290,241**	484,432
	4,919,698	4,138,153

Note a: The above equity investments include those ordinary shares of the entities listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, 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 has 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 interest 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.

During the current interim period, 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 they no longer meet the investment objective of the Group. The cumulative losses on disposal of RMB825 thousand on equity securities traded on the NEEQ, and the cumulative gains on disposal of RMB39,059 thousand on equity securities listed on stock exchanges and RMB373 thousand on private equity investments have been transferred from other comprehensive income to retained earnings respectively.

Note b: Those perpetual instruments are equity instruments which are not held for trading. Instead, they are held for long-term strategic purposes. The Group has elected to designate these perpetual 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 dividend income in the long run.

27. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Government bonds	**957,470**	957,585
– Bonds issued by commercial banks and other financial institutions	**1,845,753**	1,980,025
– Other debt securities *(Note a)*	**611,590**	656,657
Less: impairment allowance	**(208)**	(228)
	3,414,605	3,594,039
Analysed as:		
– Listed	**578,776**	1,034,324
– Unlisted *(Note b)*	**2,835,829**	2,559,715
	3,414,605	3,594,039

Note a: Other debt securities mainly comprise bonds and notes issued by corporates.

Note b: The unlisted debt securities were traded on inter-bank market.

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	**228**	664
Reversal of the period/year, net	**(20)**	(436)
At the end of the period/year	**208**	228

27. DEBT INSTRUMENTS MEASURED AT AMORTISED COST *(Continued)*

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	**208**	**–**	**208**

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	228	–	228

28. INVESTMENTS IN ASSOCIATES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Cost of unlisted investments in associates	**2,983,859**	2,970,309
Share of post-acquisition profits and other comprehensive income, net of dividends received	**3,533,150**	3,583,359
Less:impairment allowance	**(174,951)**	–
	6,342,058	6,553,668

28. INVESTMENTS IN ASSOCIATES *(Continued)*

At the end of each reporting period, the Group had the following associates:

Name of associates	Place and date of establishment	Equity interest held by the Group As at June 30, 2022 (Unaudited)	 As at December 31, 2021 (Audited)	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
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	**25.75%**	25.75%	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
溫州俊元資產管理合夥企業(有限合夥) Wenzhou Junyuan Asset Management Partnership LLP. *	PRC 11 July 2016	**43.17%**	50.60%	Asset management

28. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at June 30, 2022 (Unaudited)	Equity interest held by the Group As at December 31, 2021 (Audited)	Principal activities
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%**	39.85%	Investment management
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%**	33.61%	Investment management
上海東愷投資管理有限公司 Shanghai Dongkai Capital Co., Ltd. *	PRC 21 September 2018	**30.00%**	45.00%	Investment management
誠泰融資租賃(上海)有限公司 Chengtay Financial Leasing (Shanghai) Co., Ltd. (2)	PRC 11 September 2015	**19.02%**	21.67%	Financial 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

28. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at June 30, 2022 (Unaudited)	Equity interest held by the Group As at December 31, 2021 (Audited)	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. (2)*	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%**	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. *	PRC 17 January 2020	**50.00%**	50.00%	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%**	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

28. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at June 30, 2022 (Unaudited)	 As at December 31, 2021 (Audited)	Principal activities
嘉興臨昶股權投資合夥企業(有限合夥) Jiaxing Linchang Equity Investment Partnership LLP. *	PRC 9 December 2021	**49.88%**	N/A	Investment management
嘉興起勢投資合夥企業(有限合夥) Jiaxing Qishi Investment Partnership LLP. *	PRC 11 July 2018	**49.90%**	N/A	Investment management
嘉興盈澤一期創業投資合夥企業(有限合夥) Jiaxing Yingze Phase I Venture Capital Partnership LLP. *	PRC 28 February 2022	**31.03%**	N/A	Investment management

* English translated names are for identification purpose only.

(1) Although the Group's percentages of shareholdings in these investees are more 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.

28. INVESTMENTS IN ASSOCIATES *(Continued)*

The summarised consolidated financial information of China Universal, which is an individually significant associate to the Group that is accounted for using equity method, prepared in accordance with IFRSs, is set out below:

China Universal

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Total assets	**13,138,427**	13,459,008
Total liabilities	**4,152,829**	4,659,654
Net assets	**8,985,598**	8,799,354

	Six months ended June 30 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Total revenue	**3,200,471**	4,607,313
Profit for the period	**1,008,617**	1,570,239
Other comprehensive income/(expenses)	**23,778**	(5,875)
Total comprehensive income	**1,032,395**	1,564,364

28. 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 is as follows:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Equity attributable to equity holders of the associate	**8,985,598**	8,799,354
Proportion of equity interests held by the Group	**35.41%**	35.41%
Carrying amount	**3,181,714**	3,115,765

Aggregate information of other associates that are not individually material:

	Six months ended June 30	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The Group's share of (losses)/profits	**(125,744)**	180,469
The Group's share of other comprehensive expenses	**(3,114)**	(2,765)
The Group's share of total comprehensive (expenses)/income	**(128,858)**	177,704
Aggregate carrying amount of the Group's interests in these associates	**3,160,344**	3,263,564

29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

29.1 Structured entities set up and managed by the Group

The Group served as the investment manager of structured entities (including funds, asset management schemes and limited partnerships), therefore had power over them during the periods. Except for the structured entities the Group has consolidated as disclosed in Note 31, 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 partnerships managed by the Group amounted to RMB359,965 million and RMB410,192 million as at June 30, 2022 and December 31, 2021, respectively. The Group classified the investments in unconsolidated funds, asset management schemes and limited partnership managed by the Group as financial assets at FVTPL and investments in associates as at June 30, 2022 and December 31, 2021. As at June 30, 2022 and December 31, 2021, the carrying amounts of the Group's interests in unconsolidated funds, asset management schemes and limited partnerships were RMB3,452 million and RMB4,007 million, respectively, which approximates the maximum risk exposure to the Group. The fund management fee income from the unconsolidated funds, asset management schemes and limited partnerships managed by the Group for the six months ended June 30, 2022 and 2021, were RMB1,457 million and RMB1,983 million, respectively.

The table below shows the carrying amount of unconsolidated funds, asset management schemes and limited partnership in which the Group acted as investment manager and held interests and its maximum exposure to loss in relation to those interests as at June 30, 2022 and December 31, 2021.

29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

29.1 Structured entities set up and managed by the Group *(Continued)*

As at June 30, 2022 (unaudited)

	Carrying amount RMB'000	Maximum exposure RMB'000
Financial assets at fair value through profit or loss	**2,213,438**	**2,213,438**
Investments in associates	**1,238,313**	**1,238,313**
Total	**3,451,751**	**3,451,751**

As at December 31, 2021 (audited)

	Carrying amount RMB'000	Maximum 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

29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

29.2 Structured entities set up and managed by third party institutions in which the Group holds an interest

The Group also holds interest in structured entities such as funds, asset management schemes, trust schemes, wealth management products that are issued by banks or other financial institutions and limited partnership. These structured entities are not consolidated by the Group. The nature and purpose of these structured entities are to generate fee income 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, trust schemes, wealth management products 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 June 30, 2022 and December 31, 2021.

As at June 30, 2022 (unaudited)

	Carrying amount RMB'000	Maximum exposure RMB'000
Financial assets at fair value through profit or loss	**28,265,928**	**28,265,928**
Investments in associates	**323,835**	**323,835**
Total	**28,589,763**	**28,589,763**

As at December 31, 2021 (audited)

	Carrying amount RMB'000	Maximum 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

30. PROPERTY AND EQUIPMENT

	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
Unaudited							
COST							
As at January 1, 2022	1,879,840	1,071,380	43,841	145,556	629,057	26,712	3,796,386
Additions	1,139	12,582	-	590	10,010	17,392	41,713
Disposals	-	(6,837)	-	(3,177)	-	-	(10,014)
Transfer during the period	-	16,478	-	394	-	(16,872)	-
Exchange difference	-	622	26	59	519	123	1,349
As at June 30, 2022	1,880,979	1,094,225	43,867	143,422	639,586	27,355	3,829,434
ACCUMULATED DEPRECIATION							
As at January 1, 2022	259,621	725,189	32,276	83,227	461,207	-	1,561,520
Charge for the period	31,353	70,150	1,837	7,933	30,334	-	141,607
Eliminated on disposals	-	(4,368)	-	(2,830)	-	-	(7,198)
Exchange difference	-	468	24	15	126	-	633
As at June 30, 2022	290,974	791,439	34,137	88,345	491,667	-	1,696,562
CARRYING VALUES							
As at June 30, 2022	1,590,005	302,786	9,730	55,077	147,919	27,355	2,132,872

30. PROPERTY AND EQUIPMENT *(Continued)*

	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
Audited							
COST							
As at January 1, 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 December 31, 2021	1,879,840	1,071,380	43,841	145,556	629,057	26,712	3,796,386
ACCUMULATED DEPRECIATION							
As at January 1, 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)
Exchange difference	–	(305)	(13)	(50)	(104)	–	(472)
As at December 31, 2021	259,621	725,189	32,276	83,227	461,207	–	1,561,520
CARRYING VALUES							
As at December 31, 2021	1,620,219	346,191	11,565	62,329	167,850	26,712	2,234,866

The carrying amount of the Group's property and equipment included leasehold interest in land. As the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, therefore, the entire property is classified as property and equipment.

31. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities including asset management schemes, funds and limited partnerships. For the structured entities 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 structured entities that is of such significance that it indicates that the Group is a principal.

Interests in all consolidated asset management schemes, funds and limited partnerships held by the Group amounted to fair value of RMB4,012 million and RMB5,508 million as at June 30, 2022 and December 31, 2021, respectively.

Interests held by other interest holders are included in financial liabilities designated at FVTPL in the condensed consolidated statement of financial position.

32. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Deferred tax assets	**1,641,068**	1,438,838
Deferred tax liabilities	**(47,175)**	(19,202)

32. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax assets and liabilities recognised and movements during the current period and prior year:

	Financial instrument at FVTPL and derivatives RMB'000	Accrued staff cost RMB'000	Financial instruments at FVTOCI RMB'000	Allowance for impairment losses RMB'000	Other RMB'000	Total RMB'000
As at January 1, 2022	**(474,599)**	**316,795**	**(186,398)**	**1,772,688**	**(8,850)**	**1,419,636**
(Charge)/credit to profit or loss	**(194,070)**	**60,691**	**2,887**	**258,328**	**264,150**	**391,986**
Charge to other comprehensive income	**–**	**–**	**(217,729)**	**–**	**–**	**(217,729)**
Transfer out upon disposal of equity instruments at FVTOCI	**–**	**–**	**12,869**	**–**	**(12,869)**	**–**
As at June 30, 2022	**(668,669)**	**377,486**	**(388,371)**	**2,031,016**	**242,431**	**1,593,893**
As at January 1, 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 December 31, 2021	(474,599)	316,795	(186,398)	1,772,688	(8,850)	1,419,636

33. OTHER ASSETS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Other receivables	**3,294,986**	2,392,097
Dividends receivable	**353,205**	–
Prepayments	**274,852**	172,281
Other	**545,694**	842,133
Less: impairment allowance	**(1,885,838)**	(1,565,452)
	2,582,899	1,841,059

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	**1,565,452**	703,758
(Reversal of)/charge for the period/year, net	**(1,956)**	18,670
Transfer in	**322,338**	843,036
Exchange differences	**4**	(12)
At the end of the period/year	**1,885,838**	1,565,452

33. OTHER ASSETS *(Continued)*

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	**2,477**	**1,883,361**	**1,885,838**

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	4,866	1,560,586	1,565,452

34. PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Placements from banks *(Note a)*	**774,913**	6,480,155
Placements from China Securities Finance Corporation Limited *(Note b)*	**2,005,047**	2,005,522
	2,779,960	8,485,677

Note a: As at June 30, 2022, the effective interest rates bearing on the outstanding amount of placements from banks varied from 1.80% to 2.00% (December 31, 2021: 1.20% to 2.65%) per annum. The amount of placements from banks were repayable within four months (December 31, 2021: within one month) from the end of the reporting period.

Note b: As at June 30, 2022, the effective interest rate of placements from China Securities Finance Corporation Limited varied from 2.50% to 2.80% (December 31, 2021: 2.80%) per annum. The amount of placements from China Securities Finance Corporation Ltd. will be repayable within six months (December 31, 2021: within three months) from the end of the reporting period.

35. SHORT-TERM FINANCING BILL PAYABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Short-term commercial paper and corporate bonds *(Note a)*	**12,563,678**	6,958,466
Income certificates *(Note b)*	**171,148**	138,337
	12,734,826	7,096,803

Note a: As at June 30, 2022, the yields of all the outstanding short-term commercial paper and corporate bonds ranged from 2.30% to 2.88% (December 31, 2021: 2.68% to 2.88%) per annum.

Note b: As at June 30, 2022, the yields of all the outstanding income certificates issued by the Group ranged from 2.10% to 4.20% (December 31, 2021: 2.10% to 4.20%) per annum.

36. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the account payables balances are repayable on demand except for certain balances representing 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 aging analysis is disclosed as in the opinion of the directors of the Company, the aging 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 June 30, 2022 and December 31, 2021, included in the Group's account payable to brokerage clients were approximately RMB3,258 million and RMB2,770 million, respectively, of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

37. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by collateral type		
– Bonds	**64,697,335**	54,513,730
– Funds	**2,324,040**	4,441,581
– Advances to customers	**1,157,210**	3,786,682
– Gold	**5,713,883**	–
	73,892,468	62,741,993
Analysed by market		
– Stock exchanges	**28,592,950**	28,542,159
– Inter-bank market	**35,429,295**	27,344,526
– Over the counter	**9,870,223**	6,855,308
	73,892,468	62,741,993

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Debt securities	**7,802,084**	1,976,300
Gold borrowings	**4,218,610**	9,103,247
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities *(Note a)*	**695,396**	2,012,657
– Income certificates *(Note b)*	**3,342,898**	2,674,736
– Other *(Note c)*	**783,408**	821,416
	16,842,396	16,588,356

Note a: Interests attributable to other holders of consolidated structured entities consist of third-party unitholders' 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.

Note b: The income certificates were hybrid contracts containing embedded derivative.

Note c: Other mainly includes the structured note issued by a subsidiary of the Company. The fair value of the structured note is linked to performance of a third party perpetual bond. The Group irrevocably designates these financial liabilities as measured at FVTPL to eliminate an accounting mismatch.

39. BORROWINGS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Unsecured short-term borrowings repayable within one year	**492,384**	558,645
	492,384	558,645

Short-term bank borrowings are repayable within one year. As at June 30, 2022, the annual interest rates on the borrowings were in the range of 1.59% to 4.50% (December 31, 2021: 1.40% to 4.85%).

During the current interim period, the Group obtained new borrowings amounting to RMB835 million (six months ended June 30, 2021: RMB3,573 million).

40. BOND PAYABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Corporate bonds *(Note a)*	**32,631,221**	36,429,599
Subordinated bonds *(Note a)*	**9,603,883**	20,601,787
Offshore bonds *(Note a)*	**13,238,725**	10,109,205
Income certificates *(Note b)*	**805**	368,626
	55,474,634	67,509,217

40. BOND PAYABLES *(Continued)*

Note a:

Name	Currency	Issue amount (in million)	Issue date	Maturity date	Coupon rate
17-3 Corporate Bond	RMB	4,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond	USD	500	30/11/2017	30/11/2022	3.625%
17 Offshore USD Bond	USD	250	22/03/2018	30/11/2022	3.625%
19 Corporate Bond	RMB	4,900	25/11/2019	25/11/2022	3.50%
19 Offshore USD Bond	USD	300	20/08/2019	20/08/2022	6 month-Libor +1.25%
19 Offshore EUR Bond	EUR	200	20/08/2019	20/08/2022	0.625%
19 Offshore SGD Bond	SGD	200	27/09/2019	27/09/2022	2.90%
20 Offshore USD Bond	USD	160	13/10/2020	13/10/2023	2.40%
20-2 Corporate Bond	RMB	4,000	18/06/2020	18/06/2023	3.45%
20-3 Corporate Bond	RMB	4,000	19/08/2020	19/08/2023	3.50%
20-4 Corporate Bond	RMB	3,500	28/09/2020	28/09/2023	3.75%
20-5 Corporate Bond	RMB	3,500	04/11/2020	04/11/2023	3.65%
21-1 Corporate Bond	RMB	4,000	27/01/2021	27/01/2024	3.60%
21-2 Corporate Bond	RMB	4,000	24/11/2021	24/11/2024	3.08%
21-1 Orient Subordinated Bond	RMB	2,500	08/03/2021	08/03/2024	3.95%
21-2 Orient Subordinated Bond	RMB	3,000	16/04/2021	16/04/2024	3.70%
21-3 Orient Subordinated Bond	RMB	1,500	16/04/2021	16/04/2026	4.20%
22-1 Orient Subordinated Bond	RMB	2,500	13/01/2022	13/01/2025	3.16%
22 Offshore USD Bond	USD	300	17/05/2022	17/05/2025	3.50%
22 Offshore EUR Bond	EUR	100	05/05/2022	05/05/2025	1.75%

* Libor represents London Inter-Bank Offered Rate

During the six months ended June 30, 2022, the Group newly issued bonds with an approximate amount of RMB5,214 million, and repaid matured bonds amounting to RMB17,000 million. The balance as at June 30, 2022 carried interest rates from 0.625% to 4.98% per annum, with original terms ranging from 3 to 10 years.

Note b: The amount represents income certificates issued by the Company with maturities of more than one year. As at June 30, 2022, the yield of the outstanding income certificates was 2.85% (December 31, 2021: 3.40%) per annum.

41. OTHER LIABILITIES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Other account payables		
– Payables for underwriting and products distribution fees	**501,925**	517,954
– Settlement payables	**2,430,548**	208,879
– Notes payable	**645,900**	525,986
Other payables and accruals		
– Value-added taxes and other taxes	**295,053**	148,926
– Payables for securities and futures investor protection fund	**36,433**	41,627
– Futures risk reserve	**176,322**	152,074
– Dividends payable	**2,361,740**	80
– Funds payable to securities issuers	**336,718**	–
– Derivatives deposit received from customers	**4,565,002**	2,555,792
– Other	**612,885**	615,631
	11,962,526	4,766,949

42. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each			
Period ended June 30, 2022 (Unaudited)	**6,993,656**	**1,502,989**	**8,496,645**
Year ended December 31, 2021 (Audited)	6,993,656	–	6,993,656

42. SHARE CAPITAL *(Continued)*

Pursuant to the CSRC's Approval in respect of the Rights Issue of 東方證券股份有限公司 (Zheng Jian Xu Ke [2022] No. 540) (《關於核准東方證券股份有限公司配股的批覆》(證監許可[2022] 540號)), new A rights shares were allotted to all A Share holders on the basis of two point eight A rights shares for every ten existing A Shares ("A Share Rights Issue"). On April 29, 2022, the Company completed the A Share Rights Issue, and 1,502,907,061 new A rights shares were issued at a price of RMB8.46 per share, raising approximately RMB12.715 billion in total. The new A Shares were listed on the Shanghai Stock Exchange on May 13, 2022.

Pursuant to the CSRC's Approval in respect of the Rights Issue of Overseas Listed Foreign Shares of 東方證券股份有限公司 (Zheng Jian Xu Ke [2022] No. 348) (《關於核准東方證券股份有限公司發行境外上市外資股的批覆》(證監許可[2022]348號)), new H rights shares were allotted to qualified H Share holders on the basis of two point eight H rights shares for every ten existing H Shares ("H Share Rights Issue"). As of May 20, 2022, 82,428 new H rights shares were issued at a price of HKD10.38 per share , raising approximately HKD856 thousand in total. The new H Shares were listed on the Hong Kong Stock Exchange on May 31, 2022.

43. DIVIDENDS

	Six months ended June 30,	
	2022	**2021**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Dividends recognised as distribution	**2,124,160**	1,748,414
Distribution to holders of other equity instrument	**237,500**	237,500
	2,361,660	1,985,914

During the current interim period, a final dividend of RMB2.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2021 (2021: RMB2.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2020) was declared and approved by Annual General Meeting of the Company held on June 30, 2022.

During the current interim period, no dividends were paid.

During the current interim period, dividend of the Group on perpetual subordinated bond amounted to RMB237,500 thousand (Period ended June 30, 2021: RMB237,500 thousand).

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended June 30, 2022 and 2021.

44. OTHER EQUITY INSTRUMENT

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
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 reset every five years. The reset 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 reset 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 condensed consolidated statement of financial position.

45. RESERVES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Capital reserve	**39,515,040**	28,353,325
Debt investment revaluation reserve	**380,724**	524,784
Equity investment revaluation reserve	**969,453**	206,334
Translation reserve	**(70,454)**	(142,313)
Surplus reserve	**3,994,855**	3,999,317
General reserve	**10,146,516**	10,028,633
Other investment revaluation reserve	**33,203**	33,203
	54,969,337	43,003,283

46. CAPITAL COMMITMENTS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment:		
Contracted but not provided for	**32,477**	38,384

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationships of related party

The Company's major shareholders

Following major shareholder holding more than 10% shares of the Company is considered as a related party of the Group:

	Percentage of shares held	
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
申能(集團)有限公司 Shenergy (Group) Company Limited	**26.63**	25.27

The Group and associates

The details of the associates of the Group are set out in Note 28.

Other related parties

Other related parties include: members of the Board of Directors, members of the Board of Supervisors and senior management, close family members of such individuals, and entities controlled or significantly influenced by these individuals.

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material related party transactions and balances:

As at June 30, 2022 and December 31, 2021, the Group had the following material balances with the Company's major shareholder and entities under its control:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account payables to brokerage clients		
– Shenergy Group Finance Company Limited *	**–**	4,622
– Shanghai Dazhong Gas Co., Ltd. *	**4**	4
– Shanghai Jiu Lian Group Co., Ltd. *	**6,665**	491
– Shenergy (Group) Company Limited	**4,800**	10,282
– Shanghai Shenergy Property Management Co., Ltd. *	**14**	14
– Shanghai Gas (Group) Co., Ltd. *	**2**	1
– Shanghai Shibei Gas Co.,Ltd.	**5**	5
– Shanghai ICY Capital Management Ltd.	**1**	–
– Shanghai Shenergy Innovation & Development Co., Ltd. *	**4,378**	617

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

For the six months ended June 30, 2022 and 2021, the Group had the following material transactions with the Company's major shareholder and entities under its control:

	Six months ended June 30, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)
Commission and fee income		
– Shenergy (Group) Company Limited	**383**	–
– Shanghai Jiu Lian Group Co., Ltd.*	**24**	35
– Shenergy Company Limited	**191**	66
– Shenergy Group Finance Company Limited*	**3**	89
– Shanghai Shenergy Financial Leasing Co., Ltd.*	**537**	505
– Shanghai Liquefied Natural Gas Co., Ltd.*	**1,138**	70
Interest expenses		
– Shenergy (Group) Company Limited	**299**	2
– Shenergy Company Limited	**–**	7
– Shanghai Gas (Group) Co., Ltd.*	**1**	1
– Shanghai Jiu Lian Group Co., Ltd.*	**36**	33
– Shanghai Dazhong Gas Co., Ltd.*	**–**	10
– Shenergy Group Finance Company Limited*	**2**	23
– Shanghai Shenergy Innovation & Development Co., Ltd.*	**2**	–
– Shanghai ICY Capital Management Ltd.	**–**	1

	Six months ended June 30, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)
Other operating expenses		
– Shanghai Shenergy Property Management Co., Ltd.*	**9,271**	8,342
– Shanghai Dazhong Gas Co., Ltd.*	**547**	166

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

As at June 30, 2022 and December 31, 2021, the Group had the following material balances with its associates:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account payables to brokerage clients		
– China Universal	**2,002**	2,001
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	**4**	4
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	**4,080**	2,120
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**598**	597
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	**1,872**	483
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP. *	**9,849**	9,849
– China Universal	**7,124**	3,342
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	**5,920**	5,920
Other account payables		
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	**–**	1,814
– Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. *	**–**	308

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

As at June 30, 2022 and December 31, 2021, the Group had the following material balances of products managed by its associates:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Financial assets at FVTPL		
– China Universal	**831,368**	642,138
– Shanghai Dongkai Capital Co., Ltd.*	**127,243**	151,716

As at June 30, 2022 and December 31, 2021, the Group had the following material balances of securities issued by its associates:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Financial assets at FVTPL		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**61,285**	88,817

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

For the six months ended June 30, 2022 and 2021, the Group had the following material transactions with its associates:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Commission and fee income		
– China Universal	**81,359**	150,285
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	**–**	131
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. *	**1,815**	10,613
– Chengdu Jiaozi Oriental Investment Development Partnership LLP. *	**17**	4,245
– Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. *	**5,849**	4,094
– Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. *	**308**	277
Interest expenses		
– China Universal	**4**	4
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	**–**	61
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	**6**	2
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	**1**	1
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	**2**	–
Net investment gains	**2,599**	4,037

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

As at June 30, 2022 and December 31, 2021, the Group had the following material balances with other related parties**:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account payables to brokerage clients		
– Shanghai Shangbao Asset Management Co., Ltd.	**3**	3

As at June 30, 2022 and December 31, 2021, the Group had the following material balances of securities issued by other related parties**:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Financial assets at FVTPL		
– Great Wall Fund Management Co., Ltd.	**208,588**	230,498
– Haitong Securities Co., Ltd.	**638**	2,327
– China Pacific Insurance (Group) Co., Ltd.	**–**	1,641
– Shanghai Qizhong Garden Golf Club.	**25,880**	20,134
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	**–**	84
– China Zheshang Bank Co., Ltd.	**–**	256
– East Money Information Co.,Ltd.	**44,726**	33,285
– Shanghai Sanyou Medical Co., Ltd	**48,900**	59,999
Debt investments at FVTOCI		
– China Pacific Property Insurance Co., Ltd.	**103,200**	106,213
– Shanghai Shangbao Asset Management Co., Ltd.	**–**	40,445

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

For the six months ended June 30, 2022 and 2021, the Group had the following material transactions with other related parties**:

	Six months ended June 30,	
	2022	**2021**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Commission and fee income		
– Great Wall Fund Management Co., Ltd.	**3,176**	1,194
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	**–**	15
– Shanghai Shangbao Asset Management Co., Ltd.	**–**	1
Interest expenses		
– Shanghai Shangbao Asset Management Co., Ltd.	**–**	1
– China Zheshang Bank Co., Ltd.	**100**	–
Interest income	**2,373**	4,182
Net investment gains	**9,399**	7,019

* 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 June 30, 2022.

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(3) Key management personnel

Remuneration for key management personnel of the Group are as follows:

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term benefits:		
– Salaries, allowance and bonuses	**9,284**	24,069

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market 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.

Fair value of 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 determined by the active market quotation or in accordance with discounted cash flow method.

The key parameters used in discounted cash flow method for financial instruments held by the Group that are not measured on a recurring basis include interest rates, foreign exchange rates and counterparty credit spreads.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are not measured on a recurring basis *(Continued)*

The table below summaries the carrying amounts and expected fair values of those financial assets and liabilities not presented on the Group's condensed consolidated statement of financial position at their fair values.

	As at June 30, 2022		As at December 31, 2021	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Financial asset				
Debt instruments measured at amortised cost	**3,414,605**	**3,451,422**	3,594,039	3,624,187
Financial liability				
Bond payables				
– Corporate bonds	**32,631,221**	**33,154,500**	36,429,599	36,911,219
– Subordinated bonds	**9,603,883**	**9,635,270**	20,601,787	20,630,733
– Offshore bonds	**13,238,725**	**13,102,015**	10,109,205	10,551,219
– Income certificates	**805**	**804**	368,626	368,347
Total	**55,474,634**	**55,892,589**	67,509,217	68,461,518

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are not measured on a recurring basis *(Continued)*

As at June 30, 2022 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset				
Debt instruments measured at amortised cost	**580,521**	**2,870,901**	**–**	**3,451,422**
Financial liability				
Bond payables	**42,789,770**	**13,102,819**	**–**	**55,892,589**

As at December 31, 2021 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset				
Debt instruments measured at amortised cost	1,032,197	2,591,990	–	3,624,187
Financial liability				
Bond payables	57,541,952	10,919,566	–	68,461,518

The fair values of financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input 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 condensed consolidated statements of financial position approximate their fair values.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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 for Level 2 financial instruments 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.

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	Amount RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity securities	4,214,749 (asset)	Calculated based on pricing/yield such as price-to-earnings (P/E) ratio 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	1,234,127 (asset)	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.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial instruments	Amount RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity linked derivatives	307,430 (asset), 63,295 (liability)	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	1,879,736 (asset)	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	432,499 (liability)	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.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at June 30, 2022 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	36,652,166	33,026,659	–	69,678,825
Equity instruments at FVTOCI				
– Equity securities	4,170,407	10,581	360,954	4,541,942
– Perpetual instruments	315,044	62,712	–	377,756
Financial assets at FVTPL				
– Debt securities	13,598,861	23,929,497	–	37,528,358
– Equity securities	3,522,749	30,022	5,087,922	8,640,693
– Funds	1,602,871	9,772,540	–	11,375,411
– Other investments	4,959,304	21,978,645	1,879,736	28,817,685
Derivative financial assets	–	609,604	307,430	917,034
Total	64,821,402	89,420,260	7,636,042	161,877,704
Financial liabilities:				
Financial liabilities at FVTPL	4,218,610	12,191,287	432,499	16,842,396
Derivative financial liabilities	–	248,333	63,295	311,628
Total	4,218,610	12,439,620	495,794	17,154,024

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at December 31, 2021 (audited)

	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
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

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

The following table represents the changes in Level 3 financial instruments for the relevant period.

As at June 30, 2022 (unaudited)

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At the beginning of the period	**431,914**	**5,508,041**	**(413,150)**
Changes in fair value recognised in other comprehensive income	**3,226**	**–**	**–**
Changes in fair value recognised in profit or loss	**–**	**290,618**	**(19,349)**
Additions *(Note a)*	**–**	**1,769,232**	**–**
Transfer out of Level 3 *(Note b)*	**–**	**(259,753)**	**–**
Disposals	**(74,186)**	**(340,480)**	**–**
At the end of the period	**360,954**	**6,967,658**	**(432,499)**
Total gains/(losses) for assets/liabilities held at the end of the period			
– unrealised gains/(losses) recognised in profit or loss	**–**	**198,571**	**(19,349)**

48. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at June 30, 2021 (unaudited)

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At the beginning of the period	296,625	3,892,397	(442,836)
Changes in fair value recognised in other comprehensive income	65,290	–	–
Changes in fair value recognised in profit or loss	–	134,394	21,509
Additions *(Note a)*	20,565	782,666	–
Transfer out of Level 3 *(Note b)*	–	(478,153)	–
Disposals	(17,911)	(122,412)	–
At the end of the period	364,569	4,208,892	(421,327)
Total gains for assets/liabilities held at the end of the period			
– unrealised gains recognised in profit or loss	–	102,075	21,509

Note a: These mainly included the equity securities traded on the NEEQ with decreased turnover rates and other investments with significant unobservable inputs applied in valuing these investments. They were transferred from Level 2 to Level 3 in the fair value hierarchy.

Note b: These mainly included equity securities traded on stock exchanges with lock-up periods.

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.

49. SUBSEQUENT EVENT

On July 21, 2022, the Company issued a corporate bond amounting to RMB2 billion. The bond bears an interest rate of 2.79% with a maturity period of 3 years.

On July 21, 2022, the Company issued a corporate bond amounting to RMB1.5 billion. The bond bears an interest rate of 3.18% with a maturity period of 5 years.

On August 12, 2022, the Company issued a short-term financing bill amounting to RMB2.5 billion. The short-term financing bill bears an interest rate of 2.03% with a maturity period of 341 days.

On August 25, 2022, the Company issued a corporate bond amounting to RMB2 billion. The bond bears an interest rate of 3.00% with a maturity period of 5 years.

50. COMPARATIVE FIGURES

Certain comparative figures have been re-presented to conform to the presentation of current period.

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
Chairman of Board

Shu Hong
Chief Financial Officer

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	NOTES	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
		Equity attributable to equity holders of the Company										
				Reserves								
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 RMB'000	2020 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	**2020**
	RMB'000	**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 RMB'000	2020 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 RMB'000	2020 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	**2020**
	RMB'000	**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	**2020**
	RMB'000	**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	**2020**
	RMB'000	**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 RMB'000	2020 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 RMB'000	2020 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	**2020**
	RMB'000	**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 RMB'000	2020 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	As at 31 December 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	Equity interest held by the Group As at 31 December 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. (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 RMB'000	**2020 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 RMB'000	**2020 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 RMB'000	**2020 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	**2020**
	RMB'000	**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	**2020**
	RMB'000	**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 RMB'000	As at 31 December 2020 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 **RMB'000**	**2020** **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	**2020**
	RMB'000	**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 RMB'000	2020 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 RMB'000	2020 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	**2020**
	RMB'000	**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 RMB'000	As at 31 December 2020 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 RMB'000	2020 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 RMB'000	2020 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 RMB'000	**2020 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 RMB'000	**2020 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 RMB'000	2020 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	**2020**
	RMB'000	**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 RMB'000	2020 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 **RMB'000**	**2020** **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 RMB'000	**2020 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	**2020**
	RMB'000	**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.

Deloitte.
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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

	NOTES	As at 31 December 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
Chairman of Board

Zhang Jianhui
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	NOTES	Equity attributable to equity holders of the Company										
				Reserves								
		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	Equity attributable to equity holders of the Company								Non-controlling interests	Total equity
			Reserves								
		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	RMB'000	RMB'000
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	2019
	RMB'000	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 RMB'000	2019 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 **RMB'000**	**2019** **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 RMB'000	2019 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 RMB'000	2019 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 RMB'000	2019 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	**2019**
	RMB'000	**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	**2019**
	RMB'000	**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	**2019**
	RMB'000	**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	**2019**
	RMB'000	**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 RMB'000	**2019 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	**2019**
	RMB'000	**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 RMB'000	2019 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	**2019**
	RMB'000	**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 RMB'000	2019 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. * (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 RMB'000	**2019 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 RMB'000	**2019 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 RMB'000	**2019 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 RMB'000	2019 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 RMB'000	2019 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	**2019**
	RMB'000	**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	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	**2019**
	RMB'000	**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	**2019**
	RMB'000	**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 RMB'000	2019 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	**2019**
	RMB'000	**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	2019
	RMB'000	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 **RMB'000**	**2019** **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 RMB'000	**2019 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	**2019**
	RMB'000	**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	**2019**
	RMB'000	**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 RMB'000	2019 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	**2019**
	RMB'000	**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 RMB'000	**2019 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 RMB'000	2019 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 RMB'000	2019 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 RMB'000	2019 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 RMB'000	**2019 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	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)*						
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	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	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	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	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 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	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	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)*						
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	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	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	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)*						
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	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)*						
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.

ISSUER

Orient ZhiSheng Limited
Vistra Corporate Services Centre
Wickhams Cay II, Road Town
Tortola, VG1110
British Virgin Islands

GUARANTOR

DFZQ (東方證券股份有限公司)
No. 119, South Zhongshan Road
Huangpu District
Shanghai, The PRC

TRUSTEE

Citicorp International Limited
20/F, Citi Tower
One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

REGISTRAR

Citicorp International Limited
20/F, Citi Tower
One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS

To the Issuer as to English and Hong Kong law

Linklaters
11th Floor, Alexandra House
Chater Road, Central
Hong Kong

To the Issuer as to British Virgin Islands law

Ogier
11th Floor, Central Tower
28 Queen's Road Central
Central
Hong Kong

To the Issuer as to PRC law

Grandall Law Firm (Shanghai)
27/F, Garden Square
968 West Beijing Road
Shanghai 200041
China

To the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers as to English law

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

To the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers as to PRC law

Jin Mao Partners
13F, Hong Kong New World Tower
No. 300 Huaihai Zhong Road
Shanghai

To the Trustee as to English law

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

AUDITOR OF THE COMPANY

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong