

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



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

(Stock Code: 03958)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors (the **“Board”**) of 東方證券股份有限公司 (the **“Company”**) hereby announces the audited results of the Company and its subsidiaries (the **“Group”**) for the year ended December 31, 2022. This announcement, containing the full text of the 2022 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results.

The Group's final results for the year ended December 31, 2022 have been reviewed by the audit committee of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The Company's 2022 annual report will be despatched to holders of H shares and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
JIN Wenzhong
Chairman

Shanghai, PRC
March 30, 2023

As at the date of this announcement, the Board of Directors 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. JIN Qinglu, Mr. WU Hong, Mr. FENG Xingdong, Mr. LUO Xinyu and Mr. CHAN Hon as independent non-executive Directors.

Important Notice

- I. The Board, the Supervisory Committee and its Directors, Supervisors and senior management warrant that the information contained herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this annual report, and severally and jointly accept legal liability.
- II. This report was considered and approved at the 23rd meeting of the fifth session of the Board and the 13th meeting of the fifth session of the Supervisory Committee of the Company. Mr. Cheng Feng, a non-executive Director of the Company, was unable to attend the Board meeting in person due to his business commitments and authorised Mr. Jin Wenzhong, the Chairman of the Board, to exercise his voting right on his behalf. No Director or Supervisor has raised any objection to this report.
- III. The 2022 annual financial report of the Company, prepared in accordance with the China Accounting Standards for Business Enterprises (“**CASBE**”) and the International Financial Reporting Standards (“**IFRS**”), was audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu respectively, who each issued a standard unqualified audit report to the Company. Unless otherwise stated, all data included in this report are denominated in RMB.
- IV. Mr. Jin Wenzhong, the chairman of the Company, Mr. Shu Hong, the person-in-charge of accounting work, and Mr. You Wenjie, the person-in-charge of the accounting department (head of the accounting department), warrant the truthfulness, accuracy and completeness of the financial report set out in the annual report.
- V. Proposal on Profit Distribution or Proposal on Transfer of Capital Reserve Fund into Share Capital during the Reporting Period as approved by the Board

The 2022 profit distribution plan of the Company: Based on the total share capital of 8,496,645,292.00 Shares as at the end of 2022, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders who are registered on the record date of cash distribution in 2022, with a total cash dividend of RMB1,274,496,793.80, accounting for 42.33% of the net profit attributable to the owners of the Parent Company in 2022 consolidated financial statements.

- VI. Risk alerts regarding forward-looking statements

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

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

Important Notice

- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures during the Reporting Period.
- IX. There is no situation where more than half of the Directors of the Company are unable to guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company.
- X. Material risk warnings

General economic and political conditions, such as macroeconomic and monetary policies, laws and regulations on the financial and securities industries, upward and downward trends in the market, business and financial sectors, currency and interest rate fluctuations, availability of short-term and long-term market funding sources and financing cost, could affect the business of the Company. As a securities company, the business of the Company is directly affected by the inherent risks associated with the securities markets, including market volatility, changes in investment sentiment, fluctuations in trading volume, liquidity changes, and the creditworthiness or the perceived creditworthiness of the securities industry in the marketplace.

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

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

Important Notice

- XI. Chinese and English versions of this report are provided by the Company. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.
- XII. Unless otherwise stated, all analysis and explanations contained in this report are prepared on a consolidated basis.



CONTENTS

Page

5	Section I Definitions
8	Section II Company Profile and Key Financial Indicators
28	Section III Report of the Board
127	Section IV Corporate Governance
231	Section V Environmental and Social Responsibilities
237	Section VI Significant Events
272	Section VII Changes in Shares and Information on Shareholders
284	Section VIII Information on Preference Shares
285	Section IX Information on Bonds
293	Section X Information Disclosures of Securities Company
294	Appendix I Organizational Structure of the Company
295	Appendix II Information on Securities Branches of the Company
310	Appendix III Information on Futures Branches of the Company
314	Appendix IV Information Disclosure Index
327	Independent Auditor's Report
333	Consolidated Statement of Profit or Loss
334	Consolidated Statement of Profit or Loss and Other Comprehensive Income
335	Consolidated Statement of Financial Position
337	Consolidated Statement of Changes in Equity
339	Consolidated Statement of Cash Flows
343	Notes to the Consolidated Financial Statements

Section I Definitions

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

Definitions of the frequently used terms

“A Share(s)”	the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE
“Articles of Association”	the articles of association of DFZQ
“Board” or “Board of Directors”	the board of directors of DFZQ
“CCDC”	China Central Depository and Clearing Co., Ltd. (中央國債登記結算有限責任公司)
“China Universal”	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司), an investee company of the Company
“Company” or “the Company” or “Parent Company” or “DFZQ”	東方證券股份有限公司
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of DFZQ
“Group” or “the Group” or “We”	DFZQ and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange
“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC

Section I Definitions

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	Initial public offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Orient Finance Holdings”	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Orient Futures”	Orient Futures Co., Ltd (上海東證期貨有限公司), a wholly-owned subsidiary of the Company
“Orient Investment Banking”	Orient Securities Investment Banking Co., Ltd. (東方證券承銷保薦有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Asset Management”	Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Capital Investment”	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Innovation Investment”	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities International”	Orient Securities International Financial Group Co., Ltd. (東證國際金融集團有限公司), a wholly-owned subsidiary of Orient Finance Holdings
“PRC” or “China”	the People’s Republic of China and for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Reporting Period”	January 1, 2022 to December 31, 2022

Section I Definitions

“Rights Issue Prospectus”	the A Share Rights Issue Prospectus of 東方證券股份有限公司 dated April 18, 2022 and the H Share Rights Issue prospectus dated May 5, 2022 of the Company
“RMB, RMB’000, RMB’0000, RMB million, RMB100 million”	Renminbi Yuan, Renminbi’000, Renminbi’0000, Renminbi million, Renminbi 100 million (unless otherwise specified)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	Hong Kong Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Bureau of the CSRC”	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
“Shenergy Group”	Shenergy (Group) Company Limited (申能(集團)有限公司)
“SSE”	the Shanghai Stock Exchange
“SSE Composite Index”	Shanghai Stock Exchange Stock Price Composite Index
“Supervisor(s)”	the supervisor(s) of DFZQ
“Supervisory Committee”	the supervisory committee of DFZQ
“SZSE”	the Shenzhen Stock Exchange
“SZSE Component Index”	Shenzhen Stock Exchange Component Index

Special explanation: The figures set out in this report may differ slightly in the endings from the arithmetic sum of the relevant individual figures presented in this report due to rounding.

Section II Company Profile and Key Financial Indicators

I. COMPANY INFORMATION

Chinese name of the Company	東方證券股份有限公司
Chinese abbreviation of the Company	東方證券
English name of the Company	ORIENT SECURITIES COMPANY LIMITED
English abbreviation of the Company	DFZQ
Legal representative of the Company	Jin Wenzhong
General manager of the Company	Lu Weiming
Authorized representatives of the Company	Song Xuefeng, Jin Wenzhong
Joint company secretaries	Wang Rufu, Ngai Wai Fung

Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

	As at the end of this Reporting Period	As at the end of last year
Registered capital	8,496,645,292.00	6,993,655,803.00
Net capital	47,377,141,479.67	36,894,565,656.36

Business scope of the Company:

Securities business; securities investment advisory. The business scope of the Company shall be subject to the items approved by the company registration authority.

Section II Company Profile and Key Financial Indicators

Each individual business qualification of the Company

No.	Name of business qualification	Approval authority and approval number
1	Permit to operate securities and futures business	CSRC (No.: 913100001322947763)
2	Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business	Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108)
3	Qualification for conducting online securities commissioning	CSRC (Zheng Jian Xin Xi Zi [2001] No. 8)
4	Qualification for conducting distribution business of open-ended securities investment funds	CSRC (Zheng Jian Ji Jin Zi [2004] No. 50)
5	Qualification for conducting SSE Fund Connect business	SSE Membership Department (SSE [2005])
6	Qualification for conducting underwriting business of short-term financing bills	People's Bank of China (Yin Fa [2005] No. 275)
7	Pilot securities companies conducting relevant innovative businesses	Securities Association of China (Zhong Zheng Han [2004] No. 266)
8	Qualification for conducting share transfer agency business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 158)
9	Qualification for conducting quotation and transfer business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 173)
10	Dealer qualification for Integrated Electronic Platform of Fixed-income Securities of SSE	SSE (Shang Zheng Hui Zi [2007] No. 45)
11	Approval of brokerage business qualification on financial futures	CSRC (Zheng Jian Qi Huo Zi [2007] No. 351)
12	Qualification of Type A clearing participants of China Securities Depository and Clearing Corporation Limited	CSDCC (Zhong Guo Jie Suan Han Zi [2008] No. 25)
13	Qualification for clearing business of financial futures transaction	CSRC (Zheng Jian Xu Ke [2008] No. 684)
14	Qualification for trial operation of direct investment business	CSRC (Ji Gou Bu Bu Han [2009] No. 475)
15	Qualification for provision of intermediary and referral services to futures companies	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 132)
16	Establishment of wholly-owned subsidiary, Shanghai Orient Securities Asset Management Co., Ltd. and qualification for conducting securities assets management business	CSRC (Zheng Jian Xu Ke [2010] No. 518)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
17	Permit to operate securities and futures business	CSRC (No. 91310000555998513B)
18	Qualification for conducting margin financing and securities lending business	CSRC (Zheng Jian Xu Ke [2010] No. 764)
19	Type 1 Licence – Dealing in securities	Securities and Futures Commission of Hong Kong (CE No. AVD362)
	Type 4 Licence – Advising on securities	
20	Type 9 Licence – Asset management	Securities and Futures Commission of Hong Kong (CE No. AVH864)
21	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
22	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
23	Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business	CSRC (Zheng Jian Xu Ke [2011] No. 2136)
24	Qualification for trial operation of dealer-quoted collateralized bond repurchase business	CSRC (Ji Gou Bu Bu Han [2012] No. 20)
25	Qualification for provision of integrated services to insurance institutional investors	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
26	Qualification for conducting securities repurchase agreement transaction business	CSRC (Ji Gou Bu Bu Han [2012] No. 481) SSE (Shang Zheng Hui Zi [2012] No. 167) SZSE (Shen Zheng Hui [2013] No. 15)
27	Qualification for investment manager of insurance funds	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
28	Qualification of pilot margin refinancing	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2012] No. 149 and Zhong Zheng Jin Han [2012] No. 153)
29	Qualification for assets management business	CSRC (Zheng Jian Xu Ke [2012] No. 1501)
30	Qualification for conducting special institutional client business of insurance institutions	China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions)
31	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)
32	Permit to operate securities and futures business	CSRC (No.: 91310000132110914L)
33	Qualification for financial products distribution business	Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
34	Qualification for conducting brokerage business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Han [2013] No. 44)
35	Conducting comprehensive custodian business for private equity fund (limited partnership)	CSRC (Ji Gou Bu Bu Han [2013] No. 174)
36	Qualification for conducting pilot consumption and payment service of securities funds of clients	CSRC (Ji Gou Bu Bu Han [2013] No. 207)
37	Permit to operate securities investment business	CSRC (RQF2013HKS015)
38	Qualification for collateralized stock repurchase business	SSE (Shang Zheng Hui [2013] No. 77)
39	Qualification for conducting securities pledge registration agency business	SZSE (Shen Zheng Hui [2013] No. 60) CSDCC (Confirmation on Qualification for Securities Pledge Registration Agency Business)
40	Qualification for management business of publicly offered securities investment fund	CSRC (Zheng Jian Xu Ke [2013] No. 1131)
41	Qualification for equity-based return swaps and OTC options business	Securities Association of China (Zhong Zheng Xie Han [2013] No. 923)
42	Qualification for conducting pilot securities refinancing business	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227)
43	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
44	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
45	Qualification for conducting market maker business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No. 707)
46	Qualification of first batch of quotation and service participants of private fund products trading between companies	China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch])
47	Type 6 Licence – Advising on corporate finance	Securities and Futures Commission of Hong Kong (CE No. BDN128)
48	Permit to conduct Shanghai-Hong Kong Stock Connect business	SSE (Shang Zheng Han [2014] No. 626)
49	Qualification for pilot OTC market business	Securities Association of China (Zhong Zheng Xie Han [2014] No. 632)
50	Qualification for pilot proprietary business of gold spot contract	CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
51	Pilot online securities business	Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))
52	Qualification for underwriting business of debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Announcement of National Association of Financial Market Institutional Investors [2014] No. 16)
53	Qualification of options transaction participants of SSE and permit to operate stock and options brokerage and proprietary business and qualification for options clearing business	SSE (Shang Zheng Han [2015] No. 61)
54	Qualification for conducting transfer and deposit service of clients' deposits	China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11) China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67)
55	Qualification for stock and options market making business	CSRC (Zheng Jian Xu Ke [2015] No. 163)
56	Qualification for conducting quotation business for debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Zhong Shi Xie Bei [2015] No. 32)
57	Qualification for sales of securities investment fund	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)
58	Permit to operate securities and futures business, with business scope of underwriting and sponsoring of securities (excluding government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	CSRC (No.: 913100007178330852)
59	Qualification for funds sales business	CSRC (No.: 000000519)
60	Contractor of service in relation to private equity fund business	Asset Management Association of China
61	Qualification for issue of short-term financing bills	CSRC (Ji Gou Bu Han [2015] No. 3337)
62	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	SZSE (Shen Zheng Hui [2016] No. 326)
63	Qualification for company conducting pilot market making business for quotation system	China Securities Internet System Co., Ltd. (Zhong Zheng Bao Jia Han [2016] No. 185)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
64	Qualification for inter-bank Gold Price Asking Transactions	Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81)
65	Qualification of stock options transaction participants of SSE	SSE (Shang Zheng Han [2017] No. 165)
66	Authorization for pledge-type dealer-quoted repurchase transactions of SZSE	SZSE (Shen Zheng Hui [2017] No. 371)
67	Qualification for primary market makers of SSE 50ETF Options	SSE (Shang Zheng Han [2018] No. 430)
68	Qualification of the custodian business for securities investment funds	CSRC (Zheng Jian Xu Ke [2018] No. 1686)
69	Qualification for conducting securities underwriting business (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing instruments governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions))	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2019] No. 8)
70	Qualification for primary market makers of SSE listed funds business	SSE (Shang Zheng Han [2019] No. 101)
71	Qualification for credit derivatives business (inter-bank market credit risk relieving instruments, stock exchange market credit risk relieving instruments and other credit derivatives selling business approved by regulatory authorities)	CSRC (Ji Gou Bu Han [2019] No. 463)
72	Qualification for market making business of treasure bond futures	CSRC (Ji Gou Bu Han [2019] No. 1023)
73	Standard pilot for Internet investment account	Securities Association of China (Zhong Zheng Xie Han [2019] No.185)
74	Authorisation for trading of stock option business on SZSE	SZSE (Shen Zheng Hui [2019] No. 470)
75	Qualification for commodity options market making business	CSRC (Ji Gou Bu Han [2019] No. 3058)
76	Qualification for stock index options market making business	CSRC (Ji Gou Bu Han [2019] No. 3067)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
77	Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on SZSE	SZSE (Shen Zheng Hui [2019] No. 483)
78	Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on SSE	SSE (Shang Zheng Han [2019] No. 2300)
79	Qualified domestic institutional investor	CSRC (Zheng Jian Xu Ke [2019] No. 1470)
80	Operation Qualification of Settlement and Sale of Foreign Exchange Business	State Administration of Foreign Exchange (Hui Fu [2020] No. 10)
81	Qualification for Foreign Exchange Agency Business	State Administration of Foreign Exchange (Hui Zong Bian Han [2020] No. 482)
82	Qualification for Fund Investment Advisory Business	Securities and Fund Institution Supervision Department (Ji Gou Bu Han [2021] No. 1686)
83	Sponsoring Business as Host Broker in NEEQ	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Announcement [2022] No. 269)
84	Qualification for Listed Securities Market Making Business	CSRC (Zheng Jian Xu Ke [2022] No. 2172)

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

Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of securities affairs
Name	Wang Rufu	Li Tingting
Correspondence address	11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC	11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Tel	+86-021-63325888	+86-021-63325888
Fax	+86-021-63326010	+86-021-63326010
E-mail	wangrf@orientsec.com.cn	litingting@orientsec.com.cn

III. BASIC COMPANY INFORMATION

Registered address	Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Business address	Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC, 3-6/F, 12/F, 13/F, 22/F, 25-27/F, 29/F, 32/F, 36/F and 38/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Postal code of business address	200010
Place of business in Hong Kong	28-29/F, No. 100 Queen's Road Central, Central, Hong Kong
Company website	http://www.dfzq.com.cn
E-mail	ir@orientsec.com.cn
Investor relations hotline	+86-021-63326373
Customer service hotline for brokerage business	95503

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name and website of newspaper for disclosure of the Company's annual report	China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times
Website of stock exchange for disclosure of the Company's annual report	http://www.sse.com.cn (SSE) http://www.hkexnews.hk (Hong Kong Stock Exchange)
Place where the annual reports of the Company are available	11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC

Section II Company Profile and Key Financial Indicators

V. BRIEF INFORMATION ON SHARES OF THE COMPANY

Brief Information on Shares of the Company			
Class of shares	Stock exchange on which		Stock code
	shares are listed	Stock abbreviation	
A Shares	SSE	東方證券	600958
H Shares	Hong Kong Stock Exchange	DFZQ	03958

VI. OTHER INFORMATION OF THE COMPANY

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

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

On August 13, 2003, the Shanghai Municipal People’s Government approved Orient Securities Limited to be restructured into a joint-stock limited company in accordance with the Reply on Approving the Establishment of 東方證券股份有限公司 (Hu Fu Ti Gai Shen [2003] No. 004). On September 12, 2003, the CSRC approved Orient Securities Limited to be restructured into a joint-stock limited company in accordance with the Reply on Approving the Restructuring, Capital Increase and Change of Name by Orient Securities Limited Liability Company (Zheng Jian Ji Gou Zi [2003] No. 184). The original shareholders of Orient Securities Limited converted the audited net assets as of December 31, 2002 into shares based on a ratio of 1:1, meanwhile, ten of the new and existing shareholders, including Shenergy Group, Shanghai Tobacco Group Co., Ltd. (上海煙草(集團)公司), and Wenhui-Xinmin Press Group, increased the capital in an amount of RMB1.0 billion by currency, as such, Orient Securities Limited was reorganized into a joint-stock limited company by way of overall alteration. Upon the completion of the overall alteration, the registered capital of the Company was RMB2,139,791,800.00. On October 8, 2003, the Company obtained an updated business license from the Shanghai Administration for Industry and Commerce.

Section II Company Profile and Key Financial Indicators

In order to further expand its scale, in May 2007, as approved by the document (Zheng Jian Ji Gou Zi [2007] No. 101) issued by the CSRC, the Company carried out a capital increase by placing shares to all of its shareholders in the proportion of 10:5. Upon the completion of such capital increase, the registered capital of the Company increased from RMB2,139,791,800.00 to RMB3,079,853,836.00.

In August 2007, as approved by the document (Zheng Jian Ji Gou Zi [2007] No. 187) issued by the CSRC, the Company implemented the profit distribution plan for 2006 on the basis of one bonus share for every ten shares. Upon the completion of the transfer of retained profits into share capital, the total share capital of the Company increased from RMB3,079,853,836.00 to RMB3,293,833,016.00.

In November 2011, as approved by the document (Zheng Jian Xu Ke [2011] No. 1769) issued by the CSRC, the Company increased its share capital through rights issue to its shareholders. Upon the completion of such rights issue, the registered capital of the Company increased from RMB3,293,833,016.00 to RMB4,281,742,921.00.

In March 2015, as approved by the document (Zheng Jian Xu Ke [2015] No. 305) issued by the CSRC, the Company was listed on the Main Board of the SSE. As such, the registered capital of the Company increased from RMB4,281,742,921.00 to RMB5,281,742,921.00.

In September 2015, the Proposal on Issue of H Shares and Listing in Hong Kong by the Company was considered and approved at the Company's first extraordinary general meeting for 2015. In May 2016, the CSRC approved the proposed issue of up to 1 billion shares of overseas listed foreign shares by the Company by the document (Zheng Jian Xu Ke [2016] No. 1026). On June 2, 2016, the Listing Committee of the Hong Kong Stock Exchange held a listing hearing to consider the application of the Company for its issue of up to 1 billion shares of overseas listed foreign shares and the listing on the Main Board of the Hong Kong Stock Exchange. On July 8, 2016, 870,000,000 H Shares under the IPO and 87,000,000 H Shares to be sold by the selling shareholders, which in total amounted to 957,000,000 overseas listed foreign shares (H Shares) of the Company, were listed and traded on the Main Board of the Hong Kong Stock Exchange. In July 2016, the over-allotment option was partially exercised by the joint global coordinators (on behalf of the international underwriters) and the Company was required to issue 63,709,090 additional H Shares and 6,370,910 H Shares to be sold as a result of the fulfillment of the obligations on the reduction of state-owned shares by the selling shareholders, which in total amounted to 70,080,000 H Shares listed and traded on the Main Board of the Hong Kong Stock Exchange on August 3, 2016. As such, the registered capital of the Company increased from RMB5,281,742,921.00 to RMB6,215,452,011.00.

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

Section II Company Profile and Key Financial Indicators

On May 2021, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company” was considered and approved at the 2020 annual general meeting and H share class meeting. In February 2022, the CSRC issued the Reply on Approval for Issuance of Overseas Listed Foreign Shares by 東方證券股份有限公司 (CSRC Approval [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)), which approved the Company to issue up to 308,124,000 additional overseas listed foreign shares. In March 2022, the CSRC issued the Reply on Approval for Rights Issue by 東方證券股份有限公司 (CSRC Approval [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)), which approved the Company to place 1,670,641,224 new shares to its existing shareholders. In May 2022, the Company completed the rights issue of A Shares, under which 1,502,907,061 shares were subscribed. In the same month, the Company completed the rights issue of H Shares, under which 82,428 shares were subscribed. Upon completion of the rights issue of A Shares and H Shares of the Company, the Company’s registered capital increased from RMB6,993,655,803.00 to RMB8,496,645,292.00.

(ii) Organizational structure of the Company

1. *Organizational structure of the Company*

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

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

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

Section II Company Profile and Key Financial Indicators

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

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

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

(1) *Orient Futures Co., Ltd*

Address:	11/F, 21/F, 35/F and 39/F and Room 2201, 2204, 3101-3104, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Date of incorporation:	December 8, 1995
Registered capital:	RMB3.8 billion
Percentage of shareholding:	100%
Legal representative:	Lu Dayin
Tel:	+86-021-68400610

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

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

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

Address:	28-29/F, No. 100 Queen's Road Central, Central, Hong Kong
Date of incorporation:	February 17, 2010
Registered capital:	HKD2,754,078,015
Percentage of shareholding:	100%
Chairman:	Zhang Jianhui
Tel:	+852-35191188

Section II Company Profile and Key Financial Indicators

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

Address: 7-11/F, No. 109 South Zhongshan Road, Huangpu District, Shanghai, the PRC

Date of incorporation: June 8, 2010

Registered capital: RMB0.3 billion

Percentage of shareholding: 100%

Legal representative: Yang Bin

Tel: +86-021-63325888

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

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

Date of incorporation: November 19, 2012

Registered capital: RMB7.2 billion

Percentage of shareholding: 100%

Legal representative: Zhang Jianhui

Tel: +86-021-63325888

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

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

Date of incorporation: June 4, 2012

Registered capital: RMB0.8 billion

Percentage of shareholding: 100%

Legal representative: Cui Hongjun

Tel: +86-021-23153888

Section II Company Profile and Key Financial Indicators

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

As at the end of the Reporting Period, the total number of the securities branches of the Company amounted to 179. (Please refer to “Appendix II” to this report for details)

Number and distribution of securities branches are as follows:



(iv) Number and distribution of other branches

As at the end of the Reporting Period, the Company had 7 futures branches and a total of 32 business outlets, including 3 in each of Shanghai City and Hangzhou City, Zhejiang Province, 2 in each of Beijing City, Ningbo City, Zhejiang Province, Zhengzhou City, Henan Province, Xiamen City, Fujian Province and Nanjing City, Jiangsu Province, and 1 in each of Chongqing City, Tianjin City, Shenzhen City, Guangdong Province, Guangzhou City, Guangdong Province, Shantou City, Guangdong Province, Shenyang City, Liaoning Province, Dalian City, Liaoning Province, Changsha City, Hunan Province, Suzhou City, Jiangsu Province, Wuxi City, Jiangsu Province, Changzhou City, Jiangsu Province, Nantong City, Jiangsu Province, Taiyuan City, Shanxi Province, Jinan City, Shandong Province, Qingdao City, Shandong Province, Dongying City, Shandong Province, Chengdu City, Sichuan Province, Xi'an City, Shaanxi Province, Quanzhou City, Fujian Province, Harbin City, Heilongjiang Province, Fuzhou City, Fujian Province, Taizhou City, Zhejiang Province and Wuhan City, Hubei City. (Please refer to “Appendix III” to this report for details)

Section II Company Profile and Key Financial Indicators

VII. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥))
	Office address	30/F, No. 222 East Yan'an Road, Huangpu District, Shanghai, the PRC
	Name of the signing accountants	Shi Man, Ding Yi Qing
Overseas accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Name of the signing accountant	Shi Chung Fai
Sponsor that performed ongoing supervisory duties during the Reporting Period	Name	China International Capital Corporation Limited (中國國際金融股份有限公司)
	Office address	27/F and 28/F, Block 2, China World Trade Center, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC
	Name of the signing sponsoring representative	Zhou Yinbin, Chen Xue
	Period of ongoing supervision	May 2022 to December 2023
Sponsor that performed ongoing supervisory duties during the Reporting Period	Name	Orient Securities Investment Banking Co., Ltd.
	Office address	24/F, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
	Name of the signing sponsoring representative	Hong Weilong, You Yandong
	Period of ongoing supervision	May 2022 to December 2023
Chief Risk Officer and Chief Compliance Officer	Jiang Helei	
Legal Advisor to the Company as to the PRC law	Grandall Law Firm (Shanghai)	
Legal Advisor to the Company as to Hong Kong law	Clifford Chance	
A Share Registrar	Shanghai Branch of CSDCC	
H Share Registrar	Computershare Hong Kong Investor Services Limited	

Section II Company Profile and Key Financial Indicators

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

(i) Key accounting data

Currency: RMB

Key accounting data	2022	2021	Change over the previous year (%)	2020
Operating results ('000)				
Total revenue, other income and net gains and losses	23,107,363	28,562,802	-19.10%	27,646,986
Profit before income tax	3,378,020	6,306,834	-46.44%	2,786,364
Profit for the year – attributable to equity holders of the Company	3,010,558	5,371,496	-43.95%	2,722,989
Net cash generated from/(used in) operating activities	19,762,089	(9,458,019)	N/A	1,714,455
Other comprehensive (expense)/income, net of income tax	(69,259)	496,757	-113.94%	(493,080)
	As at the end of 2022	As at the end of 2021	Change over the end of the same period of previous year (%)	As at the end of 2020
Indicators of scale ('000)				
Total assets	368,066,959	326,599,622	12.70%	291,117,442
Total liabilities	290,668,670	262,456,516	10.75%	230,886,298
Account payables to brokerage clients	123,041,420	90,012,125	36.69%	66,642,671
Equity attributable to equity holders of the Company	77,386,472	64,127,111	20.68%	60,202,851
Total share capital ('000)	8,496,645	6,993,656	21.49%	6,993,656
Net assets per share attributable to shareholders of the Company (RMB/share)	9.11	9.17	-0.65% Decreased by 4.48 percentage points	8.61
Gearing ratio (%)	68.41	72.89		73.13

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

Section II Company Profile and Key Financial Indicators

Currency: RMB

Key accounting data	2022	2021 After adjustment	Before adjustment	Change over the previous year (%)	2020 After adjustment	Before adjustment
Basic earnings per share (RMB/share)	0.35	0.72	0.73	-51.39%	0.37	0.38
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average returns on net assets (%)	4.16	9.02	9.02	Decreased by 4.86 percentage points	4.85	4.85

Note: In 2022, the Company completed the Rights Issue of A Shares and H Shares. According to relevant requirements under CASBE and IFRS, taking into account the bonus issue under the Rights Issue, the weighted average numbers of ordinary shares in issue in 2020 and 2021 have been adjusted retrospectively in the calculation of earnings per share.

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

1. Profit

Unit: million Currency: RMB

Items	2022	2021	2020	2019	2018
Total revenue, other income and net gains and losses	23,107	28,563	27,647	24,351	15,702
Total expenses	20,395	23,700	26,073	22,087	15,035
Share of results of associates	666	1,444	1,212	591	664
Profit before income tax	3,378	6,307	2,786	2,855	1,331
Profit for the year – attributable to equity holders of the Company	3,011	5,371	2,723	2,435	1,231

Section II Company Profile and Key Financial Indicators

2. Assets

Unit: million Currency: RMB

Items	2022	2021	2020	2019	2018
Share capital	8,497	6,994	6,994	6,994	6,994
Total equity	77,398	64,143	60,231	54,012	52,272
Equity attributable to shareholders of the Company	77,386	64,127	60,203	53,966	51,739
Total liabilities	290,669	262,457	230,886	208,960	174,597
Account payables to brokerage clients	123,041	90,012	66,643	40,179	32,059
Total assets	368,067	326,600	291,117	262,971	226,870

3. Key financial indicators

Items	2022	2021	2020	2019	2018
Basic earnings per share (RMB/share)	0.35	0.72	0.37	0.34	0.17
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	N/A
Weighted average returns on net assets (%)	4.16	9.02	4.85	4.61	2.37
Gearing ratio (%)	68.41	72.89	73.13	75.75	73.17
Net assets per share attributable to shareholders of the Company (RMB/share)	9.11	9.17	8.61	7.72	7.40

Note: The weighted average number of ordinary shares in issue in each year has been adjusted retrospectively in the calculation of earnings per share.

Section II Company Profile and Key Financial Indicators

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

Unit: '000 Currency: RMB

Items	As at the end of the Reporting Period	As at the end of last year
Net capital	47,377,141	36,894,566
Net assets	70,411,065	57,422,603
Risk coverage rate (%)	253.08	237.01
Capital gearing ratio (%)	14.38	11.77
Liquidity coverage ratio (%)	218.50	272.45
Net stable funding ratio (%)	139.09	132.24
Net capital/net assets (%)	67.29	64.25
Net capital/liabilities (%)	30.78	23.99
Net assets/liabilities (%)	45.75	37.34
Proprietary equity-based securities and its derivatives/net capital (%)	12.83	24.07
Proprietary non-equity securities and its derivatives/net capital (%)	312.27	348.25

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

IX. DIFFERENCES BETWEEN IFRS AND CASBE

Net profits for January to December 2022 and January to December 2021, and net assets as at December 31, 2022 and December 31, 2021 as stated in the consolidated financial statements of the Group prepared in accordance with CASBE are consistent with those prepared in accordance with IFRS.

Section II Company Profile and Key Financial Indicators

X. ITEMS MEASURED AT FAIR VALUE

Unit: '000 Currency: RMB

Items	Opening balance	Closing balance	Current changes	Effects on current profits
1. Financial assets at fair value through profit or loss	90,584,006	83,763,730	(6,820,276)	(5,028)
2. Derivative financial instruments	(453,927)	708,888	1,162,815	571,379
3. Debt instruments at fair value through other comprehensive income	58,599,581	76,862,096	18,262,515	3,782,681
4. Equity instruments at fair value through other comprehensive income	4,138,153	3,721,658	(416,495)	335,222
5. Financial liabilities at fair value through profit or loss	16,588,356	18,539,311	1,950,955	(341,800)

Note: The effect on current profit includes: (1) net investment income and interest income acquired through holding and disposing of above-mentioned projects; (2) impairment loss from debt instruments at fair value through other comprehensive income. All amounts above-mentioned affecting the current profit are amounts before enterprise income tax.

Section III Report of the Board

I. DISCUSSION AND ANALYSIS OF OPERATION

The year of 2022 was marked by multiple challenges to domestic and external economic development and a significant increase in macroeconomic uncertainties. In particular, the Russia-Ukraine conflict has impacted investors' risk appetite, and with factors such as demand recovery, global commodity prices increased, leading to significantly higher inflation. Various central banks led by the Federal Reserve continued to raise interest rates, putting the global financial market under pressure. China's economy was under pressure from contracting demand, supply shock and weakening expectation. Against this backdrop, China always adhered to the general keynote of maintaining stability while seeking progress, and efficiently coordinated economic and social development, demonstrating the strong resilience and great potential of China's economy. During the Reporting Period, China's GDP exceeded RMB120 trillion, representing a year-on-year growth of 3.0%. The capital market faced many uncertainties with downward fluctuation in the A-share market. In particular, the SSE Composite Index, the SZSE Component Index and the ChiNext Index decreased by 15.13%, 25.85% and 29.37%, respectively. Trading activities decreased accordingly where the average daily trading volume of the SSE and SZSE stocks amounted to RMB925.181 billion in 2022, representing a year-on-year decrease of 12.58%. Meanwhile, bond market yields oscillated in a narrow range with an increase of 6bp in the yield of 10-year treasury bonds to approximately 2.84% and a decrease of 9bp in the 10-year CDB yields to approximately 2.99%.

Section III Report of the Board

Facing various internal and external pressures, with the concerted efforts from all staff, the Company adhered to its business strategies, made calm responses, forged ahead with determination, carried out all tasks in an orderly manner and maintained stable operation and development with all risks under control. The Company made significant progress in development of investment banking business with the total size of bonds underwritten amounting to RMB336.348 billion, industry ranking moving up to No. 7 and high market recognition for its equity projects. For wealth management business, the Company continued to promote transformation, actively responded to market fluctuations and continuously developed its core competitiveness in the financial products agency sales business. As of the end of the Reporting Period, the Company held equity products of RMB48.02 billion. The Company's fund investment advisory business covered a size of RMB14.9 billion with a gradually maturing service model, good customer service experience and a significantly increasing business size. In addition, the Company was one of the first companies to be qualified for sale of individual pension funds. For fixed income business of the Company, the investment size grew steadily with continuous optimisation of position structure, and net income reached record high with a year-on-year increase of 37%, 22% and 43% in trading volume (excluding market-making) in inter-bank market, trading volume in stock exchanges and trading volume of interest rate swaps, respectively. The Company achieved breakthrough in market making business on the Science and Technology Innovation Board by becoming one of the first companies to be qualified for market making and trading of listed securities. For asset management business of the Company, Orient Securities Asset Management kept focusing on active management, adhered to market-oriented concepts and mechanisms, continued to consolidate its core competitiveness in active equity and fixed income, and maintained its long-term investment performance at the top of the industry. China Universal achieved comprehensive development for its businesses. In particular, it consolidated its active investment management capability, improved its product portfolio with multiple strategies and assets, and officially launched its index brand "HTF index". China Universal maintained stable performance in mid to long-term investment, and ranked among the top in the industry in terms of comprehensive strength. The business of Orient Futures grew rapidly with continuously expanding brand influence. During the Reporting Period, Orient Futures registered a trading volume of nearly 1.4 billion lots, ranking first in China. As of the end of 2022, the size of customer equity of Orient Futures exceeded RMB100 billion, ranking third in China, and the number of new institutional customers increased by 32% year-on-year.

Section III Report of the Board

The Company overcame the challenges from the market downturn and successfully completed the rights issue of A Shares and H Shares of the Company, raising RMB12.7 billion. Meanwhile, the Company completed the issuance of 100 million Euro Yulan bonds and USD300 million bonds, which effectively strengthened the Company's risk resistance. To respond to the impact from the significant market fluctuations, the Company strengthened compliance risk control and management, strengthened stress testing, risk alert and asset monitoring, continued to deepen vertical management and control of subsidiaries, enhanced risk management of front office operations, and promoted the construction of a digital early warning closed-loop management system and a risk limit management system. The Company has no major violations of laws and regulations throughout the year and various risk control indicators continued to comply with regulatory requirements. The Company strengthened the composition of its leaders and senior management team and optimised the structure and division of labour; accelerated the introduction and promotion of middle-level cadres, continued to promote the construction of a young workforce, and properly managed the appointment and dismissal of cadres. The Company vigorously promoted the development of its financial technology capabilities, comprehensively facilitated digital transformation and continued to advance the construction of a middle platform for artificial intelligence, blockchain and other innovative technologies. The Orient Speed Trading (OST) system of the Company achieved nanosecond-level latency, and Orient Futures completed the iteration of version 3.0 of the "Fanwei" intelligent investment research platform, thereby providing customers with the most advanced technology services in the market in terms of technological empowerment. The Company continued to deepen party building and cultural construction, thoroughly studied and promoted the ideas of the 20th National Congress of the Chinese Communist Party, held a commendation meeting to celebrate the 101st anniversary of the founding of the Chinese Communist Party and a conference on party building and corporate culture work of the Company, explored the informatization and digitalization of party building, and launched the staff suggestion platform. With the above efforts, the Company received a class A rating in culture construction practice of securities dealers

Section III Report of the Board

II. INDUSTRY OVERVIEW FOR THE REPORTING PERIOD

In 2022, the domestic and international macroeconomic environments were complicated and challenging, with factors such as the Russia-Ukraine conflict and inflation impacting the capital market. Trading activities in the capital market remained buoyant as the national economy withstood the pressure and achieved positive growth following implementation of various economic recovery policies in China. The securities industry ushered in a new development pattern. On the one hand, with comprehensive implementation of the registration system, serving the real economy has become an important strategic direction for securities companies, with investment banking leading the collaborative development of investment, research, asset management and other businesses to provide comprehensive financial services for enterprises in whole industry chain of real industries. On the other hand, securities firms faced the challenge of market fluctuations and the opportunity of rising demand for wealth management of the general public. Securities firms strived to enhance the professionalism and effectiveness of large-scale wealth management business, and contributed to the wealth management of the general public through diversified investor education efforts. Meanwhile, the development of the industry has changed from focusing on licenses and channel business in the past to a competitive model with professionalism and comprehensive financial service capability as the core. Securities firms have enhanced their capital strength through equity financing, mergers and acquisitions and restructuring, and improved their core competitiveness through a more diversified business layout and aggressive efforts in building a team of talents, bringing the securities industry to a new phase of high-quality development.

During the Reporting Period, the Company successfully completed the Rights Issue of A Shares and H Shares and maintained a stable and positive trend in terms of overall strength and industry position. The Company kept its leading position in the industry in terms of investment management business, made significant progress in transformation of wealth management business and continue to improve the FICC business with continuous development of investment banking business.

III. PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY DURING THE REPORTING PERIOD

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

Section III Report of the Board

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

- **Investment Management**

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

- The Company conducts asset management business through Orient Securities Asset Management, a wholly-owned subsidiary of the Company, providing a complete product line of asset management business including collective asset management, single asset management, specialized asset management and publicly offered securities investment funds.
- The Company conducts fund management business for its clients through China Universal, an associate in which the Company is the largest shareholder with a shareholding of 35.412%.
- The Company engages in private equity investment fund management business through Orient Securities Capital Investment, a wholly-owned subsidiary of the Company.

- **Brokerage and Securities Financing**

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

- The Company's securities brokerage business primarily focuses on trading stocks, funds and bonds by accepting entrustments or on behalf of the clients according to the instructions given to the authorized branches.
- The Company conducts futures brokerage business through Orient Futures, a wholly-owned subsidiary of the Company, as well as a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai International Energy Exchange and a full clearing member of China Financial Futures Exchange, who provides the clients with commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and distribution of funds and other services.
- The Company conducts risk management business through Orient Securities Runhe, a wholly-owned subsidiary of Orient Futures and facilitates companies to manage price risks during operations via warehouse receipt services, basis trade and OTC options in futures and spot markets.

Section III Report of the Board

- The Company's margin financing and securities lending business mainly refers to a transaction in which an investor provides the Company with collateral to borrow funds and purchase securities (margin financing transaction) or borrow and sell securities (securities lending transaction).
 - The Company's collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their stocks or other securities as collateral to obtain financing from the Company and agree to repay the funds on a future date to release such pledge.
 - The Company provides OTC financial products and also provides transfer, market making quotation and other services to its clients.
 - The custodian business of the Company mainly includes providing asset custody and fund services to private equity investment funds, publicly offered funds and various asset management institutions.
- **Securities Sales and Trading**

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

 - The Company engages in professional equity investment and trading business and fixed income investment and trading business, which includes various stocks, funds, bonds, derivatives and others. In the meantime, the Company actively expands FICC business.
 - The Company conducts financial derivatives trading business by flexibly utilizing derivatives and quantitative trading strategies to obtain absolute income with low risk exposure.
 - The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include equity investment, special assets investment, quantitative investment etc.
 - The Company provides its institutional clients with research services. The clients allocate funds to the seats through the Company and, based on the quality of the research services, determine the lease of special unit trading seats from the Company and the allocation of trading volume.

Section III Report of the Board

- **Investment Banking**

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

- The Company provides equity underwriting and sponsorship services, including underwriting and sponsorship services of IPOs, and refinancing projects including non-public offerings and rights issues.
- The Company provides debt underwriting services, including underwriting services for corporate bonds, enterprise bonds, government bonds, financial bonds and others.
- The Company provides financial advisory services in areas such as mergers and acquisitions and restructuring, NEEQ securities recommendation and listing as well as enterprise reform.

- **Headquarters and Others**

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

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

Section III Report of the Board

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

Since the establishment of the Company, the Shareholders of the Company, in particular Shenergy Group, the largest Shareholder, have been giving strong and unwavering support to the Company's innovative development, business development and operation and system reform. Upon the listing of A Shares and H Shares, the Company continuously improves its corporate governance structure, compliance and risk control system and internal control management system in accordance with the requirements of the governance codes for A Shares and H Shares listed companies, resulting in a more robust corporate governance structure. As a securities firm under the Shanghai SASAC, the Company attaches great importance and gives full play to the functions of the Company's party committee as leading core and political core to ensure that the general meeting, the Board, the Supervisory Committee and the management team perform their respective duties diligently.

During the Reporting Period, despite the sluggish market performance, the Company, with the strong support of its Shareholders, successfully and efficiently completed the rights issue of A Shares and H Shares and raised RMB12.715 billion, which effectively expanded the Company's capital strength and enhanced its market competitiveness and risk resistance. During the Reporting Period, the Board, the Supervisory Committee and the management team of the Company performed their duties and responsibilities diligently and effectively to ensure the effective governance and compliant operation of the Company. According to the ratings by MSCI, an international rating agency, the Company received an MSCI ESG Grade A rating for two consecutive years, the highest rating for publicly-rated securities firms in China. The Company was also selected as a constituent of the Hang Seng (China A) Corporate Sustainability Index for two consecutive years.

Section III Report of the Board

2. United and Pragmatic Senior Management Team and Professional and Enterprising Business Team

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

During the Reporting Period, the Company's senior management team was further strengthened with the appointment of a new president of the Company, the external recruitment of an chief compliance officer and chief risk officer, and the establishment and appointment of a trainee assistant to the president of the Company, thereby forming a young and professional senior management team. The Company made positive progress in developing its human resources system, optimized the Company's ranking system and made adjustments to its promotion and demotion system, thereby establishing a unified framework for the Company's MD ranking system and improving the promotion and demotion mechanism. The Company also amended the Cadre Management Measures, standardized the selection and appointment criteria and procedures, strengthened assessment, evaluation and disciplinary supervision and improve the exit mechanism of cadres. Through the continuous iteration and innovation of the model for introducing outstanding talents and the in-depth implementation of the rotation and exchange mechanism, more and more young talents begin to join our workforce.

Section III Report of the Board

3. Continuous Consolidation and Development of Traditional Advantageous Business and Rise of the Futures Business

After years of intensive cultivation, the Company has established competitive advantages in various fields such as securities investment, fixed income, asset management, fund management, futures brokerage, etc. Our securities investment and asset management businesses uphold the philosophy of value investment and deliver excellent long-term performance. Orient Securities Asset Management always practices the philosophy of value investment, thereby establishing sound market reputation for the “Dong Fang Hong (東方紅)” brand. China Universal has developed stable and top-class overall capabilities and ranked among the top in the industry in terms of size of active equity business. By strengthening mechanism reform and the application of information technology, Orient Futures steadily increased its market share and established a competitive edge in the industry.

During the Reporting Period, the Company’s fixed income business reached record highs in terms of both scale and revenue, the all-asset domestic and international institutional trading platform took shape and progress was made in expanding the FICC business chain. Orient Securities Asset Management and China Universal strengthened the development of their investment research teams and product systems and maintained leading position in the industry. Financial derivatives business developed rapidly, quantitative business diversified its strategies, market-making business accelerated its system construction, and the product structure of OTC business was optimized. With effective system reform, Orient Futures strengthened its market competitiveness, steadily increased its market share and maintained an industry leading position in terms of different key indicators.

4. Diligent and Effective Efforts in Compliance and Risk Control

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

Section III Report of the Board

During the Reporting Period, the Company implemented the plan for vertical management and control of compliance and risk control, revised the internal control and management measures, improved the optimization and adjustment plan for the committees under the management team, strengthened education on key regulatory cases and carried out special promotion of important laws and regulations related to derivatives and other aspects. The Company further strengthened comprehensive and penetrating risk control, continued to deepen the vertical control of its subsidiaries, enhanced risk control of its front-end businesses, and facilitated the establishment of a digital early warning closed-loop management system and a risk limit management system. It also adopted a risk-oriented approach to its audit work, effectively rectified the issues identified in audit and self-inspection and made better use of the audit results. The Company continued to meet the requirements of various regulatory indicators.

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

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

During the Reporting Period, the Company thoroughly implemented the major plans and requirements of the CPC Central Committee and the Party Committee at higher levels, and intensively studied the principles of the 20th National Congress of the Communist Party of China and the 12th Shanghai Municipal Party Congress. In the second round of Shanghai State-owned Enterprise Party Building Brand Development Competition for enterprises under the Shanghai SASAC, the “Oriental Culture Afternoon Tea (東方文化下午茶)”, the “A Breeze of Fresh Air (清風為伴)” and the “Party Building in China Universal (黨建添富)” were recognized as the “Shanghai State-owned Enterprise Party Building Brands”. The Company carried out various corporate culture branding projects, organized annual self-assessment of cultural construction practices, compiled the Company’s first annual report on cultural construction practices, and maintained a Class A rating in the assessment of cultural construction practices, becoming one of the seven securities firms to receive Class A rating for two consecutive years. The Company was also awarded the title of “Outstanding Unit for Cultural Construction of the National Financial System in 2021-2022”.

Section III Report of the Board

V. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the Group's total assets amounted to RMB368.067 billion, representing an increase of 12.70% over the end of last year; shareholders' equity attributable to the Company amounted to RMB77.386 billion, representing an increase of 20.68% over the end of last year; and the net capital of the parent company amounted to RMB47.377 billion, representing an increase of 28.41% over the end of last year.

During the Reporting Period, the Company realized total revenue, other income and net gains and losses of RMB23.107 billion, representing a year-on-year decrease of 19.10%, profit for the period attributable to shareholders of the Company of RMB3.011 billion, representing a year-on-year decrease of 43.95% and weighted average returns on net assets of 4.16%, representing a year-on-year decrease of 4.86 percentage points.

In the total revenue, other income and net gains and losses, investment management business realized RMB3.200 billion, taking up 12.97% of the total; brokerage and securities financing business realized RMB12.316 billion, taking up 49.91% of the total; securities sales and trading business realized RMB5.450 billion, taking up 22.09% of the total; investment banking business realized RMB1.958 billion, taking up 7.94% of the total and headquarters and others realized RMB1.749 billion, taking up 7.09% of the total. (Calculation of segment revenue and other income, segment expenditure and relevant proportions have not taken account of any consolidation and offsetting factor; the same approach is adopted below)

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

Unit: '000 Currency: RMB

Segment	Segment of the principal businesses					
	Total revenue, other income and net gains and losses	Segment expenditure	Profit margin (%)	Change in segment revenue and other income over previous year (%)	Change in segment expenditure over previous year (%)	Change in profit margin over previous year (%)
Investment management	3,200,361	1,895,117	61.05	-23.16	-8.65	Decreased by 23.55 percentage points
Brokerage and securities financing	12,315,681	10,932,976	11.26	-20.14	-19.91	Decreased by 0.22 percentage point
Securities sales and trading	5,449,588	2,080,324	63.03	-2.97	2.85	Decreased by 1.28 percentage points
Investment banking	1,958,439	1,233,889	37.00	8.45	19.27	Decreased by 5.72 percentage points
Headquarters and others	1,749,410	4,361,840	-152.30	-27.97	-13.56	Decreased by 47.28 percentage points

Section III Report of the Board

(1) *Investment Management*

The Company provided clients with asset management schemes, securities firms' publicly offered fund products for equity investment and private equity investment business. During the Reporting Period, the investment management business realized operating income of RMB3.200 billion, accounting for 12.97% of the total income.

Asset management

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

Market environment

The year 2022 was the first year of implementation of the new regulations on asset management which saw the end of "rigid redemption" of wealth management products. Affected by the volatile trend of the domestic capital market throughout the year, withdrawals of various products increased, and asset management institutions faced their first test of "net value" transformation. The publicly offered fund market declined as a whole with high risk-aversion among investors, approximately 70% of the newly issued funds were bond funds and the proportion of equity funds decreased significantly. Meanwhile, industry innovation accelerated with the launch of personal pension fund business, accelerated growth of infrastructure REITs and emergence of ETF, ESG and other innovative products and business models, which continuously reshaped the development landscape of the industry. During the Reporting Period, the CSRC issued the "Opinions on Accelerating the High-Quality Development of Publicly Offered Fund Industry", which depicted a clear roadmap for the high-quality development of publicly offered funds from multiple perspectives, including industry ecosystem, fund company governance and investment and research direction.

Section III Report of the Board

Operation initiatives and business development

As at the end of the Reporting Period, the total size of entrusted assets under management of Orient Securities Asset Management amounted to RMB284.752 billion, in which the size of publicly offered funds under management was RMB207.132 billion. The Company used closed-end products as long-term investment tools for clients, and the size of the long-term closed-end¹ equity funds² under management amounted to RMB78.9 billion, accounted for 69% of all equity funds under management of the Company. Orient Securities Asset Management continued to upgrade and improve its investment research system, strengthened the capability of its investment research system, enriched the strength of its investment research team, and improved the Dongfanghong value investment framework. It continuously expanded its product portfolio based on its investment research capabilities, successfully invested in funds related to medical upgrade and ESG sustainable investment, and added the newly established short-term debt bonds and interbank depository receipt index funds, thus providing investors with more diversified choices. It also promoted the construction of the third pillar of personal pension funds, successfully issued the pension target date 2045 FOF, added Y shares in three Yihe series pension target funds, and became the first wealth management securities firm approved to add Y shares in personal pension funds. It also continued to improve the service system, kept enhancing the brand influence, held over 12,000 “Dongfanghong Miles” client activities covering over 1.90 million people in over 100 cities in China. In addition, Orient Securities Asset Management actively promoted investor education in universities and helped universities cultivate professional talents to meet market demand by carrying out the “One Company for One Province and One University” investor education campaign organized by the Asset Management Association of China and the “Dongfanghong Fixed Income Practical Course” at the School of Management of Fudan University.

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”. The Company always focuses on active management, adheres to market-oriented concepts and mechanisms, continues to consolidate its core competitiveness in active equity and fixed income, maintains its long-term investment performance at the top of the industry and strives to achieve long-term asset preservation and appreciation for its clients. As at the end of the Reporting Period, the return of equity investment actively managed by Orient Securities Asset Management was 91.75% for the last seven years, ranking second in the industry (source: Galaxy Securities Fund Research Center – Ranking of Publicly Offered Fund Managers’ Capability in Long-term Active Management of Equity Investment). The absolute rate of return of fixed income fund under the management of Orient Securities Asset Management for the last five years was 26.37%, ranking among the top 20% in the industry (source: Financial Products Research Center of Haitong Securities Research Institute – Performance Rankings of Equity and Fixed Income Assets of Fund Managers).

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.

Section III Report of the Board

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

(in RMB million)	As at December 31, 2022	As at December 31, 2021
Collective asset management scheme	48,478.64	66,067.95
Single asset management scheme	18,456.48	13,907.51
Specialized asset management scheme	10,684.65	16,331.35
Publicly offered funds issued by securities dealer	207,132.22	269,622.45
Total	284,751.99	365,929.26

During the Reporting Period, Orient Securities Asset Management and its products won 41 industry awards, including the “Golden Fund Top Company Award” by Shanghai Securities News, the “2022 Chinese Securities Industry All-round Wealth Management Broker Junding Award” by Securities Times, the “Five-Year Golden Bull Securities Firm Collective Asset Manager (2022) Award” by China Securities Journal, the “Outstanding Wealth Management Securities Firm Award” and “Outstanding Innovative Wealth Management Securities Firm Award” by China Fund.

Development plan and outlook

Facing the historic opportunity presented by the huge development of the capital market and the explosive growth of demand for wealth management, asset management institutions need to think about how to seize the opportunity of strong short-term market growth and more importantly, how to differentiate themselves in the competitive environment in the long run. Based on the market conditions and its own resources and strength, Orient Securities Asset Management will strive to promote platform-based, diversified and market-oriented corporate development by “starting a new undertaking”, maintain the dual drivers of “professional investment research + professional services”, consolidate its brand image, utilize its brand advantages, and practice high-quality development, and continue to advance in four aspects: firstly, it will continue to strengthen investment research capabilities and build a professional, diversified and highly integrated all-in-one investment research platform; secondly, it will develop its business based on active investment management capabilities, expand its product portfolio, and tap into active equity funds, fixed income products with different risk-return characteristics, pension target funds and public REITs; thirdly, on the basis of building a professional service system, it will achieve capital diversification that matches its investment management capabilities; and fourthly, it will strengthen refined management and improve its operation and management capabilities.

Section III Report of the Board

Fund management through China Universal

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

Market environment

During the Reporting Period, domestic and international macroeconomic environments faced multiple pressures and all major market indices closed with losses. China's new economy and new growth drivers were flourishing with huge long-term investment value in the market. Meanwhile, the publicly offered fund industry has entered the stage of high-quality development with deepening reform in capital market, release of the "Opinions on Accelerating the High-Quality Development of Publicly Offered Fund Industry", implementation of the personal pension system and continuous development of the investment advisory business.

Operation initiatives and business development

During the Reporting Period, based on the 2022 business plan and the requirements of the "Year of Management Transformation", China Universal coordinated the efforts in business development, comprehensively optimised corporate management and various business systems and processes, and continued to strengthen its core capabilities in investment management, compliance and risk control, customer service and business innovation. As of the end of the Reporting Period, the management scale of non-monetary wealth management publicly offered funds of China Universal amounted to RMB530.225 billion, ranking among the top in the industry. China Universal achieved comprehensive development in various businesses. In particular, it consolidated and strengthened its active investment management capabilities and improved its multi-strategy and multi-asset product portfolio with a focus on complementing equity index and wealth management alternative low-risk products; officially launched the "HTF index" index brand and provided customers with long-term sustainable index products and a full range of targeted solutions; comprehensively promoted the transformation of its advisory services, continuously deepened the cooperation with institutional customers, continued to support the digital transformation of banks and brokerage channels, and pursued the refined operation of its e-commerce platform; accelerated the strategic business of personal pension, steadily developed its international business, actively expanded the public REITs business, and continued to fulfill its corporate social responsibility.

Section III Report of the Board

During the Reporting Period, China Universal maintained stable performance in mid to long-term investment and ranked among the top in the industry in terms of comprehensive strength. China Universal Dual Income won the Three-Year Open Bond Continuous Superior Golden Bull Fund by China Securities Journal and the Golden Fund Three-Year Award for Bond Funds by Shanghai Securities News. China Universal Consumer Industry won the Seven-Year Open Hybrid Continuous Superior Golden Bull Fund by China Securities Journal. China Universal Value Selection won the Golden Fund Ten-Year Award for Equity-weighted Hybrid Funds by Shanghai Securities News. China Universal won various awards including the Three-Year Overseas Investment Star Fund Company by Securities Times, the Golden Fund Socially Responsible Investment (ESG) Return Fund Management Company Award and the Golden Fund Equity Investment Return Fund Management Company Award by Shanghai Securities News, and the 2022 Outstanding ESG Development Fund Company by China Fund. China Universal “River · Children” project was recognized as an excellent case of social welfare practice in 2022 by China Fund.

Development plan and outlook

Against the backdrop of profound changes in the domestic and international environment and continuous volatility in the capital market, China Universal will seize the opportunities from high-quality development of the publicly offered fund industry, actively promote the implementation of its new five-year strategic plan and comprehensively enhance its comprehensive competitiveness. China Universal will uphold the value of “customer first” and the business philosophy of “all for the long term”, continue to refine and improve its four core capabilities of investment management, compliance risk control, customer service and product innovation, keep improving the distribution of underlying assets, accelerate the construction of solution system, put effort in improving customer experience, and devote itself to building China’s most recognized asset management brand.

Private equity investment

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

Section III Report of the Board

Market environment

During the Reporting Period, the domestic and international economic environments were complicated, with the domestic economy recovering from the third quarter onwards and the equity investment market picking up. According to the data of Zero2IPO, in 2022, the number of private equity fundraisings in China rose by 1.2% year-on-year and the amount raised fell by 2.3% year-on-year, mainly driven by large policy-based economic and infrastructure funds and large US dollar funds. The investment side showed a slowdown, with the number and amount of investment cases falling by 13.6% and 36.2% year-on-year respectively, with certain sectors such as semiconductor, new energy and automobile rising against the trend. In terms of industry distribution, semiconductor and electronic equipment, IT and biotechnology/healthcare remained the top three sectors in terms of investment activity.

Operation initiatives and business development

With its deep engagement in the field of private equity investment funds, Orient Securities Capital Investment always practices the philosophy of “cooperation, creation and sharing” to create value for enterprises and investors and contribute to the implementation of national strategies, and has established its industry presence and brand advantages. During the Reporting Period, Orient Securities Capital Investment worked hard to overcome various challenges, forged ahead with perseverance amidst uncertainties, and increased its investment in sectors such as military industry, chip manufacturing, medical devices and new energy.

As at the end of the Reporting Period, Orient Securities Capital Investment managed 48 funds with a scale of RMB15.183 billion. The total number of investment projects of Orient Securities Capital Investment and funds managed by it reached 234, in which 84 projects have achieved investment exit. A total of 150 projects were under investment involving an investment amount of approximately RMB9.647 billion, and it has investment in 20 listed projects. During the Reporting Period, among the investment targets of private equity funds under management of Orient Securities Capital Investment, 11 target companies completed IPO and listing or passed the review by the listing committee, one target company completed restructuring and listing, and the IPO applications of three target companies were accepted.

During the Reporting Period, Orient Securities Capital Investment won various awards including the “Outstanding Broker’s Equity Investment” of the Golden Bull Awards by China Securities Journal, the “2022 Top 100 Private Equity Investment Institution in China (2022年中國私募股權投資機構100強)” of the Zero2IPO Awards and the “Innovative Investment Practice Award” for Private Equity Subsidiary of Securities Firm by New Fortune.

Section III Report of the Board

Development plan and outlook

In the future, Orient Securities Capital Investment will always adhere to and focus on value investment, pay attention to changes in the global economic environment and the implementation of key national strategies, actively seek high-quality investment opportunities in counter-cyclical industries, and strengthen the research and analysis of market environment and “bottleneck” areas. It will also explore appropriate industry focus, increase its efforts in systematic analysis of new energy, medical devices, semiconductors and other emerging industries, focus more on a few vertical sectors that are in line with national strategies, and make plans in advance for the upstream and downstream of the industry chain on the basis of in-depth industry development.

(2) Brokerage and Securities Financing

The Company’s brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business, bulk commodity trading and securities financing business including margin financing and securities lending and collateralized stock repurchase. During the Reporting Period, the brokerage and securities financing business achieved operating income of RMB12.316 billion, accounting for 49.91% of the total income.

Securities brokerage

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

Market environment

During the Reporting Period, the stock market declined significantly affected by various domestic and international factors, and trading activity decreased slightly with trading volume of stocks and funds reaching RMB247.67 trillion, representing a year-on-year decrease of 10.4%. The market saw continuous fluctuations and adjustments throughout the year, with equity strategies underperforming in terms of returns, affecting investor confidence and posing challenges to the development of wealth management business. Meanwhile, benefiting from national policy support and gradual maturity of the industry, the industry continued to transform into the role of “buy-side investment adviser”, the demand for product investment from institutional customers continued to grow, and the development of wealth management business continued to open up new horizons and growth drivers.

Section III Report of the Board

Operation initiatives and business development

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

As of the end of the Reporting Period, the Company had 179 securities branches, covering 89 cities in all provinces in China. During the Reporting Period, the cumulative number of newly opened accounts amounted to 250 thousand. As of the end of the Reporting Period, the Company had 2.44 million customers, representing an increase of 11% from the beginning of the period, and total assets under custody amounted to RMB766.493 billion. In particular, the Company had 6,107 institutional customers with an asset size of RMB439.0 billion. In 2022, the market share in terms of income of the securities brokerage business was 1.63%, ranking 20th in the industry, which remained the same as the same period of last year (data from monthly report of the Securities Association of China).

The Company actively responded to market volatility and continued to develop its core competitiveness in the financial products agency sales business. On the asset side, the Company improved the three-dimensional evaluation model of “manager-fund manager-fund product” and properly customized and introduced high-quality core products. On the service side, the Company strengthened the construction of the front office team in branches, and continuously encouraged frontline staff to participate in products agency sales. During the Reporting Period, facing the sustained market downturn, the Company actively guided its customers to established the idea of long-term investment and effectively boosted the confidence of customers by carefully selecting products and offering high-quality investor education and client companionship. During the Reporting Period, the Company’s total revenue related to agency sale of products amounted to RMB642 million, representing a year-on-year decrease of 32.8%. As at the end of the Reporting Period, the size of equity products of the Company amounted to RMB48.02 billion, representing a decrease of 25.8% from the beginning of the period. According to the data of Asset Management Association, as of the end of 2022, the size of equity+mixed publicly offered funds held by the Company amounted to RMB39.7 billion, ranking 10th among securities dealers. During the Reporting Period, the Company became one of the first companies to be qualified to sell personal pension funds, and officially commenced such business in December by launching all 129 publicly offered pension funds. The Company actively promoted the establishment of strategic partnerships with medium and large enterprises and financial institutions to expand its customer base, develop incremental markets and lay a solid foundation for personal pension business.

Section III Report of the Board

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

(in RMB million)	January – December 2022	January – December 2021
Publicly offered funds (including monetary funds)	110,491	151,714
Collective asset management products	0	21
Trust schemes	312	1,421
Private equity investment fund products	411	2,870
Other financial products	4,568	3,936
Total	115,782	159,962

The Company set the benchmark for fund investment advisory services, served and guided investors to invest rationally, and achieved significant growth in its fund investment advisory business. As of the end of 2022, the fund investment advisory business launched two product series, namely the “Yue” series and the “Ding” series, with a total of 13 investment portfolio strategies and a size of approximately RMB14.9 billion, serving approximately 160,000 clients, with a client retention rate of 83% and a re-investment rate of 71%. The Company’s fund investment advisory business has gradually developed a mature buy-side service model with good customer service experience and significant growth in size.

With a focus on institutional wealth management, the Company has built an institutional services ecosystem covering the whole business chain. During the Reporting Period, the Company established the “Orient Vision” institutional wealth management business brand, and became the first securities firm with focus on fund agency sales to institutional customers, providing them with one-stop fund investment services such as order placement and fund research. There are a wide range of institutional wealth management customers, including traditional financial institutions such as banks, insurers, trusts and finance companies, various types of asset management institutions including wealth management subsidiaries and wealth management insurers, as well as a large number of long-tail B-side listed companies and enterprises. As of the end of the Reporting Period, the size of the Company’s institutional wealth management business reached RMB7.5 billion. In addition, the Company actively pursued its internationalization strategy, provided one-stop services and solutions based on the habits of foreign customers, and became an important partner of key wholly foreign-owned publicly offered funds. It also conducted in-depth research and established a portfolio of foreign private equity investment funds and QDLP products to meet the different asset allocation needs of domestic investors.

Section III Report of the Board

The Company developed the innovative service business model for high-net-worth customer and improved and enriched its private equity strategic system. During the Reporting Period, the Company organised planned and systematic activities for high net worth clients, strengthened the promotion of the “Oriental Beauty – Fortune 100” business, facilitate the expansion of business scale and provided high-quality post-investment services. Meanwhile, the Company put more efforts in promotion of family trust business and established close cooperation with over 10 leading trust companies. As of the end of the Reporting Period, the number of high net worth retail customers of the Company reached 6,594, and the size of clients’ assets was RMB144.2 billion.

For Internet finance, during the Reporting Period, the Company continued to enhance its online service capabilities and user experience, and achieved initial success in paid Internet value-added services; facilitated the development of wealth management business, enabled institutional customers and product customers to participate in fund investment advisory online, and realized the complete online operation of personal pension business; empowered the interconnection of the Group’s businesses, initially realized the integration of securities and futures account opening, quotation and trading, and provided investors with one-stop interconnected investment services for securities and futures markets in multiple dimensions. As of the end of the Reporting Period, the Company had 631,000 active brokerage customers on the Internet and mobile phone platforms with stock and fund trading volume of RMB4.45 trillion. The number of customers trading through the Internet and mobile terminals accounts for 98.98% of the total number of customers, the online transaction amount accounts for 77.75% of the total, and the number of newly opened online accounts takes up for 95.63% of all accounts opened in the same period.

During the Reporting Period, the Company won various awards including the 2022 China Securities Industry “Wealth Management Brand Junding Award “, “Principal Broker Junding Award” and “Investment Advisory Team Junding Award” by Securities Times, the “Best Fund Investment Advisory Firm of the Year” by China Fund, the “Industry Contribution Golden Advisory Award” and “Fund Investment Advisory Golden Advisory Award” by Xinhua Finance, the “Jinding Award for Securities Firm with Best Comprehensive Strength in Wealth Management” and “Jinding Award for Securities Firm with the Best Fund Investment Advisory Services” by National Business Daily.

Section III Report of the Board

Development plan and outlook

In the future, the Company will adhere to the incremental mindset and continue to deepen the transformation and development of wealth management; put efforts in both online and offline operation to consolidate market-leading competitive advantage in fund investment advisory business; adhere to the buy-side mindset, continue to focus on the institutional wealth management business, develop the “Orient Securities|Wealth Management – Visionary” institutional business brand, and achieve synergy and spillover for institutional investor services of the Group; seize market opportunities to capture the first-mover advantage of personal pension business and create a second track for wealth management; continue to expand the customer base and strengthen customer acquisition through institutional cooperation, online platforms and innovative businesses; strengthen the construction of a professional team and establish a market talent appointment mechanism to release business vitality and potential.

Futures brokerage

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

Market environment

During the Reporting Period, the supply side of the commodity market was impacted by the escalating geopolitical conflicts and high global inflation. On the other hand, the Federal Reserve and the European Central Bank raised interest rates and “shrunk the balance sheets” sharply within a short period of time, leading to significant volatility in commodity market. During the Reporting Period, China’s futures market fell in trading size, but saw a gradually narrowing decline in trading volume. In 2022, China’s futures market achieved a total trading volume of 67.68 trillion lots and a turnover of RMB535 trillion, down 9.93% and 7.96% respectively year-on-year.

Operation initiatives and business development

During the Reporting Period, 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, made progress for all business lines, utilised its professional service capabilities and recorded steady growth in its operating results.

Section III Report of the Board

During the Reporting Period, according to the latest data of China Futures Association, the key operating indicators of Orient Futures remained among the top five in China, with net capital ranking second and the five indicators of net profit, operating profit, fee income, operating income and customer equity ranking third. During the Reporting Period, Orient Futures had a trading volume of nearly 1.4 billion lots, ranking first in China. As of the end of 2022, customer equity size of Orient Futures exceeded RMB100 billion, ranking third in China, and the number of new institutional customers increased by 32% year-on-year. Orient Futures maintained an AA rating in the classification assessment of futures companies.

For technological empowerment, the Orient Speed Trading (OST) system achieved nanosecond-level latency to provide customers with the most advanced technology services in the market. Orient Futures completed the iteration of version 3.0 of the “Fanwei” intelligent investment research platform to provide customized services for customers, enhance customer stickiness and successfully strengthen the Company’s brand influence as a core competitiveness.

Development plan and outlook

In the future, with the goal of becoming a first-class derivative service provider, Orient Futures will adhere to the direction of digital, market-oriented, international and group-based development, iterate on the front, middle and back office service capabilities, continue to vigorously develop financial technology such as big data, use digital means to pinpoint customer needs and further improve the Company’s comprehensive service capability to secure its leading position in the industry.

Securities financing

Market environment

During the Reporting Period, the overall size of margin financing and securities lending declined due to the impact of the complicated macroeconomic environment and market fluctuations in China and overseas. As of the end of the Reporting Period, the balance of margin financing and securities lending of the whole market totaled RMB1,540.392 billion, representing a decrease of 15.93% from the beginning of the period. In particular, the balance of margin financing amounted to RMB1,444.511 billion, representing a decrease of 15.63% from the end of last year; and the balance of securities lending amounted to RMB95.881 billion, representing a decrease of 20.19% from the end of last year.

Section III Report of the Board

Operation initiatives and business development

In terms of the margin financing and securities lending business, the Company actively developed its customers and business resources by carrying out targeted business activities and other measures, strived to overcome the adverse impact of the highly complicated capital market conditions in China and overseas, and continued to optimise its business and customer structure. Meanwhile, it continued to improve the whole-process risk management system, enhanced the market monitoring threshold of the margin financing and securities lending business and refined the disposal methods, mitigated and resolved various risks, maintained the guarantee ratio above the market average, and realized the organic integration of business development and risk control. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company amounted to RMB19.365 billion, representing a decrease of 21.28% from the end of last year and a market share of 1.26%.

In terms of the collateralized stock business, the Company continued to adhere to the keynote of “risk control and scale reduction” and continuously reduced the scale of collateralized stock business. As of the end of the Reporting Period, the outstanding balance of the Company’s collateralized stock business amounted to RMB9.132 billion, all of which were contributed with proprietary funds, representing a decrease of 22% from the end of last year, effectively reducing the business scale.

Development plan and outlook

In the future, on the basis of consolidating its existing business advantages, the Company will strengthen the Group’s internal collaboration, enhance cooperation with external institutions, further optimise its business structure, innovate its business model and refine its business management, so as to build an ecosystem of margin financing and securities lending business and achieve high-quality business development. It will also continue to vigorously implement the clearance and risk mitigation of collateralized stock business and significantly reduce the scale of collateralized stock business.

Section III Report of the Board

Other business

OTC business

In 2022, due to the poor macroeconomic performance and significant fluctuations in the securities market, the net value of all types of public and private equity products generally declined, and issuance and sales generally weakened, which affected the OTC business. During the Reporting Period, the Company's total business volume in OTC market amounted to RMB124.191 billion, representing a year-on-year decrease of 27.6%. The Company actively overcame the impact from market downturn and delivered certain remarkable results. During the Reporting Period, the Company launched 1,727 new OTC products, representing a year-on-year increase of 106.58%; issued variable income certificates of RMB9.482 billion, representing a year-on-year increase of 62.17%; and recorded a market making volume of RMB0.625 billion, representing a year-on-year increase of 34.85%.

The Company's OTC market business department positioned itself as a business support department, focused on building the "product center", "trading center" and "innovation incubation center", and continued to improve the middle platform service capabilities. During the Reporting Period, the Company completed the construction of the personal pension business system and successfully ensured the launch of the personal pension business in December 2022; the OTC business accelerated the transformation to middle platform services and utilised business synergies to ensure a smooth transition of various new middle platform services functions, with the number of now OTC products and the maximum daily capacity of product operation increasing by over 100% year-on-year throughout the year.

In the future, under the background of accelerated transformation of wealth management, the OTC functions such as issue registration and market-making transfer are expected to be applied soon. The Company will focus on income certificate services, accelerate the construction of the trading centre, promote the enhancement of quality and efficiency of product management, deepen and refine transaction management, and solidly develop business outlet services to provide stronger support for front office operations.

Custody business

During the Reporting Period, the custody business faced a more competitive environment with an increasingly pronounced Matthew effect. In 2022, with the adjustment of the stock and bond markets, the size growth of the asset management industry slowed down compared to the last two years, and securities products under custody faced pressure on both product net value and size, resulting in an overall decline in the size of securities products in the custodian industry.

Section III Report of the Board

During the Reporting Period, the Company continued to optimize its product portfolio, focused on developing securities products and strictly controlled the size of non-standard custodian, thereby achieving growth in both custodian size and revenue despite adversities. As of the end of the Reporting Period, the number of online securities products under custody increased by 38% year-on-year, the size of securities products under custody increased by 11% and the proportion of non-standard products decreased to 28.6% from 33.6% at the beginning of the year. During the Reporting Period, the Company continued to enhance the compliance and internal control capabilities, and its custody business and fund services business once again passed the ISAE3402 international accreditation. It also continued to strengthen its “whole chain” risk management and thoroughly implemented the vertical compliance and risk management and control plan. Meanwhile, the Company utilised the advantage of its agency sales capabilities through product custody and continued to strengthen its close cooperation with fund companies to promote the development of a one-stop institutional principal brokerage service custody business integrating trading, settlement, custody, investment research and agency sales through the publicly offered funds under brokerage settlement model. During the Reporting Period, the Company’s revenue from securities settlement publicly offered funds increased significantly year-on-year.

In the future, the custody business will continue to focus on serving the main business of asset management, facilitate business transformation through system optimisation and operating model adjustment, and focus on the development of securities products. In addition, it will use the custody business as a link to strengthen the organic integration with other businesses of the Company, continue to promote the special task of “integrating custody into business outlets”, extend the custody service industry chain and strengthen the collaboration and cooperation within the Group.

(3) Securities Sales and Trading

The Company conducts securities sales and trading business with its own funds, including proprietary trading (equity investment and trading, fixed income investment and trading, financial derivatives trading business), innovative investment and securities research services. During the Reporting Period, the securities sales and trading business realized operating income of RMB5.450 billion, accounting for 22.09% of the total income.

Section III Report of the Board

Proprietary trading and institutional sales trading

Market environment

During the Reporting Period, the securities market was under greater pressure from the global geopolitical turmoil and the ongoing interest rate hike by the Federal Reserve. The stock market declined significantly as shown by a decrease of 15.13% in the SSE Composite Index, a decrease of 25.85% in the SZSE Component Index and a decrease of 29.37% in the ChiNext Index. During the Reporting Period, the monetary policy mainly focused on maintaining stability with emphasis on structural adjustment and risk prevention, and the bond market remained volatile. In 2022, the yields of 10-year treasury bonds increased by 6bp to approximately 2.84%, the 10-year CDB yields decreased by 9bp to approximately 2.99%, the total price index of ChinaBond increased by 0.19%, and the comprehensive price index of ChinaBond increased by 0.51%.

During the Reporting Period, the regulatory authorities successively introduced innovative policies such as new regulations on income swaps and market-making on the Science and Technology Innovation Board, which continuously enriched the market trading varieties and promoted the professional and high-quality development of the capital market, thus creating more space for the development of proprietary business and institutional sales trading business of securities companies.

Operation initiatives and business development

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

(in RMB million)	As at December 31, 2022	As at December 31, 2021
Stocks	4,239.30	8,434.35
Funds	8,031.65	9,090.18
Bonds	110,585.62	97,667.78
Others ^(Note)	5,664.35	1,812.69
Total	128,520.93	117,005.00

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

Section III Report of the Board

In terms of proprietary equity investment business, during the Reporting Period, the Company mainly adopted a bottom-up approach for stock selection, and concentrated its resources on research of leading companies with sound and solid financial position and high-quality management in different industries, and maintained a balanced trading position. Meanwhile, the Company formulated the strategy of investment in designated companies with high dividends, continuously optimized the NEEQ investment portfolio, and tapped into quantitative strategy investment, FOF investment and other innovative sectors in order to enhance the yield stability. During the Reporting Period, the Company made breakthrough in the market-making business of the Science and Technology Innovation Board by becoming one of the first companies to obtain the qualification of conducting market-making and trading business for listed securities, officially commenced market-making business on the Science and Technology Innovation Board, and completed the first market-making transaction of securities lending.

In terms of FICC business, the Company further consolidated its core competitiveness in investment research with an increasingly mature business system and FICC industry chain, steadily increased the size of fixed income proprietary investment, continued to optimize its position structure, ensured stable operation of foreign exchange and commodity business, and maintained a leading position in the industry in terms of scale and performance of proprietary business and institutional sales trading business.

- For fixed income proprietary investment, the Company strengthened its bond credit risk management while adjusting its position structure in a timely manner, decreased its holdings and shortened the duration when yields were at a low level. During the Reporting Period, the spot securities trading volume in the interbank market increased by 37.01% year-on-year, and the interest rate swap trading volume increased by 58.67% year-on-year.
- For market-making business, the Company actively updated its quotation strategy and achieved outstanding results. During the Reporting Period, the trading volume of the Company's market-making business in the inter-bank market increased by 27% year-on-year, the trading volume through the Bond Connect increased by 62% year-on-year, and the Company maintained its industry leading position. In particular, 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, and the Company maintained its leading position in the industry in terms of treasury bond future market making business.

Section III Report of the Board

- Steady progress was made in the innovative transformation of the FICC business. Quantitative trading strategies were enriched and business operation performed well. The Company has developed a competitive market position in the agency trading of traditional standardised products with a focus on market making and sales trading. In particular, the investment advisory projects of the capital intermediary business performed well, with an increase of over 150% in management size. The Company also fully launched its foreign exchange business, actively strengthened the “Orient Smart Exchange” foreign exchange brand, and actively served the real economy through the foreign exchange agency business.
- During the Reporting Period, the Company won various innovation awards including the “Core Trader”, “Trader in Bond Market” and “Trader in Derivatives Market” by China Foreign Exchange Trading Center; the “Top 100 Proprietary Settlement” by China Central Depository and Clearing Co., Ltd.; the “Outstanding Market Maker for Northbound Trading” by Bond Connect Company Limited; the “Standard Bond Forward Proprietary Settlement Excellence Award” and “Outstanding Promoter of Innovative Business” by Shanghai Clearing House; the “Outstanding Market Maker” by China Development Bank; the “Outstanding Market Maker” and “Best Innovative Cooperation Award” by Agricultural Development Bank of China.

Section III Report of the Board

In terms of financial derivatives business, during the Reporting Period, the Company continuously optimized resource allocation, strengthened collaboration in the Group and established the Orient Derivatives business brand. In particular, the Company made flexible adjustment in position size of quantitative business, continued to increase efforts in investment research, kept optimizing the quantitative trading system, and launched the quantitative server to lay a solid foundation for further research on quantitative strategies. For market-making business, the Company achieved favourable returns with low withdrawal while fulfilling its market-making obligations, with market-making revenue up 86% year-on-year. For the OTC derivatives business, the Company continued to explore business models, diversified its product offering, and actively promoted the implementation of income swaps. In particular, the OTC options business grew steadily in scale, while controlling exposure and optimising the options structure to improve the stability of returns; the income swaps business grew significantly in scale and actively explored new business models; the product investment business remained stable and gained stable returns. During the Reporting Period, the trading volume of OTC options reached RMB103.296 billion, representing a year-on-year increase of 53%, and the trading volume of income swaps amounted to RMB18.758 billion, 8.5 times the size of the same period of last year. During the Reporting Period, the Company ranked among the top three for its option market-making on the SSE, CFFEX and SZSE in terms of daily trading volume on most trading days; received the highest rating of AA Grade for most products of bond market-making business on the SZSE; ranked first in terms of spread indicator of its future market-making business; and won various awards including the “Golden Award for Outstanding Market Maker” and “Progress Award for Market Making Business” by Shanghai Futures Exchange and the “Silver Award for Outstanding Market Maker of Stock Index Options” by CFFEX.

Development plan and outlook

In terms of proprietary equity investment business, the Company will ensure effective micro-fundamentals analysis and macro environment analysis and focus on flexible investment strategies; increase the investment in quantitative strategy and FOF sectors, facilitate further development of both subjective and quantitative investment and enhance the stability of earnings; seize the business opportunity of market-making on the Science and Technology Innovation Board to expand the source of securities lending for market-making in an orderly manner and strengthen the presence of market-making business.

Section III Report of the Board

In terms of FICC business, the Company's all-asset sales trading platform for institutional investors in domestic and overseas markets has taken shape. In the future, the Company will continue to promote the expansion from proprietary business to sales trading, domestic to foreign customers, and interest rate products to all FICC products. The Company will adjust its portfolio to enhance trading income based on major asset group research and market trend expectation. It will also facilitate the construction of a sales trading platform to enhance FICC agency trading capabilities and increase the proportion of intermediate income.

In terms of financial derivatives business, the Company will steadily develop its quantitative business, control investment risks, diversify quantitative strategies and improve the yields; continue to optimize its market making system, increase the product types and size for market-making business, strengthen the cooperation with leading fund companies, and strive to reach and remain at the first echelon in the industry; maintain a steady growth in its OTC options business, optimize its trading model, improve yield stability and explore innovative business models for income swaps, so as to increase the income level of its income swaps business while expanding its trading volume.

Innovative investment

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

Market environment

During the Reporting Period, the number of investment cases and investment amounts in the domestic equity investment market declined due to complicated economic environment, and the trend of focus shift to hard technology industries in the equity investment market became more prominent. For non-performing asset business, the changes in macro environment and policy related to the real estate sector affected the private investment inclination, while competition in the industry further intensified due to the reduction in investment targets available on the market.

Section III Report of the Board

Operation initiatives and business development

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.

The Company steadily developed its equity investment business. During the Reporting Period, Orient Securities Innovation Investment adhered to its investment strategy of focusing on “invisible champions”, cooperated with advantageous industrial capital, fully utilized its market-oriented resource and information capabilities, and established strategic relationships with universities to fully undertake relevant projects, expanded its presence in chips, computer hardware and software, enterprise-level Internet applications and new energy sectors, and emphasized on exploring new opportunities for further investment in high-quality invested projects. As of the end of the Reporting Period, Orient Securities Innovation Investment had 89 existing equity investment projects with an investment scale of over RMB4.0 billion. In addition, Orient Securities Innovation Investment proactively participated in co-investment on the Science and Technology Innovation Board and made co-investment in 5 projects under registration system with an investment scale of RMB340 million as of the end of the Reporting Period.

The Company steadily promoted special asset acquisition and disposal business, put more efforts in liquidating its existing projects and making project reserves, and built up its comprehensive operation capability in the areas of mergers and acquisitions, restructuring and full chain integration to consolidate its core competitiveness. As of the end of the Reporting Period, Orient Securities Innovation Investment had 19 existing special asset disposal projects with an investment scale of RMB1,658 million.

The Company invested in quantitative hedge funds and other relevant products, maintained stable investment performance, strictly controlled the withdrawal and optimised liquidity allocation.

Development plan and outlook

In the future, Orient Securities Innovation Investment will continuously promote refined management and professional development of business operation, continue to focus on the hard technology industry, and collaboratively incubate specialised and innovative enterprises; gradually expand the scope of proprietary investment and enhance the capability and professionalism of proprietary investment; and carry out co-investment in Science and Technology Innovation Board. For special asset business, it will further enhance its comprehensive operating capabilities, optimise resource allocation, and strengthen its proprietary projects and its position on the asset side to ensure the stability of its overall earnings.

Section III Report of the Board

Securities research

Market environment

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

Operation initiatives and business development

During the Reporting Period, the Securities Research Institute carried out thorough research on fundamentals, focused on building a systematic framework for each research area, followed rigorous research methodology and research logic, and strived to improve the capability of researchers and the quality of research reports. In the process of research management, the Company 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 the end of the Reporting Period, the Company's securities research business had a total of 129 researchers, including 78 with analyst qualifications and 24 with investment consultancy qualifications, and published a total of 2,871 research reports.

With respect to external commissions, the Company cultivated the public offering market and strived to improve the market share leveraging institutional customers. Besides, it expanded customer coverage and actively explored non-public offering customers. During the Reporting Period, the Research Institute realized commission income of RMB618 million, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB581 million, with a market share of 2.70% and improved ranking among customers of core public offering funds. According to the data of Wind, DFZQ received public offering commissions of RMB326 million in the first half of 2022, and the number of commission earning seats accounted for 3.48% of the total and ranked 9th in the market. At the same time, 4 public offering customers, 4 bank customers, 44 private equity and insurance customers, 6 securities firms, 2 QFIs and 3 customers of other types were newly secured, comprehensively covering the new bank wealth management subsidiaries.

With respect to synergy within the Group, the securities research business carried out transformation actively to assist the Group to realize the provision of integrated financial services. The Company also explored the way of serving enterprise clients utilizing its core research capability, so as to provide service of high value to a broader industry capital. It also created and constantly deepened strategic research to develop new competitive edge in the relevant areas.

Section III Report of the Board

During the Reporting Period, the Company won the third place of the “Most Distinctive Research Institution” in the 4th Sina Finance Golden Qilin Best Analyst Awards; the “Fastest Growing Research Institution” and “Best ESG Research Institution” in the 10th “Golden Analyst” Awards by Wind; the tenth place of the “New Fortune Best ESG Practice Research Institution”; and the “Fourth Place of Best Sales Team” in Mainland China in the “Institutional Investor – Caixin Capital Market Analyst Achievement Awards”. In addition, various industry research teams won the best analyst and other awards.

Development plan and outlook

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

(4) Investment Banking

The Company mainly engages in investment banking business through Orient Investment Banking, a wholly-owned subsidiary of the Company, and the Fixed Income Business Department and the Investment Banking Business Department (planned). In particular, the principal businesses of Orient Investment Banking are stocks underwriting and sponsoring, underwriting of corporate bonds, enterprise bonds and other bonds, and financial advisory services relating to M&A and restructuring and enterprise reform. The Fixed Income Business Department is principally engaged in underwriting of government bonds, financial bonds and debt financing instruments of non-financial institutions. The business of recommendation of listing on NEEQ has been transferred from Orient Investment Banking to the Investment Banking Business Department (planned) of the Company in August 2022. During the Reporting Period, investment banking business realized operating income of RMB1.958 billion, accounting for 7.94% of the total income.

Stock underwriting

Market environment

During the Reporting Period, benefiting from a series of initiatives to stabilise economic growth and the implementation of the registration system reform, despite a decrease in the number of IPO projects in 2022, the IPO financing size reached a record high and topped the global market. According to the data of Wind, in 2022, 428 enterprises completed IPO and listed on the A share market, representing a year-on-year decrease of 18.32%, the overall size of IPO financing amounted to RMB586.907 billion, representing a year-on-year increase of 8.16%, 360 issuers completed issuance of additional shares (including asset portion), representing a year-on-year decrease of 33.09%, the size of financing amounted to RMB723.025 billion, representing a year-on-year decrease of 20.43%.

Section III Report of the Board

Operation initiatives and business development

During the Reporting Period, despite the complicated and challenging financial market environment in China and abroad, Orient Investment Banking completed 24 equity financing projects with lead underwriting amount of RMB23.379 billion. In particular, it participated in 8 IPO projects as the lead underwriter with total underwriting amount of RMB7.722 billion; participated in the underwriting of 16 projects of issuance of additional shares, rights issue and convertible bonds with lead underwriting amount of RMB15.657 billion. During the Reporting Period, Orient Investment Banking participated in 11 projects of issuance of additional shares (excluding asset portion) as the lead underwriter, ranking 9th in the industry with underwriting amount of RMB6.437 billion.

Orient Investment Banking facilitated the recovery and development of the real economy with high-quality and efficient services, demonstrating the Company's responsible practice and commitment to creating social value. During the Reporting Period, Orient Investment Banking overcame various adverse factors from the external environment and performed remarkably well in a number of benchmark projects, including the IPO of Yuneng Technology, a leader in the field of photovoltaic component-level electrical and electronic equipment, on the Science and Technology Innovation Board, and the IPO of Darbond Technology, an electronic packaging materials manufacturer with strategic investment from the National Integrated Circuit Industry Fund, on the Science and Technology Innovation Board. It also facilitated the reorganization project that enabled Asia-Potash International to become the single largest potash resource company in Asia, completed the private placement of Dare Auto through simplified procedures of the Science and Technology Innovation Board, which took only six working days from acceptance to registration, and the issuance of convertible bonds by Lion Microelectronics, being the largest A share convertible bond project in terms of issuance size in the semiconductor industry for the year. During the Reporting Period, with strict control of project quality, Orient Investment Banking assisted 11 IPO projects and 10 projects of issuance of additional shares, rights issue and convertible bonds in passing the administrative review with a passing rate of 100% without cancellation of review or suspension of voting. For IPO projects, one enterprise passed the administrative review of the main board, three enterprises passed the administrative review of the Science and Technology Innovation Board, six enterprises passed the administrative review of the ChiNext and one enterprise passed the administrative review of the Beijing Stock Exchange, and some of these enterprises are leaders in their respective sectors. By following policy guidance and ensuring project quality, Orient Investment Banking strived to identify real economy enterprises with genuine attributes of science and innovation to enter the capital market.

Section III Report of the Board

During the Reporting Period, Orient Investment Banking won various awards, including the “Top 10 Investment Bank of the Year” by Yicai, the “SSE and SZSE Main Board Investment Banking Junding Award”, “Science and Technology Innovation Board Financing Project Junding Award (EverDisplay Optronics IPO)” and “Financial Advisory Project Junding Award (Acquisition of Sierbang by Eastern Shenghong)” by Securities Times, the “Best Equity Underwriting Investment Bank” and “Best Secondary Offering Investment Bank” by New Fortune, and the “Best A Share Equity Underwriter”, “Best A Share Secondary Offering Underwriter” and “Best Science and Technology Innovation Board Equity Underwriter” by Wind.

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

(in RMB million)	2022	2021
IPO:		
Number of issuance	8	9
Amount underwritten as the lead underwriter	7,722.09	13,025.00
Secondary offering:		
Number of issuance	16	17
Amount underwritten as the lead underwriter	15,656.87	26,028.16
Total:		
Number of issuance	24	26
Amount underwritten as the lead underwriter	23,378.96	39,053.16

Development plan and outlook

In the future, Orient Investment Banking will seize the opportunity of comprehensive implementation of registration system, respond to the national call for boosting investment and domestic demand, and continue to promote high-quality financing for the real economy. Currently, Orient Investment Banking has various proposed listing projects in new materials, new energy, high-end manufacturing and other national strategic emerging sectors, which will inject new vitality into the capital market. Meanwhile, Orient Investment Banking actively expands to emerging businesses and is currently working on a number of GDR and cross-border M&A projects to help the real economy “go global” and facilitate in-depth financial reform. In addition, Orient Investment Banking will utilize the Group’s resources to develop more customers in the energy industry by offering integrated services for investment, research, financing, merger and acquisition, so as to establish the brand of “Energy Investment Bank” in the capital market in China.

Section III Report of the Board

Bond underwriting

Market environment

In 2022, to support the development of the real economy, the People's Bank of China stabilized comprehensive financing cost with a moderate decrease by conducting several rounds of interest rate cut and reserve ratio cut, and the relatively accommodative policy environment has created favourable conditions for bond underwriting business. In terms of regulatory policies, the CSRC, the NAFMII, the CBIRC and other authorities further strengthened the efforts to control increase in and dissolve existing implicit debts, and the review of bond issuance by urban construction investment companies remained tight and stringent. In 2022, the size of bonds issued amounted to RMB61.53 trillion, which remained basically the same as compared to 2021, of which the size of credit bonds issued amounted to RMB20.00 trillion, representing a year-on-year decrease of 7%.

Operation initiatives and business development

During the Reporting Period, the Company conducted 475 lead underwriting projects, with a total underwritten amount of RMB212.193 billion. According to Wind, the total underwriting size of DFZQ's bond underwriting business amounted to RMB336.348 billion on a consolidated basis, with the industry ranking improved to 7th.

Orient Investment Banking's bond underwriting business grew steadily with increasing market influence. During the Reporting Period, Orient Investment Banking continued to innovate corporate bond varieties, developed industry customers, enhanced its customer service capability, and served the real economy and implemented national strategies by issuing various innovative products such as green corporate bonds, special financial bonds for small and micro enterprises, corporate bonds for science and technology innovation, corporate bonds for innovation and entrepreneurship, corporate bonds for relief of hardship, corporate bonds for rural revitalization, and special enterprise bonds for new urbanization construction in counties. Despite the frequent default in the bond market, the bond business of Orient Investment Banking maintained stable and compliant operation through strict risk control. During the Reporting Period, Orient Investment Banking was rated A in the evaluation of corporate bond business practice capability conducted by the Securities Association of China. Orient Investment Banking won the "Outstanding Underwriter of Corporate Bonds" and "Outstanding Underwriter of Industrial Bonds" in the Shanghai Stock Exchange 2022 Outstanding Bond Market Participating Institutions Awards. In addition, Orient Investment Banking won various awards including the "Best Equity Underwriting Investment Bank" by New Fortune and the "Bond Underwriting Rapid Improvement Award" by Wind.

Section III Report of the Board

During the Reporting Period, the Company maintained its market leading position in terms of underwriting of interest rate bonds. In particular, the Company recorded a year-on-year increase of 67.9% in the size of treasury bond underwriting and a year-on-year increase of 41% in the size of policy-based financial bond underwriting, and actively participated in underwriting of green bonds, rural revitalization bonds and other ESG related bonds. In terms of ranking, the Company ranked third in the industry for book-entry treasury bond underwriting, and ranked second in the industry for underwriting of CDB bonds and bonds of Agricultural Development Bank of China. According to Wind, during the Reporting Period, the size of debt financing instruments issued by the Company amounted to RMB58.948 billion, and the size of lead underwriting amounted to RMB24.459 billion. During the Reporting Period, the Company won various awards including the “Bond Underwriting and Distribution (Underwriter) Innovation Award” by China Foreign Exchange Trading Center, the “Outstanding Non-bank Bond Underwriter” and the “Non-bank Underwriter of Local Government Bonds with Outstanding Contribution” by China Central Depository and Clearing Co., Ltd., the “Outstanding Underwriter of Policy-based Financial Bonds” by Shanghai Clearing House, the “Outstanding Underwriter in Interbank Market”, “Green and Low Carbon Pioneer Award” and “Market Expansion Award” by China Development Bank, the “Outstanding Underwriter” and “Best Securities Dealer” by Agricultural Development Bank of China, and the “2022 China Securities Industry Bond Investment Bank Junding Award” by Securities Times.

Section III Report of the Board

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

(in RMB million)	January – December 2022	January – December 2021
Corporate debentures:		
Number of underwriting as lead underwriter	228	130
Amount underwritten as lead underwriter	119,911	73,155
Corporate bonds:		
Number of underwriting as lead underwriter	21	18
Amount underwritten as lead underwriter	9,747	11,376
Financial bonds:		
Number of underwriting as lead underwriter	36	26
Amount underwritten as lead underwriter	29,679	24,180
Asset-backed securities:		
Number of underwriting as lead underwriter	129	55
Amount underwritten as lead underwriter	29,280	14,287
Debt financing instruments of non-financial enterprises:		
Number of underwriting as lead underwriter	61	64
Amount underwritten as lead underwriter	23,576	28,850
Total:		
Number of underwriting as lead underwriter	475	293
Amount underwritten as lead underwriter	212,193	151,846

Development plan and outlook

In the future, the Company will strengthen the maintenance of key core customers and key regions, strengthen the development of new customers, enhance the speed of communication of innovative products, and utilize the synergistic resources of the Group to focus on developing upstream and downstream businesses in energy sector and customers related to science and innovation. For bond business, Orient Investment Banking will adhere to the regional development strategy, put more efforts in relatively weak links and strengthen collaboration within the Group; strengthen the coverage of major customers and fully promote comprehensive financial services to improve customer stickiness and increase revenue; strengthen team building, improve internal assessment to enhance efficiency and explore potential, and introduce high-quality teams in key regions to achieve additional revenue streams.

Section III Report of the Board

Financial advisory services

Market environment

During the Reporting Period, the domestic M&A business market showed no significant upturn, and according to relevant statistics, the number of approved projects subject to administrative review/registration has been on a downward trend in the past seven years, from over 200 in 2016 to approximately 46 in 2022. In overseas market, cross-border projects required more effort to obtain approval from overseas regulators, and the amount and number of global transactions remained at a low level. The implementation of the registration system and the recovery of the economic environment will provide better conditions for the development of M&A and restructuring business.

Operation initiatives and business development

During the Reporting Period, Orient Investment Banking carried out M&A business in an orderly manner, 6 M&A and asset reorganization projects passed the administrative review and were completed with a total transaction size of RMB7.251 billion; and it ranked 6th in the industry in terms of projects passing administrative review. The Company assisted in the completion of two projects on asset acquisition through share issuance by Asia-Potash International and Hodgen Technology, a financial advisory project for the purchaser in transfer of control of Geron China, and two projects on cross-border M&A. In particular, Orient Investment Banking served as the independent financial advisor for the project of Asia-Potash International to issue shares and pay cash to purchase assets and raise supporting funds, enabling it to become the single largest potash resource company in Asia and provide support for China's agricultural development and food security with the strength of the capital market. In addition to the traditional financial advisory services for M&A and restructuring, Orient Investment Banking assisted in the completion of the bankruptcy restructuring project of *ST Unifull, which demonstrated Orient Investment Banking's outstanding business capabilities in bankruptcy restructuring and laid the foundation for the subsequent development of such type of projects.

During the Reporting Period, Orient Investment Banking served as the independent financial advisor for the project of "Acquisition of Sierbang by Eastern Shenghong", which won the 2022 China Securities Industry Financial Advisory Project Junding Award, and Orient Investment Banking was recognized as one of the 2022 Top Ten M&A Service Providers in the Tian Capital M&A Awards.

Section III Report of the Board

Development plan and outlook

In the future, Orient Investment Banking will focus on advantageous industries, and put efforts in enterprises with leading advantages in communications and semiconductors, advanced manufacturing, automobile, medical and consumer products sectors. In addition, Orient Investment Banking will actively develop innovative businesses such as bankruptcy restructuring, thereby capturing the future opportunities of capital operation business of listed companies; focus on the internationalization needs of high-quality listed company customers and meet their needs for overseas market financing and business development through domestic and overseas coordination.

(5) Headquarters and Others

Headquarters and others business of the Company mainly include the headquarters' treasury business, overseas business and financial technology business. During the Reporting Period, the headquarters and others business realized operating income of RMB1.749 billion, accounting for 7.09% of total.

Treasury business

During the Reporting Period, domestic regulatory authorities introduced a number of initiatives to continuously strengthen cross-cycle and counter-cyclical regulation and control policies. The economy demonstrated strong resilience and most economic indicators maintained stable operation. From January to October 2022, the overall domestic bond market fluctuated within a narrow range, with expectations turning in the bond market since November and the interest rate of 10-year treasury bonds gradually falling back after hitting a yearly high in December.

Operation initiatives and business development

The Company 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 Reporting Period, the Company fully promoted the enhancement of liquidity management effectiveness, continuously strengthened its risk mitigation capability and continued to strengthen forward-looking and proactive management of indicators. As of the end of the Reporting Period, the liquidity coverage ratio and net stable capital ratio of the Parent Company were 218.50% and 139.09%, respectively. Taking into account the Company's capital requirements, indicator requirements and market changes before and after the Rights Issue, the Company continued to enhance its bond issuance coordination and management capabilities, actively seized the issuance window and effectively reduced the size-weighted cost of corporate bonds. Through continuous and in-depth market analysis, the Company conducted practical planning for foreign debt financing and innovatively issued Euro Yulan bonds, and was featured in the "2022 Shanghai Services Trade Promotion Booklet" by the Shanghai Municipal Commission of Commerce, contributing to the construction of Shanghai as an international financial center. The Company also upgraded its cash-based product line and continued to improve its product management capabilities. During the Reporting Period, the Company won the 2022 "Outstanding Promoter of Innovative Business" by Shanghai Clearing House.

Section III Report of the Board

Development plan and outlook

The Company will continue to implement the liquidity risk prevention and control strategy of maintaining stability, and consolidate liquidity risk prevention and control capabilities to facilitate the rapid and comprehensive business development. The Company will promote the coordination of funds and liabilities in an orderly manner, and take multiple measures to ensure the safety of liquidity indicators; continuously strengthen the centralized management of funds, optimize the reserve structure, and improve profitability on the basis of ensuring liquidity safety; closely monitor changes in domestic and overseas markets, properly manage the risk of interest and exchange rates, and reasonably control comprehensive financing costs; continuously expand financing channels, scientifically coordinate credit management, and strengthen proactive financing management.

Overseas business

Market environment

During the Reporting Period, Hong Kong's stock and bond markets experienced significant volatility affected by factors such as the significant interest rate hike by the Federal Reserve and the Russia-Ukraine war. In particular, the Hang Seng Index fell by 15% for the year, the total amount of funds raised from initial public offerings in the Hong Kong stock market dropped by 68% year-on-year, the average daily trading volume in the Hong Kong stock market dropped by 25% year-on-year, and the index of Chinese-issued US dollar bonds fell by 10%.

Operation initiatives and business development

The Company engages in overseas business mainly through Orient Finance Holdings and Orient Securities International, wholly-owned subsidiaries of the Company, and their subsidiaries. In particular, as the Group's international business platform, Orient Securities International conducts securities brokerage, futures brokerage, asset management, investment banking, margin financing and securities lending and other businesses through wholly-owned subsidiaries licensed by the SFC. During the Reporting Period, the Company actively responded to the volatile overseas market environment, strengthened the operational governance of its overseas subsidiaries, optimized its asset and liability structure, continued to promote structural adjustment of its business, put efforts in capturing business opportunities, strived to enhance the capability of its intermediary interest- and fee-based business, strictly managed and controlled various operational risks, and promoted the cross-border extension of the Group's entire business chain.

Section III Report of the Board

The Company facilitated the transformation of its brokerage business and explored innovation. It accelerated the construction of its product sales platform, with the number of products for sale increasing by three times from the end of last year; meanwhile, it gradually developed its bond agency business, with the total number of bond products increasing by six times. For institutional business, the Company introduced various private equity customers and basically achieved full coverage of Chinese public funds in Hong Kong, achieving a 154% year-on-year increase in total trading volume despite the significant decline in trading volume of the Hong Kong stock market.

The investment banking business delivered favourable performance. The Company completed two equity underwriting projects, including the H-share IPO of Sinohealth Holdings, and four compliance and financial advisory projects; completed 44 bond underwriting projects, with the total underwriting amount increasing by 51% year-on-year despite the 57% decline in the issuance size of Chinese-issued US dollar debt market. The Company provided bond underwriting clearing house services for the first time and developed the FTZ RMB bond business and completed five projects in the US dollar interest rate hike cycle.

The financial market business experienced diversified growth, with revenue increasing by nearly seven times during the Reporting Period. In particular, the Company gradually developed its bill business, added the Hong Kong stock quantitative trading and other innovative business, and actively promoted the development of risk neutral business.

The Company consolidated the strength of asset management business and enhanced product quality and marketing capability. The Company strengthened its investment research capabilities, optimized and updated its product lines, was successfully granted the domestic (R)QFII qualification and the license for type 4 regulated activity issued by the SFC; continued to develop its asset management business for corporate and institutional customers, and cooperated with peers in the institutional investment advisory business.

Development plan and outlook

In the future, Orient Securities International will continue to focus on the operational characteristics of its securities business in Hong Kong and the needs of its target customers, comprehensively and steadily promote the integration of the Group's domestic and overseas operations, support the cross-border extension of the Group's businesses, strengthen the three lines of defence for compliance risk management, adjust the investment business model, improve asset quality, further consolidate the foundation of intermediary interest- and fee-based business and continue to enhance its core competitiveness for international development.

Section III Report of the Board

Financial technology

Market environment

At present, China's economy is changing from high-speed development to high-quality development, and the report of the 20th National Congress of the Chinese Communist Party clearly proposes to accelerate the development of the digital economy. The release of the "14th Five-Year Plan for Technological Development of the Securities and Futures Industry" and the "Financial Technology Development Plan (2022-2025)" provided strategic guidelines for the digital transformation of the securities industry. In 2021, the securities industry invested RMB33.820 billion in information technology, representing a year-on-year increase of 28.7% and accounting for 7.7% of operating revenue in 2020. The increasing investment in information technology has laid a solid foundation for the industry's digital transformation and high-quality development.

Operation initiatives and business development

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

The Company facilitated business development and formed the dual drivers and in-depth integration of technology and business. For proprietary investment business, the proprietary platform assisted the commencement of the bond market making business on the SSE and the SZSE, enabled full coverage of the bond spot trading model in the interbank market and fully realized the independent research and development of trading. For wealth management business, the company steadily constructed a new generation core business system, built a unified technical architecture, ensured security and stability, and launched the new generation account system in December 2022. The Orient Speed Trading (OST) system, the industry leading customised ultra high-speed trading system, ranked among the top in the market in terms of trading speed. For quantitative ecosystem, through overall planning, the Company integrated quantitative investment research and big data platform resources to build a new ecosystem of quantitative trading through interconnection of the Group's digital business. Meanwhile, the Company launched the Octopus Internet APP to promote the integration of securities and futures trading, which initially formed a quantitative ecosystem with data and algorithms as the core; promoted the construction of investment and research big data, and provided more comprehensive and in-depth specialised investment research customer services through the data middle platform and the "Fanwei" big data platform system.

Section III Report of the Board

The Company improved the level of digital management. The Company enhanced its management risk control capability, facilitated the construction of the smart anti-money laundering management and control integrated system, and further improved the collective and intelligent operation of the risk management system. The Company also deepened the construction of its IT digital management platform with the cockpit providing basis of management decisions; and realized full lifecycle data control coverage for data governance.

The Company implemented middle platform strategy. The Company ensured the successful implementation of the “thick middle platform and thin application” strategy through the capability sharing center, promoted the innovation of its independent research service governance framework and R&D integration application, continued to empower digital transformation of business with the support of artificial intelligence, blockchain and other innovative technology middle platforms, and completed the construction of full-chain service function for the data middle platform.

The Company strengthened information security. The Company optimised the layout of its data center and successfully completed the relocation of its Jinqiao data center, thus simultaneously reducing costs and increasing efficiency while promoting business development; gradually realized systematic intelligent operation maintenance, further enhancing the ability of automatic problem identification and operation maintenance.

During the Reporting Period, the Company’s project of “Intelligent Empowerment and Innovative Development – Construction and Application of Collective Risk Management System for Financial Enterprises in the Era of Digital Intelligence” won the first prize in the Yangtze River Delta Region Digital Empowerment High-Quality Development Staff Labour and Skills Competition in Shanghai, the projects of “Business Middle Platform Based on IT Innovation Framework” and “Cloud-based Application of IT Innovation” won the Award of Excellence in the 8th Securities and Futures Science and Technology Awards, and the project of “Research on the Application of Machine Learning in Investment Portfolio Risk Control” was recognized as the 2021 outstanding project by Securities Association of China.

Development plan and outlook

In the future, the Company will facilitate the implementation of the “3+1” strategic plan and uphold the concept of digital transformation and integrated development driven by both technology and business. It will innovate the integration mechanism, promote cross-functional flexible collaboration and internal and external integration; empower business development driven by both technology and business and develop core competitiveness; promote management transformation and strengthen the construction of digital management system; and promote the middle platform strategy and implement the application of shared middle platform. The Company will develop its technological competitiveness based on its technological strength to support business development and achieve new growth in the course of continuous economic recovery.

Section III Report of the Board

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

1. *Total revenue, other income and net gains and losses*

During the Reporting Period, the Group realized total revenue, other income and net gains and losses of RMB23.107 billion, down by RMB5.455 billion or 19.10% over the same period of last year. The change in revenue and other income was mainly attributable to the decrease in investment income from the Company's equity proprietary business, decrease in fee income from asset management and other businesses and decrease in income from sales of bulk commodities by our subsidiaries during the Reporting Period. Details were as follows:

Commission and fee income amounted to RMB8.879 billion, accounting for 38.42% of the total and representing a decrease of 14.62%, which was primarily attributable to the decrease in commission income from asset management, securities brokerage and other businesses of the Company.

Interest income amounted to RMB5.686 billion, accounting for 24.61% of the total and representing a decrease of 4.94%, which was primarily attributable to the decrease in interest income from advances to customers and interest income from debt instruments at fair value through other comprehensive income.

Net investment gains amounted to RMB1.900 billion, accounting for 8.22% of the total and representing a decrease of 42.44%, which was primarily attributable to the decrease in net investment gains from financial assets at fair value through profit or loss of the Company.

Other income, gains and losses, net amounted to RMB6.643 billion, accounting for 28.75% of the total and representing a decrease of 25.20%, which was primarily attributable to the decrease in income from sales of bulk commodities of subsidiaries.

Section III Report of the Board

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

Unit: '000 Currency: RMB

Items	2022		2021		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Commission and fee income	8,878,552	38.42%	10,399,067	36.41%	(1,520,515)	-14.62%
Interest income	5,685,794	24.61%	5,981,386	20.94%	(295,592)	-4.94%
Net investment gains	1,900,081	8.22%	3,301,001	11.56%	(1,400,920)	-42.44%
Other income, gains and losses, net	6,642,936	28.75%	8,881,348	31.09%	(2,238,412)	-25.20%
Total revenue, other income and net gains and losses	23,107,363	100.00%	28,562,802	100.00%	(5,455,439)	-19.10%

2. Total expenses

During the Reporting Period, total expenses of the Group amounted to RMB20.395 billion, down by RMB3.305 billion or 13.94% year-on-year, which was mainly attributable to the decrease in business expenses such as interest expenses and staff costs related to operating activities and the decrease in cost of sales of bulk commodity by our subsidiaries. Details were as follows:

Staff costs were RMB4.638 billion, down by 7.13%, which was mainly attributable to the decrease in remuneration expense related to business income.

Interest expenses were RMB4.046 billion, down by 10.45%, which was mainly attributable to the decrease in interest expenses for bonds payable.

Commission and fee expenses were RMB0.844 billion, down by 15.45%, which was mainly attributable to the decrease in fee expenses from securities brokerage business.

Depreciation and amortization expenses were RMB0.778 billion, up by 8.06%, which was mainly attributable to the increase in depreciation of fixed assets and right-of-use assets and amortization of intangible assets.

Other operating expenses, including operation expenses, and tax and surcharges, were totally RMB9.037 billion, down by 18.99%, which was mainly attributable to the decrease in cost of sales of products by our subsidiaries.

Section III Report of the Board

Other impairment losses amounted to RMB0.219 billion, which was mainly due to the provision for impairment of investment in associates during the period.

Impairment losses under expected credit loss model, net of reversal amounted to RMB0.833 billion, down by 36.59%, which was mainly attributable to the decrease in provision for credit impairment loss of stock pledge repurchase business.

The components of total expenses of the Group in 2022 are set out as follows:

Unit: '000 Currency: RMB

Item	2022	2021	Changes	
			Amount	Proportion
Staff costs	4,638,113	4,994,030	(355,917)	-7.13%
Interest expenses	4,045,617	4,517,636	(472,019)	-10.45%
Commission and fee expenses	844,499	998,871	(154,372)	-15.45%
Depreciation and amortization	778,054	719,989	58,065	8.06%
Other operating expenses	9,037,388	11,155,792	(2,118,404)	-18.99%
Other impairment losses	218,726	0	218,726	—
Impairment losses under expected credit loss model, net of reversal	832,930	1,313,633	(480,703)	-36.59%
Total	20,395,327	23,699,951	(3,304,624)	-13.94%

Section III Report of the Board

3. Research and development investment

(1) Table of research and development investment

Unit: '000 Currency: RMB

Expenses of research and development investment of current period	375,786
Capitalized research and development investment of current period	116,719
Total research and development investment	492,505
Percentage of research and development investment of revenue (%)	2.13
Percentage of capitalized research and development investment (%)	23.70

(2) Table of research and development staff

Number of research and development staff of the Company	287
Percentage of staff of research and development of the total number of staff of the Company (%)	3.42
Educational background of research and development staff	
Education level	Number of staff
Doctor	8
Master	170
Bachelor	108
Junior college graduate	1
High school and below	0
Age distribution of research and development staff	
Age group	Number of staff
Below 30 (excluding 30)	44
30-40 (including 30 but excluding 40)	175
40-50 (including 40 but excluding 50)	58
50-60 (including 50 but excluding 60)	10
60 and above	0

4. Contribution to social welfare

In 2022, the Group invested a total of RMB24.7725 million in charitable donations and other public welfare activities.

Section III Report of the Board

5. Cash flow

During the Reporting Period, the Company recorded RMB3.902 billion net increase in cash and cash equivalents, including:

- (1) Net cash from operating activities amounted to RMB19.762 billion, which was mainly attributable to:
 - i. RMB33.029 billion of net cash inflow was attributable to increase in account payables to brokerage clients;
 - ii. RMB10.062 billion of net cash inflow was attributable to decrease in financial assets at fair value through profit or loss and derivative financial assets;
 - iii. RMB6.412 billion of net cash inflow was attributable to decrease in advance to financing customers and reverse repurchase agreements;
 - iv. RMB32.979 billion of net cash outflow was attributable to increase in cash and clearing settlement funds restricted or held on behalf of customers.
- (2) Net cash used in investment activities was RMB16.021 billion, which was primarily attributable to:
 - i. RMB19.764 billion of net cash outflow as a result of investment and disposal of financial investment;
 - ii. Net cash inflow of RMB3.644 billion as a result of receipt of investment dividend and interest.
- (3) Net cash from financing activities amounted to RMB0.161 billion, which was mainly attributable to:
 - i. Net cash inflow of RMB12.621 billion as a result of share issuance;
 - ii. Net cash outflow of RMB6.831 billion as a result of issuance, borrowing and repayment of debt securities issued, short-term financing bills payables, income certificates designated at fair value through profit and loss and borrowings;
 - iii. Net cash outflow of RMB5.252 billion as a result of interest paid on debt securities issued, short-term financing bill payables and income certificates designated at fair value through profit and loss, borrowings and dividends to shareholders and holders of perpetual bonds.

(iii) During the Reporting Period, the Company did not record any material change in profit as a result of non-major operations.

Section III Report of the Board

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

1. Overview of consolidated statement of financial position

As at the end of the Reporting Period, the Group achieved total assets of RMB368.067 billion, total liabilities of RMB290.669 billion and total equity of RMB77.398 billion. Analysis on items of consolidated statement of financial position is set out below:

Unit: '000 Currency: RMB

Items	As of the end of 2022		As of the end of 2021		Changes	
		Proportion		Proportion	Amount	Proportion
Total assets	368,066,959		326,599,622		41,467,337	12.70%
Cash and bank balances	121,862,060	33.11%	90,555,816	27.73%	31,306,244	34.57%
Clearing settlement funds	29,106,272	7.91%	25,472,872	7.80%	3,633,400	14.26%
Deposits with exchanges and financial institutions	4,343,234	1.18%	2,655,369	0.81%	1,687,865	63.56%
Derivative financial assets	1,017,334	0.28%	279,902	0.09%	737,432	263.46%
Placements to banks and financial institutions	0	0.00%	382,833	0.12%	(382,833)	-100.00%
Advance to customers	19,498,899	5.30%	24,344,922	7.45%	(4,846,023)	-19.91%
Account receivables	908,399	0.24%	1,011,537	0.31%	(103,138)	-10.20%
Reverse repurchase agreements	8,610,881	2.34%	11,502,955	3.52%	(2,892,074)	-25.14%
Financial assets at fair value through profit or loss	83,763,730	22.76%	90,584,006	27.73%	(6,820,276)	-7.53%
Debt instruments at fair value through other comprehensive income	76,862,096	20.88%	58,599,581	17.94%	18,262,515	31.16%
Equity instruments at fair value through other comprehensive income	3,721,658	1.01%	4,138,153	1.27%	(416,495)	-10.06%
Debt instruments measured at amortized cost	3,164,972	0.86%	3,594,039	1.10%	(429,067)	-11.94%
Deferred tax assets	1,908,541	0.52%	1,438,838	0.44%	469,703	32.64%

Section III Report of the Board

Unit: '000 Currency: RMB

Items	As of the end of 2022		As of the end of 2021		Changes	
		Proportion		Proportion	Amount	Proportion
Investments in associates	6,241,920	1.70%	6,553,668	2.01%	(311,748)	-4.76%
Right-of-use assets	639,915	0.17%	774,013	0.24%	(134,098)	-17.33%
Investment properties	265,583	0.07%	352,411	0.11%	(86,828)	-24.64%
Property and equipment	2,130,467	0.58%	2,234,866	0.68%	(104,399)	-4.67%
Other intangible assets	246,043	0.07%	250,647	0.08%	(4,604)	-1.84%
Goodwill	32,135	0.01%	32,135	0.01%	0	0.00%
Other assets, other receivables and prepayments	3,742,820	1.01%	1,841,059	0.56%	1,901,761	103.30%
Total liabilities	290,668,670		262,456,516		28,212,154	10.75%
Placements from banks and financial institutions	8,352,456	2.87%	8,485,677	3.23%	(133,221)	-1.57%
Short-term financing bills payable	8,300,603	2.86%	7,096,803	2.70%	1,203,800	16.96%
Account payables to brokerage clients	123,041,420	42.33%	90,012,125	34.30%	33,029,295	36.69%
Repurchase agreements	62,299,523	21.43%	62,741,993	23.91%	(442,470)	-0.71%
Financial liabilities at fair value through profit or loss	18,539,311	6.38%	16,588,356	6.32%	1,950,955	11.76%
Derivative financial liabilities	308,446	0.11%	733,829	0.28%	(425,383)	-57.97%
Contract liabilities	64,505	0.02%	91,413	0.03%	(26,908)	-29.44%
Current tax liabilities	233,603	0.08%	638,543	0.24%	(404,940)	-63.42%
Accrued staff costs	2,129,721	0.73%	2,431,922	0.93%	(302,201)	-12.43%

Section III Report of the Board

Unit: '000 Currency: RMB

Items	As of the end of 2022		As of the end of 2021		Changes	
		Proportion		Proportion	Amount	Proportion
Borrowings	2,008,823	0.69%	558,645	0.21%	1,450,178	259.59%
Lease liabilities	645,777	0.22%	781,842	0.30%	(136,065)	-17.40%
Debt securities issued	55,802,403	19.20%	67,509,217	25.72%	(11,706,814)	-17.34%
Deferred tax liabilities	77,936	0.03%	19,202	0.01%	58,734	305.87%
Other liabilities	8,864,143	3.05%	4,766,949	1.82%	4,097,194	85.95%
Total equity	77,398,289		64,143,106		13,255,183	20.67%

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

2. Assets

As at the end of the Reporting Period, the Group's total assets reached RMB368.067 billion, an increase of RMB41.467 billion or 12.70% from the end of last year, which was mainly attributable to the increase in cash and bank balance and debt instruments at fair value through other comprehensive income. In the Group's assets, cash and bank balances, clearing settlement funds, deposits with exchanges and financial institutions and placements to banks and financial institutions amounted to RMB155.312 billion, an increase of RMB36.245 billion from the end of last year, accounting for 42.20% of total assets. Financial investment and derivative financial assets amounted to RMB168.530 billion, an increase of RMB11.334 billion from the end of last year, accounting for 45.79% of total assets. Advance to financing customers, financial assets held under resale agreements and account receivables amounted to RMB29.018 billion, a decrease of RMB7.841 billion from the end of last year, accounting for 7.88% of total assets. Long-term equity investment, fixed assets and others amounted to RMB15.207 billion, an increase of RMB1.730 billion from the end of last year, accounting for 4.13% of total assets. During the Reporting Period, the Company maintained stable asset scale with rational structure and sufficient liquidity.

Section III Report of the Board

3. Liabilities

As at the end of the Reporting Period, the Group's total liabilities reached RMB290.669 billion, an increase of RMB28.212 billion or 10.75% from the end of last year. The gearing ratio, net of account payables to brokerage clients, was 68.41%, a decrease of 4.48 percentage points from the end of last year. In the Group's liabilities, borrowings, short-term financing bills payables, funds due to banks and other financial institutions, bonds payable and repurchase agreements amounted to RMB136.764 billion, a decrease of RMB9.629 billion from the end of last year, accounting for 47.05% of total liabilities. Financial liabilities held for trading and derivative financial liabilities amounted to RMB18.848 billion, an increase of RMB1.526 billion from the end of last year, accounting for 6.49% of total liabilities. Account payables to brokerage clients amounted to RMB123.041 billion, an increase of RMB33.029 billion from the end of last year, accounting for 42.33% of total liabilities. Accrued staff cost, current tax liabilities, contractual liabilities and others amounted to RMB12.016 billion, an increase of RMB3.286 billion from the end of previous year, accounting for 4.13% of total liabilities.

4. Borrowings and bond financing

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB74.464 billion. Set out below is the breakdown of borrowings and bond financing of the Company as at the end of the Reporting Period:

Unit: '000 Currency: RMB

	As of the end of 2022	As of the end of 2021
Debt securities issued	55,802,403	67,509,217
Borrowings	2,008,823	558,645
Short-term financing bills payables	8,300,603	7,096,803
Due to banks and other financial institutions	8,352,456	8,485,677
Total	74,464,285	83,650,342

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 41, 42, 48 and 50 to the consolidated financial statements herein.

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

Section III Report of the Board

5. *Overseas assets*

The Company has overseas assets of RMB13.008 billion, accounting for 3.53% of the total assets.

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

In accordance with relevant requirements of the Measures for the Administration of Overseas Establishment and Acquisition of, and Shareholding in, Operating Institutions of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》), the transactions between the Company and its overseas subsidiaries are as follows: as of the end of 2022, the Company's internal transactions with its overseas subsidiaries in both asset and liability items amounted to RMB34 million, involving accounts receivable, other assets, payments for agency securities sales and other liabilities.

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

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

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

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

Section III Report of the Board

(vi) Analysis on industrial operations

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

(1) *Capital change in subsidiaries*

In July 2021, the Company planned to reduce the registered capital of Orient Securities Capital Investment, a wholly-owned subsidiary, by RMB950 million due to the Company's business development needs. In March 2022, after reassessment by the Company and consideration and approval at the president office meeting, in order to further facilitate the business development of Orient Securities Capital Investment and expand the scale of asset management, and taking into account the operational situation and capital requirements of Orient Securities Capital Investment, it was decided that the aforesaid plan to reduce the capital of Orient Securities Capital Investment by RMB950 million shall be terminated and the existing registered capital of Orient Securities Capital Investment shall remain unchanged at RMB4 billion.

In June 2022, the Company increased capital contribution of RMB0.5 billion to Orient Futures, a wholly-owned subsidiary and completed registration of industrial and commercial change of Orient Futures. Since then, the registered capital of Orient Futures has been changed from RMB2.8 billion to RMB3.3 billion. Such matter was considered and approved at the Board meeting and president office meeting of the Company. The purpose of capital injection is to enhance the overall competitiveness of Orient Futures, expand the scale of investment and operation, broaden business channels, replenish the net capital of the futures company and meet the needs of development plan.

In August 2022, the Company increased capital contribution of RMB0.5 billion to Orient Futures, a wholly-owned subsidiary and completed registration of industrial and commercial change of Orient Futures. Since then, the registered capital of Orient Futures has been changed from RMB3.3 billion to RMB3.8 billion. Such matter was considered and approved at the Board meeting and president office meeting of the Company. The purpose of investment is to further strengthen the market competitiveness of Orient Futures, ensure the steady business development of the futures company, consolidate its capital strength and provide strong support to Orient Futures to become a top-tier derivatives service provider.

Section III Report of the Board

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

During the Reporting Period, the Company established two new securities branches, and the total number of securities branches of the Company was 179 branches. The table below sets out the details of newly established branches:

Name of branche	Address of branche (in China)	Date of grant of license
DFZQ Lvliang Binhe South Middle Road Securities Branch	Room 203, 2/F, Block 1, No. 238 Binhe South Middle Road (Upper level of the North Gate of Municipal Communist Party Committee), Binhe Subdistrict, Lishi District, Lvliang, Shanxi Province	November 7, 2022
DFZQ Kaifeng Zhengkai Avenue Securities Branch	Part of 1/F and 2/F, Block A, Dichen World Expo Plaza, No. 28 Zhengkai Avenue, Longting District, Kaifeng, Henan Province	November 22, 2022

Section III Report of the Board

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

During the Reporting Period, the Company established one subsidiary and four futures branches, and has 39 securities branches as of the end of the Reporting Period. The table below sets out the details of newly established branches:

Name of branche	Address of branche (in China)	Date of establishment
Fujian Branch of Orient Futures Co., Ltd	Unit 01, 27/F, Xiamen Fortune Center, No. 100 Lujiang Avenue, Siming District, Xiamen, Fujian Province	January 10, 2022
Fuzhou Outlet of Orient Futures Co., Ltd	Room 1005 and 1006, Building #1, New Qiaolian Plaza, No. 106 Wuyi North Road, Dongjie Subdistrict, Gulou District, Fuzhou, Fujian Province	September 13, 2022
Taizhou Outlet of Orient Futures Co., Ltd	No. 396 Yunxi Road, Jiazhi Subdistrict, Jiaojiang District, Taizhou, Zhejiang Province	October 17, 2022
Wuhan Outlet of Orient Futures Co., Ltd	Unit 6, 14/F, Building T2, Block T2-P3, No. 17 Jingwu Road (Phase III of Yuexiu International Finance Center), Jiangnan District, Wuhan, Hubei Province	October 25, 2022
Nanjing Hanzhong Road Outlet of Orient Futures Co., Ltd	Room E-1, 12/F, No. 1 Hanzhong Road, Qinhuai District, Nanjing, Jiangsu Province	October 27, 2022

Section III Report of the Board

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

DFZQ Shanghai Qingpu District East Garden Road Securities Branch was relocated within the same city. The branch was relocated from Block D, No. 1606 East Garden Road, Qingpu District, Shanghai, the PRC to No. 291 Wushebang Road (street-facing shop at 1/F of Block 3) and No. 289 Wushebang Road (Room 103 at 1/F of Block 4), Qingpu District, Shanghai, the PRC. The name of the branch was changed to DFZQ Shanghai Qingpu District Wushebang Road Securities Branch.

DFZQ Chongqing Times Paradise Street Securities Branch was relocated within the same city. The branch was relocated from Units 18-4 & 18-5, Building 1, No. 2 Times Paradise Street, Yuzhong District, Chongqing, the PRC to Unit 28-35 and 38-41, No. 36 Jinzhou Avenue, New North Zone, Chongqing, the PRC. The name of the branch was changed to DFZQ Chongqing Jinzhou Avenue Securities Branch.

DFZQ Yiwu Securities Branch was relocated within the same city. The branch was relocated from Room 103, 1/F and Room 301 & 303, 3/F, No. 113 Gongren West Road, Yiwu, Zhejiang Province, the PRC to No. 36 and No. 38 Jiangbin Middle Road and 1-2 Floor (self-named), No. 854 Qingyun Street, Choucheng Subdistrict, Yiwu, Zhejiang Province, the PRC. The name of the branch was changed to DFZQ Yiwu Jiangbin Middle Road Securities Branch.

DFZQ Nantong Gongnong Road Securities Branch was relocated within the same city. The branch was relocated from No. 181, 183, 185 Gongnong Road, Nantong, Jiangsu Province, the PRC to No. 60-1 Renmin Middle Road, Nantong, Jiangsu Province, the PRC. The name of the branch was changed to DFZQ Nantong Renmin Middle Road Securities Branch.

DFZQ Hangzhou Wuxing Road Securities Branch was relocated within the same city. The branch was relocated from Room 201, Unit 1, Block 6, Fanhai International Center, No. 185 Wuxing Road, Jianggan District, Hangzhou, Zhejiang Province, the PRC to Room 1302 and 1303, Tower B, Hualian Times Building, Shangcheng District, Hangzhou, Zhejiang Province, the PRC. The name of the branch was changed to DFZQ Hangzhou Xinye Road Securities Branch.

Section III Report of the Board

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

Qingdao Outlet of Orient Futures Co., Ltd was relocated within the same city. The outlet was relocated from Room 1501, Unit 1, Building 2, No. 69, Haimen Road, Shinan District, Qingdao, Shandong Province, the PRC to Room 3006, Building D3, No. 6 Shandong Road, Shinan District, Qingdao, Shandong Province, the PRC. The name of the outlet remains unchanged.

Taiyuan Outlet of Orient Futures Co., Ltd was relocated within the same city. The outlet was relocated from No. 1023, 1024, 1025 & 1026, 10/F, Tower 1, Hexin Commercial Plaza, No. 705, Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC to 1402-2, 14/F, Unit 1, Block 1, No. 1 Jifu Road, Jinyuan District, Taiyuan, Shanxi Province, the PRC. The name of the outlet remains unchanged.

Suzhou Outlet of Orient Futures Co., Ltd was relocated within the same city. The outlet was relocated from Room 3602, Block 2, Oriental Gate Building, No. 199 Xinggang Street, Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone Suzhou Area to Room 3602-1, Block 2, Oriental Gate Building, No. 199 Xinggang Street, Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone Suzhou Area. The name of the outlet remains unchanged.

2. *Specific explanation on account standardization*

In strict compliance with the relevant requirements on account management by the CSRC and China Securities Depository and Clearing Corporation Limited, the Company further optimized its long-term account management mechanism, and made further standardized clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which had been put in separated reserve category. In 2022, the Company has totally standardized 13 unqualified capital accounts, 8 unqualified securities accounts; 1,011 activated small-amount-dormant capital accounts, 1,758 activated small-amount-dormant securities accounts; 21 activated dormant capital accounts without risk management, and 16 activated dormant securities accounts without risk management, all of which have been put in separated reserve category.

As of the end of the Reporting Period, the Company had 2,928,805 capital accounts and 4,805,837 securities accounts, of which 2,437,631 and 4,234,302 were qualified capital accounts and qualified securities accounts respectively, 10,245 and 1,190 were unqualified capital accounts and unqualified securities accounts respectively, 447,334 and 555,999 were small-amount-dormant capital accounts and small-amount-dormant securities accounts respectively, and 33,595 and 14,346 were dormant capital accounts without risk management and dormant securities accounts without risk management respectively.

Section III Report of the Board

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

1) *Analysis on development of innovative business*

The Company adheres to the strategy of innovation-driven development and takes it as an important way to realize the goal of its strategic plan. During the Reporting Period, the Company carried out in-depth innovative business and achieved favourable results:

1. The innovative businesses of the Company have developed brand influence. During the Reporting Period, the Company's asset management business continued to lead the industry in terms of net income and established sound market reputation for the "Dong Fang Hong (東方紅)" brand, and Orient Securities Asset Management became the first wealth management securities firm in the industry to introduce Y-type personal pension funds and launch a personal pension system. China Universal successfully issued the China Securities Shanghai, Hong Kong and Shenzhen Zhangjiang Proprietary Innovation 50ETF, the China Securities Shanghai Environment and Energy Exchange Carbon Neutrality ETF and other innovative products, which continued to demonstrate its innovative capability and brand influence. The Company strengthened innovation in fixed income business, carried out active expansion to cover all products of FICC business, and completed the issuance of China Three Gorges Corporation "G Three Gorges EB2", the first green technology innovation exchangeable corporate bond, and the "Pudong Development Bank 2022 Financing Bonds (First Tranche)", the first property project merger and acquisition bond in China. By leveraging the strengths of research and technology, Orient Futures increased its efforts in customer development and developed innovative customer service models through mobile internet. The Company also actively advanced transformation for wealth management business, took the lead in exploring the fund investment advisory outreach cooperation model, and became one of the first securities firms with a total service size of over RMB10 billion in fund investment advisory business.

Section III Report of the Board

2. The Company obtained numerous awards for its innovative business. During the Reporting Period, the Company won various awards for its innovative business. In particular, in the 2022 interbank local currency market awards released by the National Interbank Lending Center, the Company won 12 awards, including the “Bond Underwriting and Distribution (Underwriter) Innovation Award”, “Derivatives Innovation Award”, “Automated Trading Innovation Award” and “Cross-border Service Innovation Award”, leading the industry, establishing a leading position in the industry. The Company was recognized as an “Outstanding Innovative Business Promoter” in the 2022 annual assessment of high-quality development of clearing business by Shanghai Clearing House. The Company also won numerous underwriting and market-making awards for policy bank financial bonds by China Development Bank, Agricultural Development Bank of China and The Export-Import Bank of China in 2022. In the 2022 Shanghai Corporate Management Modernisation and Innovation Awards, the Company won the first prize for its “Sustainable Development Management of Securities Firms under the Goal of Carbon Peaking and Carbon Neutrality”, as well as four second prizes and one third prize.
3. The Company further expanded its qualifications for innovative business. As a comprehensive securities firm, the Company has a complete set of business qualifications and licenses. In the past two years, the Company has achieved remarkable results in its application for innovative business qualifications. The Company has been granted innovative business qualifications in fund investment advisory, primary market maker for listed funds, credit derivatives, market making for futures and options trading, QDII, settlement and sale of foreign exchange, and foreign exchange agency business. During the Reporting Period, the Company was also qualified as a market maker for the Science and Technology Innovation Board, becoming one of the first eight securities firms to be approved. It was also qualified as a primary market maker or market maker for SZSE 100 ETF, CFFEX SSE 50 Index Futures, GFEX Industrial Silicon Futures and Options and SHFE Silver Futures, and was qualified to sell personal pension funds, which further enhanced its ability to provide comprehensive financial services to customers.

Section III Report of the Board

4. The Company properly advanced in fintech and drove growth through innovation. The Company adhered to the technology development concept of matching technology with the scale, strength, business and management capabilities of the Company and properly spearheading the development of technology to give full play to the leading role of fintech in the Company's operation and development. During the Reporting Period, the Company was awarded the "First Prize for Outstanding Member of the Year" and "Outstanding Working Group of the Year" by the Securities and Fund Industry Information Technology Application Innovation Alliance for its outstanding performance in information technology application innovation. The "Digital RMB Innovation Pilot Project" and "Integrated Industry Solutions for Commercial Cryptography, Information Technology Application Innovation and IPv6 Services Based on SSE Cloud" led by the Company were recognized as the first batch of the "Capital Market Financial Technology Innovation" pilot projects. The "Cloud-based Application of Information Technology Innovation" and "Business Middle Platform Based on the Architecture of Information Technology Application Innovation" won the Securities and Futures Science and Technology Excellence Award. The project of "A New Generation of Institutional Trading Service Platform based on Distributed Architecture" won the third prize in the "Financial Technology Development Award" of the People's Bank of China.

2) *Risk control for innovative business*

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

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

Section III Report of the Board

In terms of management procedures, the Company further improved the synchronous risk management system of innovative business, and closely kept up with the compliance and risk management of its innovative business. The Company also established a new assessment and verification mechanism of innovative business to keep track of the entire process of framework design, innovation declaration and business development of innovative business.

In terms of risk identification and assessment, the Company earnestly performed its duties for risk verification of innovative products, and formulated independent professional risk verification opinions on option pricing, hedging strategies and other aspects for products including income certificates of OTC options and embedded options, so as to ensure the smooth development of complicated financial derivatives business.

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

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

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

1) Establishment of dynamic monitoring mechanism of risk control indicators

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

Section III Report of the Board

The Company has set risk monitoring positions for all business lines and its overall indicators. Each of the positions has been allocated with explicit works and clear duties. With the monitoring system for various businesses and the dynamic monitoring mechanism for risk control indicators as its working platform, the Company has conducted dynamic monitoring and pre-warning on unusual changes and triggering issues of relevant risk control indicators, prepared risk management reports on a regular and irregular basis and kept track of the rectifications of the risks involved.

2) *Capital replenishment mechanism*

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

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

Section III Report of the Board

3) *Establishment of stress testing mechanism*

The Company has established the regular stress testing mechanism and conducts comprehensive stress tests and special stress tests on a regular or irregular basis based on market changes, business scale and risk levels to ensure its risks are measurable, controllable and tolerable in various stress scenarios, so as to ensure the sustainable operation of the Company. The Company has specified in the rules and regulations that a special or comprehensive stress test is required to be conducted when the risk control indicators such as net capital and liquidity may experience material adverse changes or may approach the triggering level due to major external investment or acquisition, major external guarantee, major fixed asset investment, profit distribution or other capital expenditure, negative adjustment to the ratings of securities firms, concentrated maturity or redemption of liabilities or other relevant activities, or when the Company needs to determine the scale of significant business or commence significant innovative business or internal or external material risks are expected to or have occurred. Furthermore, suggestions on adjustment to business scale based on the analysis of testing results and the Company's risk tolerance should be provided for the reference of the management when making decisions.

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

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

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

Section III Report of the Board

5. Explanations on financing

(1) Financing channels of the Company

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

(2) Analysis on financing capability

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

During the Reporting Period, the Company raised RMB12,715 million by means of equity financing through rights issue of A Shares and H Shares. In addition, the Company has carried out many forms of debt financing, mainly including credit lending, bonds repurchase, income certificates, short-term financing bills, short-term corporate bonds, subordinated bonds, corporate bonds and offshore bonds. For details of the issuance of various debt financial instruments by the Company, please refer to "Section VII, II, Issuance and Listing of Securities".

(3) The Company's liabilities structure

Please refer to "Section III, (iv) Analysis on principal components of consolidated statement of financial position".

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

By adhering to the unified capital management and operation, the Company continuously strengthens the establishment of capital management system through collectivized management of the allocation of funds. Meanwhile, it conducts a layered allocation of liquidity assets based on its realization ability to constantly improve its capability to withstand various liquidity impacts.

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

Section III Report of the Board

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

The Company continuously improved its liquidity risk management monitoring system and strengthened the monitoring approaches in terms of risk exposure and cash flow so as to increase the effectiveness of daily monitoring and enable front-end management of liquidity risk coverage ratio and net stable funding ratio. The Company put emphasis on strengthening intraday liquidity risk management to guarantee sufficient intraday liquidity position and meet the payment and settlement requirements under normal and stress scenarios. During the Reporting Period, the Company maintained sufficient liquidity assets reserves and continuously complied with relevant requirements regarding liquidity risk regulatory indicators.

(vii) Analysis on investments

Overall analysis on external equity investments

As at the end of the Reporting Period, investment in associates of the Group amounted to RMB6.242 billion, representing a decrease of 4.76% from the beginning of the year. During the Reporting Period, the Group decreased cost of investment in associates by RMB0.221 billion, recorded share of results of associates of RMB0.666 billion and made provision for impairment of RMB0.219 billion, and the associates declared cash dividend or profit of RMB0.613 billion. For details of investment in subsidiaries, please refer to Note 37 to the consolidated financial statements herein.

1. During the Reporting Period, the Company had no material equity investments.
2. During the Reporting Period, the Company had no material non-equity investments.
3. During the Reporting Period, there was no material investment held by the Group or future plans for material investments or capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at the end of the Reporting Period.

Section III Report of the Board

4. Financial assets at fair value

Unit: '000 Currency: RMB

Items	Investment cost as at the end of the year	Book value as at the end of the year	Net amount purchased or sold during the year	Change in fair value during the year	Investment income during the year
1. Financial assets at fair value through profit or loss	82,497,972	83,763,730	(5,449,429)	(1,117,663)	(5,030)
2. Debt instruments at fair value through other comprehensive income	76,262,828	76,862,096	19,245,232	(1,213,166)	1,336,190
3. Equity instruments at fair value through other comprehensive income	3,161,281	3,721,658	(701,758)	285,263	335,222
4. Derivative financial instruments	24,471	708,888	61,274	911,214	571,379

(viii) Material assets and equity disposal

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

(ix) Analysis on major subsidiaries and associates

1. Orient Futures Co., Ltd, with a registered capital of RMB3.8 billion, is 100% owned by the Company. As at December 31, 2022, total assets of Orient Futures amounted to RMB109.393 billion, and its net assets amounted to RMB6.210 billion. In 2022, its operating income (income from principal business) amounted to RMB8.128 billion, the profit from principal business amounted to RMB0.816 billion, and the net profit amounted to RMB0.618 billion.

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

Section III Report of the Board

2. Orient Securities Capital Investment Co., Ltd., with a registered capital of RMB4.0 billion, is 100% owned by the Company. As at December 31, 2022, total assets of Orient Securities Capital Investment amounted to RMB5.028 billion, and its net assets amounted to RMB4.968 billion. In 2022, its operating income amounted to RMB0.207 billion, and the net profit amounted to RMB0.068 billion.

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

3. Shanghai Orient Securities Asset Management Co., Ltd., with a registered capital of RMB0.3 billion, is 100% owned by the Company. As at December 31, 2022, total assets of Orient Securities Asset Management amounted to RMB5.136 billion, and its net assets amounted to RMB3.703 billion. In 2022, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB2.730 billion, RMB0.984 billion and RMB0.828 billion, respectively.

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

4. Orient Securities Investment Banking Co., Ltd., with a registered capital of RMB0.8 billion, is 100% owned by the Company. As at December 31, 2022, total assets of Orient Investment Banking amounted to RMB2.557 billion, and its net assets amounted to RMB1.825 billion. In 2022, its operating income and net profit amounted to RMB1.438 billion and RMB0.209 billion, respectively.

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

Section III Report of the Board

5. Shanghai Orient Securities Innovation Investment Co., Ltd. has a registered capital of RMB7.2 billion and is 100% owned by the Company. As at December 31, 2022, total assets of Orient Securities Innovation Investment amounted to RMB8.635 billion, and its net assets amounted to RMB8.348 billion. In 2022, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB0.996 billion, RMB0.769 billion and RMB0.597 billion, respectively.

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

6. Orient Finance Holdings (Hong Kong) Limited has a registered capital of HKD2.754 billion and is 100% owned by the Company. As at December 31, 2022, total assets of Orient Finance Holdings amounted to HKD12.439 billion, and its net assets amounted to HKD1.290 billion. In 2022, its operating income and net loss amounted to HKD-0.676 billion and HKD0.956 billion, respectively.

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

7. China Universal Asset Management Company Limited has a registered capital of RMB0.133 billion and its 35.412% equity interests is held by the Company. As at December 31, 2022, total assets of China Universal amounted to RMB13.548 billion, and its net assets amounted to RMB9.389 billion. In 2022, its operating income (income from principal businesses) amounted to RMB6.787 billion, the profit from principal businesses and net profit was RMB2.825 billion and RMB2.094 billion, respectively.

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

Note: The above data are all based on financial information prepared in accordance with CASBE.

Section III Report of the Board

(x) Structured Entities Controlled by the Company

When determining whether to consolidate structured entities, the Company considers total variable returns from such structured entities attributable to the companies within the consolidation scope, the risk exposures and other factors, and has incorporated 28 structured entities into the consolidation scope, including 7 structured entities newly consolidated during the year, and 5 structured entities were excluded due to reasons such as due liquidation and loss of control caused by changes in shareholding.

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

Unit: '000 Currency: RMB

Structured entities incorporated into the consolidation scope	December 31, 2022 or the year of 2022
Total assets	4,903,068
Total liabilities	210,663
Total net assets	4,692,405
Operating income	257,570
Net profit	166,690

Note: The above data are all based on financial information prepared in accordance with CASBE.

(xi) Use of Capital Raised

(1) Rights Issue of A Shares and H Shares

As approved by the CSRC, the Company publicly issued securities (A Shares) through the Rights Issue on April 29, 2022. Deloitte Touche Tohmatsu Certified Public Accountants LLP has verified the proceeds from the Rights Issue of A Shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (22) No. 00203). Based on this capital verification report, it was noted that the Company issued a total of 1,502,907,061 RMB ordinary shares (A Shares) through the Rights Issue at an offer price of RMB8.46 per share. The total amount of proceeds raised was RMB12,714,593,736.06, and after deducting the sponsorship fee and underwriting fee of RMB141,509,433.96 for the public issuance of securities under the Rights Issue, proceeds of RMB12,573,084,302.10 were received. The above proceeds were deposited to the RMB designated account for proceeds from the Rights Issue opened with the China Construction Bank Corporation Shanghai Second Branch (account number: 31050163360009015016) and the RMB designated account for proceeds from the Rights Issue opened with Shanghai Pudong Development Bank Co., Ltd. Waitan Branch (account number: 96550078801600000452). After deducting the issuance expense (excluding value added tax) of RMB147,375,578.12 from the total proceeds from the Rights Issue of A Shares, the actual net proceeds amounted to RMB12,567,218,157.94, i.e. the net issue price per A Share was approximately RMB8.36, and the closing price as quoted on the SSE on April 15, 2022 (i.e. the pricing date) was RMB10.88 per A Share.

Section III Report of the Board

The Company publicly issued overseas listed foreign shares (H Shares) through the Rights Issue on May 20, 2022. Deloitte Touche Tohmatsu Certified Public Accountants LLP has verified the proceeds from the Rights Issue of H Shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (22) No. 00268). Based on this capital verification report, it was noted that the Company issued a total of 82,428 overseas listed foreign shares (H Shares) through the Rights Issue of H Shares at an offer price of HKD10.38 per share. The total amount of proceeds raised was HKD855,602.64, which was equivalent to RMB735,818.27 based on the median exchange rate as published by the People's Bank of China on May 20, 2022. After deducting relevant issuance expense, the actual net proceeds from public issuance of securities under the Rights Issue of H Shares amounted to HKD0, which was equivalent to RMB0 based on the median exchange rate as published by the People's Bank of China on May 20, 2022, i.e. the net issue price per H Share was approximately HKD0, and the closing price as quoted on the Hong Kong Stock Exchange on April 14, 2022 (i.e. the trading day of H Shares on the Hong Kong Stock Exchange before the pricing date) was HKD4.86 per H Share.

The Company successfully completed the Rights Issue of A Shares and H Shares, which provided a favourable capital base for the comprehensive enhancement of its market competitiveness and risk resistance and the development of its investment banking and wealth management businesses. Based on the explanations of use of proceeds as set out in the A Share Rights Issue prospectus and H Share Rights Issue prospectus disclosed by the Company, the proceeds from the Rights Issue will be used mainly for the following purposes:

No.	Investment projects to be financed by the proceeds	Amount	Expected time
1	Investment banking business	Up to RMB6.0 billion	Before December 31, 2026
2	Wealth management and securities financing businesses	Up to RMB6.0 billion	Before December 31, 2023
3	Sales transactions business	Up to RMB3.8 billion	Before December 31, 2023
4	Replenishment of working capital	Up to RMB1.0 billion	Before December 31, 2023
Total		Up to RMB16.8 billion	

Section III Report of the Board

As at the end of the Reporting Period, the details relating to utilization of the proceeds from the Rights Issue of A Shares the Company are set out below: RMB3.0 billion was used for investment banking business, RMB4.0 billion was used for wealth management and securities financing businesses, RMB3.6 billion was used for sales transactions business, and RMB0.967 billion was used for replenishment of working capital, and a total of RMB11.567 billion of the proceeds from the Rights Issue of A Shares was used by the Company. Save for the above use of proceeds, approximately RMB1.057 billion (including the interests of proceeds) of the proceeds raised by the Company remains unused. For details of the utilization of proceeds from the Rights Issue of the Company, please refer to the Special Report of 東方證券股份有限公司 on the Deposit and Actual Use of Proceeds for the Year of 2022 disclosed by the Company on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dfzq.com.cn>) on March 30, 2023.

(2) IPO of H Shares

As approved by the CSRC, the Company issued the overseas listed foreign shares (H Shares) in the Hong Kong Stock Exchange on July 8, 2016, and exercised the over-allotment option on August 3, 2016. Deloitte Touche Tohmatsu CPA LLP has verified the proceeds from this offering of H Shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (16) No. 1082). Based on this capital verification report, it was noted that the Company made a public offering of 933,709,090 overseas listed foreign shares (H Shares) and the selling shareholders sold 93,370,910 H Shares, representing a total listing of 1,027,080,000 H Shares. Since the issue price of H Shares was HKD8.15 per share with a nominal value of RMB1 each, the total proceeds from this offering amounted to HKD8,370,702,000.00 which shall be paid in cash in Hong Kong dollars. After deduction of the transaction expense and other related expenses of HKD145,045,025.30 in aggregate, the remaining HKD8,225,656,974.70 has been deposited with the H Share proceeds account and converted into RMB7,083,154,510.65 (including the interest income received) based on the median exchange rate for conversion from HKD into RMB as published by the People's Bank of China on the date when the proceeds were actually remitted into the aforesaid account. The net proceeds from this offering of H Shares by the Company was HKD7,417,133,357.56 after deduction of such proceeds as transferred to the National Council for Social Security Fund and other expenses related to the issuance.

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

- (1) approximately 35% to be used to further develop the Company's brokerage and securities finance business;
- (2) approximately 30% to be used to develop the Company's overseas business;

Section III Report of the Board

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

As at the end of the Reporting Period, the details relating to utilization of the proceeds from the offering of H Shares by the Company are set out below: HKD2.560 billion was used to further develop the Company's brokerage and securities financing business, HKD2.225 billion for developing the Company's foreign operation, HKD1.097 billion for expansion of the Company's investment management business, HKD0.732 billion for developing our securities sales and trading business, HKD0.348 billion for capital expenditure, and HKD0.416 billion for working capital and others. The Company utilized a cumulative of HKD7.378 billion of proceeds raised through H shares. Save for the above use of funds, approximately HKD0.046 billion (including the interests and exchange gains or losses thereof) of the proceeds remains unused. The Company will use the remaining proceeds for capital expenditure in line with the Company's development strategy and actual requirements in the next one year. (The exchange rate of utilized raised funds through issuance of H shares denominated in Renminbi has been calculated according to the actual exchange settlement rate, while the exchange rate of unutilized raised funds through issuance of H shares denominated in Renminbi has been calculated according to the final exchange rate.)

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

Section III Report of the Board

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

(i) Industrial layout and trend

The 20th National Congress of the Communist Party of China has set the direction for the comprehensive advancement of China's modernisation and the great rejuvenation of the Chinese nation, which will provide long-term benefits for national rejuvenation and strong support for the high-quality development of the securities industry. With the all-around improvement of the capital market conditions, the securities industry will show the following layout and trends in the future:

1. *Increased concentration and competitive differentiation*

As competition in the industry intensifies, the leading securities firms will receive more regulatory support in terms of license approval, access to new business, capital expansion, talent attraction and brand building, and capital, talent, clients and other resources will continue to concentrate in leading securities firms, which will further establish significant advantages and formed competitive edges, and the industry concentration will continue to rise with a layout where the strong becomes stronger. In the future, securities firms will enter a stage of refined segmentation and will need to define their strategic positioning based on their own resources and strength, choose a differentiated development path and develop a differentiated competitive advantage in specific areas and regions.

2. *Accelerating institutionalisation and growing demand for comprehensive financial services*

With the increased availability of investment assets for residents, and driven by policies such as new regulations on asset management, more individual investors are participating in the securities market through financial products, thus accelerating the process of institutionalization of the capital market. China encourages social security funds, insurance funds, enterprise annuities and other medium and long-term funds to enter the market, leading to a significant increase in demand from institutional investors for integrated and diversified financial services. To capture vast opportunities from institutional business, securities firms, especially the leading securities firms, need to break the barriers of license fragmentation, build a customer-centric service system, and cover the whole life cycle of customers with comprehensive financial services by relying on diversified products and businesses. In addition, securities firms need to have an institutional mindset and work together to build a comprehensive financial service system with risk investment, equity financing, bond financing, merger and acquisition, asset securitization, capital intermediary and asset management as its core based on customers' needs, in order to meet the customers' demand for investment and financing in all aspects and throughout their life cycle.

Section III Report of the Board

3. *Changes in business model and accelerated expansion of business scale*

With the in-depth implementation of the registration system reform and the continuous improvement of the capital market conditions, the revenue model of the securities industry mainly based on channel-based intermediary business will gradually transform into a capital-based intermediary model based on capital strength, customer base and professional service capability, and securities firms will enter a development stage of in-depth integration between capital-intensive business and capital-light business. With the increasing share of capital-intensive business, the impact of capital strength, high-quality talents and customer resources on securities firms, especially leading securities firms, has further increased, and the expansion of business scale has further accelerated as securities firms strengthened themselves through capital market financing, optimized talent strategies, horizontal mergers and acquisitions, brand building and other strategic moves.

4. *Accelerated digital transformation and new norm of financial technology empowerment*

As the world enters the era of digital economy, the application of financial technology has become an important way for the securities industry to achieve high-quality development. With mobile internet and artificial intelligence, financial technology continues to reshape the foundation and landscape of the securities industry. The industry is continuously promoting changes in business models and optimization of management models driven by financial technology so as to extend the digital experience to fully cover areas such as customer service, investment decision-making, operational management and compliance risk control, thereby optimizing customer experience, empowering business development, reducing operating costs and improving management efficiency. It is expected that securities firms will continue to strengthen coordination and planning and investment in financial technology to promote innovation in financial products and services, thereby fostering new competitive edges.

5. *Increasingly regulated industry and heightened importance of compliance risk control*

In recent years, the CSRC has upheld the regulatory principle of “system building, non-intervention and zero tolerance” for the securities industry, and compliance risk control has become a powerful tool to promote the high-quality development of the industry. In addition, the increasingly complex business structure of securities firms and the increasing variety of investment and trading instruments have led to greater risks across markets and regions and more difficulties in risk management and control, and compliance work, especially risk control work, is changing from an external regulatory requirement to an internal driving force for the long-term sustainable development of securities firms. Facing market turbulence, more complex financial products and increased scale of asset-heavy business, the effectiveness of compliance management and risk management capabilities will become key determinants of business development and scale expansion for securities firms. Securities firms with more effective compliance management, stronger risk control capabilities and more balanced businesses are expected to achieve comprehensive development across the business chain.

Section III Report of the Board

(ii) The Company's development strategy

In line with the 2021-2024 strategic plan of DFZQ, the Company is committed to “providing quality integrated financial services to the real economy and social wealth management, creating a happy life for staff and providing both material and spiritual returns to shareholders, employees and society”, bears a core vision of “becoming a modern investment bank with first class core competitiveness that provides integrated financial services for customers”, adheres to the core values of “Customer First, People Oriented, Professionalism Based and Innovation Centered”, upholds the corporate values of “being united, enterprising, pragmatic and efficient”, striving to achieve the strategic development goals during the period covered by the 2021-2024 strategic plan.

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

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

Section III Report of the Board

(iii) Business plan

In 2023, the general guidelines for the operational management of the Company are to fully implement the spirit of the 20th National Congress of the Chinese Communist Party, adhere to the general keynote of “maintaining stability with steady progress”, strive to ensure “stable growth” and “promote development”, put efforts in developing a high-quality development path that follows the general rules of financial institutions and has the characteristics of Orient Securities, build a comprehensive securities firm with outstanding characteristics and advantages, and maintain a leading position in the second tier of the industry as a whole. The general idea is to firmly implement the strategic plan, dynamically optimise the business strategy, focus on strengthening the ROE-oriented assessment of each business segment, coordinate development with compliance and stability, give full play to the primary role of talents, technology and innovation, strengthen professional capabilities, improve the business structure, expand the customer base, ensure no major illegal and non-compliant risk events, and actively enhance the Company’s performance.

According to the Company’s general plan of operational management in 2023, the Company shall keep confident, improve its own strength, practice integrity and honesty, make innovation, promote high-quality development with the characteristics of Orient Securities, and facilitate the balanced and reasonable development of customers, business, capital and talents. On this basis, the Company will develop distinctive characteristics of Orient Securities and enhance its core competencies and competitive advantages. In terms of corporate finance, the investment banking business shall play a leading role in promoting the integrated development of asset-light and asset-heavy businesses and continuously enhance the effectiveness of services provided to enterprises throughout their life cycle. For retail finance, the Company will persist in wealth management transformation, consolidate its first-mover advantage in innovation and vigorously improve the number and quality of customers. For institutional finance, the Company will steadily improve investment yields, focus on building an all-asset domestic and international institutional sales trading platform, accelerate the transformation of sales transactions and increase investment in demand-driven business. For asset management business, the Company will effectively enhance its investment research capability, re-establish its business advantages, consolidate its leading position in the industry and amplify its brand influence. The Company will improve its endogenous compliance risk control system and promote an effective balance and organic integration of compliance risk control and business development. It will also strengthen breakthroughs in application of financial technology, accelerate digital transformation and continue to facilitate in-depth integration of technology and business. The Company will strengthen the top-level design of talent system construction, improve the strategic layout of talent, and build a talent team with appropriate size, reasonable structure and excellent quality. It will also optimise its management mechanism and organisational structure, promote reform and innovation in its management system and enhance its management effectiveness.

Section III Report of the Board

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

1. Major risks of the Company and countermeasures

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

(1) Market risk

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

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

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

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

Section III Report of the Board

1. Securities assets price risk

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

In 2022, as the domestic economic recovery suffered repeated setbacks due to overseas liquidity tightened beyond expectations, coupled with multiple downsides such as the ongoing escalation of real estate risks, the Russia-Ukraine war and the strained Sino-US relations, the A-share market saw a series of twists and turns featuring strong volatility and sharp dips throughout the year, an obvious flattening or even shrinking market size, and intensified rotation in investment trends and market sectors, with no consistent market performance throughout the year. Against this backdrop, the SSE Composite Index closed the year at 3,089.26 points, down 15.13% from the same period of last year, while the SZSE Component Index closed at 11,015.99 points, representing a decrease of 25.85% as compared to the corresponding period of last year. To monitor the impact of market changes on the value of equity securities, the Company keeps a daily track of changes in trading positions, make appropriate adjustment to trading positions through implementing diversified investment strategies, and conduct hedging through stock index futures, stock options and other equity derivatives so as to control the market risk exposure. In the meantime, the Company strengthens control over investment concentration risk through diversified investment in the industries and individual stocks.

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

Section III Report of the Board

2. Interest rate risk

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

In 2022, the bond market saw a series of twists and turns, with repeated fluctuations in the first three quarters mainly due to the steady growth of the domestic economy, the risk-free interest rate hikes in major overseas economies and the conflict between Russia and Ukraine, continuing the trend of relatively strong performance over the past two years. In the fourth quarter, the bond market was under pressure due to the impact of the "three arrows" property policies in China, and the mass redemption of wealth management products, which affected the previous sentiment of bull market in bonds, intensified interest rate fluctuations and led to a rapid rise in yields on various types of bonds. The Company's position holding of debt increased as compared to last year and the debts accounting for 80.48% of the market value of the total position held by the Company are related to those with a term of 0 to 5 years. The weighted average term of debt portfolio decreased to 3.42 years from 4.30 years as at the end of previous year. As at the end of the Reporting Period, the basic point value was RMB42.2374 million, representing an increase from the end of previous year.

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

Section III Report of the Board

3. Foreign exchange risk

In 2022, as the Federal Reserve continued to aggressively raise interest rates, the RMB depreciated significantly against the USD, but still maintained an edge over other major non-USD currencies. Throughout the year, the RMB/USD spot exchange rate delivered an overall weak performance with a sharp decline followed by a rebound. In particular, the RMB/USD spot exchange rate fell from a yearly high of 6.31 at the beginning of the year to a yearly low of 7.32 after two rounds of depreciation in ten months, followed by a round of appreciation in two months towards the end of the year, when it quickly rebounded to 6.83.

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

4. Value-at-Risk

Value-at-Risk ("VaR") refers to the potential loss of the investment portfolio arising from future movement in market price under certain confidence level. The Company adopts a VaR with a confidence level of 95% and a holding period of one day to measure the market risk condition of its financial products investment portfolio. In 2022, due to market environment and allocation of trading positions, the VaR of the Company's equity portfolios fluctuated to certain extent. At the end of the Reporting Period, the VaR of the Company's overall market risk was RMB107 million with a confidence level of 95%.

(2) Credit risk

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

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

Section III Report of the Board

The Company has established its respective credit risk management system with regard to bonds issuer, counterparties and financing clients from the perspective of business practices. The Company has enhanced evaluation of qualities and risk and implemented credit risk management through means including contract review and monitoring of transactions and public sentiment. The Company pays great attention to possible non-compliance in the transaction and developed contingency plans for risks. In bond investment and counterparty transactions associated with credit risk, the Company has enhanced analysis on the fundamentals of bonds issuer and counterparties, and established the corporate internal scoring system for credit risk, and realized internal rating, united credit management, collective management of investment, pledged bonds management, defaulting clients management, stress tests, early warning, risk reporting and other functions through the credit risk management system, thus strengthening its credit risk management and enhancing credit risk management. In derivative transactions, the Company has set the margin deposit ratio for counterparty and rule restrictions on the transaction, controlled the counterparty's credit risk exposure through daily mark-to-market, margin calls, forced closure of positions and other means. In securities financial business, the Company has established mechanisms of credit rating assessment for clients, credit facilities management, collateral management, concentration management and supervisory reporting, and handled risk projects through mandatory close-out mechanism and legal proceedings. In addition, the Company has established the same business and same customer management mechanism based on external guidelines and in line with the Company's actual business development, to carry out unified measurement, monitoring and management of credit business, improve the Group credit management system for the Company's credit business and further refine credit risk management.

(3) *Liquidity risk*

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

Section III Report of the Board

According to the regulatory requirements including the Guideline on Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) and for the purpose of its own risk management, the Company continuously refines the liquidity risk management system and internal management system and has dedicated personnel responsible for dynamic monitoring, pre-warning, analysis and reporting of the Company's liquidity risk. For management of daily liquidity position, the Company reserves sufficient high-quality liquid assets, sets corresponding limits on liquidity reserve assets and monitors cash flow shortfall on a daily basis to ensure the smooth operation of the Company's business and the timely repayment of liabilities as they fall due. The Company carefully determines the qualitative principles and quantitative indicators of liquidity risk appetite at the beginning of each year, and has established limit assessment and adjustment mechanism to implement limit management of liquidity risk and conduct monitoring and reporting of compliance with limits. The Company strives to formulate comprehensive financing strategies to improve the diversity and stability of its financing sources and establish flexible financing channels both on and off the exchange. The Company conducts regular and irregular liquidity stress testing and emergency exercise, continuously updates and improves the stress scenario and report, analyses the results of the stress tests to identify risk spots and vulnerabilities, and applies the results of the stress tests in the Company's relevant decision-making processes. During the Reporting Period, the Company continued to improve its liquidity risk management system, utilized the information system to effectively identify, measure, monitor and control the liquidity risk, and ensured that the Company's liquidity coverage ratio and net stable funding ratio continued to meet regulatory requirements. During the Reporting Period, the Company put more efforts into liquidity risk management of subsidiaries, improved the liquidity risk management capabilities of subsidiaries and explored to establish an intra-group liquidity risk management system.

(4) *Operational risk*

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

Section III Report of the Board

For operational risk management, the Company conducted careful review on the operational procedure based on its internal control procedure and identified operational risks in the procedure and categorized risks according to its management needs. Based on the impacts from and the possibilities of risks, the Company updated the assessment on the identified operational risks, and monitored the key operational risks by establishing key risk indicators. The Company has realized operational risk losses data collection and management with the operational risk losses reporting mechanism. In addition, the Company has completed the development of operational risk management system and realized the identification, evaluation, monitoring, measurement and reporting of operational risks. The Company has completed the implementation of operational risk management of its subsidiaries to align with the Parent Company.

(5) *Money laundering and terrorism financing risk*

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

During the Reporting Period, the Company did not have any money laundering risk incidents. The Company has continuously improved its internal control system for anti-money laundering, continuously refined its anti-money laundering organizational structure and coordination mechanism, focused on enhancing the effectiveness and strength of anti-money laundering risk prevention and control in all business lines, and strengthened the technical support of the anti-money laundering information system, in order to comprehensively enhance the effectiveness of the Company's anti-money laundering work and the performance of its money laundering risk management. During the Reporting Period, the Company has established a multi-level and systematic anti-money laundering internal control system at Board level, company level and departmental level, and commenced comprehensive revision of the system based on the regulatory situation and work requirements. The Company provided technical support for money laundering risk management by developing an anti-money laundering information system and continuously optimizing and improving relevant functions of the system. The Company carried out regular information correction work specifically for high-risk customers to continuously improve the quality of customer information and customer data management. The Company conducted group-level money laundering risk assessment, optimized the allocation of resources for anti-money laundering based on specific risks and improved vulnerable areas of control measures to optimize the anti-money laundering mechanism. In addition, the Company attached great importance to anti-money laundering education and training, and organized a variety of anti-money laundering training to enhance the awareness of anti-money laundering and the ability of the Company's staff to perform their duties.

Section III Report of the Board

(6) *Technology risk*

Technology risks refer to the risk of abnormal operation of the Company due to failure of the information technology system; the risk of business disruption of the Company or exposure to information security risk due to insufficient protection and backup measures for the information technology system and key data; the risk of abnormal operation of the Company due to the failure to adopt data interactions prevailing in regulatory authorities or the market for key information technology system; the risk of incapability of providing continuous support and service by key information technology system suppliers throughout the life cycle of technology system.

The Company attaches great importance to technology risk management. The IT Strategic Development and Governance Committee proposes and audits the IT management goals and development plans, formulates the IT annual budget, reviews the initiation, input and priorities of major IT projects, and estimates major IT projects and provides opinions. The system research and development department is responsible for the management and control of construction work including development and testing of the information system, management of the approval and evaluation for outsourcing suppliers and regulating the conducts of external personnel of the information system in accordance with relevant requirements. The system operation department takes a variety of measures to ensure the stable operation of the system, and has completed the main and side stands for major positions as for the staffing. In respect of process control, the Company, in accordance with ISO20000 rules, regulates main operation and maintenance procedures, such as implementation of graded examination and approval for procedures including events and modification, recheck for modifications, preparation of monthly reports on management and operation on a month basis, regulating the systematic operation at the technical and management level. In respect of emergency handling, the Company strictly obeys the regulatory requirements, conducts disaster drills and emergency plan drills, with all operation and maintenance teams and branches regularly carrying out the emergency drills for specific systems. As for the data backup, restore and verification, the Company conducts implementation, review and supervision on a monthly basis as per the annual plan, and sets system permissions according to the established process which includes approval, recording and filing. The compliance and legal management department, together with the risk management department, reviews IT compliance and risk management matters and relevant systems, organizes regular compliance inspection, and issues monthly compliance and risk management reports. However, with the rapid development of information technology nowadays, technical risks cannot be completely avoided as equipment failures, software design defects, network connection problems, technical means being not up-to-date, and other problems cannot be completely eliminated in theory.

Section III Report of the Board

(7) *Reputational risk*

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

During the Reporting Period, the Company did not encounter any material public sentiment events that had an impact on the reputation of the Company, certain sensitive events had been addressed efficiently and appropriately. The Company primarily manages its reputational risk by the following means:

1. In order to establish and improve the Company's emergency response mechanism for public sentiment management and enhance the Company's ability to handle public sentiment emergencies in its daily operation, the Company issued the "Public Sentiment Management Emergency Plan of DFZQ (Amended in 2022)" in October 2022 in accordance with the Company's newly revised "Administrative Measures on Reputational Risk of DFZQ".
2. In order to effectively establish a reputation control and evaluation mechanism for staff, the Company has linked its reputation risk management system with performance and set up independent appraisal indicators to assess and evaluate each department and staff for the current period to strengthen reputation control.
3. Establishing a comprehensive system for reporting public sentiment. Monthly briefings on public sentiment are sent to key management of the Company and relevant situations are reported to the Board of the Company and Shenergy Group through the Board office and risk control department to ensure that the Board and the management are aware of the level of reputational risk of the Company in a timely manner. For unexpected sensitive public sentiment, a special report on the analysis of public sentiment (usually in the form of a daily report) will be prepared and sent to the leaders and relevant departments of the Company in a timely manner.

Section III Report of the Board

4. We further strengthened supervision on public sentiment. The public sentiment monitoring system has gathered billions of data in the financial field covering the whole network, with a total accumulated data volume of over 2.19 billion, a total push volume of over 230 million, over 200 servers, and over 100 partnering institutions; of which over 870 million were news website data, over 438 million were WeChat data, over 438 million were APP data, and over 220 million were blog and forum data with a coverage of over 1 million self-media. In addition, the Company utilised the “Reputation Cloud” reputational risk management system to assist in the monitoring, research, analysis, response and handling of the Company’s public sentiment information and meet the Company’s needs for effective prevention of, response to and handling of reputational risks. Based on massive media data accumulation, semantic intelligent analysis and big data processing, the “Reputation Cloud” system enables the whole process management of monitoring, early warning and tracking of reputational risk events, including early warning in advance, timely handling during the event, and tracking of response effectiveness afterwards; and quantifies and visualises the reputational risk management capability.

2. Overall implementation of risk management

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

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

Section III Report of the Board

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

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

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

Section III Report of the Board

3. *Investment in information technology*

The Company attaches great importance to the construction of compliance risk management information system, and has established a proactive and effective comprehensive risk management system. The Company continuously improves the compliance risk system to constantly enhance the compliance risk management level, and has built a group-wide compliance and risk management system to ensure compliance of business operations. The Company's compliance risk control investment mainly includes the procurement and development expenditures of compliance risk control related systems, the daily operation expenses of the compliance risk control department, and the compliance risk control staff investment. During the Reporting Period, the total compliance control investment was RMB295,720.7 thousand.

The Company always attaches importance to information technology innovation, continues to promote the integrated development of financial technology, and continuously develops in the areas of integration mechanism innovation, business scenario empowerment, management model transformation and middle platform strategy implementation to fully promote digital transformation. The Company's information technology investment (based on the information system construction investment indicators of securities companies) mainly includes: IT investment, depreciation and amortization expenses of fixed assets and intangible assets, IT daily operating expenses, computer room rental or depreciation expenses, IT line leasing, IT independent R&D expenses and IT staff investment. During the Reporting Period, the Company's IT investment totaled RMB926,105.5 thousand.

(v) Others

1. *Pre-emptive rights*

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

2. *Sufficient public float*

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

Section III Report of the Board

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

Mr. Zhou Donghui, a non-executive Director of the Company, has been a non-executive director of Haitong Securities Co., Ltd. As Haitong Securities Co., Ltd. is engaged in, among others, securities brokerage; securities proprietary trading; securities underwriting and sponsorship; securities investment consulting; financial advisory services relating to securities trading and investment activities; direct investment; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending; agency sale of financial products; the stock options market making; other businesses approved by the CSRC and setting up subsidiaries that are engaged in outbound investments including investments in financial products, Haitong Securities Co., Ltd. has competed or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Save as disclosed above, none of the Company's Directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company's business.

4. *Service contracts of Directors and Supervisors*

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

5. *Directors' and Supervisors' interests in major transactions, arrangements and contracts*

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

6. *Share option scheme*

The Company did not set any share option scheme.

7. *Major clients and suppliers*

The Company serves a diverse base of institutional and retail clients across a spectrum of industrial sectors. The Company's clients range from large state-owned enterprises, multinational corporations and small and medium enterprises clients to high net worth individuals and retail clients. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide overseas services and expand its clients' source. In 2022, the percentage of the revenue attributable to the five largest clients of the Company did not exceed 5% of the Group's total revenue.

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

Section III Report of the Board

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

For the details of the remuneration and training plans of employees of the Company, please refer to “Section IV, IX. Information on the Staff of the Parent Company and Major Subsidiaries as at the End of the Reporting Period” of this report. For the relationships between the Company and its major customers and suppliers, please refer to “Section III, VI, (v), 7. Major clients and suppliers” of this report.

9. *Proposal on profit distribution*

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

10. *Tax relief*

(1) *Holders of A Shares*

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

Section III Report of the Board

For Qualified Foreign Institutional Investors (“QFII”), listed companies are required to uniformly withhold and pay enterprise income tax at a rate of 10% pursuant to the provisions under the Notice on the Relevant Issues Concerning the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) issued by the State Administration of Taxation. If the QFII shareholder intends to claim the preferential treatment as stipulated in tax treaties (arrangements) for his dividend and bonus incomes, application for tax refund can be submitted to the competent tax authority after obtaining such dividends and bonuses in accordance with the regulations.

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

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

Section III Report of the Board

(2) *Holders of H Shares*

Pursuant to the provisions under the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation, the dividends and bonus incomes received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong are subject to the individual income tax according to the items of “interests, dividends and bonus incomes”, which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions under the tax treaties signed between the countries where they are residents and China as well as the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax treaties and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing stocks in Hong Kong may, when distributing dividends and bonuses, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under treaties to be entitled to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the competent tax authority, the excess tax amounts withheld will be refunded; (2) for citizens from countries under treaties to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends and bonuses, and are not obligated to file an application; (3) for citizens from countries without tax treaties or under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends and bonuses.

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

Section III Report of the Board

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

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

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

Section III Report of the Board

11. *Contract of significance*

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

12. *Management contract*

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

13. *Permitted indemnity provision*

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

14. *Equity-linked agreement*

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

15. *Review of annual results*

The Audit Committee of the Board of the Company has reviewed the audited annual financial statements and annual report of the Company for the year ended December 31, 2022, and did not raise any objection to the accounting policies and practices adopted by the Company.

16. *Directors, Supervisors and Senior Management*

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

Section III Report of the Board

17. Compliance with relevant laws and regulations

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

18. Share Capital and Equity and Debt Issuance

For the Company’s share capital and share and debenture issuance as of December 31, 2022, please refer to “Section VII Changes in Shares and Information on Shareholders” and “Section IX Information on Bonds” in this report.

19. Subsequent events

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

VII. DURING THE REPORTING PERIOD, THE COMPANY DID NOT FAIL TO DISCLOSE INFORMATION ACCORDING TO THE STANDARDS DUE TO SPECIAL REASONS, E.G. NON-APPLICABILITY TO THE STANDARDS OR STATE SECRETS AND TRADE SECRETS AND THE DESCRIPTION OF RELEVANT REASONS

Section IV Corporate Governance

I. RELEVANT DESCRIPTION ON CORPORATE GOVERNANCE

(i) Corporate governance

As a public company listed in both Mainland China and Hong Kong, the Company has operated its business in a standard manner and in strict compliance with the requirements under the relevant laws, regulations and regulatory documents in the places where the shares of the Company are listed. The Company has made continuous efforts to maintain and improve the Company's good image in the market. In strict compliance with the requirements under the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate Governance for Listed Companies, the Corporate Governance Code and other relevant laws and regulations as well as the Articles of Association of the Company, and in order to establish a modern corporate system, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system, and shaped a corporate governance structure of listed company where the general meeting, the Board, the Supervisory Committee and the management perform their own functions and responsibilities corresponding to their respective positions in a collaborative manner with effective check and balance, thereby ensuring the prudent and standardized operations of the Company as well as a scientific, standardized and transparent corporate governance. The procedures for convening and holding the Company's general meeting, Board meetings, meetings of the Supervisory Committee and the voting mechanisms with respect thereto are legitimate and valid, with the information disclosed in a true, accurate, complete, timely and fair manner.

The Company continuously improves the Articles of Association and confirms that the objectives of business of the Company are to operate in accordance with national laws, regulations, guidelines and policies, implement the development concepts of innovation, coordination, green, openness and sharing, actively practice the culture and core values of the securities industry, focus on the implementation of national strategies, support the development of the real economy, provide wealth management services to the society, actively fulfill its corporate social responsibility, continuously improve the governance structure with specific duties for each position and effective checks and balances, protect the legitimate rights and interests of investors and stakeholders and seek to maximize the long-term interests of shareholders.

Section IV Corporate Governance

During the Reporting Period, according to the Guidelines for the Articles of Association of Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines for Self-regulation of Listed Companies on the Shanghai Stock Exchange No. 1 – Regulation of Operations and other new regulations and based on the actual situation of the Company, the Company amended and improved relevant articles of the Articles of Association twice, comprehensively reviewed, updated and improved the Implementation Rules for Online Voting at Shareholders' General Meetings of the Company, the Independent Director Policy of the Company, the Management Measures of Related-party Transactions of the Company, the Measures to Manage External Guarantees of the Company, the Management Measures of Proceeds from Fund-raising Activities of the Company, the Management Measures for Shareholdings and Changes in Shareholdings of the Company by Directors, Supervisors and Senior Management of the Company, the Work Rules for the Secretary to the Board of the Company, the Management Measures of Information Disclosure of the Company, the Administrative Measures for Insider Registration and Confidentiality of the Company and other corporate governance rules, which had been considered and approved by the Board or the general meetings of the Company. By the continuous improvement in the above systems, the Company has witnessed a continuously standardized corporate governance structure, and an increasingly improved corporate governance level.

During the Reporting Period, as considered and approved at the 13th meeting of the fifth session of the Board of the Company, Mr. Jin Wenzhong, the chairman of the Company, ceased to serve as the president of the Company and Mr. Lu Weiming was appointed as the president of the Company, and his term of office shall commence from the date of approval at this Board meeting and end on the date of expiry of the term of the existing session of the Board. In addition, the chairman has not arranged to meet with the independent non-executive Directors of the Company as required under code provision C.2.7 of the Corporate Governance Code, as the chairman has authorised the Company to inquire of the independent non-executive Directors of the Company and report to them any concerns and/or issues that may exist. The Company has met the requirements of the most code provisions set out in Part 2 of the Corporate Governance Code.

During the Reporting Period, the Company convened 38 meetings in total, including 3 general meetings, 12 meetings of the Board, 7 meetings of the Supervisory Committee, 1 meeting of the Strategic Development Committee, 5 meetings of the Compliance and Risk Management Committee, 4 meetings of the Remuneration and Nomination Committee and 6 meetings of the Audit Committee under the Board of Directors.

Section IV Corporate Governance

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

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

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

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

- (1) to develop and review the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of the Directors and senior management;
- (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the Company's code of conduct and compliance manual (if any) applicable to employees and Directors;
- (5) to review the Company's compliance with the Corporate Governance Code and its disclosures in the Corporate Governance Report.

No significant discrepancies exist between corporate governance and the laws, administrative regulations and the requirements of the CSRC on governance of listed companies.

Section IV Corporate Governance

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

The Company has no controlling shareholder. As at the end of the Reporting Period, Shenergy Group, the largest shareholder of the Company, held 26.63% of its shares. The Company is completely independent from its shareholders in business, staff, assets, institutions, finance, etc. The Board, the Supervisory Committee and various functional departments all function independently with independent and complete business and self-standing operating capability.

(i) Business independence

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

(ii) Staff independence

The Company has set a special human resources management department, with independent and complete labor, personnel and salary administration system. The Company appointed Directors, Supervisors and senior management through statutory procedures. None of its senior management holds any position other than positions of Director or Supervisor at any shareholders or any of its associates or subsidiaries, nor do they hold any positions in any enterprises that have the same or similar business with that of the Company. There is no occasion where the Company's shareholders act beyond their authority as delegated by the general meeting and the Board to appoint or dismiss Directors, Supervisors or senior management of the Company. Appointment of Directors, Supervisors and senior management strictly complies with the Company Law, the Securities Law and the Articles of Association, and is conducted in lawful procedures. The Company has established a complete labor employment, personnel administration, payroll management and social security system, and all employees have signed labor contracts with the Company according to the laws. The Company has the independent right to sign labor contracts without interference of any shareholders.

Section IV Corporate Governance

(iii) Assets independence

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

(iv) Institutional independence

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

(v) Financial independence

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

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

Section IV Corporate Governance

III. BRIEF INTRODUCTIONS TO GENERAL MEETINGS

Session of the meeting	Date of convening	Reference of the website specified for resolutions disclosure	Disclosure date of resolutions	Resolutions of the meeting
2022 first extraordinary general meeting, 2022 first A Shares class meeting and 2022 first H Shares class meeting	April 13, 2022	http://www.hkexnews.hk http://www.sse.com.cn	April 13, 2022	All resolutions were passed
2021 annual general meeting	June 30, 2022	http://www.hkexnews.hk http://www.sse.com.cn	June 30, 2022	All resolutions were passed
2022 second extraordinary general meeting	November 8, 2022	http://www.hkexnews.hk http://www.sse.com.cn	November 8, 2022	All resolutions were passed

Explanations on general meetings

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

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

Section IV Corporate Governance

During the Reporting Period, the Company convened the 2022 first extraordinary general meeting, A shares class meeting and H shares class meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on April 13, 2022. At the 2022 first extraordinary general meeting, four special resolutions were considered and approved, including the “Resolution on Application for Conducting Market Making Business of Stocks on the Science and Technology Innovation Board”, the “Resolution on Application for Conducting Market Making Business of Bonds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange”, the “Resolution on Extension of Valid Period of the Resolution on Public Issuance of Securities Through Rights Issue of the Company” and the “Resolution on Extension of Valid Period of the Full Authorization Granted to the Board of Directors to Deal With Relevant Matters in Relation to the Rights Issue”; and at the 2022 first A shares/H shares class meeting, two special resolutions were considered and approved, including the “Resolution on Extension of Valid Period of the Resolution on Public Issuance of Securities Through Rights Issue of the Company” and the “Resolution on Extension of Valid Period of the Full Authorization Granted to the Board of Directors to Deal With Relevant Matters in Relation to the Rights Issue”. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on April 14, 2022.

During the Reporting Period, the Company convened the 2021 annual general meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on June 30, 2022. At the 2021 annual general meeting, two special resolutions were considered and approved, including the “Proposal Regarding the Amendments to Certain Articles of the Articles of Association” and the “Proposal Regarding the Reports on Use of Proceeds from Previous Fund-raising Activities of the Company”, and twelve ordinary resolutions were considered and approved, including the “2021 Report of the Board of the Company”, the “2021 Report of the Supervisory Committee of the Company”, the “2021 Work Report of the Independent Directors of the Company”, the “2021 Final Accounts Report of the Company”, the “2021 Profit Distribution Proposal of the Company”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2022”, the “2021 Annual Report of the Company”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2022”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2022”, the “Proposal Regarding the Engagement of Auditing Firms for the Year 2022”, the “Proposal Regarding the Election of Executive Director of the Company” and the “Proposal Regarding the Amendments to the Implementation Rules for Online Voting at Shareholders’ General Meetings of the Company”. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on July 1, 2022.

Section IV Corporate Governance

During the Reporting Period, the Company convened the 2022 second extraordinary general meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on November 8, 2022, at which one special resolution, being the “Resolution in Relation to the Amendments to Certain Articles of the Articles of Association of the Company”, and five ordinary resolutions, being the “Resolution in Relation to the Election of Independent Non-executive Director of the Company”, the “Resolution in Relation to the Amendments to the Independent Director Policy of the Company”, the “Resolution in Relation to the Amendments to the Management Measures of Related-party Transactions of the Company”, the “Resolution in Relation to the Amendments to the Measures to Manage External Guarantees of the Company” and the “Resolution in Relation to the Amendments to the Management Measures of Proceeds from Fund-raising Activities of the Company” were considered and approved. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on November 9, 2022.

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

Section IV Corporate Governance

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: share(s)

Name	Position ^(note)	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB'0000)	Whether received remuneration from any related party of the Company or not
Song Xuefeng	CPC Party committee secretary Executive Director	Male	1970	2020-09-09 2021-03-05	/ 2024-03-04	0	0	0	/	0	Yes
Jin Wenzhong	Deputy Party committee secretary Executive Director	Male	1964	2010-09-08 2010-09-27	/ 2024-03-04	0	0	0	/	398.61	No
Lu Weiming	Chairman	Male	1971	2021-03-05	2024-03-04	0	0	0	/	360.41	No
	President			2010-09-27	2022-03-30						
	Deputy Party committee secretary			2022-03-24	/						
	Executive Director			2022-06-30	2024-03-04						
Yu Xuechun	President	Male	1964	2022-03-30	2024-03-04	0	0	0	/	0	Yes
	Vice president			2020-09-10	2022-03-30						
	Non-executive Director			2021-03-05	2024-03-04						
	Non-executive Director			2020-05-15	2024-03-04						
Zhou Donghui	Non-executive Director	Male	1969	2020-05-15	2024-03-04	0	0	0	/	0	Yes
Cheng Feng	Non-executive Director	Male	1971	2021-03-05	2024-03-04	0	0	0	/	0	Yes
Ren Zhixiang	Non-executive Director	Male	1969	2021-03-05	2024-03-04	0	0	0	/	0	Yes
Zhu Jing	Employee representative Director	Female	1969	2021-03-05	2024-03-04	0	0	0	/	262.23	No
Jin Qinglu	Independent non-executive Director	Male	1972	2017-10-16	2024-03-04	0	0	0	/	19.00	No
Wu Hong	Independent non-executive Director	Male	1956	2020-12-08	2024-03-04	0	0	0	/	19.00	No
Feng Xingdong	Independent non-executive Director	Male	1977	2020-12-08	2024-03-04	0	0	0	/	16.00	No
Luo Xinyu	Independent non-executive Director	Male	1974	2021-05-13	2024-03-04	0	0	0	/	16.00	No
Chan Hon	Independent non-executive Director	Male	1960	2022-11-08	2024-03-04	0	0	0	/	2.67	No
Du Weihua	Deputy Party committee secretary	Male	1964	2020-01-10	/	0	0	0	/	321.70	No
Wu Junhao	Vice chairman of Supervisory Committee	Male	1965	2020-02-19	2024-03-04	0	0	0	/	0	Yes
	Employee representative Supervisor			2020-02-14	2024-03-04						
	Shareholder representative Supervisor			2021-03-05	2024-03-04						
	Shareholder representative Supervisor			2021-03-05	2024-03-04						
Zhang Jian	Shareholder representative Supervisor	Male	1965	2021-03-05	2024-03-04	0	0	0	/	0	Yes
Shen Guangjun	Shareholder representative Supervisor	Male	1979	2021-03-05	2024-03-04	0	0	0	/	0	Yes
Tong Jie	Shareholder representative Supervisor	Female	1968	2018-03-06	2024-03-04	0	0	0	/	0	Yes
Xia Lijun	Independent supervisor	Male	1976	2021-03-05	2024-03-04	0	0	0	/	10.00	No
Ruan Fei	Employee representative Supervisor	Female	1971	2021-03-05	2024-03-04	0	0	0	/	232.40	No
Ding Yan	Employee representative Supervisor	Female	1979	2021-03-05	2024-03-04	0	0	0	/	243.47	No
Shu Hong	Vice president	Male	1967	2014-04-16	2024-03-04	0	0	0	/	321.00	No
Zhang Jianhui	Financial controller	Male	1968	2021-11-01	2024-03-04	0	0	0	/	309.41	No
	Vice president			2015-07-24	2024-03-04						
	Vice president			2021-03-05	2024-03-04						
	Chief information officer			2021-11-01	2024-03-04						
Xu Haining	Chief risk officer	Female	1970	2021-03-05	2024-03-04	0	0	0	/	367.42	No
Lu Dayin	Chief compliance officer	Male	1972	2021-11-01	2024-03-04	0	0	0	/	146.36	No
Jiang Helei	Chief risk officer	Male	1974	2022-09-23	2024-03-04	0	0	0	/	30.00	No
	Chief compliance officer			2022-10-11	2024-03-04						

Section IV Corporate Governance

Unit: share(s)

Name	Position ^(Note)	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB'0000)	Whether received remuneration from any related party of the Company or not
Wang Rufu	Secretary to the Board	Male	1973	2016-11-28	2024-03-04	0	0	0	/	240.40	No
Liu Wei (resigned)	Non-executive Director	Male	1973	2018-03-14	2022-03-30	0	0	0	/	0	Yes
Xu Zhiming (resigned)	Independent non-executive Director	Male	1961	2016-07-08	2022-11-08	0	0	0	/	16.00	No
Zhang Qian (resigned)	Chairman of Supervisory Committee	Male	1974	2018-05-23	2022-09-23	0	0	0	/	0	Yes
Yang Bin (resigned)	Shareholder representative Supervisor Vice president	Male	1972	2018-03-06 2021-03-05	2022-09-23 2022-09-23	0	0	0	/	218.83	No
	Chief risk officer			2015-06-19	2022-09-23						
	Chief compliance officer			2015-05-08	2022-10-11						
Total	/	/	/	/	/	0	0	0	/	3,550.91	/

Notes:

1. In March 2022, Mr. Liu Wei, a non-executive Director of the Company, applied for resignation as a non-executive Director and a member of the Remuneration and Nomination Committee under the Board of the Company due to work adjustment; at the 13th meeting of the fifth session of the Board of the Company held on March 30, 2022, it was agreed that Mr. Lu Weiming be appointed as the president of the Company and Mr. Lu Weiming be nominated as a candidate for executive Director of the Company. At the 2021 annual general meeting of the Company held on June 30, 2022, Mr. Lu Weiming was elected as an executive Director of the fifth session of the Board of the Company.
2. Mr. Xu Zhiming, an independent non-executive Director of the Company, has applied for resignation as an independent non-executive Director and a member of the Strategic Development Committee under the Board of the Company upon the expiry of his term of office on July 7, 2022 due to his six consecutive years of service. At the 2022 second extraordinary general meeting of the Company held on November 8, 2022, Mr. Chan Hon was elected as an independent non-executive Director of the fifth session of the Board of the Company and Mr. Xu Zhiming has since ceased to serve as an independent non-executive Director of the Company.
3. In September 2022, Mr. Zhang Qian, chairman of the Supervisory Committee of the Company, applied for resignation as the chairman and a Supervisor of the fifth session of the Supervisory Committee due to work arrangement.

Section IV Corporate Governance

4. In September 2022, Mr. Yang Bin ceased to serve as a vice president, chief compliance officer and chief risk officer of the Company due to change of duties based on the operational management needs of the Company and remained in other positions in the Company. At the 19th meeting of the fifth session of the Board of the Company held on September 23, 2022, it was agreed that Mr. Jiang Helei be appointed as the chief compliance officer and chief risk officer of the Company. In particular, he assumed office as the chief compliance officer (person in charge of compliance of the Company) upon approval by the securities regulatory authorities in October 2022.
5. Remunerations of the Company's Directors, Supervisors and senior management received from the Company during the Reporting Period include salary in 2022 and the portion required to be granted in 2022 for the 2021 annual performance bonus.
6. During the Reporting Period, the following individuals also received deferred incentive payments for the term from 2019 to 2020: RMB140,100 for Mr. Lu Weiming, RMB321,100 for Mr. Du Weihua, RMB321,100 for Mr. Shu Hong and RMB121,100 for Mr. Zhang Jianhui.
7. During the Reporting Period, the Company's Directors, Supervisors and senior management did not directly hold the Company's shares and options (for details of H Shares indirectly held through asset management schemes, please refer to "Section IV, XI, The Company's Share Incentive Scheme, Employee Stock Ownership Plan or Other Employee Incentives Plans and Their Impacts" in this report), and the Company did not implement any share incentive scheme.

Section IV Corporate Governance

Name	Primary working experience
Song Xuefeng	Mr. Song Xuefeng, born in 1970, is a member of the Communist Party of China, a doctorate in management, a senior economist and a certified public accountant. He currently serves as the secretary of the CPC party committee and an executive Director of the Company, a member of the CPC party committee and vice president of Shenergy (Group) Company Limited, and the executive chairman and general manager of Shenergy Investment Management Co., Ltd. Mr. Song served as the manager of the financial department of Shenergy Company Limited, a deputy manager and manager of financial department of Shenergy Company Limited from March 2001 to May 2008, an assistant to the general manager and finance manager, chief accountant and finance manager, deputy general manager and chief accountant at Shenergy Company Limited from March 2005 to April 2011, the chairman of the supervisory committee of Shenergy Company Limited from May 2011 to June 2020 (a temporary assistant mayor of Zigong, Sichuan from November 2010 to November 2011), and the assistant to general manager of Shenergy (Group) Company Limited from January 2012 to August 2014. Mr. Song has been serving as a vice president of Shenergy (Group) Company Limited since August 2014, a member of the CPC party committee of Shenergy (Group) Company Limited since December 2016, the secretary of the CPC party committee of the Company since September 2020, and an executive Director of the Company since March 2021.

Section IV Corporate Governance

Name	Primary working experience
Jin Wenzhong	Mr. Jin Wenzhong, born in 1964, is a member of the CPC, holds a master's degree in economics and is an economist. He currently serves as the deputy secretary of the CPC party committee, chairman of the Board and executive Director of the Company, the chairman of Shanghai Orient Securities Capital Investment Co., Ltd., a director of Orient Futures Co., Ltd, the chairman of Orient Securities Investment Banking Co., Ltd. and a director of Shanghai Orient Securities Innovation Investment Co., Ltd. He served as the deputy manager of the distribution department, the deputy director of the research institute and the assistant to the president of Wanguo Securities from January 1992 to September 1995, the deputy director of the office for enterprise modernization committee of Nomura Securities from October 1995 to December 1997, a member of the CPC party committee and the deputy general manager of the Company from December 1997 to September 2010 and the general manager of the securities investment business department from March 2016 to March 2017. He has been serving as the deputy CPC party committee secretary and executive director of the Company since September 2010 and 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.

Section IV Corporate Governance

Name	Primary working experience
Lu Weiming	Mr. Lu Weiming, born in 1971, a member of CPC, is a holder of a master's degree in economics and an economist. Currently, he is the deputy secretary of the CPC party committee, executive Director and president of the Company and a director of Orient Finance Holdings (Hong Kong) Limited. He served as the salesman and the project manager of business office of the transaction department of Guotai Securities Co., Ltd. from July 1994 to March 1998, the staff and deputy general manager of the securities investment department under the transaction business department, the director of the securities investment business department, the assistant to the general manager, deputy general manager and deputy general manager (in charge of affairs) of the fixed income business department of the Company from March 1998 to October 2014, the general manager of the Company's fixed income business department from October 2014 to August 2021, an assistant to the president of the Company from September 2017 to September 2020, the general manager of the financial derivatives business department of the Company from January 2021 to March 2021, a vice president of the Company from September 2020 to March 2022, the president of the Company since March 2022 and an executive Director of the Company since June 2022.

Section IV Corporate Governance

Name	Primary working experience
Yu Xuechun	Mr. Yu Xuechun, born in 1964, is a member of the CPC, holds a bachelor's degree in engineering, and is a senior engineer. He currently serves as a non-executive Director of the Company, the deputy chief economist and general manager of strategic development department of Shenergy (Group) Company Limited, the general manager of Shenergy Hongkong Holding Limited, the chairman of supervisory committee of Shenergy Company Limited, a director of Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. and a director of Shanghai Shenergy Nengchuang Energy Development Co., Ltd. He served as an engineer of Shanghai Electric Automation Research Institute and Shanghai Nanyang International Industrial Co., Ltd., the deputy director of marketing department, office manager and deputy office director of Shenergy Company Limited from November 1995 to April 2005, the deputy office director, deputy manager of asset management department, manager of asset management department and office director of Shenergy (Group) Company Limited from May 2005 to March 2020, an employee representative supervisor of Shenergy (Group) Company Limited from September 2012 to August 2022, and the deputy chief economist and general manager of strategic development department of Shenergy (Group) Company Limited since March 2020.

Section IV Corporate Governance

Name	Primary working experience
Zhou Donghui	Mr. Zhou Donghui, born in 1969, is a member of the CPC, holds a bachelor's degree in accounting and is a senior accountant. He currently serves as a non-executive Director of the Company, the director of Internal Sales Management and Supervision Division of Shanghai Tobacco Sales Bureau, a director of Haitong Securities Co., Ltd., a director of China Pacific Insurance (Group) Co., Ltd. a director of Shenzhen New Tobacco Product Co., Ltd., the vice chairman of Shanghai Jieqiang Tobacco Sugar & Wine (Group) Co., Ltd., the vice chairman of Shanghai Deqiang Industry Co., Ltd. and a supervisor of AECC Commercial Aircraft Engine Co., Ltd.. He served as a clerk and deputy chief of the financial department of Shanghai Tobacco (Group) Company from July 1991 to September 2000, the deputy manager and manager of the financial department of China Tobacco Shanghai Import and Export Co., Ltd. from September 2000 to September 2008, the deputy director of the investment management department of Shanghai Tobacco (Group) Company from September 2008 to April 2011, the deputy general manager of Shanghai Haiyan Investment Management Company Limited from August 2010 to April 2011, the deputy director of financial department and deputy director of fund management center of Shanghai Tobacco Group Co., Ltd. from April 2011 to February 2015, the standing deputy director of investment department of Shanghai Tobacco Group Co., Ltd. and standing deputy general manager of Shanghai Haiyan Investment Management Company Limited from February 2015 to July 2015, the director of investment management department of Shanghai Tobacco Group Co., Ltd. and a director and general manager of Shanghai Haiyan Investment Management Company Limited from July 2015 to September 2016, a director and the general manager of Shanghai Haiyan Investment Management Company Limited from September 2016 to November 2022, and has served as the director of Internal Sales Management and Supervision Division of Shanghai Tobacco Sales Bureau since November 2022.

Section IV Corporate Governance

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

Section IV Corporate Governance

Name	Primary working experience
Ren Zhixiang	Mr. Ren Zhixiang, born in 1969, is a member of the CPC and holds a doctorate degree in economics. He currently serves as a non-executive Director of the Company, the deputy secretary of the CPC party committee and director and general manager of Zheneng Capital Holdings Co., Ltd., a director of Zhejiang Fuzhe Investment Co., Ltd., the vice chairman of Zheshang Property and Casualty Insurance Co., Ltd. and a director of China Zheshang Bank Co., Ltd. He served as an office clerk, engineer and secretary of the CPC youth league committee of Zhejiang Water Conservancy and Hydropower Engineering Bureau from August 1995 to August 2001, a senior researcher and deputy general manager of investment banking division of Zhejiang International Trust & Investment Company Ltd. from June 2004 to February 2007, a senior director of asset management department of Zhejiang Provincial Energy Group Co., Ltd. from February 2007 to October 2010, the chief economist, deputy director and director of strategy management and legal department of Zhejiang Provincial Energy Group Co., Ltd. from October 2010 to October 2019, the deputy secretary to the CPC party committee and general manager of Zheneng Capital Holdings Co., Ltd. since October 2019, and a director of Zheneng Capital Holdings Co., Ltd. since June 2020.

Section IV Corporate Governance

Name	Primary working experience
Zhu Jing	Ms. Zhu Jing, born in 1969, is a member of the CPC and holds a master's degree in economics. She currently serves as an employee representative Director, the general manager of strategic development department and the director of union office of the Company, a director and general manager of Orient Finance Holdings (Hong Kong) Limited, a director of Orient Futures Co., Ltd, a director of Orient Securities International Financial Group Co., Ltd., a director of Chengtay Financial Leasing (Shanghai) Co., Ltd. and a director of Great Wall Fund Management Co., Ltd. She served as a staff of Xi'an Mining Machinery Factory from July 1992 to May 1995, the manager and deputy general manager of securities management department of Shanghai Caitong International Investment Management Co., Ltd. from May 1995 to February 1999, a staff, business planning director, senior operation director and assistant to general manager of brokerage business department, assistant to general manager and deputy general manager of operational management department and deputy director of the Board office of the Company from March 1999 to January 2015, the general manager of strategic development department of the Company since February 2015, and the director of union office of the Company since September 2021.

Section IV Corporate Governance

Name	Primary working experience
Jin Qinglu	Mr. Jin Qinglu, born in 1972, is a member of the CPC and holds a doctorate degree in accountancy. He currently serves as an independent non-executive Director of the Company, the dean of the School of Accountancy, a professor of accountancy and a doctoral supervisor of Shanghai University of Finance and Economics and an independent director of Harbin Bank Co., Ltd.. He served as an assistant professor of accountancy in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to June 2011, then an associate professor of accountancy in the School of Accountancy of Shanghai University of Finance and Economics from July 2011 to June 2012, and a professor of accountancy in the School of Accountancy of Shanghai University of Finance and Economics since July 2012. He served as the associate dean of the Institute of Accounting and Finance of Shanghai University of Finance and Economics from February 2014 to November 2018, the associate dean of the School of Accountancy of Shanghai University of Finance and Economics from April 2015 to November 2018, the director of the Collaborative Innovation Center for Accounting Reform and Development of Shanghai University of Finance and Economics from January 2016 to November 2018, and the dean of the School of Accountancy of Shanghai University of Finance and Economics since November 2018.

Section IV Corporate Governance

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

Section IV Corporate Governance

Name	Primary working experience
Luo Xinyu	Mr. Luo Xinyu, born in 1974, is a member of the CPC and holds a master's degree. He is currently an independent non-executive Director of the Company, the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd., chairman of Shanghai State-owned Capital Training Center Co., Ltd., a director of Shanghai Pudong Technology Investment Co., Ltd., a director of Kunshan Culture Business Tourism Group Co., Ltd., a supervisor of Shanghai Guosheng Guxian Venture Capital Investment Management Co., Ltd., an executive director of Shanghai Shengzhizi Corporate Management Co., Ltd., a director of Shanghai Yangpu State-owned Assets Management Co., Ltd., an executive director of Shanghai Guoyan Corporate Management Co., Ltd., a director of Luoyang Guohong Investment Holdings Group Co., Ltd., a director of Dalian State-owned Assets Management Co., Ltd., a director of Hangzhou Industrial Investment Group Co., Ltd., an independent director of Huatai Securities (Shanghai) Asset Management Co., Ltd., a director of Ningbo Development Investment Group Co., Ltd. and the director of Boao State-owned Fund 50 Persons Development Center. He once served as a reporter from the Propaganda Department of Shaodong County Committee in Hunan Province, a reporter from China Youth Daily, and a reporter from Xinhua News Agency Shanghai Branch. From July 2004 to July 2009, he served as the general manager of the membership department of Shanghai United Assets and Equity Exchange, from July 2009 to April 2020, he successively served as the deputy director of the board office and the strategy and investment decision committee of Shanghai Guosheng (Group) Co., Ltd. and served as the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd. since June 2018.
Chan Hon	Mr. Chan Hon, born in 1960, holds a bachelor's degree. He is currently an independent non-executive Director of the Company and an arbitrator of China International Economic and Trade Arbitration Commission, Beijing International Arbitration Center, Hong Kong International Arbitration Centre, Singapore International Arbitration Centre and Shanghai International Arbitration Center. From January 1993 to May 1997, he served as a lawyer in Allen & Overy in the United Kingdom, from June 1997 to June 1999, he served as a legal counsel of investment banking in Credit Suisse, from July 1999 to June 2006, he served as a legal counsel in ING Bank in Hong Kong, from July 2006 to November 2016, he served as the head of the Compliance and Legal Department for Deutsche Bank's China operations.

Section IV Corporate Governance

Name	Primary working experience
Du Weihua	Mr. Du Weihua, born in 1964, is a member of the CPC and holds a master's degree in economics and is an associate professor. Currently, he is the deputy secretary of the CPC party committee, the secretary of the discipline inspection commission, the vice chairman of the Supervisory Committee, an employee representative Supervisor and chairman of the work union of the Company, a supervisor of Shanghai Orient Securities Capital Investment Co., Ltd., a supervisor of Shanghai Orient Securities Innovation Investment Co., Ltd., a supervisor of Orient Futures Co., Ltd and the director-general in Shanghai Orient Securities Xindeyizhang Public Welfare Foundation. Mr. Du served as a teacher in the School of Finance at Shanghai University of Finance and Economics from July 1984 to June 1998, and the manager of sales department, assistant to the general manager and deputy general manager of the brokerage business department, general manager of the operation and management department, and the general manager of human resources management department of the Company from June 1998 to May 2017, an assistant to the president and employee representative Supervisor of the Company from January 2012 to August 2015. He served as vice president of the Company from August 2015 to February 2020, an employee representative Director from March 2018 to February 2020, the deputy secretary of the CPC party committee and the secretary of the discipline inspection commission of the Company since January 2020 and the vice chairman of the Supervisory Committee and an employee representative Supervisor of the Company since February 2020.

Section IV Corporate Governance

Name	Primary working experience
Wu Junhao	Mr. Wu Junhao, born in 1965, a member of the CPC, holds a master's degree in management and is a senior economist. Currently, he is a shareholder representative Supervisor of the Company, the general manager of the financial management department of Shenergy (Group) Company Limited, the chairman of supervisory committee of Shanghai Shenergy ICY Equity Investment Co., Ltd., a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., the chairman of supervisory committee of Shanghai ICY Capital Co., Ltd., a director of China Pacific Insurance (Group) Co., Ltd., a director of China Pacific Life Insurance Co., Ltd., a director of China Pacific Property Insurance Co., Ltd. and a supervisor of China Everbright Bank Company Limited. He also served as the deputy director of Shanghai Shenergy Asset Management Co., Ltd. from September 2003 to January 2006, and the deputy director, director and senior manager of the asset management department, and the deputy manager (in charge of affairs) of the financial management department in Shenergy (Group) Company Limited from January 2006 to April 2011. Mr. Wu has been serving as the general manager of financial management department in Shenergy (Group) Company Limited since April 2011.

Section IV Corporate Governance

Name	Primary working experience
Zhang Jian	Mr. Zhang Jian, born in 1965, a member of the CPC, holds a master's degree in business administration. Currently, he is a shareholder representative Supervisor of the Company, the deputy general manager and a member of the CPC party committee of China Post Group Corporation Limited, Shanghai Branch. He served as a clerk, deputy section chief and deputy director of Nantong Post and Telecommunication Office from July 1984 to July 2004, the deputy director and senior accountant of Taizhou Post Office from July 2004 to November 2007, the deputy director and president of the trade union of Nantong Post Office from November 2007 to March 2008, the director of Taizhou Post Office from March 2008 to December 2008, the director and secretary of the CPC party committee of Taizhou Post Office from December 2008 to June 2011, the director and secretary of the CPC party committee of Nantong Post Office from June 2011 to February 2014, the general manager and secretary of the CPC party committee of Jiangsu Post Company, Nantong Branch from February 2014 to June 2015, the general manager and secretary of the CPC party committee of China Post Group Corporation, Nantong Branch from June 2015 to February 2016, and the deputy general manager and a member of the CPC party committee of China Post Group Corporation Limited, Shanghai Branch since February 2016.

Section IV Corporate Governance

Name	Primary working experience
Shen Guangjun	Mr. Shen Guangjun, born in 1979, a member of the CPC, holds a master's degree in accountancy. Currently, he is a shareholder representative Supervisor of the Company, the deputy chief accountant of Shanghai Construction Group Co., Ltd., the deputy managing director of Shanghai Construction Group (Hainan) Investment Co., Ltd., a supervisor of Shanghai Construction Environmental Technology Co., Ltd., a director of Shanghai Construction No. 2 (Group) Co., Ltd., a director of Shanghai Gardens (Group) Co., Ltd., a director of Shanghai Pudong BOC Fullerton Community Bank Co., Ltd., a director of Shanghai Foreign Trade Group Holdings Co., Ltd., a director China Shanghai Foreign Trade (Group) Co., Ltd. and the chairman of SCG Yiyun Technology Co., Ltd. He served as a staff, assistant to manager, deputy manager and general manager of asset and finance department of Shanghai Municipal Engineering Design General Institute (Group) Co., Ltd. from April 2004 to May 2017, the deputy chief accountant and general manager of asset and finance department of Shanghai Municipal Engineering Design General Institute (Group) Co., Ltd. from May 2017 to February 2018, the assistant to president (assistant to director), deputy chief accountant (in charge of affairs) and general manager of asset and finance department of Shanghai Municipal Engineering Design General Institute (Group) Co., Ltd. from February 2018 to June 2019, the chief accountant of the overseas business department of Shanghai Construction Group Co., Ltd. from June 2019 to March 2021, and the deputy chief accountant of Shanghai Construction Group Co., Ltd. since March 2021.

Section IV Corporate Governance

Name	Primary working experience
Tong Jie	Ms. Tong Jie, born in 1968, holds a bachelor's degree in financial accounting and is a senior accountant. Currently, she is a shareholder representative Supervisor of the Company, the chief financial officer of Shanghai Jinqiao Export Processing Zone Development Co., Ltd., a director of Shanghai Xinjinqiao Plaza Industrial Co., Ltd., a director of Shanghai Huade Meiju Construction and Decoration Materials Warehousing Co., Ltd., a director of Shanghai Huade Meiju Supermarket Co., Ltd. and the legal representative and an executive director of Shanghai Shengxun Investment Co., Ltd. She served as the audit supervisor of China First Tractor Engineering Machinery Group Co., Ltd. (中國第一拖拉機工程機械集團有限公司) from December 1988 to December 2001, the internal audit supervisor, deputy manager of the financial department, deputy manager of the capital operation department, and manager of the financial department of Zhongbang Group Limited from December 2001 to December 2008, the senior audit manager of Xuhui Group Co., Ltd. from December 2008 to August 2009 and the external task supervisor of the Managing Centre of Director and Supervisor under the State-owned Assets Supervision and Administration Commission of Pudong New District of Shanghai (上海市浦東新區國資委董事監事管理中心) from August 2009 to May 2016. She has been the chief financial officer of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. since May 2016.

Section IV Corporate Governance

Name	Primary working experience
Xia Lijun	Mr. Xia Lijun, born in 1976, a member of the CPC, holds a doctorate degree in accountancy and is a certified public accountant. Currently, he is the independent Supervisor of the Company, a professor, a doctoral supervisor and the head of Department of Accountancy of Antai College of Economics and Management of Shanghai Jiao Tong University, a member of the Guiding Committee of Professional Education of Accountancy of the Ministry of Education of the PRC, the president-elect of Higher Engineering College Committee under Accounting Society of China, an executive member of Accounting Education Committee under Accounting Society of China, a member of China Audit Society, an executive member of Accounting Society of Shanghai, the vice president of Shanghai Cost Research Society, an independent director of Zhejiang Shengtai Garment Group Co., Ltd., an independent director of Huatai Baoxing Fund Management Co., Ltd., an independent director of Shenzhen Huitai Medical Equipment Co., Ltd., an independent director of Shanghai Tongji Science & Technology Industrial Co., Ltd., an independent director of Jiangsu Recbio Technology Co., Ltd. and an executive director of Shanghai Bacai Information Technology Co., Ltd. She served as a lecturer, master's supervisor, professor and doctoral supervisor of School of Accountancy of Shanghai University of Finance and Economics from July 2006 to March 2011, and a professor, a doctoral supervisor and the head of Department of Accountancy of Antai College of Economics and Management of Shanghai Jiao Tong University since March 2011.
Ruan Fei	Ms. Ruan Fei, born in 1971, is a member of the CPC, holds a master's degree in finance, and is a senior accountant and senior economist. Currently, she is an employee representative Supervisor of the Company, the secretary to the Supervisory Committee, office director of the Supervisory Committee and director of the discipline inspection office of the Company. She served as a researcher of the development research department of China Worldbest Group Co., Ltd. from January 1997 to June 1998, a researcher of the securities research institute of the Company from June 1998 to March 2005, the assistant to office director and deputy office director of the Company from March 2005 to March 2012, the secretary to the Supervisory Committee and office director of the Supervisory Committee of the Company since March 2012, and the director of the discipline inspection office of the Company since December 2012.

Section IV Corporate Governance

Name	Primary working experience
Ding Yan	Ms. Ding Yan, born in 1979, is a member of the CPC, holds a master's degree in economic laws and a degree of master of science, and is an economist. Currently, she is an employee representative Supervisor of the Company, the general manager of the audit department of the Company, a director of Shanghai Orient Securities Capital Investment Co., Ltd., a supervisor of Orient Securities Investment Banking Co., Ltd. and a supervisor of Great Wall Fund Management Co., Ltd. She served as a clerk and deputy chief clerk of the banking management department and the office of People's Bank of China, Shanghai branch from August 2001 to August 2005, the deputy chief clerk, chief clerk and section chief of the secretariat of general management department and the anti-money laundering division of financial services department II of People's Bank of China, Shanghai headquarter from August 2005 to January 2017, the assistant to general manager, deputy general manager and deputy general manager (in charge of affairs) of the audit department of the Company from January 2017 to September 2022, and the general manager of the audit department of the Company since October 2022.
Shu Hong	Mr. Shu Hong, born in 1967, a member of CPC, is a holder of a master's degree in business administration and an engineer. Currently, he is a vice president and financial controller of the Company, and the chief information officer of Orient Securities Investment Banking Co., Ltd.. Mr. Shu Hong served as the manager for the computer network center system development department of Shenyin & Wanguo Securities Co., Ltd. from January 1993 to October 1998, and the head of the Information Technology Center and general manager of the Company from October 1998 to March 2004. He also served as the assistant to president and general manager of the Information Technology Center, the assistant to president and general manager of the brokerage business department, the director of IT technology and assistant to president, operating controller and assistant to president, and operating controller of the Company from December 2001 to April 2014 and the chief information officer of the Company from June 2019 to November 2021. Mr. Shu has been serving as vice president of the Company since April 2014 and serving as the financial controller of the Company since November 2021.

Section IV Corporate Governance

Name	Primary working experience
Zhang Jianhui	Mr. Zhang Jianhui, born in 1968, a member of CPC, is a holder of a master's degree in economics and business administration, an economist and an accountant. Currently, he is a vice president of the Company, the chairman of Shanghai Orient Securities Innovation Investment Co., Ltd., chairman of Orient Finance Holdings (Hong Kong) Limited, chairman of Orient Securities International Financial Group Limited, a non-employee representative director of China Securities Credit Investment Co., Ltd. and a supervisor of Shanghai ICY New Energy Venture Capital Investment Co., Ltd.. Mr. Zhang served as a clerk of Shanghai Pudong Development Bank from March 1994 to March 1998, the assistant to the general manager of the fund and financial management department of Orient Securities Company Limited from March 1998 to July 2003, the deputy general manager and general manager for Liaoning administrative department, the deputy general manager (in charge of affairs) and general manager of the fund and financial management department of the Company from July 2003 to June 2015, the financial controller of the Company from May 2014 to November 2021, and concurrently served as the general manager of the planned financial management department of the Company from June 2015 to August 2019 and the general manager of the fund management department from August 2020 to November 2021. Mr. Zhang has been serving as the vice president of the Company since July 2015.

Section IV Corporate Governance

Name	Primary working experience
Xu Haining	Ms. Xu Haining, born in 1970, a member of CPC, holds a doctorate in business administration and is an accountant. Currently, she is a vice president and the general manager of the finance management department of the Company. She served as a member of the finance section and deputy chief of the finance department of Marine Geology Comprehensive Research Brigade of the Ministry of Geology and Mineral Resources (地質礦產部海洋地質綜合研究大隊) from July 1990 to December 1997, the manager of the finance department and deputy chief accountant of Shanghai Haitai Construction Engineering (Group) Co., Ltd. (上海海地建設工程(集團)有限公司) from December 1997 to October 2001, the vice president of China Merchants Holdings Co., Ltd. (通商控股有限公司) from March 2002 to May 2007, the general manager and chairman of Shanghai Guanghe Investment Co., Ltd. (上海廣和投資有限公司) from May 2007 to December 2008, the deputy general manager of Shanghai HNA Daxinhua Real Estate Co., Ltd. (上海海航大新華置業有限公司) from June 2010 to January 2011, the general manager of Grand China Logistics Holding (Group) Company Limited from January 2011 to August 2011, the general manager of Shanghai Daxinhua Investment Management Co., Ltd. (上海大新華投資管理有限公司) from August 2011 to December 2011, and the director and executive vice president of Shanghai Nine Dragon Co., Ltd. from December 2011 to October 2012. She served as the deputy general manager of the Company's sales and trading department (in charge of affairs) from October 2012 to October 2014, and the assistant to the president of the Company from September 2017 to March 2021, and has been serving as the general manager of the Company's wealth management business department since October 2014 and a vice president of the Company since March 2021.

Section IV Corporate Governance

Name	Primary working experience
Lu Dayin	Mr. Lu Dayin, born in 1972, a member of CPC, is a holder of doctorate degree in management and a senior economist. Currently, he is the chief information officer of the Company, the secretary of the CPC party committee and chairman of Orient Futures Co., Ltd, and the chairman of Orient Futures International (Singapore) Pte Ltd. Mr. Lu served as a computer specialist, assistant to manager and deputy manager of the business outlet of Shenyin & Wanguo Securities Co., Ltd. from July 1994 to June 2001, a staff, assistant to general manager and deputy general manager of the information technology center of the Company from June 2001 to July 2002, the deputy general manager (in charge of works) of e-commerce business department of the Company from July 2002 to March 2004, the deputy general manager of brokerage business department from March 2004 to October 2009, the deputy general manager and general manager of Orient Futures Co., Ltd from October 2009 to January 2021, and has been serving as the secretary of the CPC party committee of Orient Futures Co., Ltd since November 2020, the chairman of Orient Futures Co., Ltd since December 2020 and the chief information officer of the Company since November 2021.

Section IV Corporate Governance

Name	Primary working experience
Jiang Helei	Mr. Jiang Helei, born in 1974, holds a master's degree in economics. Currently, he is the chief risk officer and chief compliance officer of the Company, a director of Shanghai Orient Securities Asset Management Co., Ltd., a director of Orient Futures Co., Ltd and a director of Shanghai Orient Securities Innovation Investment Co., Ltd. He 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 CSRC (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 CSRC from November 2001 to March 2004, a senior staff of the No. 1 investigation office of Shanghai Securities Regulatory Bureau of the CSRC 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 CSRC from October 2004 to April 2013, a researcher at the No. 1 regulatory office of Shanghai Securities Regulatory Bureau of the CSRC from April 2013 to January 2016, a researcher at the No. 2 inspection office of Shanghai Securities Regulatory Bureau of the CSRC 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) from November 2020 to March 2021, 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) from April 2021 to July 2022. 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.

Section IV Corporate Governance

Name	Primary working experience
Wang Rufu	Mr. Wang Rufu, born in 1973, a member of CPC, is a holder of master's degree in engineering and a certified public accountant. Currently, he is the secretary to the Board, the joint company secretary and the director of the Board office of the Company, a supervisor of China Universal Asset Management Company Limited, and a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd.. Mr. Wang served as the comprehensive planner of Planning Head Office and the strategic manager of Development and Coordination Office of Shenyin Wanguo Securities from August 2002 to April 2004, the assistant to general manager of planning and development department and the deputy chief (in charge of affairs) of secretariat of Kinghing Securities from May 2004 to October 2005, as well as the senior strategic researcher of securities market of the research institute of the Company from October 2005 to March 2008. Mr. Wang has been serving as the senior head, assistant to the chief, deputy chief and the representative of securities affairs from March 2008 to October 2014, the director of the Board office of the Company since October 2014, the secretary to the Board of the Company since November 2016. He has been concurrently serving as the joint company secretary since November 2019.

Section IV Corporate Governance

Name	Primary working experience
Liu Wei (resigned)	Mr. Liu Wei, born in 1973, is a member of the CPC, holds a master's degree in law and is a senior economist. He currently serves as a member of the discipline inspection committee of Shenergy (Group) Company Limited, the secretary of the CPC party committee of Shenergy Company Limited, and a director of Shanghai Shenergy ICY Capital Co., Ltd. Mr. Liu served as a clerk of the Enforcement Division, a clerk of the Economic Division, an assistant judge of the Economic Division, and an assistant judge of the Office of People's Court of Huangpu District of Shanghai from July 1996 to December 2001, an assistant judge of the Office, the deputy section chief of the General Section of the Office, the director of the President's Office of the Office, a judge, and the deputy director of the Office of Higher People's Court of Shanghai Municipality from December 2001 to May 2013, the deputy director of the Office of Organization Department, the deputy director and investigator of General Official Division of the CPC Shanghai Municipal Committee from May 2013 to September 2017, and the general manager of human resource department of Shenergy (Group) Company Limited from September 2017 to April 2021. Mr. Liu has been serving as a member of the discipline inspection committee of Shenergy (Group) Company Limited since May 2020, the director of organization department under the CPC party committee of Shenergy (Group) Company Limited from December 2020 to April 2021, the secretary of the CPC party committee of Shenergy Company Limited since April 2021, and a non-executive Director of the Company from March 2018 to March 2022.

Section IV Corporate Governance

Name	Primary working experience
Xu Zhiming (resigned)	Mr. Xu Zhiming, born in 1961, holds a doctorate degree in economics. He currently serves as a founding partner of China Broadband Capital, a director of Donlink Group Co., Ltd., a director of Guangzhou Donlink Industrial Investment Group Co., Ltd., a director of Beijing Lianhang Hezhong Media Technology Co., Ltd. and a director of Beijing Baoxuan Culture Media Co., Ltd. He successively served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation, and the co-director of corporate finance department and co-director of capital market department of Nomura International (Hong Kong) Limited, a director and the director of investment banking division in the Great China Region of National Westminster Bank of Britain, a director and the director of corporate financing division in the Great China Region of Bank of Boston of the United States from December 1986 to August 1999, an executive director of China Resources Enterprise, Limited, an executive director of China Resources (Beijing) Land Limited, the managing director and chief operating officer of China Resources Logic Limited from August 1999 to December 2001, as well as a senior consultant of TOM Group Limited, and an executive director and chief operating officer of TOM Online Inc from January 2002 to May 2005. Mr. Xu has been a founding partner of China Broadband Capital since March 2006 and served as an independent non-executive Director of the Company from July 2016 to November 2022.

Section IV Corporate Governance

Name	Primary working experience
Zhang Qian (resigned)	Mr. Zhang Qian, born in 1974, a member of the CPC, holds a master's degree in business administration, and is a senior economist. Currently, he is the vice president and financial controller of Shanghai Industrial Investment (Holdings) Co., Ltd. Mr. Zhang joined Shenergy (Group) Company Limited in July 1996, and served as the deputy director and the director of the comprehensive management department of Shenergy (Group) Company Limited from January 2001 to October 2004, the deputy manager and the manager of the financial asset department of Shanghai Shenergy Asset Management Co., Ltd. from October 2004 to January 2006, the deputy head of the preparatory team of Shenergy Group Finance Co., Ltd. from January 2006 to February 2007, the deputy general manager of Shenergy Group Finance Co., Ltd. from February 2007 to August 2009, the secretary of the CPC party branch and the general manager of Shenergy Group Finance Co., Ltd. from August 2009 to July 2016, the vice president of Shenergy (Group) Company Limited from September 2015 to May 2020, a member of the CPC party committee and vice president of Shenergy (Group) Company Limited from May 2020 to March 2021, the deputy secretary of the CPC party committee of Shenergy (Group) Company Limited from March 2021 to November 2022 and the president of the trade union of Shenergy (Group) Company Limited from June 2021 to November 2022. He has been serving as the vice president and financial controller of Shanghai Industrial Investment (Holdings) Co., Ltd. since November 2022.

Section IV Corporate Governance

Name	Primary working experience
Yang Bin (resigned)	Mr. Yang Bin, born in 1972, a member of CPC, is a holder of a master's degree in economics. Currently, he is the secretary of the CPC party committee and chairman of Shanghai Orient Securities Asset Management Co., Ltd., a director of Orient Securities Investment Banking Co., Ltd. and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Yang served as the clerk of the non-banking financial institute administrative office of the People's Bank of China Shanghai Branch from July 1997 to July 1998, a deputy senior staff and senior staff of the inspection bureau and case proceedings of inspection bureau of Shanghai Bureau of the CSRC from July 1998 to March 2004, the senior staff of the No.1 inspection office and the No.2 institute supervision office of Shanghai Bureau of the CSRC from March 2004 to February 2007, and the deputy director of the No.1 institute supervision office, futures regulatory office director, legal affairs office director of Shanghai Bureau of the CSRC from February 2007 to May 2015, and concurrently served as the general manager of audit department of the Company from August 2017 to April 2020 and the general manager of the compliance and legal management department of the Company from June 2020 to June 2021. Mr. Yang served as the chief risk officer of the Company from June 2015 to September 2022, the chief compliance officer of the Company from July 2015 to October 2022 and a vice president of the Company from March 2021 to September 2022. He has been serving as the secretary of the CPC party committee of Shanghai Orient Securities Asset Management Co., Ltd. since September 2022 and the chairman of Shanghai Orient Securities Asset Management Co., Ltd. since October 2022.

Section IV Corporate Governance

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

1. Employment at the shareholder entities

Name of employee	Name of the shareholder entities	Position at the shareholder entities	Commencement date of the term of office	Expiry date of the term of office
Song Xuefeng	Shenergy (Group) Company Limited	Vice president	August 2014	Up to now
		Member of the CPC Party committee	December 2016	Up to now
Yu Xuechun	Shenergy (Group) Company Limited	Deputy chief economist and general manager of strategic development department	March 2020	Up to now
		Employee representative supervisor	September 2012	August 2022
Zhou Donghui	Shanghai Haiyan Investment Management Company Limited	Director and general manager	July 2015	November 2022
Cheng Feng	Shanghai United Media Group	Member of the CPC Party committee and deputy general manager	October 2013	Up to now
Ren Zhixiang	Zheneng Capital Holdings Limited	Deputy secretary of the CPC party committee and general manager	October 2019	Up to now
Wu Junhao	Shenergy (Group) Company Limited	General manager of financial management department	April 2011	Up to now
Zhang Jian	China Post Group Corporation, Shanghai Branch	Member of the CPC Party committee and deputy general manager	February 2016	Up to now
Shen Guangjun	Shanghai Construction Group Co., Ltd.	Deputy chief accountant	March 2021	Up to now
Tong Jie	Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	Chief financial officer	May 2016	Up to now
Liu Wei (resigned)	Shenergy (Group) Company Limited	Member of the discipline inspection committee	May 2020	Up to now
Employment at the shareholder entities	Nil			

Section IV Corporate Governance

2. Employment at other entities

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Song Xuefeng	Shenergy Investment Management Co., Ltd.	Executive director and general manager	September 2022	Up to now
	China SME Development Fund Co., Ltd.	Director	June 2020	April 2022
	Shanghai Orient Securities Asset Management Co., Ltd.	Chairman	December 2020	October 2022
Jin Wenzhong	Shanghai Orient Securities Capital Investment Co., Ltd.	Chairman	March 2012	Up to now
	Orient Securities Investment Banking Co., Ltd.	Chairman	September 2020	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	November 2012	Up to now
Lu Weiming	Orient Futures Co., Ltd	Director	December 2014	Up to now
	Orient Finance Holdings (Hong Kong) Limited	Director	November 2022	Up to now
	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	June 2020	November 2022
Yu Xuechun	Shenergy Hongkong Holding Limited	General manager	July 2020	Up to now
	Shenergy Company Limited	Chairman of the supervisory committee	June 2020	Up to now
	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.	Director	July 2010	Up to now
Zhou Donghui	Shanghai Shenergy Nengchuang Energy Development Co., Ltd.	Director	June 2021	Up to now
	Shanghai Tobacco Machinery Co., Ltd.	Vice chairman	August 2015	January 2023
	Shanghai Jieqiang Tobacco Sugar & Wine (Group) Co., Ltd.	Vice chairman	August 2015	Up to now
	Shanghai Deqiang Industry Co., Ltd.	Vice chairman	August 2015	Up to now
	Shanghai Gaoyang International Tobacco Co., Ltd.	Director	July 2017	January 2023
	China Tobacco Shanghai Import and Export Co., Ltd.	Director	October 2016	January 2023

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
	Shanghai Tobacco Group Huangpu Tobacco Sugar & Wine Co., Ltd.	Director	August 2019	January 2023
	Shanghai Tobacco Group Xuhui Tobacco Sugar & Wine Co., Ltd.	Director	May 2016	January 2023
	Shanghai Tobacco Group Hongkou Tobacco Sugar & Wine Co., Ltd.	Director	May 2016	January 2023
	Shanghai Tobacco Group Yangpu Tobacco Sugar & Wine Co., Ltd.	Director	August 2015	January 2023
	Shanghai Tobacco Group Minhang Tobacco Sugar & Wine Co., Ltd.	Director	August 2015	January 2023
	Shanghai Tobacco Group Baoshan Tobacco Sugar & Wine Co., Ltd.	Director	May 2016	January 2023
	Shanghai Tobacco Group Pudong Tobacco Sugar & Wine Co., Ltd.	Director	August 2015	January 2023
	Shanghai Tobacco Group Songjiang Tobacco Sugar & Wine Co., Ltd.	Director	August 2015	January 2023
	Shanghai Tobacco Group Qingpu Tobacco Sugar & Wine Co., Ltd.	Director	August 2015	January 2023
	Shanghai Tobacco Group Chongming Tobacco Sugar & Wine Co., Ltd.	Director	August 2015	January 2023
	Shanghai Baiyulan Tobacco Material Co., Ltd.	Director	August 2019	January 2023
	Shanghai Wangbaohe Hotel Co., Ltd.	Director	August 2015	January 2023
	Shanghai Tobacco Group Real Estate Development and Operation Co., Ltd.	Director	August 2015	January 2023

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Cheng Feng	Shanghai Haiyan Tobacco, Sugar and Wine Co., Ltd.	Director	August 2015	January 2023
	Shanghai Tobacco Group Suzhou China Garden Hotel Co., Ltd.	Director	August 2015	January 2023
	Shenzhen New Tobacco Product Co., Ltd.	Director	May 2018	Up to now
	Zhongwei Capital Holding Co., Ltd.	Supervisor	February 2016	January 2023
	AECC Commercial Aircraft Engine Co., Ltd.	Supervisor	March 2015	Up to now
	Haitong Securities Co., Ltd.	Director	June 2020	Up to now
	China Pacific Insurance (Group) Co., Ltd.	Director	January 2021	Up to now
	Shanghai Shangbao Asset Management Co., Ltd.	Chairman	February 2014	Up to now
	Shanghai Oriental Press Co., Ltd.	Chairman	April 2017	Up to now
	Shanghai Real Power Capital Co., Ltd.	Chairman	May 2015	Up to now
	Shanghai Culture Assets And Equity Exchange Co., Ltd.	Chairman	April 2016	Up to now
	Shanghai XinHua Media Co., Ltd.	Executive vice chairman	September 2017	Up to now
	Shanghai Oriental Pearl Real Estate Co., Ltd.	Director	October 2014	Up to now
	Shanghai Realty Times Co., Ltd.	Executive director	February 2016	Up to now
	China Universal Asset Management Company Limited	Director	November 2016	Up to now
	Shanghai Jiefang Media Information Development Co., Ltd.	Executive director	April 2016	Up to now
	Shanghai Shangbao Rongmei Culture and Media Co., Ltd.	Executive director	September 2014	Up to now
	Shanghai Shangbao Chuanyue Properties Development Co., Ltd.	Chairman	August 2014	Up to now
	Shanghai Shenwen Industry Co., Ltd.	Executive director	April 2015	Up to now

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Ren Zhixiang	Shanghai Oriental Ticketing Co., Ltd.	Chairman	February 2016	Up to now
	Shanghai Shangbao Industrial Co., Ltd.	Chairman	October 2020	Up to now
	Shanghai Jiemian CLS Technologies Co., Ltd.	Chairman of the supervisory committee	November 2016	Up to now
	Shanghai Ruiyi Investment Management Co., Ltd.	Chairman	October 2016	Up to now
	Shanghai Ruili Financial Information Service Co., Ltd.	Chairman	November 2015	Up to now
	Shanghai CLS Fintech Co., Ltd.	Supervisor	June 2019	Up to now
	Zhejiang Fuzhe Investment Co., Ltd.	Director	November 2019	Up to now
Zhu Jing	Zheshang Property and Casualty Insurance Co., Ltd.	Vice chairman	January 2021	Up to now
	China Zheshang Bank Co., Ltd.	Director	December 2020	Up to now
	Orient Finance Holdings (Hong Kong) Limited	Director	August 2015	Up to now
		General manager	April 2019	Up to now
	Orient Futures Co., Ltd	Director	February 2016	Up to now
	Orient Securities International Financial Group Co., Ltd.	Director	August 2018	Up to now
	Chengtay Financial Leasing (Shanghai) Co., Ltd.	Director	November 2021	Up to now
Jin Qinglu	Great Wall Fund Management Co., Ltd.	Director	June 2020	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Supervisor	August 2020	December 2022
	School of Accountancy of Shanghai University of Finance and Economics	Dean	November 2018	Up to now
	Harbin Bank Co., Ltd.	Independent director	March 2021	Up to now
Wu Hong	Shanghai Pudong Development Bank Co., Ltd.	Independent director	December 2020	Up to now
	Zhejiang Tailong Commercial Bank Co., Ltd.	Independent director	November 2016	April 2022

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Feng Xingdong	Western Leadbank Fund Management Co., Ltd.	Independent director	December 2020	Up to now
	School of Statistics and Management of Shanghai University of Finance and Economics	Dean	November 2019	Up to now
Luo Xinyu	Shanghai State-owned Capital Operation Research Institute Co., Ltd.	General manager (president)	June 2018	Up to now
	Shanghai State-owned Capital Training Center Co., Ltd.	Chairman	July 2020	Up to now
	Shanghai Pudong Technology Investment Co., Ltd.	Director	September 2017	Up to now
	Kunshan Culture Business Tourism Group Co., Ltd.	Director	May 2019	Up to now
	Shanghai Guosheng Guxian Venture Capital Investment Management Co., Ltd.	Supervisor	December 2012	Up to now
	Shanghai Shengzhizi Corporate Management Co., Ltd.	Executive director	May 2020	Up to now
	Shanghai Yangpu State-owned Assets Management Co., Ltd.	Director	July 2022	Up to now
	Shanghai Guoyan Corporate Management Co., Ltd.	Executive director	August 2022	Up to now
	Luoyang Guohong Investment Holdings Group Co., Ltd.	Director	September 2022	Up to now
	Dalian State-owned Assets Management Co., Ltd.	Director	November 2022	Up to now
	Hangzhou Industrial Investment Group Co., Ltd.	Director	December 2022	Up to now
	Huatai Securities (Shanghai) Asset Management Co., Ltd.	Independent director	December 2022	Up to now
	Ningbo Development Investment Group Co., Ltd.	Director	January 2023	Up to now

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Du Weihua	Shanghai Orient Securities Capital Investment Co., Ltd.	Supervisor	June 2020	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Supervisor	June 2020	Up to now
	Orient Futures Co., Ltd	Supervisor	September 2020	Up to now
	Shanghai DFZQ Xindeyizhang Public Welfare Foundation	Director-general	April 2020	Up to now
Wu Junhao	China Pacific Insurance (Group) Co., Ltd.	Director	July 2012	Up to now
	China Pacific Life Insurance Co., Ltd	Director	July 2012	Up to now
	China Pacific Property Insurance Co., Ltd.	Director	July 2012	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	October 2010	Up to now
Shen Guangjun	China Everbright Bank Company Limited	Supervisor	November 2009	Up to now
	Shanghai ICY Capital Co., Ltd.	Chairman of the supervisory committee	August 2020	Up to now
	Shanghai Shenergy ICY Equity Investment Co., Ltd.	Chairman of the supervisory committee	December 2016	Up to now
	Shanghai Construction Group Investment Co., Ltd.	Deputy general manager	March 2021	February 2022
	Shanghai Construction Group (Hainan) Investment Co., Ltd.	Executive deputy general manager	July 2021	Up to now
	Shanghai Construction Environmental Technology Co., Ltd.	Supervisor	October 2021	Up to now
	Shanghai Pudong BOC Fullerton Community Bank Co., Ltd.	Director	June 2021	Up to now
	Shanghai Construction No. 2 (Group) Co., Ltd.	Director	November 2022	Up to now
	Shanghai Gardens (Group) Co., Ltd.	Director	November 2022	Up to now
	Shanghai Foreign Trade Group Holdings Co., Ltd.	Director	March 2023	Up to now
	China Shanghai Foreign Trade (Group) Co., Ltd.	Director	March 2023	Up to now
	SCG Yiyun Technology Co., Ltd.	Chairman	March 2023	Up to now

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Tong Jie	Shanghai Xinqinqiao Plaza Industrial Co., Ltd.	Director	January 2017	Up to now
	Shanghai Huade Meiju Construction and Decoration Materials Warehousing Co., Ltd.	Director	November 2021	Up to now
	Shanghai Huade Meiju Supermarket Co., Ltd.	Director	December 2021	Up to now
	Shanghai Shengxun Investment Co., Ltd.	Legal representative and executive director	June 2022	Up to now
Xia Lijun	Antai College of Economics and Management of Shanghai Jiao Tong University	Professor, doctoral supervisor and head of Department of Accountancy	March 2011	Up to now
	Huatai Baoxing Fund Management Co., Ltd.	Independent director	July 2016	Up to now
	Zhejiang Shengtai Garment Group Co., Ltd.	Independent director	October 2018	Up to now
	Shanghai Sanyou Medical Co., Ltd.	Independent director	July 2019	June 2022
	Shenzhen Huitai Medical Equipment Co., Ltd.	Independent director	November 2019	Up to now
	Orient Fortune Information Co., Ltd.	Independent director	January 2020	January 2023
	Shanghai Tongji Science & Technology Industrial Co., Ltd.	Independent director	April 2020	Up to now
	Jiangsu Recbio Technology Co., Ltd.	Independent director	June 2021	Up to now
	Shanghai Bacai Information Technology Co., Ltd.	Executive director	April 2018	Up to now
	Orient Securities Investment Banking Co., Ltd.	Supervisor	August 2020	Up to now
Ding Yan	Great Wall Fund Management Co., Ltd.	Supervisor	September 2022	Up to now
	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	November 2022	Up to now
Shu Hong	Shanghai Qizhong Golf Club Company Limited	Director	January 2009	Up to now
	Orient Securities Investment Banking Co., Ltd.	Chief information officer	December 2019	Up to now

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Zhang Jianhui	Shanghai Orient Securities Innovation Investment Co., Ltd.	Chairman	July 2016	Up to now
	Orient Finance Holdings (Hong Kong) Limited	Chairman	January 2021	Up to now
	Orient Securities International Financial Group Limited	Chairman	August 2018	Up to now
	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	August 2015	November 2022
	China Securities Credit Investment Co., Ltd.	Non-employee representative director	May 2022	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Supervisor	October 2010	Up to now
Lu Dayin	Orient Futures Co., Ltd	Secretary of CPC party committee	November 2020	Up to now
		Chairman	December 2020	Up to now
	Orient Runhe Asset Management Co., Ltd.	Chairman	November 2014	June 2022
	Orient Futures International (Singapore) Pte Ltd	Chairman	January 2019	Up to now
Jiang Helei	Shanghai Orient Securities Asset Management Co., Ltd.	Director	November 2022	Up to now
	Orient Futures Co., Ltd	Director	November 2022	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	November 2022	Up to now
Wang Rufu	China Universal Asset Management Company Limited	Supervisor	September 2015	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	March 2015	Up to now
Liu Wei (resigned)	Shanghai Shenergy ICY Capital Co., Ltd.	Director	November 2020	Up to now

Section IV Corporate Governance

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Xu Zhiming (resigned)	China Broadband Capital	Founding partner	March 2006	Up to now
	Donlink Group Co., Ltd.	Director	September 2015	Up to now
	Guangzhou Donlink Industrial Investment Group Co., Ltd.	Director	September 2015	Up to now
	Beijing Lianhang Hezhong Media Technology Co., Ltd.	Director	November 2007	Up to now
	Beijing Baoxuan Culture Media Co., Ltd.	Director	December 2007	Up to now
	Tianjin Capital Environmental Protection Group Company Limited	Independent director	November 2021	September 2022
	Shanghai Industrial Investment (Holdings) Co., Ltd.	Vice president and financial controller	November 2022	Up to now
Yang Bin (resigned)	Orient Futures Co., Ltd	Director	August 2015	November 2022
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	October 2020	November 2022
	Orient Finance Holdings (Hong Kong) Limited	Director	August 2018	November 2022
	Orient Securities Investment Banking Co., Ltd.	Director	October 2015	Up to now
	Great Wall Fund Management Co., Ltd.	Supervisor	February 2017	September 2022
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	March 2018	Up to now
		Secretary of CPC party committee	September 2022	Up to now
Employment at other entities	Nil	Chairman	October 2022	Up to now

Section IV Corporate Governance

(iii) Remunerations of Directors, Supervisors and senior management

Decision-making procedures for remunerations of the Directors, Supervisors and senior management

The allowances of the Company's independent non-executive Directors are determined by the Board and proposed to the general meeting for consideration and approval. The remuneration of the Company's management at the legal representative (chairman), president and vice president level consists of annual fixed salary and performance bonus. The annual fixed salary is determined based on the position, and the performance bonus is linked with the Company's operating results, the annual performance appraisal and the term performance appraisal of the senior management members. The remuneration of senior management members shall be implemented upon approval by the Remuneration and Nomination Committee of the Board. The remuneration performance management of other senior management personnel shall be implemented in accordance with the relevant rules of the Company. Remuneration of independent Supervisors shall be determined by the Supervisory Committee and approved at the general meeting.

Basis for determining the remunerations of the Directors, Supervisors and senior management

Remunerations of the Company's independent non-executive Directors and remuneration of independent Supervisors are determined with reference to that of the listed peers in the same industry; remunerations of the Company's executive Directors, employee representative Directors, employee representative Supervisors and senior management who receive remuneration from the Company are based on the remuneration and assessment system of the Company. In particular, the remuneration structure and standard of the chairman, president, vice president and management members holding positions of vice president are determined in accordance with the Assessment, Incentive and Restraint Mechanism Plan for Senior Management.

Section IV Corporate Governance

Actual payments of remunerations of the Directors, Supervisors and senior management

Please refer to “Changes in shareholding and remunerations of current and resigned Directors, Supervisors and senior management during the Reporting Period” for details.

Remunerations received in aggregate by all the Directors, Supervisors and senior management at the end of the Reporting Period

RMB35.5091 million

(iv) Changes of Directors, Supervisors and senior management

Name	Position	Particulars of changes	Reasons for change
Lu Weiming	Executive Director	Election	In June 2022, the 2021 annual general meeting of the Company was convened, at which Mr. Lu Weiming was elected as an executive Director of the fifth session of the Board of the Company.
	President	Appointment	In March 2022, the 13th meeting of the fifth session of the Board of the Company was convened, at which Mr. Lu Weiming was appointed as the president of the Company.
Chan Hon	Independent non-executive Director	Election	In November 2022, the 2022 second extraordinary general meeting of the Company was convened, at which Mr. Chan Hon was elected as an independent non-executive Director of the fifth session of the Board of the Company.
Liu Wei	Non-executive Director	Resignation	In March 2022, the Company received a written resignation letter from Mr. Liu Wei, a non-executive Director of the Company, who applied for resignation as a non-executive Director and a member of the Remuneration and Nomination Committee under the Board of the Company due to work adjustment.

Section IV Corporate Governance

Name	Position	Particulars of changes	Reasons for change
Xu Zhiming	Independent non-executive Director	Resignation	In July 2022, the Company received a written resignation letter from Mr. Xu Zhiming, an independent non-executive Director of the Company, who applied for resignation as an independent Director of the fifth session of the Board and a member of the Strategic Development Committee under the Board of the Company due to his six consecutive years of service. The resignation of Mr. Xu Zhiming became effective upon the election of Mr. Chan Hon as an independent non-executive Director of the Company at the second extraordinary general meeting of the Company in November 2022.
Zhang Qian	Chairman of the Supervisory Committee	Resignation	In September 2022, the Company received a resignation letter from Mr. Zhang Qian, the chairman of the Supervisory Committee of the Company, who applied for resignation as the chairman and a Supervisor of the Supervisory Committee of the Company due to work arrangement.
Jin Wenzhong	President	Resignation	At the 13th meeting of the fifth session of the Board of the Company held in March 2022, Mr. Jin Wenzhong, the chairman of the Company, ceased to serve as the president of the Company based on work requirements of the Company and relevant provisions of the Articles of Association.
Jiang Helei	Chief compliance officer and chief risk officer	Appointment	At the 19th meeting of the fifth session of the Board of the Company held in September 2022, it was approved that Mr. Jiang Helei be appointed as the chief compliance officer and chief risk officer of the Company. In particular, he assumed the duties of chief compliance officer (person in charge of compliance of the Company) upon approval by the securities regulatory authorities in October 2022.
Yang Bin	Vice president, chief compliance officer and chief risk officer	Resignation	In September 2022, Mr. Yang Bin ceased to serve as a vice president, chief compliance officer and chief risk officer of the Company due to change of duties based on the operational management needs of the Company. In particular, he was released from his position as the chief compliance officer (person in charge of compliance of the Company) upon approval by the securities regulatory authorities on Mr. Jiang Helei in October 2022.

Section IV Corporate Governance

(v) Penalties imposed by securities regulatory authorities during recent three years

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

V. BOARD MEETINGS CONVENED DURING THE REPORTING PERIOD

Meeting	Date	Resolutions
Tenth meeting of the fifth session of the Board	February 9, 2022	Two resolutions, being the “Company’s 2021 Annual Operational Work Report” and the “Proposal on the Company’s Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2022”, were considered and approved.
11th meeting of the fifth session of the Board	February 28, 2022	Two resolutions, being the “Resolution on Authorising Two Directors to Sign the Rights Issue Prospectus and Act on Behalf of the Company in Relation to Relevant Registration and Filing Matters” and the “Resolution on Change of Joint Company Secretary”, were considered and approved.
12th meeting of the fifth session of the Board	March 22, 2022	Five resolutions, being the “Resolution on Application for Conducting Market Making Business of Stocks on the Science and Technology Innovation Board”, the “Resolution on Application for Conducting Market Making Business of Bonds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange”, the “Resolution on Extension of Valid Period of the Resolution on Public Issuance of Securities Through Rights Issue of the Company”, the “Resolution on Extension of Valid Period of the Full Authorization Granted to the Board of Directors to Deal With Relevant Matters in Relation to the Rights Issue” and the “Resolution on Convening the 2022 First Extraordinary General Meeting, 2022 First A Shares Class Meeting and 2022 First H Shares Class Meeting of the Company”, were considered and approved.

Section IV Corporate Governance

Meeting	Date	Resolutions
13th meeting of the fifth session of the Board	March 30, 2022	27 resolutions, being the “2021 Report of the Board of the Company”, the “2021 Final Accounts Report of the Company”, the “2021 Profit Distribution Proposal of the Company”, the “Report on Execution of Risk Control Indicators by the Company in 2021”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2022”, the “Company’s 2021 Annual Compliance Report”, the “Company’s 2021 Annual Risk Management Work Report”, the “Company’s 2021 Annual Internal Control Assessment Report”, the “2021 Compliance Management Effectiveness Assessment Report of the Company”, the “2021 Anti-Money Laundering Report of the Company”, the “Special Audit Report on the Company’s Anti-Money Laundering Work in 2021”, the “Proposal on Amendments to the Internal Control and Management Measures of the Company”, the “2021 Annual Report of the Company”, the “Company’s 2021 Special Report on Information Technology Management”, the “Proposal on the Company’s 2021 Annual Social Responsibility Report”, the “Proposal Regarding the Audit of the Related Transactions of the Company in 2021”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2022”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2022”, the “Proposal Regarding the Engagement of Auditing Firms for the Year 2022”, the “Report of Independent Directors in 2021”, the “Proposal Regarding the Amendments to Certain Articles of the Articles of Association”, the “Proposal Regarding the Amendments to the Implementation Rules for Online Voting at Shareholders’ General Meetings of the Company”, the “Proposal Regarding the Reports on Use of Proceeds from Previous Fund-raising Activities of the Company”, the “Proposal on Appointment of the President of the Company”, the “Proposal Regarding the Election of Executive Director of the Company”, the “Proposal Regarding the Amendments to the Strategic Planning of the Company (2021-2024)” and the “Proposal on Convening the 2021 Annual General Meeting of the Company”, were considered and approved. The “2021 Report on Performance of Duties of the Audit Committee of the Board of the Company” was presented at the meeting.
14th meeting of the fifth session of the Board	April 17, 2022	The “Proposal on Consideration of the H Share Rights Issue and Relevant Documents” was considered and approved.
15th meeting of the fifth session of the Board	April 29, 2022	The “First Quarterly Report of the Company for the Year 2022” was considered and approved.

Section IV Corporate Governance

Meeting	Date	Resolutions
16th meeting of the fifth session of the Board	June 2, 2022	Two resolutions, being the “Proposal on Adjustment to the Company’s Profit Distribution Plan for 2021” and the “Proposal on Adjustment to the Company’s Assets and Liabilities Allocation Plan for the Year 2022”, were considered and approved.
17th meeting of the fifth session of the Board	July 25, 2022	The “Proposal on Provision for Performance Bonus of Senior Management Members of the Company in 2021” was considered and approved.
18th meeting of the fifth session of the Board	August 30, 2022	15 resolutions, being the “Interim Report of Orient Securities Company Limited for the Year 2022”, the “Report on Execution of Risk Control Indicators of Net Capital by the Company for the First Half of 2022”, the “Company’s 2022 Interim Compliance Report”, the “Company’s 2022 Interim Risk Management Work Report”, the “Special Report on the Deposit and Actual Use of Proceeds of the Company for the First Half of 2022”, the “Resolution in relation to the Election of Independent Non-executive Director of the Company”, the “Resolution in Relation to the Amendments to the Independent Director Policy of the Company”, the “Resolution in Relation to the Amendments to the Management Measures of Related-party Transactions of the Company”, the “Resolution in Relation to the Amendments to the Measures to Manage External Guarantees of the Company”, the “Resolution in Relation to the Amendments to the Management Measures of Proceeds from Fund-raising Activities of the Company”, the “Resolution in Relation to the Amendments to Management Measures for Shareholdings and Changes in Shareholdings of the Company by Directors, Supervisors and Senior Management”, the “Resolution in Relation to the Amendments to Work Rules for the Secretary to the Board”, the “Resolution in Relation to the Amendments to Management Measures of Information Disclosure of the Company”, the “Resolution in Relation to the Amendments to Administrative Measures for Insider Registration and Confidentiality of the Company”, the “Resolution on Convening the 2022 Second Extraordinary General Meeting of the Company”, were considered and approved. The “Company’s 2022 Interim Operational Work Report” was presented at the meeting.
19th meeting of the fifth session of the Board	September 23, 2022	Four resolutions, being the “Resolution on Appointment of Chief Compliance Officer and Chief Risk Officer of the Company”, the “Resolution in Relation to the Amendments to Certain Articles of the Articles of Association of the Company”, the “Resolution in Relation to the Amendments to Management Measures of External Donation of the Company” and the “Resolution on Adding Issues for Discussions at the 2022 Second Extraordinary General Meeting of the Company”, were considered and approved.

Section IV Corporate Governance

Meeting	Date	Resolutions
20th meeting of the fifth session of the Board	October 28, 2022	The “Third Quarterly Report of the Company for the Year 2022” was considered and approved.
21st meeting of the fifth session of the Board	December 22, 2022	Two resolutions, being the “Proposal on Adjustment to the Company’s Assets and Liabilities Allocation Plan During the Year 2022” and the “Proposal on Write-off of Doubtful Debts of the Company”, were considered and approved.

During the Reporting Period, the Board held a total of 12 meetings and all Directors voted in favour of the proposals considered by the Board, with no abstentions or objections.

VI. PERFORMANCE OF DUTIES BY DIRECTORS

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

As of the end of the Reporting Period, the fifth session of the Board had 13 existing Directors. The biographical details of the Directors as at the date of this report are set out in “IV, Directors, Supervisors and Senior Management” in this section. None of the Directors or the senior management has any relations with each other (including financial, business, kinship or other material or connected relations). The Board is scientifically structured, and each Director has adequate knowledge, experience and expertise relating to the business operation and development of the Group. All Directors are fully aware of their responsibilities to the shareholders jointly and severally.

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

Section IV Corporate Governance

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

Attendance at the Board meetings								Attendance at general meetings
Name of Director	Independent Director or not	Number of Board meetings requiring attendance during the year	Attendance in person	Attendance via correspondence	Attendance by proxy	Absent from two consecutive meetings (in person)		Number of attendance at general meetings
						Absence		
Song Xuefeng	No	12	11	10	1	0	No	3
Jin Wenzhong	No	12	12	10	0	0	No	3
Lu Weiming	No	5	5	4	0	0	No	2
Yu Xuechun	No	12	12	10	0	0	No	2
Zhou Donghui	No	12	12	10	0	0	No	1
Cheng Feng	No	12	12	10	0	0	No	2
Ren Zhixiang	No	12	12	10	0	0	No	3
Zhu Jing	No	12	12	10	0	0	No	2
Jin Qinglu	Yes	12	12	10	0	0	No	2
Wu Hong	Yes	12	12	10	0	0	No	2
Feng Xingdong	Yes	12	12	10	0	0	No	2
Luo Xinyu	Yes	12	12	10	0	0	No	2
Chan Hon	Yes	1	1	1	0	0	No	1
Liu Wei	No	4	4	3	0	0	No	0
Xu Zhiming	Yes	11	11	9	0	0	No	2

Explanation on absence from two consecutive Board meetings in person

Number of Board meetings convened during the year	12
Of which: Number of meetings held on-site	2
Number of meetings via correspondence	10
Number of meetings held both on-site and via correspondence	0

(ii) No Directors have raised objections to relevant matters of the Company during the Reporting Period

Section IV Corporate Governance

(iii) Others

Board and management

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

The Board has established mechanisms to ensure that the Board obtains independent views and opinions. Each Director shall have the right to seek independent professional advice on any matter relating to the performance of his/her duties to ensure that the Board has access to independent views and opinions at the Company's expense. The Company has formulated a Board diversity policy to ensure a balanced Board composition of executive and non-executive Directors (including independent non-executive Directors), while taking into account Board diversity in various aspects, including but not limited to gender, age, cultural and educational background and professional experience of the Directors. The Articles of Association also provide that the Board shall consist of 13 Directors and at least one-third of the Directors shall be independent non-executive Directors. The Company will also appoint independent non-executive Directors to the Board and its committees as required by the Listing Rules and where practicable to ensure that independent views and opinions are obtained. The Remuneration and Nomination Committee strictly adheres to the assessment standards for the nomination and appointment of Directors as set out in the Listing Rules and selects candidates for Directors based on objective criteria, including certain diverse factors, to ensure that they are able to make independent judgements on an ongoing basis. Directors (including independent non-executive Directors) who have a material interest in a contract or arrangement shall not vote or be counted in the quorum on a resolution of the Directors to approve such contract or arrangement. The Board has examined and reviewed the relevant mechanisms and is of the opinion that they have been properly implemented and are effective.

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

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

Section IV Corporate Governance

1. *Chairman and president*

According to code provision C.2.1 then in force of the Corporate Governance Code, positions of the chairman and president (i.e. chief executive officer under Hong Kong Listing Rules) of the Company are served by different individuals to secure independence of their duties, accountabilities and balanced distribution of rights and authorizations. As Mr. Pan Xinjun resigned as the chairman of the Company in October 2020, Mr. Jin Wenzhong, the president, was elected by all Directors to act as the chairman of the Company, and after election of the Board of the Company on March 5, 2021, Mr. Jin Wenzhong has become the chairman and president of the Company. On March 30, 2022, Mr. Lu Weiming was appointed as the president of the Company at the 13th meeting of the fifth session of the Board of the Company and Mr. Jin Wenzhong ceased to serve as the president, therefore the potential governance issues that may arise from the chairman also being the president have been resolved.

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

2. *Directors' appointment and re-election*

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

3. *Terms of office of non-executive Directors*

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

4. *Directors' remunerations*

Please refer to "IV, (i) Changes in shareholding and remunerations of current and resigned Directors, Supervisors and senior management during the Reporting Period" in this section for details.

Section IV Corporate Governance

5. Directors' trainings

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

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

Name of Directors	Date	Duration	Organizer	Content	Place of training
All Directors	July 5, 2022	/	The Company	Introduction to the Futures and Derivatives Law	/
Yu Xuechun	July 5 and 12, 2022	Two days	Shanghai Municipal State-owned Assets Supervision and Administration Commission	2022 Shanghai State-owned Enterprise Directors Online Training	Online
Chan Hon	November 29, 2022 – December 11, 2022	Thirteen days	Shanghai Stock Exchange	First Session of 2022 Pre-appointment Training for Main Board Independent Directors	Online
Jin Wenzhong	December 1-12, 2022	Twelve days	China Association of Listed Companies	"Corporate Governance Special Training" for Listed Companies	Online
Lu Weiming	December 1-12, 2022	Twelve days	China Association of Listed Companies	"Corporate Governance Special Training" for Listed Companies	Online
All Directors	December 15, 2022	One day	SWCS Academy in Hong Kong	Anti-Corruption Training – Compliance Requirements for Anti-Money Laundering and Terrorist Financing	Online
Song Xuefeng	January 5-13, 2023	Nine days	Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies	2022 Training for Directors, Supervisors and Senior Management of Listed Companies in Shanghai	Online

Section IV Corporate Governance

Name of Directors	Date	Duration	Organizer	Content	Place of training
Zhou Donghui	January 5-13, 2023	Nine days	Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies	2022 Training for Directors, Supervisors and Senior Management of Listed Companies in Shanghai	Online
Cheng Feng	January 5-13, 2023	Nine days	Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies	2022 Training for Directors, Supervisors and Senior Management of Listed Companies in Shanghai	Online
Wu Hong	January 5-13, 2023	Nine days	Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies	2022 Training for Directors, Supervisors and Senior Management of Listed Companies in Shanghai	Online
Feng Xingdong	January 5-13, 2023	Nine days	Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies	2022 Training for Directors, Supervisors and Senior Management of Listed Companies in Shanghai	Online
Luo Xinyu	January 5-13, 2023	Nine days	Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies	2022 Training for Directors, Supervisors and Senior Management of Listed Companies in Shanghai	Online
Zhu Jing	January 5-13, 2023	Nine days	Shanghai Bureau of the CSRC, Shanghai Association of Listed Companies	2022 Training for Directors, Supervisors and Senior Management of Listed Companies in Shanghai	Online

Section IV Corporate Governance

VII. SPECIAL COMMITTEES OF THE BOARD

(1) Members of the special committees of the Board

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

(2) During the Reporting Period, the Strategic Development Committee convened one meeting

Date	Content	Key opinion and recommendation	Performance of other duties
March 29, 2022	At the 2022 first meeting (on-site meeting) of the Strategic Development Committee of the fifth session of the Board, the “Report on Execution of the Company’s Strategies in 2021” was presented, and the “Proposal Regarding the Amendments to the Strategic Planning of the Company (2021-2024)” was considered and approved.	The meeting required the Company to strengthen the execution of strategic plans, break down targets and tasks based on different indicators and adopt targeted strategies in capital utilisation, talent development and institutional innovation to effectively promote and stimulate the competitive awareness and enthusiasm of each business unit.	–

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

Section IV Corporate Governance

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

Name	Number of actual attendances/number of attendances as required
Song Xuefeng (chairman)	1/1
Jin Wenzhong	1/1
Cheng Feng	1/1
Xu Zhiming	1/1
Zhu Jing	0/1

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

Date	Content	Key opinion and recommendation	Performance of other duties
February 9, 2022	At the 2022 first meeting (via correspondence) of the Compliance and Risk Management Committee of the fifth session of the Board, the "Proposal on the Company's Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2022" was considered and approved.	–	–

Section IV Corporate Governance

Date	Content	Key opinion and recommendation	Performance of other duties
March 29, 2022	At the 2022 second meeting (on-site meeting) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Report on Execution of Risk Control Indicators by the Company in 2021”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2022”, the “Company’s 2021 Annual Compliance Report”, the “Company’s 2021 Annual Risk Management Work Report”, the “2021 Anti-Money Laundering Report of the Company”, the “2021 Compliance Management Effectiveness Assessment Report of the Company”, the “Proposal on Amendments to the Internal Control and Management Measures of the Company” and the “2021 Comprehensive Risk Management Assessment Work Report of the Company” were considered and approved, and the 2021 annual performance appraisal on the Chief Risk Officer and Chief Compliance Officer was conducted.	The meeting required the Company to make dynamic adjustments and responses to compliance and risk control work in a timely manner, enhance work effectiveness and strengthen execution to ensure the bottom line of no major compliance risk incident.	–
June 2, 2022	At the 2022 third meeting (via correspondence) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Proposal on Adjustment to the Company’s Assets and Liabilities Allocation Plan for the Year 2022” was considered and approved.	–	–

Section IV Corporate Governance

Date	Content	Key opinion and recommendation	Performance of other duties
August 29, 2022	At the 2022 fourth meeting (on-site meeting) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Report on Execution of Risk Control Indicators of Net Capital by the Company for the First Half of 2022”, the “Company’s 2022 Interim Compliance Report” and the “Company’s 2022 Interim Risk Management Work Report” were considered and approved.	The meeting required the Company to further optimise and refine the scale control and risk limit management of different businesses, and strengthen overall compliance and risk management as well as the management of business conduct and professional ethics of its employees.	–
December 22, 2022	At the 2022 fifth meeting (via correspondence) of the Compliance and Risk Management Committee of the fifth session of the Board, the “Proposal on Adjustment to the Company’s Assets and Liabilities Allocation Plan During the Year 2022” and the “2022 Compliance Management Effectiveness Assessment Work Plan of 東方證券股份有限公司” were considered and approved.	–	–

Section IV Corporate Governance

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

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

Name	Number of actual attendances/number of attendances as required
Jin Wenzhong (chairman)	5/5
Yu Xuechun	5/5
Cheng Feng	5/5
Ren Zhixiang	5/5
Wu Hong	4/5

Section IV Corporate Governance

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

Date	Content	Key opinion and recommendation	Performance of other duties
March 29, 2022	At the 2022 first meeting (on-site meeting) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Proposal on 2022 Operating Results Appraisal Target for the Company and Senior Management Members”, the “Proposal on Appointment of the President of the Company”, the “Proposal Regarding the Election of Executive Director of the Company” and the Appraisal Results of the Chief Risk Officer and Chief Compliance Officer were considered and approved.	–	–
July 18, 2022	At the 2022 second meeting (on-site meeting) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Proposal on the 2022 Operating Results Assessment Target of the Senior Management of the Company”, the “Proposal on Provision for Performance Bonus of Senior Management Members of the Company in 2021” and the “Proposal on Distribution Plan of Performance Bonus of Senior Management Members of the Company in 2021” were considered and approved.	–	–

Section IV Corporate Governance

Date	Content	Key opinion and recommendation	Performance of other duties
August 30, 2022	At the 2022 third meeting (via correspondence) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Resolution in relation to the Election of Independent Non-executive Director of the Company” was considered and approved.	–	–
September 23, 2022	At the 2022 fourth meeting (via correspondence) of the Remuneration and Nomination Committee of the fifth session of the Board, the “Resolution on Appointment of Chief Compliance Officer and Chief Risk Officer of the Company” was considered and approved.	–	–

The main duties of the Remuneration and Nomination Committee include: evaluating the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year and making recommendations regarding any proposed changes to the Board to complement the corporate strategy.

Board Diversity Policy

The Remuneration and Nomination Committee is responsible for making and reviewing the Board diversity policy, and the expected goals will be discussed and determined annually to implement the diversity of the Board and recommend the goals to the Board for adoption. The Company has formulated the “Board Diversity Policy of DFZQ” in 2019, and the relevant contents have been published on the Company’s official website. When the Remuneration and Nomination Committee is considering the composition of the Board, it will ensure the balance between executive Directors and non-executive Directors (including independent non-executive Directors) and consider, from multiple aspects, the diversity of the members of the Board, including but not limited to their gender, age, cultural, educational background, and professional experience as well as the business characteristics and future development needs of the Company. As at the date of this report, the composition of the Board in terms of diversity is summarized as follows: (1) gender: of the existing 13 Directors, 12 are male and 1 is female; (2) educational background: of the existing 13 Directors, 4 hold a doctorate degree, 5 hold a master’s degree and 4 hold a bachelor’s degree; and (3) position: of the existing 13 Directors, 3 are executive Directors, 4 are non-executive Directors, 5 are independent non-executive Directors and 1 is an employee representative Director; and the Board of the Company has achieved diversity. During the Reporting Period, the Remuneration and Nominating Committee has considered the Board diversity policy and believes that the current composition of the Board meets the above requirements for diversity. All appointments of members of the Board will continue to focus on the efficiency and performance of the Board while fully reflecting the benefits of Board diversity.

Section IV Corporate Governance

Nomination Policy for Directors

According to the requirements in Article 140 of the Articles of Association, the Board or shareholders individually or jointly holding more than 3% of the shares of the Company are entitled to nominate candidates for non-independent Directors to the shareholders' general meeting; the Board, the Supervisory Committee, or shareholders individually or jointly holding more than 1% of the issued shares of the Company are entitled to nominate candidates for independent Directors to the shareholders' general meeting. Written notice of intention to nominate a candidate for the post of Director and the candidate's agreement to be nominated must be given to the Company seven days prior to the convening of the shareholders' general meeting (such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and end no later than seven days prior to the shareholders' general meeting). The term of the nomination and the acceptance of the nomination shall be no less than seven days.

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

The Remuneration and Nomination Committee reviews and advises on the selection criteria and procedures for Directors and senior management, including but not limited to the gender, age, cultural, educational background, and professional experience of the Directors; identifies qualified individuals as candidates for Directors and senior management, reviews their qualifications and making recommendations; makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular, the chairman and the president); assesses the independence of independent Directors; studies and reviews the performance appraisal and remuneration management system for the Directors and senior management based on the main scope, duties and importance of the senior management positions of the Company and the remuneration level of similar positions in other enterprises.

Section IV Corporate Governance

Appraisal and remuneration management system

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

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

Name	Number of actual attendances/number of attendances as required
Wu Hong (chairman)	4/4
Liu Wei	1/1
Zhou Donghui	4/4
Jin Qinglu	4/4
Feng Xingdong	4/4

Section IV Corporate Governance

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

Date	Content	Key opinion and recommendation	Performance of other duties
March 30, 2022	At the 2022 first meeting (on-site meeting) of the Audit Committee of the fifth session of the Board, the “Internal Control Evaluation Report in 2021”, the “Annual Report of the Company for the Year 2021”, the “Proposal Regarding the Audit of the Related Transactions of the Company in 2021”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2022”, the “Proposal Regarding the Engagement of Auditing Firms for the Year 2022”, the “Report on the Company’s 2021 Annual Audit and Audit Results” and the “Proposal on Confirmation of the Company’s List of Related Parties for 2021” were considered and approved. The “2021 Report on Performance of Duties of the Audit Committee of the Board of the Company” and the “Company’s 2021 Annual Internal Control Assessment Report” were presented at the meeting.	The meeting exchanged views and analysed the impact of results and fluctuations, provision for asset impairment of collateralized stock business and risk control of quantitative trading, on the Company’s audit work, internal control issues and risk matters, and rectification of audit issues.	–
April 29, 2022	At the 2022 second meeting (via correspondence) of the Audit Committee of the fifth session of the Board, the “First Quarterly Report of the Company for the Year 2022” was considered and approved.	–	–

Section IV Corporate Governance

Date	Content	Key opinion and recommendation	Performance of other duties
August 29, 2022	At the 2022 third meeting (on-site meeting) of the Audit Committee of the fifth session of the Board, the “2022 Interim Report of the Company”, the “Proposal on Confirmation of the Company’s List of Related Parties in the First Half of 2022” and the “Special Report on the Deposit and Actual Use of Proceeds of the Company for the First Half of 2022” were considered and approved, and the “2022 IFRS Interim Review Summary Report” was presented.	The meeting pointed out the need to pay full attention to the impact of economic uncertainties on the Company’s operations, and exchanged views and analysed on maintaining the stability and sustainability of the Company’s earnings, internal control audit conclusions, reasons for uncorrected misstatements, and how to enhance the ESG value chain.	–
October 28, 2022	At the 2022 fourth meeting (via correspondence) of the Audit Committee of the fifth session of the Board, the “Third Quarterly Report of the Company for the Year 2022” was considered and approved.	–	–
December 13, 2022	At the 2022 fifth meeting (on-site meeting) of the Audit Committee of the fifth session of the Board, the “A + H Share Audit Plan of the Company for 2022” and the “Proposal on Write-off of Doubtful Debts of the Company” were considered and approved.	The meeting required the audit firm to work closely with relevant departments of the Company to complete the annual audit related work in good quality and quantity.	–
December 30, 2022	At the 2022 sixth meeting (via correspondence) of the Audit Committee of the fifth session of the Board, the “2022 Internal Control Evaluation Work Plan of the Company” was considered and approved.	–	–

Section IV Corporate Governance

The main duties of the Audit Committee include: making recommendations to the Board on the appointment, re-appointment or change of external auditor, approving the remuneration and engagement terms of the external auditor, dealing with any matters in relation to the resignation or dismissal of the external auditor and supervising its accounting activities; reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and the audit committee shall discuss with the external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences; formulating and implementing policies on engaging an external auditor to provide non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and acting as the representative body between the Company and its external auditor to oversee their relationship; supervising annual auditing work and making judgment on the authenticity, accuracy and completeness of the information set out in the audited financial report and submitting the same to the Board for consideration; supervising the completeness of the Company's financial report, annual reports and accounts, interim reports and quarterly reports and reviewing the major opinions regarding the relevant financial submission as provided in the statements and reports; reviewing and evaluating the Company's financial monitoring and internal control system; supervising and evaluating the Company's internal auditing system and accounting policies and their implementation; discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system in place. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function; considering the major investigation findings on internal control matters and the management's response to these findings on its own initiative or as delegated by the Board; being responsible for the communication between the internal and external auditor, so as to ensure co-ordination between the internal and external auditor; ensuring that the internal auditor is adequately resourced and has appropriate standing within the Company; and reviewing and monitoring its effectiveness; reviewing the Group's financial and accounting policies and their implementation; reviewing the Audit Results Letter presented by external auditor to the management, as well as any material queries raised by the external auditor to the management in respect of accounting records, financial accounts or monitoring system and the management's response; ensuring that the Board shall respond to the matters raised in the Audit Results Letter presented by external audit agency to the management in a timely manner; and reviewing the following arrangements made by the Company: employees of the Company can raise concerns in confidence about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of the matters and for appropriate follow-up action; being responsible for the control and daily management of the related transactions of the Company; reporting to the Board on the above-mentioned matters; and other matters as stipulated in the Articles of Association or as delegated by the Board. In accordance with the requirements of the "Terms of Reference of the Audit Committee of the Company", the Audit Committee of the Company gives full play to its role in the annual report and financial reporting work, actively performs its duties in the preparation, review and disclosure of the annual report and financial reports, and improves the quality and transparency of the disclosure of the annual report and financial reports. During the Reporting Period, by considering the Company's regular financial reports, audit reports and proposals on related/connected transactions, the Audit Committee ensured the truthfulness, accuracy and completeness of the financial reporting and disclosure, gained a comprehensive understanding of the Company's financial position, supervised the execution of audit work, monitored the implementation of related/connected transactions and reviewed the effectiveness of the Company's internal control.

Section IV Corporate Governance

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

Name	Number of actual attendances/number of attendances as required
Jin Qinglu (chairman)	6/6
Yu Xuechun	6/6
Zhou Donghui	6/6
Feng Xingdong	6/6
Luo Xinyu	6/6

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

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

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

Section IV Corporate Governance

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

During the Reporting Period, the Supervisory Committee of the Company convened a total of 7 meetings with all Supervisors attended in person or by proxy, the details of attendances are set out in the table below:

Name of Supervisors	Position	Attendance of meetings of the Supervisory Committee				Voting result
		Required attendance	Attendance in person	Attendance via correspondence	Attendance by proxy	
Du Weihua	Vice chairman of the Supervisory Committee and employee representative Supervisor	7	7	5	0	0 in favour of all proposals
Wu Junhao	Shareholder representative Supervisor	7	6	5	1	0 in favour of all proposals
Zhang Jian	Shareholder representative Supervisor	7	7	5	0	0 in favour of all proposals
Shen Guangjun	Shareholder representative Supervisor	7	6	5	1	0 in favour of all proposals
Tong Jie	Shareholder representative Supervisor	7	7	5	0	0 in favour of all proposals
Xia Lijun	Independent Supervisor	7	7	5	0	0 in favour of all proposals
Ruan Fei	Employee representative Supervisor	7	7	5	0	0 in favour of all proposals
Ding Yan	Employee representative Supervisor	7	7	5	0	0 in favour of all proposals
Zhang Qian (resigned)	Chairman of the Supervisory Committee and shareholder representative Supervisor	5	5	3	0	0 in favour of all proposals
Number of meetings of Supervisory Committee convened						7
Including: Meetings convened on-site						2
Meetings convened via correspondence						5

Section IV Corporate Governance

(ii) Meetings of the Supervisory Committee

On January 14, 2022, the sixth meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “Proposal on Examination of the Authenticity, Accuracy and Completeness of the Prospectus for Public Issuance of Subordinated Bonds to Professional Investors by 東方證券股份有限公司 in 2022” was considered and approved.

On March 30, 2022, the seventh meeting of the fifth session of the Supervisory Committee was convened by way of on-site meeting and videoconference, at which the “Work Report of Supervisory Committee of the Company for the Year 2021”, the “Company’s 2021 Annual Financial Report”, the “2021 Profit Distribution Proposal of the Company”, the “Company’s 2021 Annual Compliance Report”, the “2021 Anti-Money Laundering Report of the Company”, the “Company’s 2021 Annual Risk Management Work Report”, the “Special Audit Report on the Company’s Anti-Money Laundering Work in 2021”, the “Company’s 2021 Annual Internal Control Assessment Report”, the “2021 Compliance Management Effectiveness Assessment Report of the Company”, the “Proposal Regarding the Audit of the Related Transactions of the Company in 2021”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2022”, the “Proposal Regarding the Expected Provision of External Guarantees by the Company in 2022”, the “Proposal Regarding the Reports on Use of Proceeds from Previous Fund-raising Activities of the Company”, the “Proposal on the Company’s 2021 Annual Social Responsibility Report”, the “2021 Annual Report of the Company”, the “Evaluation Report on Performance of Duties by Directors of the Company for the Year 2021”, the “Evaluation Report on Performance of Duties by Supervisors of the Company for the Year 2021”, the “Evaluation Report on Performance of Duties by Senior Management of the Company for the Year 2021” and the “Proposal on Formulation of the Guidelines for Audit of Regular Reports by the Supervisory Committee of 東方證券股份有限公司” were considered and approved.

On April 29, 2022, the eighth meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “First Quarterly Report of the Company for the Year 2022” was considered and approved.

On June 2, 2022, the ninth meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “Proposal on Adjustment to the Company’s Profit Distribution Plan for 2021” was considered and approved.

On August 30, 2022, the tenth meeting of the fifth session of the Supervisory Committee was convened on-site, at which the “Company’s 2022 Interim Financial Work Report”, the “Special Report on the Deposit and Actual Use of Proceeds of the Company for the First Half of 2022”, the “Company’s 2022 Interim Compliance Report”, the “Company’s 2022 Interim Risk Management Work Report” and the “2022 Interim Report of the Company” were considered and approved and the “Company’s 2022 Interim Work Report of the Supervisory Committee” was presented.

Section IV Corporate Governance

On October 24, 2022, the 11th meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “Proposal on Examination of the Authenticity, Accuracy and Completeness of the Prospectus for Non-public Issuance of Corporate Bonds to Professional Investors by 東方證券股份有限公司 in 2022” and the “Proposal on Examination of the Authenticity, Accuracy and Completeness of the Prospectus for Public Issuance of Short-term Corporate Bonds to Professional Investors by 東方證券股份有限公司 in 2022” were considered and approved.

On October 28, 2022, the 12th meeting of the fifth session of the Supervisory Committee was convened via correspondence, at which the “Third Quarterly Report of the Company for the Year 2022” was considered and approved.

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

(i) Staff

The Company has achieved diversity among all employees (including senior management) in terms of gender, age, cultural and educational background, professional experience, skills and knowledge. The employee structure as of December 31, 2022 is as follows:

Number of staff employed by the Parent Company	5,753
Number of staff employed by the major subsidiaries	2,638
Total number of staff employed	8,391
Number of retired workers the Parent Company and its major subsidiaries should bear costs for	0

Section IV Corporate Governance

Professional composition

Category of profession	Number of professional composition
Business staff (including brokers)	6,305
Finance staff	269
IT staff	737
Other staff	1,080
Total	8,391

Education

Level of education	Number (person)
Doctor	100
Master	2,889
Bachelor	4,669
Junior college graduate and below	733
Total	8,391

Gender composition

Male employees	4,488
Female employees	3,903
Total	8,391

Section IV Corporate Governance

(ii) Remuneration policies

The Company implements a market-oriented and performance-based remuneration system. Under the framework of unified management and hierarchical classification, the Company ensures that remuneration reflects the value of positions, performance contributions and market rates. The Company uses remuneration and incentives to enhance the enthusiasm, initiative and creativity of its employees, further stimulate the Company's endogenous development momentum, strengthen the competitiveness of its talents and facilitate the Company's high-quality development. The Company always adheres to the concept of stable operation, closely integrates remuneration management with risk management, and develops incentive and restraint mechanisms corresponding to the level, characteristics and duration of risks to ensure effective implementation of comprehensive risk management. The Company ensures the effective implementation of the remuneration system by improving corporate governance, clarifying the responsibilities of all parties and strengthening the supervision mechanism to ensure the effective coordination between the remuneration restraint mechanism and compliance management, and prevent compliance risks arising from excessive and short-term incentives. The Company incorporates professional conduct, honest practice, effectiveness of compliance risk control, performance of social responsibility, quality of customer services and long-term interests of shareholders into its remuneration management, and establishes sound remuneration management based on business characteristics to enhance its ability to support the real economy and national strategies. The Company practices the industry culture of "compliance, honesty, professionalism and stability" and incorporates it into its remuneration management, and relies on high-quality talents with integrity and competence to create value for the Company and the society and promote the sustainable development of the Company and the industry.

According to applicable laws and regulations, the Company entered into a labor contract with each of its employees to establish an employment relationship. The labor contract contains the provisions relating to a contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract.

Section IV Corporate Governance

Under the applicable laws and regulations, the Company purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing provident fund for its employees. It made contributions to the above social insurance and housing provident fund on time and in full. Meanwhile, the Company, in accordance with the applicable PRC regulations, also established a corporate annuity system and supplementary medical insurance system, which provided supplementary pension and medical protection to employees.

For details of the five highest paid individuals in the annual report of the Company for 2022, please refer to note 59 to the consolidated financial statements in this report.

For details of the retirement benefits provided by the Company to its employees, please refer to note 47 to the consolidated financial statements in this report.

For details of the compensation of the Company's employees, please refer to note 47 to the consolidated financial statements in this report.

(iii) Training plans

During the Reporting Period, the Company designed customized training courses based on the learning needs of different staff at different stages of career development by establishing and improving a multi-level curriculum system to help enhance the vocational skills of our staff in accordance with the operating plan at the beginning of the year and based on the medium and long-term mission of "cultivating cadres and talents, facilitating organizational development and transmitting values and concepts". The Company organized 130 face-to-face internal trainings with 4,254 participants, arranged employees to attend 338 online and offline training courses held by various regulatory departments and external training institutions with 1,806 participants. The Company also organised 324 sessions of online training involving nearly 200,000 people.

Section IV Corporate Governance

In 2023, the Company will continue to accelerate the improvement of the talent training system, innovate the talent training mechanism, create high-quality training programs, improve the diversified curriculum system, optimize the online learning platform, further enhance the learning coverage and training effectiveness. First, the Company will continue to strengthen customized training products for middle and senior management, reserve talents, branch heads and other cadres and talent teams, and increase investment in the training of different kinds of talents. Second, the Company will improve the course system based on the different career development stages of employees, and provide customized training courses for various talent pools to ensure the knowledge replenishment and professional improvement of outstanding talents. Third, the Company will increase its efforts in developing internal courses based on the needs of different departments, provide customized training products and introduce innovative methods of training and exchange to facilitate relevant departments to improve organizational management and performance. Fourth, the Company will continue to develop its online learning platform to further improve the learning experience and effectiveness of its staff.

(iv) Labor outsourcing

Total working hours involved in labor outsourcing (hours)	560,787
Total remuneration paid for labor outsourcing (RMB)	90,099,235.73

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

The Company adopts a custodian agency management mode for the management of brokers. As of December 31, 2022, there were 598 brokers in service.

1. By integrating the resources, the Company has established a securities brokers' management platform and built a securities brokers team under the brokers' management system. At the same time, by cultivating the brokers' abilities of marketing services and improving the service to the investors, the Company has achieved effective risk control, which in turn will promote a healthy and steady development for the Company's brokerage business.
2. The brokers who engage in the activities such as customer solicitations and customer service authorized by the Company shall enter into an agency contract with the Company, for the natural person (other than a corporation), the term of the agency contract is one year.
3. Securities brokers are subject to the management of the Company. Based on compliance management, the securities brokers' management will fully respect the reasonable career development demands and legal interests of the securities brokers.

Section IV Corporate Governance

4. In the course of engaging customer solicitation and customer service, the securities brokers should not only process within the Company's authority, but also should strictly abide by the laws, administrative regulations, the regulations of regulatory agencies and administrative departments, self-discipline rules and professional ethics, and comply with the relevant rules and regulations of the Company.
5. The training for securities brokers: The securities brokers of the Company should carry out the training and study work in accordance with the requirements of the Securities Industry Association. Before carrying out business practice, the brokers should attend training for not less than 60 hours, of which compliance training not less than 20 hours. Furthermore, the brokers should complete the annual follow-up practice training and study work conscientiously, and pass the annual inspection of the association. After completing the learning and examinations of corporate compliance, anti-money laundering and employee practice and information security, the brokers should summarize and file the relevant training records and evaluation results and then report as required. Moreover, the Company should carry out related online function training courses irregularly, involving professional qualifications, marketing management knowledge, product categories and risk control, etc.

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

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

In strict compliance with Article 253 of the Articles of Association, and adhering to the principle of "the same shares entitled to the same rights and dividends", the Company allocates its profit as per the shareholders' proportions of shareholding in the Company. The Company implements a sustainable and stable profit distribution policy, and places a great emphasis on the reasonable investment returns of its investors as well as the long-term development of the Company.

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

Section IV Corporate Governance

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

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

Section IV Corporate Governance

The 2021 profit distribution plan of the Company was implemented on July 29, 2022 by way of cash dividend. Based on the total share capital of 8,496,645,292 Shares upon completion of rights issue of A Shares and H Shares, a cash dividend of RMB2.50 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders who are registered on the record date of cash distribution in 2021, with a total cash dividend of RMB2,124,161,323.00, accounting for 39.55% of the net profit attributable to the owners of the Parent Company in 2021 consolidated statements. The 2021 profit distribution plan of the Company was submitted to the shareholders' general meeting of the Company for consideration and approval after it had been considered and approved by the Board of the Company following expression of views by the independent Directors of the Company. When the above proposal was considered at the general meeting, separate votes were counted for minority shareholders. For the year ended 31 December 2022, the Board was not aware of any shareholders who had waived or agreed to waive any dividends.

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

(ii) Specific explanation on cash dividends policy

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

(iii) During the Reporting Period, there was no instance where the Company records profits and the Parent Company records positive retained profits for distribution to shareholders of ordinary shares but there is no proposal for profit distribution in cash.

Section IV Corporate Governance

(iv) Profit distribution and transfer of capital reserve fund into share capital during the Reporting Period

Unit: 100 million Currency: RMB

Dividend for every 10 shares (RMB) (tax inclusive)	1.50
Amount of cash dividend (tax inclusive)	12.74
Net profits attributable to holders of ordinary shares of the Company in the consolidated financial statements for the year	30.11
Percentage of dividend to the net profits attributable to holders of ordinary shares of the Company in the consolidated financial statements (%)	42.33
Amount of share repurchase by cash included in cash dividends	0
Total amount of dividend (tax inclusive)	12.74
Percentage of total amount of dividend to the net profits attributable to holders of ordinary shares of the Company in the consolidated financial statements (%)	42.33

The 2022 profit distribution plan of the Company: Based on the total share capital of 8,496,645,292.00 Shares as at the end of 2022, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders who are registered on the record date of cash distribution in 2022, with a total cash dividend of RMB1,274,496,793.80, accounting for 42.33% of the net profit attributable to the owners of the Parent Company in 2022 consolidated statements.

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

Employee Stock Ownership Plan

1. Overview of the H Share employee stock ownership plan of the Company

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

Section IV Corporate Governance

At the 20th meeting of the 4th session of the Board, the 15th meeting of the 4th session of the Supervisory Committee and the 2020 first extraordinary general meeting, the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 and the Proposal in relation to the Authorization to the Board to Fully Handle Matters Related to the Employee Stock Ownership Plan were considered and approved. On July 7, 2020, the 4th plenary meeting of the third session of the employee congress of the Company was convened, at which the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 was considered and approved. The Employee Stock Ownership Plan of the Company has 3,588 participants, who are Directors, Supervisors, senior management and other employees who have entered into formal labor contracts with the Company or its holding subsidiaries as of April 30, 2020 (not subject to restricted conditions as those set out in the Employee Stock Ownership Plan (Draft)). The total number of H Shares to be purchased under the H Share Employee Stock Ownership Plan shall not exceed 2% of the total share capital of the Company, the total number of Shares entitled under each unit of the Employee Stock Ownership Plan held by an individual employee shall not exceed 0.1% of the total share capital of the Company, and the total amount of funds raised is RMB316,657,000, of which the subscription amount of Directors, Supervisors and senior management personnel of the Company accounts for 8.27% of the total amount of the employee stock ownership plan. The funds of the employee stock ownership plan shall be paid by the employees with their lawful remunerations, self-raised funds and other sources as permitted under the laws and regulations. China Universal was entrusted to manage the employee stock ownership plan as the asset management agency, and the relevant H Shares shall be the H Shares of the Company directly purchased at market price in the secondary market by the entrusted management agency as instructed by the management committee through SH-HK Stock Connect and/or SZ-HK Stock Connect and other methods as permitted under the laws and regulations.

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

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

Section IV Corporate Governance

According to the Employee Stock Ownership Plan of 東方證券股份有限公司, upon expiry of the lock-up period of the H Share Employee Stock Ownership Plan, the asset management agency of the employee stock ownership plan will decide whether to sell the shares based on the preference of the holders of the employee stock ownership plan.

The Company's H Share Employee Stock Ownership Plan shall have a term of 5 years commencing from the date of consideration and approval of this Employee Stock Ownership Plan at the general meeting of the Company (July 13, 2020), and the remaining term of the Employee Stock Ownership Plan is approximately 2.5 years. The term of the Employee Stock Ownership Plan may be extended upon consideration at a meeting of the holders of the Employee Stock Ownership Plan and submission to the Board of the Company for approval. If the term of the Employee Stock Ownership Plan is not validly extended upon expiry, the Employee Stock Ownership Plan shall be terminated automatically.

2. Total number of shares held under the employee stock ownership plan during the Reporting Period and as a percentage of the total share capital of the Company

The lock-up period of the subject shares purchased under the H share employee stock ownership plan of the Company is 12 months, which was expired on December 24, 2021, and certain holders withdrew from the employee stock ownership plan at their own discretion, resulting in changes in the number of holders, the number of shares held and the percentage of shares held under the employee share ownership plan. The scope of the employee stock ownership plan covers the Company and its holding subsidiaries. As at the end of the Reporting Period, the employee stock ownership plan had a total of 2,836 holders holding a total of 49,239,200 shares, representing 0.5795% of the total share capital of the Company.

As of the end of the Reporting Period, details of the number of shares held by the Company's Directors, Supervisors and the five highest paid individuals during the Reporting Period calculated based on their respective units under the Employee Stock Ownership Plan are as follows:

Name/category of holder	Number of shares held
Jin Wenzhong	1,034,545
Lu Weiming	724,181
Zhu Jing	146,988
Du Weihua	517,272
Ruan Fei	206,909
Ding Yan	103,454
Five highest paid individuals during the Reporting Period	176,124
Other employees in aggregate	46,329,727

The Company will continue to pay attention to the implementation progress of the Employee Stock Ownership Plan and perform its information disclosure obligations in a timely manner in accordance with the requirements of relevant laws and regulations.

Section IV Corporate Governance

3. *Sources of funds for implementation of the plan during the Reporting Period*

The funds of the employee stock ownership plan shall be paid by the employees with their lawful remunerations, self-raised funds and other sources as permitted under the laws and regulations.

4. *Change of asset management agency during the Reporting Period*

During the Reporting Period, there was no change of asset management agency of the Company's employee stock ownership plan.

5. *Disposal of shares held by the holders of the employee stock ownership plan when they resign, retire, decease, or are no longer suitable for participating in the stock ownership plan or other disposal other than those mentioned above*

During the Reporting Period, the Company acted strictly in accordance with the provisions of the employee stock ownership plan in the event that the holders become unsuitable to participate in the employee stock ownership plan during the validity period of the plan.

6. *Changes in the composition of the management committee of the employee stock ownership plan*

During the Reporting Period, there was no change in the composition of the management committee of the employee stock ownership plan of the Company.

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

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

- (i) There were no equity incentives granted to Directors or senior management during the Reporting Period.
- (ii) Establishment and implementation of performance appraisal and incentive mechanisms for senior management during the Reporting Period.

During the Reporting Period, the Company set clear performance targets for senior management based on the division of responsibilities of senior management, and conducted annual performance assessment of senior management after the end of the financial year. The Company formulated its annual remuneration allocation plan in accordance with the "Assessment, Incentive and Restraint Mechanism Plan for Senior Management of DFZQ", which was implemented after review by the Remuneration and Nomination Committee.

Section IV Corporate Governance

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

(i) Board's representation

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

The objectives of the Company's internal control are to reasonably guarantee the compliance of its operations and management with the laws, assets security, and the truthfulness and completeness of financial reports and relevant information so as to enhance its operational efficiency and results as well as facilitate in realizing its development strategies. Due to the inherent limitations in internal control, only reasonable guarantees can be provided for achieving the above mentioned objectives. In addition, projections on effectiveness of internal control in the future based on internal control appraisal results are subject to the certain risk that internal control may become inadequate due to changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

(ii) Establishment of risk management and internal control institutions

The Company has established a scientific and efficient internal control structural system. The institution consists of the Board, Supervisory Committee, management, functional management departments and business operations departments, each with its definite scope of work and duties.

The Board shall be responsible for the effectiveness of internal control of the Company. Besides, it has set up special committees, including the Compliance and Risk Management Committee and the Audit Committee, to comprehensively supervise the effective implementation and self-evaluation of internal control. The Chief Compliance Officer is responsible for enforcing the strategies and policies of the compliance management and submitting compliance reports to the Board. The Supervisory Committee of the Company supervises the establishment and implementation of internal control by the Board. The Company's management is responsible for organizing and leading the daily operations of its internal control.

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

Section IV Corporate Governance

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

During the Reporting Period, the Company commenced a thorough review and improvement, formulating and revising internal regulations and systems relating to corporate governance, principal businesses and compliance risk management based on the work of last year together with the assessment on internal control of the Company with a view to further refining the internal control system, regulating the business procedures and ensuring that internal control covers the Company's various business links and the whole process of management decision-making, execution and supervision.

The Company has adopted various policies and procedures to assess and improve prudently the effect of the risk management and internal control system of the Group. During the Reporting Period, according to the new regulations issued by regulatory authorities at different levels and based on the requirements related to corporate governance, the Company updated and improved the internal control systems, mainly including the Articles of Association of Orient Securities Company Limited (Revised in 2022), the Management Measures of Related-party Transactions of Orient Securities Company Limited (Revised in 2022), the Measures to Manage External Guarantees of Orient Securities Company Limited (Revised in 2022), the Management Measures of Proceeds from Fund-raising Activities of Orient Securities Company Limited (Revised in 2022) and the Internal Control and Management Measures of Orient Securities Company Limited (Revised in 2022).

(iv) Basis of building internal control over financial reports

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

During the Reporting Period, considering industrial features and actual conditions of the Company, the Company sorted out and improved its financial accounting management system in strict accordance with the Company Law, Accounting Law, Accounting Standards for Business Enterprises, Standardization of Basic Work of Accounting, Financial Rules for Financial Enterprises, Basic Norms for Enterprise Internal Control and other relevant laws and regulations in the PRC. The financial reports prepared by the Company comply with accounting standards, and give a true, accurate and complete view of its financial positions, operating results, cash flow and other relevant information. According to the Articles of Association and relevant provisions, the Company's Supervisory Committee and external auditor effectively inspected and supervised the Company's financial positions and issued professional audit opinions on its financial reports.

Section IV Corporate Governance

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

(v) Operations of risk management and internal control system

As of the end of the Reporting Period, the Company has established an internal control system which fully covered its departments, branches and subsidiaries. In accordance with the requirements of the Basic Norms for Enterprise Internal Control, the Guidelines for the Evaluation of Enterprise Internal Control, the Guidelines for Internal Control of Securities Companies, the Guidelines of SSE for the Internal Control of Listed Companies, Internal Control Guidelines for Bond Investment and Trading Business of Securities Fund Operating Institutions and Guidelines on Internal Control of Investment Banking Business of Securities Companies and other relevant laws and regulations, the Company comprehensively sorted out the business procedures of its departments, branches and subsidiaries, updated regularly in accordance with external laws and regulations, company systems and business updates, performed risk identification, prepared risk lists, evaluated effectiveness of internal control measures as well as prepared internal control manual. The Company also identified internal control defects, formulated a rectification proposal, pushed all units to make analysis and carry out rectification in relation to internal control defects as well as organized and implemented evaluation works on internal control operation through checking existing policies, systems and risk lists.

(vi) Conclusion of risk management and internal control evaluation

Pursuant to the requirements of the Basic Norms for Enterprise Internal Control, the Guidelines for the Evaluation of Enterprise Internal Control, the Guidelines for Internal Control of Securities Companies and the Guidelines of SSE for the Internal Control of Listed Companies and other relevant laws and regulations, the Company evaluated the effectiveness of the design and implementation of its internal control as at December 31, 2022 and issued the 2022 Evaluation Report on Internal Control. The Compliance and Risk Management Committee of the Board makes analysis and independent assessment on the adequacy and effectiveness of the Group's risk management and internal control system. During the Reporting Period, according to the identification of significant defects in internal control over its financial reports, there were no significant defects in internal control over financial reports as at the base date of internal control evaluation report. The Board considered that the Company had maintained effective internal control over financial reports in all material aspects pursuant to the enterprise internal control standard system and relevant regulations.

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

Section IV Corporate Governance

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

(vii) Work plan on internal control for 2023 by the Board

In 2023, the Company will continue to carry out internal control construction, optimization and improvement, further improve the internal control system, and enhance the completeness, reasonableness and effectiveness of internal control to provide sufficient support for the sustainable development of the Company.

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

XIII. ESTABLISHMENT OF THE COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY

In 2022, based on the Company's general plan and under the leadership of the chief compliance officer and chief risk officer, the compliance and legal management department closely followed the work requirements of the Board and the Supervisory Committee of the Company, successfully carried out various compliance management works, and maintained effective operations of its compliance management system. The Company had no major violations of the laws and regulations throughout the year.

1. Compliance management philosophy of the Company

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

2. Compliance management principle of the Company

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

Section IV Corporate Governance

3. Organizational structure and duties of compliance management

To ensure a lawful and compliance corporate operation, and improve its self-discipline capability, as well as realize a continuous, standardized, and stable development, the Company has established a sound compliance management system pursuant to relevant laws and regulations and rules of self-regulation including the Regulations on Administration Supervision of Securities Companies, the Administrative Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies, and the Guideline for the Implementation of the Compliance Management of Securities Companies based on the principle of effectiveness, independence, comprehensiveness and compulsoriness.

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

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

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

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

Section IV Corporate Governance

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

Section IV Corporate Governance

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

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

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

Section IV Corporate Governance

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

Section IV Corporate Governance

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

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

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

Section IV Corporate Governance

4. The Company's compliance management system

Pursuant to the provisions under the Regulations on Administration Supervision of Securities Companies and the Administrative Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies promulgated by the CSRC and the Guideline for the Implementation of the Compliance Management of Securities Companies promulgated by the Securities Association of China and other laws and regulations and rules of self-regulation, the Company sets requirements on the duties of compliance management, performance guarantees and operating mechanism at each level based on the actual situation of the Company.

The Company integrated various requirements on compliance management into various business procedures in formulating a variety of systems. According to the relevant requirements, the Company's formulation of or amendment to various systems shall be subject to the approval by the compliance department, which guarantees the normalization of such systems. In 2022, the Company conducted compliance and legal review on 153 newly-established or revised systems at the level of the Company and department, and carried out special compliance inspections under annual system review, ensuring such systems to advance with the times.

5. Compliance report system

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

All departments, branches and subsidiaries report to the compliance officer and the compliance and legal management department on the legal compliance of their respective operation and management and the implementation of compliance management works in accordance with the Company's requirements. According to the Company's requirements, the compliance officer reports to the Board and the principal person in charge of operational management on the legal compliance of the Company's operation and management and the implementation of compliance management; and reports on relevant matters in a timely manner in accordance with the requirements of the CSRC and its branches and self-regulatory organizations. The chief compliance officer shall report promptly to the Board, the Supervisory Committee, management, regulators and industrial self-regulatory organizations upon discovery of the violation of laws and regulations by the Company or potential compliance risks according to the relevant requirements.

The Company's basic compliance management system provides the compliance reporting methods for various levels of the Company. Currently, the Company has established a whole set of report systems including daily reports, monthly reports, annual reports, extraordinary reports and special reports, which mainly include:

Section IV Corporate Governance

In respect of annual reports and interim reports, the Company shall submit its annual compliance reports of the preceding year to the regulators together with its annual report according to the relevant requirements. Annual compliance reports shall be written in forms and merits as required, and subject to the consideration and approval by the Board and signed by the Directors with their opinions. Meanwhile, compliance reports shall also be submitted to the Supervisory Committee of the Company for the purpose of enabling the Supervisors of the Company to be better informed of the implementation of compliance management of the Company. For interim reports, the Company shall prepare interim compliance reports after the end of half year and submit such reports to the Board and the Supervisory Committee of the Company for consideration and approval.

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

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

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

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

During the Reporting Period, the audit department closely focused on the Company's business strategies, adhered to risk orientation and improved audit effectiveness in order to fully utilize the functions of audit in preventing business risks, promoting compliance management and strengthening supervision and control.

During the Reporting Period, the audit department completed a total of 99 audit projects, including 6 special audit projects, 11 headquarter-level audit projects, 73 regular operating branch-level audit projects and 9 audit projects on resignation of staff. In addition, the audit department led in arranging and completing the Company's annual internal control appraisal and assessment on effectiveness of compliance management.

Section IV Corporate Governance

During the Reporting Period, the Company's audit department carried out internal audits in strict accordance with the standard procedures and requirements, focused on key areas and critical sections, increased the breadth and depth of audit, paid attention to the authenticity, legality and effectiveness of the Company's business activities and internal control, created a closed loop for audit rectification and management, strengthened the summary, analysis and application of the audit results, and has played a positive role in promoting the Company's operating and management level, solidifying the compliance foundation, improving internal control, and achieving comprehensive risk management.

XV. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

The Company strictly performed its duties as a shareholder. On the basis of maintaining the market-oriented and professional development of the subsidiaries, the Company emphasized the collaboration of resources such as customers, talents and brands and comprehensive centralized penetration and integrated management, which strongly enhanced the operational efficiency of the subsidiaries and facilitated standard internal governance. Mainly by formulating the Measures for Management of Subsidiaries, the Measures for Compliance Management of Subsidiaries and the Measures for Risk Management of Subsidiaries, the Company has standardized the requirements for party building, corporate governance, management of material matters, strategic management and control, human resources management, financial management and compliance risk management of its subsidiaries. The Company has further strengthened its internal control standards with reference to regulatory requirements and has integrated the compliance, internal control and risk management of its subsidiaries at all levels into a unified management system, with vertical management of the compliance and risk management of its subsidiaries.

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

Section IV Corporate Governance

XVI. EXPLANATIONS ON THE AUDIT REPORT ON INTERNAL CONTROL

Deloitte Touche Tohmatsu Certified Public Accountants LLP was engaged by the Company to conduct an audit on the Company's internal control and issued an unqualified audit report on its internal control.

For details of the Company's audit report on internal control, please refer to the Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE (<http://www.sse.com.cn>) on March 30, 2023.

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

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

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

Section IV Corporate Governance

XVIII. OTHERS

(i) Company secretaries

As of the end of the Reporting Period, Mr. Wang Rufu and Mr. Ngai Wai Fung are the Company's joint company secretaries. Mr. Ngai Wai Fung is currently the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. The Company's main contact person with Mr. Ngai Wai Fung is Mr. Wang Rufu, the joint company secretary of the Company. During the Reporting Period, Mr. Wang Rufu and Mr. Ngai Wai Fung both received no less than fifteen hours of relevant professional trainings as required by the Rule 3.29 of the Hong Kong Listing Rules. Mr. Wang Ru Fu was granted the 5A rating in the 2022 Board Secretary Performance Evaluation by the China Association for Public Companies, the 18th Golden Board Secretary by New Fortune and other awards.

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

(ii) Compliance with code for securities transactions

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct the Company's securities transactions. Upon specific enquiry, all Directors and Supervisors confirmed that they had strictly observed standards as specified in the Model Code during the Reporting Period. The Company has also set guidelines, at least as strict as the Model Code, on the Company's securities transactions for relevant employees (as defined under the Hong Kong Listing Rules). The Company has not found any relevant employees violating the said guidelines.

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

Section IV Corporate Governance

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

The Board has acknowledged its responsibility for preparing the annual report of the Group for the year ended December 31, 2022.

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

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

(iv) Communications with shareholders

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

The Company attaches great importance to the opinions and suggestions from its shareholders, carries out a variety of investor relation events in a positive, active and standardized manner to maintain communications with shareholders and promptly meet their reasonable demands. Meanwhile, the Company releases its announcements, financial data and other relevant data on its website (<http://www.dfzq.com.cn>), which serves as a channel facilitating effective communication with the shareholders. The shareholders may make enquiries through emails, hotlines and directly sending their letters to the Company's office address. The Company will handle such enquiries in a timely and proper manner. Having considered the various communication channels and engagement approaches available, the Board believes that the Company's existing shareholder communication policy has been properly implemented and is effective.

Section IV Corporate Governance

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

Shareholders may convene a general meeting and make proposals at the general meeting in accordance with the procedures provided in the Articles of Association, which has been published on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dfzq.com.cn>).

The Board will be arranged to attend the Company's 2022 annual general meeting to answer shareholders' enquiries.

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

Shareholders may convene an extraordinary general meeting and make interim proposals at the general meeting in accordance with the procedures provided in the Articles of Association.

(v) Investors relationship activities

The Company attaches great importance to investor relations management and regards the maintenance and management of investor relations as one of the most important deployments of the Company's future capital strategy. By upholding the work philosophy of "Sincerity, Professionalism and Compliance", the Company has formed an investor relations team led by the secretary of the Board to build a two-way communication channel with investors. The Company has established an Investor Relationship work system, mechanism and procedures. Through the dedicated investor hotline, e-mail, "Investor Relations" column of the company website, WeChat official account of "Orient Securities Investor Relation Platform", teleconferences, on-site reception, online interaction, investor meeting, results press conference, performance roadshow and the E-interactive platform launched by the SSE, the Company strengthens communication with investors through various vehicles. In addition, the Company carefully considers the opinions and suggestions of investors and makes every effort to promote high-quality development.

Section IV Corporate Governance

In 2022, the Company conducted a total of 85 roadshow and communication activities of various kinds. In particular, in order to fully protect the rights and interests of various investors and communicate the Company's information and values in a timely and effective manner, the Company successfully held its 2021 annual, 2022 interim and 2022 third quarterly results presentations. The Company's annual and interim results presentations were conducted in the form of "video livestreaming + call-in enquiries" with the senior management team led by the chairman attending, and institutional investors, analysts, media reporters and other relevant parties from different sectors were invited to attend and ask questions at the presentations. Channels were open for small and medium-sized investors to ask questions before and during the presentations, and the livestreaming page recorded a total view count of over 100,000. Through professional, sincere and thorough communication, investors were able to quickly and accurately understand the key information disclosed by the Company and gain a comprehensive understanding of the Company's development status and prospects. In addition, during the Reporting Period, the Company received 20 small-scale research activities, participated in 42 securities dealers' strategy meetings, answered the investor hotline and addressed questions from investors, patiently answered 85 questions from various investors through "SSE E-Information" platform, and published 25 articles related to the Company's business operation on the WeChat official account of "Orient Securities Investor Relation Platform", thereby increasing recognition by investors and facilitating synergies between investors and the Company through multiple channels.

During the Reporting Period, the Company won various awards including the award of "Best Practice of Annual Report Presentation of Listed Companies in 2021" by the China Association for Public Companies, the "Best IR Hong Kong Listed Company (A+H Shares)" by New Fortune, the "Outstanding IR Enterprise" and the "Innovative Results Presentation Award" under the Panorama Investor Relation Golden Awards, the "Best Investor Relation Award" and the "Best Board of Directors Award for Investor Relation" under the investor relation "Tianma Awards" by Securities Times. The Board Office of the Company won the "Best Practice of Board Office of Listed Companies" organized by the China Association for Public Companies and other awards.

(vi) Amendments to the Articles of Association

At the 2021 annual general meeting of the Company held on June 30, 2022, the "Resolution in Relation to the Amendments to Certain Articles of the Articles of Association of the Company" was considered and approved. On July 8, 2022, the Company amended the Articles of Association in relation to registered capital, total number of shares and shareholding structure of the Company based on the results of the rights issue of A Shares and H Shares and the authorization of the general meeting. On October 21, 2022, the Company amended the Articles of Association in relation to business scope of the Company according to the Approval of the Qualifications for Conducting Market Making Business of Listed Securities by 東方證券股份有限公司 issued by the CSRC and the authorization of the general meeting. At the 2022 second extraordinary general meeting of the Company held on November 8, 2022, the "Resolution in Relation to the Amendments to Certain Articles of the Articles of Association of the Company" was considered and approved.

Section V Environmental and Social Responsibilities

I. INFORMATION ON ENVIRONMENTAL PROTECTION

Whether an environmental protection mechanism is in place	Yes
Investment in environmental protection during the Reporting Period (Unit: RMB'0000)	780.42

The Company operates in financial securities industry and is a non-key emission company. The Company has always advocated and carried out the concept of “green office, low-carbon life”, explored energy-saving, environmental protection and efficient management mode, and implemented the concept of green environmental protection in the Company’s management process. During the Reporting Period, the Company did not identify any violations related to environmental protection in its operations that had a significant impact on the Company.

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

The Company attaches great importance to ecological protection and pollution prevention, diligently studies and implements the concept of green development, and fulfills its corporate environmental responsibility through its own green operations and environmental public welfare activities.

For its own operations, the Company encourages all staff to eliminate energy waste at source and improve energy efficiency. In 2022, the Company continued to promote the publication of electronic versions of corporate reports, and used the OA system to publish notices and promote a paperless office. Employees were encouraged to recycle and reuse office supplies, daily office waste and other non-hazardous waste generated in office operations, and those that cannot be recycled were collected and treated by the property management company. The Company engaged qualified companies to recycle and properly dispose of hazardous waste, thereby actively fulfilling its green responsibilities as a financial institution. In addition, the Company added the “Sustainable Development” column on its official website to showcase its actions and achievements in energy conservation, emission reduction and response to climate change.

For environmental public welfare activities, the Company focused on “plastic reduction”, actively promoted “zero-waste” buildings and “zero-waste” meetings, placed “plastic reduction stations” in the headquarters building for recycling plastic products, and used various methods to promote green operation and environmental protection and implement the concept of low-carbon through practical action. For customers, partners and other external parties, the Company launched the “Carbon Neutral” campaign through its official WeChat platform to promote a low-carbon and eco-friendly lifestyle among customers and society.

Section V Environmental and Social Responsibilities

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

Whether carbon reduction measures are adopted	Yes
Reduction in emissions of carbon dioxide equivalent (in tonnes)	1,410.04
Types of carbon reduction measures (e.g. use of clean energy to generate electricity, use of carbon reduction technologies in production processes, development and production of new products that contribute to carbon reduction, etc.)	1) The Company promoted green operations through energy-saving and low-carbon building operations and promotion of carbon reduction among employees. 2) The Company's data centers promoted low-carbon transformation through a series of energy-saving improvements, including: • Reducing power line losses through an efficient power supply system with substations on each floor of data server module. • Adopting diffuse and lateral air supply and the server rack heat channel close-off technology to significantly enhance the cooling efficiency. • Using highly efficient equipment such as intelligent busbars, energy-storage UPS and high-efficiency cooling and heating source units to improve energy utilization efficiency. • Using natural cooling technology to improve cooling efficiency, with natural cooling capacity accounting for over 86% of the total rated cooling capacity in winter.

Detailed description

The Company always persists in implementing the new development concept, practices sustainable development, facilitates low-carbon operation and environmental protection and promotes carbon neutrality in its own business and at the operational level. In 2022, in order to implement its Carbon Neutrality Target and Action Plan, the Company accelerated the low-carbon transformation of its data centers, obtained a three-star green building design certification for the new Jinqiao Data Center, and continuously adopted energy-saving and emission reduction technologies to improve energy and resource efficiency and reduce greenhouse gas emissions.

Section V Environmental and Social Responsibilities

In terms of green finance, the Company leveraged its financial expertise to support the development of green industries and green projects through various investment and financing methods with multiple channels and varieties. For green financing, in 2022, the Company underwrote 43 green bonds as the lead underwriter with an underwriting amount of RMB8.537 billion and proceeds of RMB20.062 billion, including 17 carbon neutrality bonds with an underwriting amount of RMB2.992 billion.

In terms of green investment, the Company and its subsidiaries adhered to the concept of value investment and responsible investment, implemented responsible investment strategies such as positive selection, negative exclusion and integration of ESG elements, and incorporated factors related to environment and climate change into investment decisions. The Company paid high attention to the environmental non-compliances of companies in high energy consumption and high pollution industries, and made prudent decisions regarding companies with negative ESG incidents, thereby facilitating China to achieve the goal of carbon peaking and carbon neutrality with financial power. As of the end of 2022, the Company invested a total of RMB3.318 billion in green bonds.

II. WORK ON SOCIAL RESPONSIBILITIES

(i) Disclosure of social responsibility report, sustainability report or ESG report

The Company is committed to providing high-quality comprehensive financial services under the concept of “Enjoying Beautiful Life” to create long-term value, make responsible investment, adopt a people-oriented approach and contribute to building a harmonious community, thereby creating sustainable and comprehensive value for stakeholders including shareholders, customers, employees, government and regulatory authorities, partners and environmental communities.

The Company continuously strengthens ESG risk management and establishes a multi-level ESG risk management system, with the Board, the Sustainable Development Committee, the Risk Management Department, and each business unit and subsidiary taking their respective responsibilities to promote ESG risk management on a top-down approach. In the ESG risk management process, for ESG risk events of different levels occurring in the financing targets, the Company evaluates and analyzes the ESG risks based on the severity of the events, the targets’ responding measures and handling results, follow-up management and control actions, establishes different risk levels and takes corresponding risk triggering, responding and reporting processes and measures.

For details of the Company’s performance of social responsibility, please refer to the “2022 Corporate Social Responsibility Report of DFZQ” disclosed on the website of the SSE (<http://www.sse.com.cn>) and the “2022 Environmental, Social and Governance Report of DFZQ” disclosed on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on March 30, 2023.

Section V Environmental and Social Responsibilities

(ii) Details of work on social responsibilities

Unit: RMB'0000

External donations and public welfare items	Amount/content	Description
Total investment	951.06	
Including: Funding	841.54	The Company joined hands with its foundation to make donations to projects such as “A Beautiful City in Western China – Dunhuang” and “Xindeyizhang Art Classroom”.
Supplies (monetary value)	109.52	The Company donated supplies to the No. 1 Middle School of Ni Er Ji, Morin Banner, Inner Mongolia and the elementary school in Pingmeng Village, Gula Township, Funing County, Yunnan Province. The research institution of the Company donated supplies to Xinghe County in Inner Mongolia. The Company joined hands with its foundation to donate supplies to various Xindeyizhang Art Classrooms.
Number of beneficiaries (persons)	Approximately 7,000 people	

Section V Environmental and Social Responsibilities

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

Unit: RMB'0000

Poverty alleviation and rural revitalization items	Amount/content	Description
Total investment	2,729.31	
Including: Funding	2,639.56	
Supplies (monetary value)	89.75	
Form of support (e.g. poverty alleviation through industry support, employment support and education support)		Industry assistance, financial assistance, public welfare assistance, knowledge assistance, ecological assistance, consumption assistance, cultural assistance, organizational assistance

Detailed description

As of the end of 2022, the Company and its subsidiaries had signed twinning assistance agreements with 32 areas, including Morin Banner in Inner Mongolia, Tongyu County in Jilin Province, Jingle County in Shanxi Province, Muchuan County in Sichuan Province, Wufeng County in Hubei Province, Yanchi County in Ningxia Province, Yanchang County in Shaanxi Province, Qin'an County in Gansu Province, Jinggu County in Yunnan Province, Lancang County in Yunnan Province, Menglian County in Yunnan Province, Nankang City in Jiangxi Province, Funing County in Yunnan Province, Suibin County in Heilongjiang Province, Maigaiti in Xinjiang, Tongbai County in Henan Province, Lindian County in Heilongjiang Province, Xichou County in Yunnan Province, Li County in Gansu Province, Neixiang County in Henan Province, Lankao County in Henan Province, Jinggangshan City in Jiangxi Province, Ruijin City in Jiangxi Province, Chenxi County in Hunan Province, Shimen County in Hunan Province, Anhua County in Hunan Province, Rucheng County in Hunan Province, Xupu County in Hunan Province, Quanzhou County in Guangxi Province, Anlong County in Guizhou Province, Shule County in Xinjiang and Qiongzhong County in Hainan Province, to carry out relevant tasks of rural revitalization.

In 2022, the Company actively carried out rural revitalization in twinning assistance areas mainly through industry assistance, financial assistance, education assistance, public welfare assistance, ecological assistance and cultural assistance.

Section V Environmental and Social Responsibilities

For key projects, despite various uncertainties during the year, the Company successfully facilitated the implementation of key industry assistance projects such as “Orient Guniang” and “Dong Fang Hong Yi Black Tea”, and organically integrated the Company’s rural revitalization efforts with the concept of low-carbon operation and environmental protection. In particular, the Company made plan for “Orient Guniang” under the theme of “Sustainable Love” by using eco-friendly and renewable materials for both interior and exterior packaging together with eco-friendly bamboo fan. For “Dong Fang Hong Yi Black Tea”, the Company designed and produced its packaging with an eco-friendly and recyclable mindset and added tea cups made from bamboo fiber, thus fulfilling its social responsibility while further promoting the sustainable development concept of the Company.

For internal and external promotion of projects, in the harvesting season of Guniang fruits, the Company coordinated with its partners to capture the opportunities from the harvest festival by carry out livestreaming at the place of origin in Morin Banner which attracted over 100,000 viewers, garnered over 800,000 likes, and sold products of nearly RMB30,000. Based on promotion platforms such as official Wechat account and video account, the Company also promoted the projects by shooting box opening video for “Orient Guniang” and making thematic red packet cover for “Dong Fang Hong Yi Black Tea” in order to diversify the project promotion methods and continuously improve the publicity and influence of the projects.

In 2022, the Company carried out 38 projects to consolidate poverty alleviation results and promote rural revitalization, including four industry assistance projects, 24 public welfare assistance projects, two knowledge assistance projects, two ecological assistance projects, three cultural assistance projects and three consumption assistance projects, with total investment of approximately RMB13.3895 million, thereby continuously contributing to the sustainable development of the twinning assistance areas. Orient Futures, our subsidiary, actively carried out rural revitalization work, and continued to support the development of agricultural industry and rural areas through “insurance + futures” and public welfare assistance with total investment of RMB13.9036 million, including RMB4.9743 million for public welfare assistance projects and RMB8.9293 million for “insurance + futures” professional assistance.

Section VI Significant Events

I. PERFORMANCE OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	To solve the problem of horizontal competition	Shenergy Group	Shenergy Group has issued the Commitment Letter of Avoiding horizontal competition to the Company and undertook that it and the companies and enterprises under its direct or indirect control would not participate in any form of business or operation that compete or might compete with the Company and its subsidiaries.	After the public offering and listing of A Shares of the Company	No	Yes	/	/

Section VI Significant Events

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	To solve the problem of connected transactions	Shenergy Group	Shenergy Group and the companies and enterprises under its direct or indirect control will take every effort to avoid and regulate related party transactions with DFZQ and its subsidiaries; for those related party transactions that cannot be avoided or are necessary, the price of the related party transactions will be determined in accordance with the principles of fairness, openness and equity to ensure the fairness of the related party transactions. If Shenergy Group breaches the above undertaking to regulate related party transactions with the issuer, Shenergy Group shall cease to receive shareholders' dividends from the issuer from the date of the breach of the relevant undertaking and shall not transfer its shares in the issuer until the corresponding measures have been taken and implemented in accordance with the above undertaking; if the issuer or other investors suffer loss as a result of the failure to comply with the undertaking to regulate the related party transactions, compensation shall be made to the issuer or other investors in accordance with relevant laws.	After the public offering and listing of A Shares of the Company	No	Yes	/	/
Undertakings in relation to refinancing	Other	Shenergy Group	The undertaking regarding the effective implementation of the immediate return remedial measures for the Company's the Rights Issue. Shenergy Group has undertaken not to interfere with the Company's operation and management activities beyond its authority and not to embezzle the interests of the Company.	During the period when Shenergy Group remains as the largest shareholder	Yes	Yes	/	/

Section VI Significant Events

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform	Follow up plan for failure to perform timely
Undertakings in relation to refinancing	Other	Shenergy Group	Shenergy Group has undertaken to subscribe in cash for the full amount of the shares of rights issue available to Shenergy Group under the rights issue plan based on the number of shares held after the close of business on the record date for the rights issue, in accordance with the price and proportion of rights issue determined through negotiation between the Company and the sponsor (underwriter).	During the period of the Rights Issue	Yes	Yes	/	/

(ii) There were no profit predictions for the Company's assets or projects during the Reporting Period.

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

II. NO APPROPRIATION OF FUNDS ON A NON-OPERATING BASIS BY THE COMPANY'S CONTROLLING SHAREHOLDERS OR OTHER RELATED PARTIES HAS OCCURRED DURING THE REPORTING PERIOD.

III. DURING THE REPORTING PERIOD, THE COMPANY DID NOT PROVIDE ANY NON-COMPLIANCE GUARANTEE.

IV. DURING THE REPORTING PERIOD, THERE WERE NO EXPLANATIONS OF THE BOARD OF THE COMPANY ON "NON-STANDARD AUDIT REPORT" OF ACCOUNTING FIRM OF THE COMPANY.

V. DURING THE REPORTING PERIOD, THERE WERE NO CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS, AND THE COMPANY DID NOT COMMUNICATE WITH ITS PREVIOUS ACCOUNTING FIRM.

Section VI Significant Events

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: '0000 Currency: RMB

	Currently engaged
Name of the domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of the domestic accounting firm	119
Term of the audit services provided by the domestic accounting firm (year)	6
Name of certified public accountants of the domestic accounting firm	Shi Man, Ding Yi Qing
Continued term of audit services by certified public accountants of the domestic accounting firm	4
Name of the overseas accounting firm	Deloitte Touche Tohmatsu Registered Public Interest Entity Auditor
Remuneration of the overseas accounting firm	119
Term of the audit services provided by the overseas accounting firm (year)	7

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

Explanations on appointment and dismissal of accounting firms

During the Reporting Period, as approved upon consideration at the Company's 2021 annual general meeting, the Company re-appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its domestic auditor for 2022, who was responsible for provision of relevant domestic audit services in accordance with China Auditing Standards for a term of one year, with annual auditing fees for finance and special supervision report of RMB1.19 million. The Company also re-appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its internal control auditor for 2022, with internal control auditing fees of RMB0.42 million. The Company re-appointed Deloitte Touche Tohmatsu as the Company's overseas auditor for 2022 for a term of one year, who was responsible for provision of relevant audit and review services in accordance with International Standards on Auditing, with annual auditing fees of RMB1.19 million and interim reviewing fees of RMB0.83 million. Deloitte Touche Tohmatsu Certified Public Accountants LLP provides auditing services to subsidiaries of the Group, and the auditing fees in total amounted to RMB3.2086 million.

Section VI Significant Events

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

Accounting firm appointed by the Company in the past three years

	2021	2020	2019
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP	Deloitte Touche Tohmatsu Certified Public Accountants LLP	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Name of overseas accounting firm	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu

VII. DURING THE REPORTING PERIOD, THE COMPANY WAS NOT EXPOSED TO THE RISK OF DELISTING

VIII. DURING THE REPORTING PERIOD, THE COMPANY EXPERIENCED NO BANKRUPTCY OR RESTRUCTURING RELATED MATTERS

IX. MATERIAL LITIGATIONS AND ARBITRATIONS

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

Section VI Significant Events

1. Existing litigations and arbitrations

As of the end of the Reporting Period, the existing major litigations and arbitrations (representing more than 90% of the total litigation and arbitration of the Company) in which the Company is involved are as follows:

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (上海郁泰登碩投資中心(有限合夥)) and the guarantors, being Shanghai Fuxing Industrial Group Co., Ltd. (上海阜興實業集團有限公司) and Shanghai Yutai Investment Management Co., Ltd. (上海郁泰投資管理有限公司)	Litigation	Shanghai Yutai Dengshuo Investment Center (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Blivex (保力新)" ("Jianrui Woneng (堅瑞沃能)", 300116) held by it in September 2016 and Shanghai Fuxing Industrial Group Co., Ltd. and Shanghai Yutai Investment Management Co., Ltd. provided the unconditional, irrevocable and joint guarantee. The above-mentioned transaction has been in default.	Principal of RMB170 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Yutai Dengshuo and Fuxing Industrial, the case was filed with enforcement procedure in Shanghai No.2 Intermediate People's Court in August 2018. By early 2020, partial repayment was enforced through the courts. A separate lawsuit was filed by the Company against Yutai Investment for the shortfall in the guarantee contract, which was accepted by the Shanghai Financial Court in March 2020. Due to the involvement of the principal debtors, Yutai Dengshuo and Fuxing Industrial, in other cases, the Shanghai Financial Court has adjourned the hearing of the Yutai Investment guarantee contract litigation, pending notice from the court.
DFZQ	Beijing Wutong Xiangyu Investment Co., Ltd. (北京市梧桐翔宇投資有限公司)	Litigation	Beijing Wutong Xiangyu Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "DEA Delisted (德奧退)" ("DEA General Aviation (德奧通航)", "ST DEA ("ST德奧)", 002260) held by it in August 2016. The above-mentioned transaction has been in default.	Principal of RMB124 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In July 2019, the lawsuit was filed in the Shanghai Financial Court and in May 2020, the first instance judgment was rendered in favour of the Company and the other party did not appeal. In July, the case was filed with enforcement procedure in the Shanghai Financial Court and the court made a ruling of termination of enforcement in November 2020 as it was unable to determine when the listed company would resume trading, and in January 2021, the Company applied for renewal of freezing of the shares involved. In March 2022, an application was made to the Shanghai Financial Court for resumption of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Beijing Dongfang Junsheng Investment Co., Ltd. (北京東方君盛投資有限公司) and its guarantors Feng Biao, Gao Zhonglin and their spouses	Litigation	Beijing Dongfang Junsheng Investment Co., Ltd. ("Dongfang Junsheng") conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Hainan Yedao (海南椰島)" (600238) held by it in September 2017 and Feng Biao and Gao Zhonglin provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB425 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In November 2019, the lawsuit was filed in the Shanghai Financial Court and in February 2021, a judgment of first instance was rendered in favour of our claim against the debtor, Dongfang Junsheng, and the guarantors, Feng Biao and Gao Zhonglin, and the entire amount of the debt. Subsequently, Dongfang Junsheng appealed and the Shanghai High Court issued a second instance judgment in July 2021, upholding the original judgment. In October 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In November 2021, the court ruled to terminate the current enforcement procedure as the respondent had no property available for enforcement. In February 2022, the Shanghai Financial Court resumed the enforcement of the case and released the first batch of enforcement payment to the Company. During the period from April to November 2022, the Company assisted Guiyang Intermediate Court, which has the right of disposal of the pledged shares, to complete three sales of shares in the secondary market and received the corresponding enforcement payment. In November 2022, the Guiyang Intermediate Court ruled to auction off the remaining shares. The enforcement is still in progress.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shenzhen Laohuhui Asset Management Co., Ltd. (深圳市老虎匯資產管理有限公司) and the guarantor Feng Biao and his spouse	Litigation	Shenzhen Laohuhui Asset Management Co., Ltd. ("Laohuhui") conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Jiaying Pharmacy (嘉應製藥)" (002198) held by it in February 2017 and Feng Biao, the de facto controller, provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB470 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In November 2019, the lawsuit was filed in the Shanghai Financial Court and in March 2021, a judgment of first instance was rendered in favour of our claim against the debtor, Laohuhui, and the guarantor, Feng Biao, and the entire amount of the debt. Subsequently, Laohuhui appealed and the Shanghai High Court issued a second instance judgment in September 2021, upholding the original judgment. In December 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In February 2022, the Shanghai Financial Court negotiated with the Lanzhou Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal, and obtained the right of disposal of the pledged shares in July 2022. In August 2022, the court ruled to auction off the pledged shares. In December 2022, the auction of pledged shares failed, and the Company applied with the Shanghai Financial Court to settle the debt with shares. The case is still in the process of enforcement.
DFZQ	Shantou Chenghai Humei Storage Battery Co., Ltd. (汕頭市澄海區滙美蓄電池有限公司) and its guarantors Chen Zaixi, Chen Yinqing, etc.	Litigation	Shantou Chenghai Humei Storage Battery Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Dynavolt 3 (猛獅3)" ("Dynavolt Technology (猛獅科技)", 002684) held by it since May 2016 and Chen Zaixi, Chen Yinqing, Chen Lewu, Lin Shaojun and Guangdong Mengshi Industrial Group Co., Ltd. (廣東猛獅工業集團有限公司) provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB569 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In August 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in July 2021 in favour of the Company's claim, which was not appealed by the other party. In November 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In February 2022, the Shanghai Financial Court ruled on the sale of shares through auction, which was subsequently withdrawn due to the delisting of the listed company in June. "Dynavolt Delisted (猛獅退)" resumed trading on the market for STAQ, NET and delisted companies in August 2022. In December 2022, the court ruled to auction off the pledged shares. The case is still in the process of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Zhuhai Zhongzhu Group Co., Ltd. (珠海中珠集團股份有限公司) and Zhuhai S.E.Z. Dezheng Group Co., Ltd. (珠海經濟特區德正集團有限公司), the guarantor	Litigation	Zhuhai Zhongzhu Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Zhongzhu (ST 中珠)" ("Zhongzhu Medical (中珠醫療)", 600568) held by it since November 2017, which was guaranteed by Zhuhai S.E.Z. Dezheng Group Co., Ltd. with its immovable assets. The above-mentioned transaction has been in default.	Principal of RMB461 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In addition, in November 2021, the Shantou Intermediate Court accepted the bankruptcy and liquidation case of the guarantor, Guangdong Mengshi Industrial Group Co., Ltd. In July 2022, the Company completed the declaration of creditor's rights and attended the first creditors' meeting. The administrator considered that the Company needed to dispose of the debtor's property before it could assert its claim against the guarantor and therefore withheld the confirmation of the Company's claim. The Company has submitted its written objection, which has been received by the administrator for review. The case is currently pending bankruptcy proceedings by the administrator. In April 2021, the lawsuit was filed in the Shanghai Financial Court. In February 2022, a first instance judgment was received upholding all claims of the Company. In May 2022, the defendant applied for an appeal. In September 2022, the Shanghai High Court delivered the second instance judgment in September 2022, which upheld the original verdict. In November 2022, the enforcement case was accepted by the Shanghai Financial Court. In December 2022, the Shanghai Financial Court negotiated with the Beijing No. 3 Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal. The case is still in the process of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Xu Wei and Teng Yingqi, the guarantor	Litigation	Xu Wei conducted the share collateralized repurchase transaction with the Company by the shares of "ST Tensyn (ST 腾信)" ("Tensyn (腾信股份)", 300392) held by him since September 2017 and Teng Yingqi provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB483 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In May 2021, the lawsuit was filed in the Shanghai Financial Court. In June 2022, a first instance judgment was received, upholding all claims of the Company except for notary fees. In July 2022, Teng Yingqi, the guarantor, appealed and in August 2022, the Shanghai High Court accepted the guarantor's appeal, after which the Company signed a letter of intent for settlement with the counterparties and the Shanghai High Court subsequently ruled to allow the withdrawal of the appeal and the first instance judgment came into effect. In September 2022, the enforcement case was accepted by the Shanghai Financial Court. In November 2022, the Company signed an enforcement settlement agreement with the counterparties under the auspices of the Shanghai Financial Court. In December 2022, the counterparties confirmed that they were unable to perform the agreement and the Company subsequently filed an application with the Shanghai Financial Court for resumption of enforcement and judicial auction, together with an application for restriction on large spending, inclusion in list of defaulted executees and other measures against Xu Wei and Teng Yingqi. The case is pending resumption of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Yunnan Jiutian Investment Holding Group Co., Ltd. (雲南九天投資控股集團有限公司)	Litigation	Through the “Dongwu-Pingan-Dongfang No. 5 Targeted Asset Management Plan”, Yunnan Jiutian Investment Holding Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of “Yijian 3 (易見3)” (“Hejia Share (禾嘉股份)”, “Yijian Share (易見股份)” and “Delisted Yijian (退市易見)”, 600093) held by it since October 2016. The above-mentioned transaction has been in default.	Principal of RMB428 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In September 2021, the lawsuit was filed in the Shanghai Financial Court. In March 2022, a first instance judgment was received, upholding all claims of the Company except for notary fees. The case was filed with enforcement procedure in Shanghai Financial Court in May 2022. In June 2022, the repayment was enforced through the sale of part of the pledged shares. In August 2022, the Shanghai Financial Court obtained the right of disposal of 62,243,000 pledged shares. In October 2022, the court ruled to auction off the shares of Newmi Tech, one of the defendant's properties. In December 2022, the court ruled to auction off the remaining pledged shares. The case is still in the process of enforcement.
DFZQ	Shanghai Zhonglu (Group) Co., Ltd. (上海中路(集團)有限公司)	Litigation	Shanghai Zhonglu (Group) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of “Zhonglu Share (中路股份)” (600818) held by it since November 2014. The above-mentioned transaction has been in default.	Principal of RMB599 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	Two cases were filed due to different versions of the master transaction agreement: The lawsuit of the transaction under the old version of the master agreement was filed in the Shanghai Financial Court in November 2021 and is scheduled to be heard in July 2022. In August 2022, the court ruled in favour of the Company in the first instance judgment. The counterparty appealed in September 2022. In October 2022, a second instance case was accepted by the Shanghai High Court, which was heard in November 2022 and is pending judgment. The lawsuit of the transaction under the new version of the master agreement was filed in the Shanghai Huangpu District Court in November 2021. The case was formally filed in March 2022 and was heard in August 2022. In November 2022, the court ruled in favour of the Company in the first instance judgment, the counterparty appealed subsequently, and the case is currently pending for a second trial.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Dunhua Kangping Investment Co., Ltd. (敦化市康平投資有限責任公司)	Litigation	Dunhua Kangping Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Zixin Pharmaceutical (紫鑫藥業)" (002118) held by it since September 2016. The above-mentioned transaction has been in default.	Principal of RMB239 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	The lawsuit was filed in the Shanghai Financial Court in March 2022 and was heard in September 2022. In November 2022, the Shanghai Financial Court organized an online supplemental hearing, which is pending judgment.
DFZQ	Guo Xiansheng	Litigation	Guo Xiansheng conducted the share collateralized repurchase transaction with the Company by the shares of "ST Linzhong (ST林重)" ("Linzhou Heavy Machinery (林州重機)", 002535) held by it since May 2015. The above-mentioned transaction has been in default.	Principal of RMB358 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In August 2022, two cases were filed for transactions under different versions of the agreement, and the lawsuits were filed in the Shanghai Financial Court, and were heard together in November 2022, which are pending judgment.
DFZQ	Xinjiang Maiquer Group Co., Ltd. (新疆麥趣爾集團有限責任公司) and Xinjiang Hengjia Property Co., Ltd. (新疆恒佳房地產開發有限公司), the guarantor	Litigation	Xinjiang Maiquer Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Maiquer (麥趣爾)" (002719) held by it since March 2015. The above-mentioned transaction has been in default.	Principal of RMB303 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	The lawsuit was filed in the Shanghai Financial Court in August 2022 and was originally scheduled to be heard by the court in December 2022 but was subsequently cancelled due to the jurisdictional objection filed by both defendants and is currently pending the court's decision on the jurisdictional objection.
DFZQ	Qingdao Yaxing Industry Co., Ltd. (青島亞星實業有限公司)	Litigation	Qingdao Yaxing Industry Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Capstone (ST大通)" ("Shenzhen Capstone (深大通)", 000038) held by it since March 2016. The above-mentioned transaction has been in default.	Principal of RMB653 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Qingdao Yaxing, an enforcement case was filed in the Shenzhen Intermediate Court in August 2022. In October 2022, the Shenzhen Intermediate Court issued a disposal ruling. In November 2022, Qingdao Yaxing filed an objection to the enforcement, after which the court agreed not to suspend the enforcement on the guarantee provided by the Company on its own credit. The case is still in the process of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Jiang Jian	Litigation	Jiang Jian conducted the share collateralized repurchase transaction with the Company by the shares of “ST Capstone (‘ST 大通’)” (“Shenzhen Capstone (深大通)”, 000038) held by it since June 2016. The above-mentioned transaction has been in default.	Principal of RMB261 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Jiang Jian, an enforcement case was filed in the Shenzhen Intermediate Court in September 2022. In November 2022, the court negotiated with the Qingdao Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal. The case is still in the process of enforcement.
DFZQ	Zhu Lanying	Litigation	Zhu Lanying conducted the share collateralized repurchase transaction with the Company by the shares of “ST Capstone (‘ST 大通’)” (“Shenzhen Capstone (深大通)”, 000038) held by it since March 2016. The above-mentioned transaction has been in default.	Principal of RMB346 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Zhu Lanying, an enforcement case was filed in the Shenzhen Intermediate Court in September 2022. The case is still in the process of enforcement.
DFZQ	Wang Baixing	Litigation	Wang Baixing conducted the share collateralized repurchase transaction with the Company by the shares of “ST Zhongli (‘ST 中利’)” (“Zhongli Technology (中利科技)” and “Zhongli Group (中利集團)”, 002309) held by it since September 2013. The above-mentioned transaction has been in default.	Principal of RMB517 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Wang Baixing, an enforcement case was filed in the Suzhou Intermediate Court in September 2022. In December 2022, the Suzhou Intermediate Court obtained the right of disposal of the pledged shares. The case is still in the process of enforcement.
DFZQ	Shanxi Shengnong Investment Co., Ltd. (山西盛農投資有限公司)	Litigation	Shanxi Shengnong Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of “Goody Sci-Tech (顧地科技)” (002694) held by it since September 2016. The above-mentioned transaction has been in default.	Principal of RMB215 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	The lawsuit was filed in the Shanghai Financial Court in November 2022 and is currently pending a court date.

Section VI Significant Events

2. Closed litigations and arbitrations

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

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Lin Wenzhi	Litigation	Lin Wenzhi conducted share collateralized repurchase transaction with the Company by the shares of "ST Guanfu" ("Guanfu Limited (冠福股份)", 002102) held by him since April 2018. The above-mentioned transaction has been in default.	Principal of RMB36 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In January 2020, the lawsuit was filed in the Shanghai Huangpu People's Court. In November 2020, the Huangpu Court ruled in favour of the Company in the first instance judgment, the counterparty did not appeal, and the case was filed with enforcement procedure in the Huangpu Court in April 2021. In June 2022, the court ruled to auction off the pledged shares. The pledged shares involved were sold through auction in September 2022, and the enforcement payment was received in December 2022. The case was closed.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Kedi Food Group Co., Ltd (科迪食品集团股份有限公司) and Zhang Qinghai, the guarantor	Litigation	Kedi Food Group Co., Ltd conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Kedi 3 (科迪3)" ("Kedi Dairy (科迪乳業)", 002770) held by it in December 2015 and Zhang Qinghai, the de facto controller, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB232 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In May 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in February 2021 in favour of all the Company's claims except for the notary's fees and the other party did not appeal. In March 2021, the debtor entered into bankruptcy reorganisation procedures and the administrator completed the confirmation of the Company's claims other than the liquidated damages. In December 2021, the Company and the administrator entered into the Agreement on Arrangement for Settlement of Claims. On June 30, 2022, the first payment of RMB13,176,455.7 was received in satisfaction of the preferential creditor's rights. Subsequently, the first payment of RMB5,787,550 was received in satisfaction of the general creditor's rights. In addition, in respect of the guarantee liability of Zhang Qinghai, the other defendant in the case, the Company filed an enforcement case in the Shanghai Financial Court in March 2021. In February 2022, due to the lack of property leads for enforcement, the court ruled to terminate the enforcement procedure.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Linlu Investment (Shanghai) Co., Ltd. (霖瀟投資(上海)有限公司) and Chen Zhonghua, Ji Jun and his spouse, the guarantors	Litigation	Linlu Investment (Shanghai) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Fushi Holdings (福石控股)" ("Huayi Jiaxin (華誼嘉信)", 300071) held by it in August 2016 and Chen Zhonghua, the legal representative and Ji Jun, a shareholder, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB109 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In June 2020, the lawsuit was filed in the Shanghai Financial Court, and in September 2020, a mediation was reached and a civil settlement letter was issued by the court. As the debtor failed to fulfill its payment obligations under the settlement letter, an enforcement case was filed in the Shanghai Financial Court in March 2021, and the court received an enforcement objection from Huayi Jiaxin, a listed company that is not a party to the case, after completing the pre-auction valuation of the pledged shares in September. In December 2021, the court issued a ruling rejecting the enforcement objection. In June 2022, the auction of pledged shares failed, and the Company applied with the Shanghai Financial Court to settle the debt with shares. In July 2022, the share transfer procedures were completed and the court ruled to terminate the enforcement procedure. The case was closed.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Xusen International Holding (Group) Co., Ltd. (旭森國際控股(集團)有限公司)	Litigation	Xusen International Holding (Group) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "R Global 1 (R環球1)" ("Shangying Global (商贏環球)", 400137) held by it since September 2016. The above-mentioned transaction has been in default.	Principal of RMB239 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Xusen International, the case was filed with enforcement procedure in the Shanghai Financial Court in December 2020. In January 2021, the Shanghai No. 3 Intermediate Court accepted the bankruptcy and liquidation case of Xusen International. In February, the Company declared its creditor's rights with the administrator. In November 2021, the Shanghai No. 3 Intermediate Court ruled to implement bankruptcy reorganization on Xusen International. In December 2021, the pledged shares were sold through auction, and the Company received the enforcement payment in January 2022. In February 2022, a confirmation of transfer and a ruling on the sale of shares through auction were received. The case was closed.
DFZQ	Cai Tingxiang	Litigation	Cai Tingxiang conducted the share collateralized repurchase transaction with the Company by the shares of "'ST Culture ('ST文化)'" ("Great Wall of Culture (文化長城)", 300089) held by him since September 2017. The above-mentioned transaction has been in default.	Principal of RMB169 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Cai Tingxiang, the case was filed with enforcement procedure in Guangdong Chaozhou Intermediate Court in January 2021. After two failed auctions, the court ruled in October 2021 that the debt shall be settled with shares and the enforcement shall be terminated. In May 2022, the share transfer procedures were completed. The case was closed.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shihezi Demeike Investment Partnership (Limited Partnership) (石河子德梅柯投資合夥企業(有限合夥)) and Chen Ze, the guarantor	Litigation	Shihezi Demeike Investment Partnership (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the shares of "Huachangda (華昌達)" (300278) held by it since February 2015 and Chen Ze, its executive partner, provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB143 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	According to the enforcement certificates issued by the notary public's office to Shihezi Demeike, the case was filed with enforcement procedure in the Hubei Shiyan Intermediate Court in May 2021. In January 2022, the Hubei Shiyan Intermediate Court suspended the enforcement due to acceptance of the bankruptcy case of Shihezi Demeike. In March 2022, the Company completed the declaration of creditor's rights with the administrator. In June 2022, the Hubei Shiyan Intermediate Court issued a stay of enforcement ruling in view of the bankruptcy and liquidation of the debtor. In November 2022, the Shiyan Intermediate Court ruled to implement bankruptcy reorganisation on Shihezi Demeike. The case is currently pending the continuation of bankruptcy proceedings by the administrator. In addition, in respect of the guarantor's liability, the lawsuit was filed in the Shanghai Financial Court in March 2021 and the first instance judgment became effective in November 2021.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Ding Zhimin	Litigation	Sanding Holding Group Co., Ltd. (三鼎控股集团有限公司) conducted the share collateralized repurchase transaction with the Company by the shares of "Huading Share (華鼎股份)" (601113) held by it since January 2017, and Ding Zhimin provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB495 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	The lawsuit was filed in the Shanghai Financial Court in January 2022 and was heard in April 2022. The first instance judgment was rendered in favour of the Company in August 2022 and became effective in September 2022. In December 2022, the reorganisation plan of Sanding Holding, the debtor, was completed and the debt was settled on the books. The case was closed.
DFZQ	Jingjin Rongchuan Corrugated Pipe (Tianjin) Co., Ltd. (京津榮創波纹管(天津)有限公司)	Litigation	Jingjin Rongchuan Corrugated Pipe (Tianjin) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Shouhang Hi-tech (首航高科)" (002665) held by it since September 2017. The above-mentioned transaction has been in default.	Principal of RMB93 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In November 2020, the lawsuit was filed in the Shanghai Financial Court and in May 2021, the first instance judgment was rendered in favour of the Company's claim. The other party appealed and withdrew, and the case was filed with enforcement procedure in the Shanghai Financial Court in August 2021, and an auction was ordered in December 2021. The auction was successfully completed in February 2022 and the enforcement payment was received in April 2022. In June 2022, the court ruled to terminate the enforcement procedure. The case was closed.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shandong Oriental Ocean Group Co., Ltd. (山東東方海洋集團有限公司) and its guarantors Che Shi, Song Zhenghua, Che Zhiyuan, etc.	Litigation	Shandong Oriental Ocean Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Oriental Ocean (ST東洋)" (002086) held by it since October 2017 and Che Shi, Song Zhenghua and Che Zhiyuan provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB175 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In July 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in January 2021 in favour of the Company and the other party did not appeal. The case was filed with enforcement procedure in the Shanghai Financial Court in April 2021 and was subsequently executed through a judicial auction to repay the amount of the pledged shares involved. The shortfall is pending the disposal of other seized properties by the court. In June 2022, the court ruled to terminate the enforcement procedure as the relevant real estate was temporarily not available for disposal.

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

The Company has no controlling shareholders or de facto controllers. During the Reporting Period, the Company and its Directors, Supervisors and senior management personnel were not investigated by competent authorities, taken compulsory measures by judicial organs or discipline inspection departments, transferred to judicial authorities or investigated for criminal responsibilities, filed for investigation or administrative punishment by CSRC, banned from the market, recognized as inappropriate candidates, given major administrative punishment by other administrative departments such as environmental protection, safety supervision and taxation departments, or publicly condemned by stock exchanges.

Section VI Significant Events

1. On August 3, 2022, the Shanghai Bureau of the CSRC issued the Decision on the Issuance of Warning Letter to DFZQ (Hu Zheng Jian Jue [2022] No. 81) to the Company. The above regulatory letter determined that in the course of conducting business such as collateralised stock business and investment in subsidiaries, the Company failed to effectively control and prevent risks in accordance with the principle of prudent operation, and there were issues such as certain business decisions being made merely as a formality, insufficient risk management and inadequate internal controls. The above practices were not in compliance with Article 3(3) of the Guidelines for Internal Control of Securities Firms (Zheng Jian Ji Gou Zi [2003] No. 260) and were in breach of Article 6 of the Measures on Compliance Management of Securities Firms and Securities Investment Fund Management Companies (CSRC Order No. 133).

The Company attached great importance to the above non-compliance matters and made active responses by carefully formulating and implementing rectification measures and continuously following up on the issues. Details are reported as follows: In respect of the matters covered by this letter, the Company convened a special meeting in the early stage to carefully analyse and study the issues, defined the responsibilities of relevant personnel in accordance with relevant laws and regulations, and implemented corresponding measures to hold them accountable. The Company refined and improved the approval process for decision-making of material matters, appointment and removal of senior management, decision-making of investment in major projects and use of large amount of funds to further enhance the standardized management of major decision-making processes; rationalized and improved the Company's hierarchical decision-making and authorization system and internal control system, strengthened the refined management and control of key areas, and further implemented various requirements of internal control and management; and effectively enhanced the vertical penetration management of compliance and risk control through implementation of the Company's vertical management and control plan for compliance and risk control. The Company has suspended new collateralized stock business since June 2018 to improve the management requirements for collateralized stock business. The Company set up a special task force to handle defaulted collateralized stock repurchase transactions and made all efforts to properly address the risks of collateralized stock business. The Company properly optimized the standards for subsidiaries to report matters to the Company for compliance risk control audits and strengthened the control in advance of subsidiaries' businesses; effectively implemented real-time monitoring and active measurement of risk control indicators for subsidiaries' businesses; further streamlined information communication and reporting mechanisms, strengthened tracking and management, and actively responded to and mitigated risks; increased the frequency and intensity of inspections of subsidiaries, made good use of various letters and other risk mitigation measures, and effectively implemented assessment and accountability.

Section VI Significant Events

2. On September 2, 2022, the Shanghai Bureau of the CSRC issued the Decision on the Issuance of Warning Letter to DFZQ (Hu Zheng Jian Jue [2022] No. 114) to the Company. The above regulatory letter determined that a new mobile APP of the Company with trading functions had issues such as a lack of stability test content in the launch test report, an incomplete security test report and a lack of clear conclusions in the stress test report. The above facts were not in compliance with Article 22 of the Administrative Measures on Information Security Protection of Securities and Futures Industry (CSRC Order No. 82).

The Company attached great importance to the above non-compliance matters and carried out a series of investigation and rectification work on each of the issues identified in the regulatory letter. The Company carried out a comprehensive and careful inspection of the APP, conducted another stability test and stress test, revised the test report template in collaboration with a professional testing and certification center, added complete test method descriptions and issued a complete report. In addition, the Company held the responsible personnel accountable, conducted internal communication and education to prevent recurrence of similar incidents, and carried out rigorous management to implement and strengthen the testing of various systems, especially business applications, before launching, and ensured the completeness and validity of the test reports.

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

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

Section VI Significant Events

XII. MATERIAL RELATED-PARTY TRANSACTIONS

(i) Related-party transactions related to daily operation

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

1.1 Continuing related-party/connected transactions between the Group and Shenergy Group and its related companies

Reference is made to the announcement of the Company dated March 30, 2021 in relation to the continuing connected transactions. The Company entered into the continuing connected transaction framework agreement with Shenergy Group on March 30, 2021 in relation to the Company and its subsidiaries and Shenergy Group and its associates for a term commencing on January 1, 2021 and ending on December 31, 2023. As at the date of this report, Shenergy Group holds approximately 26.63% of the issued share capital of the Company. According to Rule 14A.07 (1) of the Hong Kong Listing Rules, Shenergy Group and its related companies are connected persons of the Company. During the Reporting Period, the Company carried out related/connected transactions in strict compliance with the “Proposal regarding the projected routine related-party transactions of the Company in 2022” considered and approved at the 2021 annual general meeting and the “Resolution on the Signing of the 2021-2023 Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” considered and approved at the second meeting of the fifth session of the Board, and relevant terms are fair and reasonable and in the interest of the listed issuer and its shareholders as a whole. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party/connected person	Annual cap	Actual amount
Securities and financial services	Fee and commission income	The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf, securities underwriting, financial advisory and other services.	Shenergy and its associates	14,000.00	311.74
	Interest expense	The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services.		1,400.00	48.21
Trading in securities and financial products	Bond trading	The Company conducts transactions in the interbank market such as spot trading of bonds, bond repurchase and interest rate swaps.		220,000.00	1,500.00
Purchase of goods and receiving of services	Business and management fee	The Company receives its services such as property management and gas supply.		5,000.00	1,945.69
Securities and financial services	Investment income	The Company incurred investment loss from purchasing securities and other products issued by the related parties.	Major upstream and downstream companies of Shenergy Group	Subject to the actual amount due to unpredictable transaction volume.	-1.50
Purchase of goods and receiving of services	Business and management fee	The Company receives its services such as electricity.			219.56

Note: In 2022, the related-party/connected transactions between the Company and Shenergy Group and its related companies accounted for a small proportion of the Company's similar transactions.

Section VI Significant Events

1.2 Related party transactions between the Group and other related parties

During the Reporting Period, the Company carried out connected transactions in strict compliance with the annual transaction amount caps stipulated in the “Proposal on Estimation for the Company’s 2022 Daily Related Transactions” reviewed and approved at the 2021 annual general meeting. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
Securities and financial products services	Fee and commission income	The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf, securities underwriting, financial advisory and other services.	China Universal Asset Management Company Limited		21,561.76
			Great Wall Fund Management Co., Ltd.	Subject to the actual amount due to unpredictable transaction volume.	544.29
			Shanghai Jinqiao Export Processing Zone Development Co., Ltd.		43.33
			Huatai Baoxing Fund Management Co., Ltd.		29.96
			Related natural person		0.79
	Interest income	The Company holds the bonds and other products issued by the related parties and earns interest income for the corresponding period.	China Pacific Property Insurance Co., Ltd.		479.81
			Shanghai Shangbao Asset Management Co., Ltd.	Subject to the actual amount due to unpredictability of size and term of bonds.	8.05
	Investment income	The Company obtained income from purchasing securities, funds, insurance and other products issued by the related parties.	China Securities Credit Investment Co., Ltd.		1,558.49
			Great Wall Fund Management Co., Ltd.		1,251.32
			Huatai Baoxing Fund Management Co., Ltd.		34.31
			Shanghai Shangbao Asset Management Co., Ltd.	Subject to the actual amount due to unpredictability of size and yields of securities and other products.	27.13
			Shanghai Jinqiao Export Processing Zone Development Co., Ltd.		-1.27
			China Zheshang Bank Co., Ltd.		-3.24
			China Pacific Insurance (Group) Co., Ltd.		-10.26
			Shenzhen Huitai Medical Equipment Co., Ltd.		-32.77
			Haitong Securities Co., Ltd.		-40.57
			Orient Fortune Information Co., Ltd.		-292.16

Section VI Significant Events

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
Interest expense	The Company pays interest on the deposits from clients for brokerage business or pays interest on borrowings.		China Zheshang Bank Co., Ltd.		10.00
			Zheneng Capital Holdings Limited		2.30
			China Universal Asset Management Company Limited	Subject to the actual amount due to	0.71
			Shanghai Tobacco Machinery Co., Ltd.	unpredictability of size of borrowings and	0.01
			Shanghai Orient Xindeyizhang Public Welfare Foundation	deposits from clients.	0.01
			Related natural person		1.05
Business and management fee	The Company pays fees for purchase of liability insurances and other insurances for directors, supervisors, and senior management and advisory services.		Orient Fortune Information Co., Ltd.		94.34
			China Zheshang Bank Co., Ltd.	Subject to the actual amount due to	53.89
			China Pacific Property Insurance Co., Ltd.	unpredictability of	39.96
			Shanghai State-owned Capital Operation Research Institute Co., Ltd.	purchase of insurance and unpredictability	27.00
			Haitong Securities Co., Ltd.	of transaction and the	8.71
			Shanghai Orient Xindeyizhang Public Welfare Foundation	volume.	6.91

Section VI Significant Events

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
Trading in securities and financial products	Financial assets at fair value through profit or loss, equity instruments at fair value through other comprehensive income and debt instruments at fair value through other comprehensive income	The Company's investment cost of holding financial assets such as stocks, bonds, funds and products issued by the related parties at the end of the period.	China Universal Asset Management Company Limited		52,574.09
			China Securities Credit Investment Co., Ltd.		24,000.00
			Great Wall Fund Management Co., Ltd.		13,501.21
			China Pacific Property Insurance Co., Ltd.	Subject to the actual amount due to unpredictability of transaction and the volume.	10,000.02
			Shanghai Qizhong Golf Club Co., Ltd.		5,196.91
			Orient Fortune Information Co., Ltd.		1,134.84
			Huatai Baoxing Fund Management Co., Ltd.		766.92
			China Zheshang Bank Co., Ltd.		13.09
			Shenzhen Huitai Medical Equipment Co., Ltd.		1.48
			Haitong Securities Co., Ltd.		0.68
Others	Non-operating expense	The Company made donations during the Reporting Period.	Shanghai Orient Xindeyizhang Public Welfare Foundation	Subject to the actual amount due to unpredictability of donations	66.00

Notes:

- (1) The inter-group transaction and the transactions with their parent companies of the subsidiaries who have a control relationship and are incorporated in the Company's consolidated financial statements were offset.
- (2) In 2022, the related transactions between the Company and other related parties accounted for a small proportion of the Company's similar transactions.
- (3) The related/connected natural persons include: natural persons who directly or indirectly hold more than 5% of the shares of the listed company; Directors, Supervisors and senior management of the Company; close family members of the above-mentioned persons. All the applicable percentage ratios for aforesaid transaction calculated fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions therefore will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Section VI Significant Events

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

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

1.3.1 *Securities and Financial Services*

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

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

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

Section VI Significant Events

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

Section VI Significant Events

1.3.2 Securities and Financial Products Transactions

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

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

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

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

Section VI Significant Events

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

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

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

In the ordinary course of business, the Group may also enter into OTC transactions of securities and financial products with related/connected parties.

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

Section VI Significant Events

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

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

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

1.3.3 Purchase of Goods and Acceptance of Services

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

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

Section VI Significant Events

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

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

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

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

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

Section VI Significant Events

- (ii) During the Reporting Period, the Company had no related-party/connected transactions incurred as a result of acquisition or disposal of assets or equity interests.
- (iii) During the Reporting Period, the Company had no material related-party/connected transactions in relation to joint external investment.
- (iv) During the Reporting Period, the Company had no credits and debts with related/connected parties.
- (v) During the Reporting Period, there was no financial business between the Company and related/connected financial companies, the Company's controlling financial companies and related/connected parties.

XIII. MATERIAL CONTRACTS AND PERFORMANCE

- (i) **During the Reporting Period, the Company had no material custody, contracting or leasing matters.**

- (ii) **Guarantees**

Unit: 100 million Currency: RMB

External guarantees of the Company (excluding guarantees to its subsidiaries)

Total amount of guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)	0
Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	0

Guarantees provided by the Company and its subsidiaries for subsidiaries

Total amount of guarantees provided for subsidiaries during the Reporting Period	35.95
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	140.52

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

Total amount of guarantees (A+B)	140.52
Percentage of total guarantees over net assets of the Company (%)	18.16
Including:	
Amount of guarantees provided for shareholders, de facto controllers and their related parties (C)	
Amount of debt guarantees directly or indirectly provided for parties with gearing ratio exceeding 70% (D)	140.52
Amount of total guarantees exceeding 50% of net assets (E)	
Total amount of above three types of guarantees (C+D+E)	140.52
Explanations on outstanding guarantees subject to joint liabilities	

Section VI Significant Events

Explanations on guarantees

During the Reporting Period, the Company and its wholly-owned subsidiary provided guarantee on financing activities of its wholly-owned subsidiaries of RMB4,789 million and non-financing guarantee of RMB9,263 million. In particular,

1. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided full guarantee for the principal and interest of US\$160 million bonds issued by Orient HongSheng Limited, its wholly-owned subsidiary.
2. The Company provided full guarantee for the principal and interest of US\$300 million bonds issued by Orient Zhisheng Limited, a wholly-owned subsidiary of Orient Finance Holdings, a wholly-owned subsidiary of the Company. (Newly provided during the year)
3. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided guarantee for the credit facility of US\$50 million entered into between Orient Securities International, a wholly-owned subsidiary of Orient Finance Holdings, and Ping An Bank. (Newly provided during the year)
4. The Company provided guarantee for the credit facility of US\$120 million entered into between Orient Finance Holdings, a wholly-owned subsidiary of the Company, and Nanyang Commercial Bank, Limited. (Newly provided during the year)
5. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of up to US\$180 million for the transactions conducted by Orient Securities International, its wholly-owned subsidiary, under the Global Master Repurchase Agreement (GMRA)/ International Swaps and Derivatives Association (ISDA) Agreement.

Section VI Significant Events

6. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of up to US\$150 million for the transactions conducted by Orient International Investment Products Limited, its wholly-owned subsidiary, under the Global Master Repurchase Agreement (GMRA)/International Swaps and Derivatives Association (ISDA) Agreement.
7. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of up to US\$1 billion for Orient International Investment Products Limited, its wholly-owned subsidiary, to issue structured notes.

Note: The amount of guarantees denominated in USD was converted at the spot exchange rate of USD1 to RMB6.9646 as at the end of December 2022.

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

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

Section VII Changes in Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

1. Changes in Shares

Unit: share

	Before the change		Changes (+,-)				After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Share conversion from capital reserve fund	Others	Sub-total	Number of shares
								Percentage (%)
I. Restricted shares								
II. Circulating non-restricted shares	6,993,655,803	100.00	1,502,989,489			1,502,989,489	8,496,645,292	100.00
1. RMB denominated ordinary shares	5,966,575,803	85.31	1,502,907,061			1,502,907,061	7,469,482,864	87.91
2. Foreign shares listed in the PRC								
3. Foreign shares listed overseas	1,027,080,000	14.69	82,428			82,428	1,027,162,428	12.09
III. Total number of shares	6,993,655,803	100.00	1,502,989,489			1,502,989,489	8,496,645,292	100.00

2. Explanations on changes in shares

During the Reporting Period, the Company successfully completed the Rights Issue of A Shares and H Shares at the end of May 2022, whereby the Company increased the total number of shares by 1,502,907,061 through the Rights Issue of A Shares and by 82,428 through the Rights Issue of H Shares. As of the end of the Reporting Period, the total share capital of the Company was 8,496,645,292 shares, including 7,469,482,864 RMB ordinary shares (A Shares), representing 87.91% of the total share capital, and 1,027,162,428 overseas listed foreign shares (H Shares), representing 12.09% of the total share capital. As the largest shareholder of DFZQ, Shenergy Group held 26.63% of the shares after the Rights Issue.

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

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

(ii) Changes in restricted shares

☐ Applicable ☒ Not applicable

Section VII Changes in Shares and Information on Shareholders

II. ISSUANCE AND LISTING OF SECURITIES

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

Unit: 100 million shares Currency: RMB

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares (or amount) issued	Date of listing	Number of shares (or amount) permitted to be listed for trading	Date of termination of the trading
Ordinary shares						
IPO of A Shares	2015-03-11	10.03	10	2015-03-23	10 /	
IPO of H Shares	2016-06-22	HKD8.15	9.57	2016-07-08	9.57 /	
H Shares (over-allotment)	2016-07-28	HKD8.15	0.70	2016-08-03	0.70 /	
A Shares (non-public issuance)	2017-12-28	14.21	7.78	2017-12-29	7.78 /	
Rights Issue of A Shares	2022-04-28	8.46	15.03	2022-05-13	15.03 /	
Rights Issue of H Shares	2022-05-27	8.46	0.00	2022-05-31	0.00 /	
Bonds (including corporate bonds, corporate debentures and debt financing instruments of non-financial enterprises)						
Corporate bonds	2017-06-09	5.50%	10.00	2017-07-19	10.00	2022-06-09
Corporate bonds	2017-08-03	4.98%	40.00	2017-08-15	40.00	2027-08-03
Corporate bonds	2019-11-25	3.50%	49.00	2019-11-28	49.00	2022-11-25
Corporate bonds	2020-03-24	2.95%	30.00	2020-03-30	30.00	2022-03-24
Corporate bonds	2020-06-18	3.45%	40.00	2020-06-24	40.00	2023-06-18
Corporate bonds	2020-08-19	3.50%	40.00	2020-08-26	40.00	2023-08-19
Corporate bonds	2020-09-28	3.75%	35.00	2020-10-12	35.00	2023-09-28
Corporate bonds	2020-11-04	3.65%	35.00	2020-11-10	35.00	2023-11-04
Corporate bonds	2021-01-27	3.60%	40.00	2021-02-02	40.00	2024-01-27
Corporate bonds	2021-11-24	3.08%	40.00	2021-11-29	40.00	2024-11-24
Corporate bonds	2022-07-21	2.79%	20.00	2022-07-27	20.00	2025-07-21
Corporate bonds	2022-07-21	3.18%	15.00	2022-07-27	15.00	2027-07-21
Corporate bonds	2022-08-25	3.00%	20.00	2022-08-30	20.00	2027-08-25
Corporate bonds	2022-12-14	3.40%	35.00	2022-12-20	35.00	2025-12-14
Short-term corporate bonds	2021-08-11	2.68%	30.00	2021-08-17	30.00	2022-07-27
Short-term corporate bonds	2021-09-06	2.68%	19.00	2021-09-10	19.00	2022-09-01
Short-term corporate bonds	2022-05-24	2.30%	40.00	2022-05-30	40.00	2023-05-15

Section VII Changes in Shares and Information on Shareholders

Unit: 100 million shares Currency: RMB

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares (or amount) issued	Date of listing	Number of shares (or amount) permitted to be listed for trading	Date of termination of the trading
Short-term corporate bonds	2022-06-16	2.38%	15.00	2022-06-22	15.00	2023-06-16
Subordinated bonds	2017-04-26	5.10%	15.00	2017-05-11	15.00	2022-04-26
Subordinated bonds	2017-05-15	5.35%	15.00	2017-05-31	15.00	2022-05-15
Subordinated bonds	2019-03-19	4.20%	60.00	2019-03-26	60.00	2022-03-19
Subordinated bonds	2019-06-14	4.20%	40.00	2019-06-20	40.00	2022-06-14
Perpetual subordinated bonds	2020-08-26	4.75%	50.00	2020-09-07	50.00	/
Subordinated bonds	2021-03-08	3.95%	25.00	2021-03-11	25.00	2024-03-08
Subordinated bonds	2021-04-16	3.70%	30.00	2021-04-22	30.00	2024-04-16
Subordinated bonds	2021-04-16	4.20%	15.00	2021-04-22	15.00	2026-04-16
Subordinated bonds	2022-01-13	3.16%	25.00	2022-01-19	25.00	2025-01-13
Subordinated bonds	2022-10-21	2.53%	35.00	2022-10-27	35.00	2024-10-21
Short-term financing bonds	2021-10-22	2.88%	20.00	2021-10-25	20.00	2022-10-21
Short-term financing bonds	2022-08-12	2.03%	25.00	2022-08-15	25.00	2023-07-19
USD bonds	2017-11-30	3.625%	5.00	2017-12-01	5.00	2022-11-30
USD bonds	2018-03-22	3.625%	2.50	2018-07-23	2.50	2022-11-30
USD bonds	2019-08-20	6M LIBOR+1.25%	3.00	2019-08-21	3.00	2022-08-20
Euro bonds	2019-08-20	0.625%	2.00	2019-08-21	2.00	2022-08-20
Singapore dollar bonds	2019-09-27	2.90%	2.00	2019-09-30	2.00	2022-09-27
USD bonds	2020-10-13	2.40%	1.60	/	/	2023-10-13
USD bonds	2022-05-17	3.50%	3.00	2022-05-18	3.00	2025-05-17
Euro bonds	2022-05-05	1.75%	1.00	2022-05-06	1.00	2025-05-05
USD bonds	2022-10-26	5.125%	3.00	2022-10-27	3.00	2025-10-26

Notes:

- 1) In the table above, the amounts issued and amounts permitted to be listed for trading of USD bonds, Euro bonds and Singapore dollar bonds are denominated in US dollar, Euro and Singapore dollar, respectively.
- 2) Perpetual subordinated bonds “20 Orient Securities Y1” shall be re-priced every 5 interest-accruing years. At the end of each repricing cycle, the Company is entitled to extend the term of such tranche of bonds for another re-pricing cycle (i.e. an extension of 5 years) or redeem such tranche of bonds in full.

Section VII Changes in Shares and Information on Shareholders

Explanations on the issuance of securities during the Reporting Period:

1. *Rights Issue of A Shares and H Shares of the Company*

On May 2021, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company” was considered and approved at the 2020 annual general meeting, 2021 first extraordinary general meeting and H share class meeting. In February 2022, the CSRC issued the Reply on Approval for Issuance of Overseas Listed Foreign Shares by 東方證券股份有限公司 (CSRC Approval [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)), which approved the Company to issue up to 308,124,000 additional overseas listed foreign shares. In March 2022, the CSRC issued the Reply on Approval for Rights Issue by 東方證券股份有限公司 (CSRC Approval [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)), which approved the Company to place 1,670,641,224 new shares to its existing shareholders.

In May 2022, the Company completed the Rights Issue of A Shares, and the A shareholders participated in the placing at a price of RMB8.46 per share on the basis of 2.8 shares for every 10 existing shares, with the actual number of shares subscribed being 1,502,907,061 shares, representing 89.96% of the total number of 1,670,641,224 A Shares available for placing. In the same month, the Company completed the Rights Issue of H Shares, and the H shareholders participated in the placing at a price of HKD10.38 per share on the same basis as the A Share placing, with the actual number of shares subscribed being 82,428 shares.

Upon completion of the Rights Issue of A Shares and H Shares of the Company, the Company’s registered capital increased from RMB6,993,655,803.00 to RMB8,496,645,292.00.

2. *Short-term financing bill*

On August 12, 2022, the Company completed the issuance of short-term financing bill (first tranche) of DFZQ in 2022, with a term of 341 days, an issue size of RMB2.5 billion, and a coupon rate of 2.03%.

Section VII Changes in Shares and Information on Shareholders

3. *Corporate bonds*

On July 21, 2022, the Company completed the public issuance of corporate bonds (for professional investors) (first tranche) of DFZQ in 2022, type 1 has a term of 3 years, an issue size of RMB2.0 billion, and a coupon rate of 2.79%; and type 2 has a term of 5 years, an issue size of RMB1.5 billion, and a coupon rate of 3.18%.

On August 25, 2022, the Company completed the public issuance of corporate bonds (for professional investors) (second tranche) of DFZQ in 2022, with an issue size of RMB2.0 billion, a term of 5 years and a coupon rate of 3.00%.

On December 14, 2022, the Company completed the public issuance of corporate bonds (for professional investors) (third tranche) of DFZQ in 2022, with an issue size of RMB3.5 billion, a term of 3 years and a coupon rate of 3.40%.

4. *Short-term corporate bonds*

On May 24, 2022, the Company completed the public issuance of short-term corporate bonds (for professional investors) (first tranche) of DFZQ in 2022, with an issue size of RMB4.0 billion, a term of 356 days and a coupon rate of 2.30%.

On June 16, 2022, the Company completed the public issuance of short-term corporate bonds (for professional investors) (second tranche) of DFZQ in 2022, with an issue size of RMB1.5 billion, a term of 365 days and a coupon rate of 2.38%.

5. *Subordinated bonds*

On January 13, 2022, the Company completed the public issuance of subordinated bonds (for professional investors) (first tranche) of DFZQ in 2022, with an issue size of RMB2.5 billion, a term of 3 years and a coupon rate of 3.16%.

On October 21, 2022, the Company completed the public issuance of subordinated bonds (for professional investors) (second tranche) of DFZQ in 2022, with an issue size of RMB3.5 billion, a term of 2 years and a coupon rate of 2.53%.

Section VII Changes in Shares and Information on Shareholders

6. Offshore bonds

On May 5, 2022, the Company completed the issuance of Euro 100 million notes with a term of 3 years and a coupon rate of 1.75%. The notes will be drawn according to the Company's medium-term note plan of USD2.5 billion.

On May 17, 2022, the Company completed the issuance of USD300 million notes with a term of 3 years and a coupon rate of 3.50%. The notes will be drawn according to the Company's medium-term note plan of USD2.5 billion.

On October 26, 2022, Orient ZhiSheng Limited, an indirect wholly-owned overseas subsidiary of the Company, completed the issuance of USD300 million bonds with a term of 3 years and a coupon rate of 5.125%, and the Company provided a guarantee for the principal and interest of the bonds issued.

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

Details of the total number of shares and changes in the shareholding structure of the Company are set out in the section of changes in shares in this report, and for details of changes in the Company's assets and liabilities structure, please refer to "Section III, V, (iv) Analysis on principal components of consolidated statement of financial position" in this report.

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

III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLER

(i) Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period (accounts)	236,614
Total number of holders of ordinary shares as at the end of the month preceding the month when the annual report was disclosed (accounts)	223,526

Section VII Changes in Shares and Information on Shareholders

(ii) Shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders not subject to restriction on sales) as at the end of the Reporting Period

Unit: share

Name of shareholder (Full name)	Shareholdings of the top ten shareholders				Pledged, flagged or frozen		
	Changes in number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of restricted shares held	Status of shares	Number of shares	Nature of shareholders
Shenergy (Group) Company Limited	494,906,278	2,262,428,700	26.63	0	Nil	-	State-owned legal person
HKSCC Nominees Limited	85,804	1,027,064,934	12.09	0	Unknown	-	Off-shore legal person
Shanghai Haiyan Investment Management Company Limited	77,699,530	423,186,126	4.98	0	Nil	-	State-owned legal person
Shanghai United Media Group	69,879,454	309,062,360	3.64	0	Nil	-	State-owned legal person
China Post Group Corporation Limited	50,048,106	228,791,342	2.69	0	Nil	-	State-owned legal person
China Securities Finance Corporation Limited	49,847,175	227,872,800	2.68	0	Nil	-	Unknown
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	38,855,600	177,625,600	2.09	0	Nil	-	State-owned legal person
Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	33,404,657	159,849,861	1.88	0	Nil	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	17,692,642	109,702,035	1.29	0	Nil	-	Off-shore legal person
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	27,363,955	108,717,578	1.28	0	Nil	-	Other

Section VII Changes in Shares and Information on Shareholders

Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholder	Number of circulating non-restricted shares held	Type and number of shares	
		Type	Number
Shenergy (Group) Company Limited	2,262,428,700	RMB ordinary shares	2,262,428,700
HKSCC Nominees Limited	1,027,064,934	Overseas listed foreign shares	1,027,064,934
Shanghai Haiyan Investment Management Company Limited	423,186,126	RMB ordinary shares	423,186,126
Shanghai United Media Group	309,062,360	RMB ordinary shares	309,062,360
China Post Group Corporation Limited	228,791,342	RMB ordinary shares	228,791,342
China Securities Finance Corporation Limited	227,872,800	RMB ordinary shares	227,872,800
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	177,625,600	RMB ordinary shares	177,625,600
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)	159,849,861	RMB ordinary shares	159,849,861
Hong Kong Securities Clearing Company Limited	109,702,035	RMB ordinary shares	109,702,035
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	108,717,578	RMB ordinary shares	108,717,578
Special repurchase account of the top ten shareholders	N/A		
Voting by proxy, as proxy or abstention of voting rights by the above shareholders	N/A		
Related party relationship or parties acting in concert among above shareholders	N/A		

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

Section VII Changes in Shares and Information on Shareholders

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

As at December 31, 2022, to the best knowledge of the Company and its Directors, having made all reasonable enquiries, the following substantial shareholders and other parties (excluding the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name of shareholder	Type of share	Nature of interests	Number of shares ^(Note 1)	Approximate percentage of total share capital of relevant class in issue of the Company (%) ^(Note 2)	Approximate percentage of total share capital in issue of the Company (%) ^(Note 2)
Shenergy (Group) Company Limited	A Share	Beneficial owner	2,262,428,700 (L)	30.29	26.63
China National Tobacco Corporation ^(Note 3)	A Share	Interests in controlled corporation	423,186,126 (L)	5.67	4.98
Shanghai Tobacco (Group) Company ^(Note 3)	A Share	Interests in controlled corporation	423,186,126 (L)	5.67	4.98
Shanghai Haiyan Investment Management Company Limited ^(Note 3)	A Share	Beneficial owner	423,186,126 (L)	5.67	4.98
Shanghai Wealspring Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	H Share	Investment manager	143,821,200 (L)	14.00	1.69
Zhu Lijia ^(Note 4)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.12
Sun Hongyan ^(Note 4)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.12
Hung Jia Finance Limited ^(Note 4)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.12
Kaiser Century Investments Limited ^(Note 4)	H Share	Beneficial owner	94,940,800(L)	9.24	1.12

Section VII Changes in Shares and Information on Shareholders

Name of shareholder	Type of share	Nature of interests	Number of shares ^(Note 1)	Approximate percentage of total share capital of relevant class in issue of the Company (%) ^(Note 2)	Approximate percentage of total share capital in issue of the Company (%) ^(Note 2)
Bank of Communications Co., Ltd. ^(Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.11
Bank of Communications (Nominee) Company Limited ^(Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.11
BOCOM International Asset Management Limited ^(Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.11
BOCOM International Holdings Company Limited ^(Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.11
BOCOM International Global Investment Limited ^(Note 5)	H Share	Beneficial owner	93,991,600(L)	9.15	1.11

Notes:

- (L) represents the long position.
- As at December 31, 2022, the Company has issued 8,496,645,292 shares in total, including 7,469,482,864 A Shares and 1,027,162,428 H Shares.
- Shanghai Haiyan Investment Management Company Limited is wholly owned by Shanghai Tobacco (Group) Co., Ltd., which in turn is wholly owned by China National Tobacco Corporation. Therefore, each of China National Tobacco Corporation and Shanghai Tobacco (Group) Co., Ltd. is deemed to be interested in the shares of the Company held by Shanghai Haiyan Investment Management Company Limited under the SFO.
- Kaiser Century Investments Limited is owned as to 100% by Hung Jia Finance Limited. Hung Jia Finance Limited is owned as to 50% by each of Mr. Zhu Lijia and his spouse Ms. Sun Hongyan. Therefore, each of Mr. Zhu Lijia, Ms. Sun Hongyan and Hung Jia Finance Limited is deemed to be interested in the shares of the Company held by Kaiser Century Investments Limited under the SFO.

Section VII Changes in Shares and Information on Shareholders

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

Save as disclosed above, as at December 31, 2022, none of the other substantial shareholders or other parties has any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

As at December 31, 2022, according to the information available to the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

As at the end of the Reporting Period, Shenergy Group, the Company's largest shareholder, had a shareholding of 26.63%, and the H Shares held by HKSCC Nominees Limited were H Shares owned by non-registered shareholders. The Company has no controlling shareholder and de facto controller.

V. AS AT THE END OF THE REPORTING PERIOD, NO CONTROLLING SHAREHOLDER OR THE LARGEST SHAREHOLDER AND PARTIES ACTING IN CONCERT WITH IT HAD PLEDGED AN AGGREGATE NUMBER OF SHARES REPRESENTING MORE THAN 80% OF THE NUMBER OF SHARES HELD BY THEM IN THE COMPANY

Section VII Changes in Shares and Information on Shareholders

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

Unit: 100 million Currency: RMB

Name of legal-person shareholder	Person-in-charge of the unit or legal representative	Date of incorporation	Organization code	Registered capital	Principal businesses or management activities
Shenergy Group	Huang Dinan	November 18, 1996	913100001322718147	200	It primarily engages in investment, development, management in power and energy-based industries, investment in natural gas resources and urban gas network, investment and management in real estate and hi-tech industries, industrial investment, as well as operation of its assets and domestic trade (excluding specially regulated ones). For items subject to approval pursuant to laws, its operations could only be commenced upon approval by relevant authorities

- Explanations
1. As at the end of the Reporting Period, Shenergy Group held 26.63% of shares of the Company.
 2. The shares held by HKSCC Nominees Limited were owned by non-registered holders of H Shares.

VII. DURING THE REPORTING PERIOD, THE COMPANY HAD NO RESTRICTION ON SHAREHOLDING REDUCTION

VIII. DURING THE REPORTING PERIOD, NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES REPURCHASED, SOLD OR REDEEMED ANY OF THE SECURITIES OF THE COMPANY, OTHER THAN TRADING AS AN AGENT ON BEHALF OF CUSTOMERS OF THE COMPANY OR ITS SUBSIDIARIES

Section VIII Information on Preference Shares

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

Section IX Information on Bonds

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

1. Basic information of corporate bonds

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Dated date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue	Investor suitability arrangements (if any)	Trading mechanism	Risk of termination of listing and trading
2017 Corporate Bonds publicly issued by DFZQ	17 Orient Bonds	143233	August 2, 2017	August 3, 2017	August 3, 2027	40	4.98	Simple interest payable annually	SSE	For qualified investors	Auction, quotation, price asking and transaction under agreement	No
2020 Corporate Bonds non-publicly issued by DFZQ (second tranche)	20 Orient Securities 03	167010	June 16, 2020	June 18, 2020	June 18, 2023	40	3.45	Simple interest payable annually	SSE	For qualified investors	Quotation, price asking and transaction under agreement	No
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	20 Orient Bonds 01	163927	August 17, 2020	August 19, 2020	August 19, 2023	40	3.50	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	20 Orient Bonds 02	175182	September 24, 2020	September 28, 2020	September 28, 2023	35	3.75	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)	20 Orient Bonds 03	175350	November 2, 2020	November 4, 2020	November 4, 2023	35	3.65	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	21 Orient Bonds 01	175690	January 25, 2021	January 27, 2021	January 27, 2024	40	3.60	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No

Section IX Information on Bonds

Name of bonds	Abbreviation	Code	Date of issuance	Dated date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue	Investor suitability arrangements (if any)	Trading mechanism	Risk of termination of listing and trading
2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche)	20 Orient Securities Y1	175032	August 24, 2020	August 26, 2020	— ³	50	4.75	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Subordinated Bonds publicly issued by DFZQ (first tranche)	21 Orient Securities C1	175779	March 4, 2021	March 8, 2021	March 8, 2024	25	3.95	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 1)	21 Orient Securities C2	175993	April 14, 2021	April 16, 2021	April 16, 2024	30	3.70	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 2)	21 Orient Securities C3	175994	April 14, 2021	April 16, 2021	April 16, 2026	15	4.20	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	21 Orient Bonds 02	185035	November 22, 2021	November 24, 2021	November 24, 2024	40	3.08	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (first tranche)	22 Orient Securities C1	185233	January 11, 2022	January 13, 2022	January 13, 2025	25	3.16	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	22 Orient Securities S1	185796	May 20, 2022	May 24, 2022	May 15, 2023	40	2.30	Principal and interest to be repaid upon maturity in one lump sum	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No

³ Re-price every 5 interest-accruing years. At the end of each repricing cycle, the Company is entitled to extend the term of such tranche of bonds for another re-pricing cycle (i.e. an extension of 5 years) or redeem such tranche of bonds in full.

Section IX Information on Bonds

Name of bonds	Abbreviation	Code	Date of issuance	Dated date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue	Investor suitability arrangements (if any)	Trading mechanism	Risk of termination of listing and trading
2022 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	22 Orient Securities S2	185893	June 14, 2022	June 16, 2022	June 16, 2023	15	2.38	Principal and interest to be repaid upon maturity in one lump sum	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 2)	22 Orient Securities 02	137548	July 19, 2022	July 21, 2022	July 21, 2027	15	3.18	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 1)	22 Orient Securities 01	137547	July 19, 2022	July 21, 2022	July 21, 2025	20	2.79	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	22 Orient Securities 03	137725	August 23, 2022	August 25, 2022	August 25, 2027	20	3.00	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (second tranche)	22 Orient Securities C2	137959	October 19, 2022	October 21, 2022	October 21, 2024	35	2.53	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)	22 Orient Securities 04	138727	December 12, 2022	December 14, 2022	December 14, 2025	35	3.40	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No

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

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

Section IX Information on Bonds

Payment of interests of bonds during the Reporting Period

Name of bond	Explanation on payment of interests
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2019 Subordinated Bonds non-publicly issued by DFZQ (first tranche)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2020 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2021 Subordinated Bonds publicly issued by DFZQ (first tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2017 Subordinated Bonds issued by DFZQ (first tranche) (Type 2)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 1)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 2)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2017 Subordinated Bonds issued by DFZQ (second tranche) (Type 2)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2017 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2019 Subordinated Bonds non-publicly issued by DFZQ (second tranche)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2020 Corporate Bonds non-publicly issued by DFZQ (second tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2021 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2017 Corporate Bonds publicly issued by DFZQ	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus

Section IX Information on Bonds

Name of bond	Explanation on payment of interests
2021 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus
2019 Corporate Bonds publicly issued by DFZQ (first tranche)	The Company fully paid the interest and principal of corporate bonds on time in accordance with the covenants in the prospectus
2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	The Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus

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

3. Intermediaries providing services for issuance and subsistence of bonds

Name of intermediary	Office address	Name of signing accountant	Contact	Tel
Orient Securities Investment Banking Co., Ltd.	24/F, No. 318 South Zhongshan Road, Huangpu District, Shanghai		Wang Yibin	021-23153888
China Galaxy Securities Co., Ltd.	11/F, Qinghai Finance Building, No. 8 Xiying Street, Fengtai District, Beijing		Chen Qu	010-80927231
Guangfa Securities Co., Ltd.	9/F, Tower B, Xinsheng Building, No. 5 Finance Street, Xicheng District, Beijing		Zhang Yicheng	010-56571898

Section IX Information on Bonds

Name of intermediary	Office address	Name of signing accountant	Contact	Tel
Western Securities Co., Ltd.	Room 10000, Block 8, No. 319 Dongxin Street, Xincheng District, Xi'an, Shaanxi Province		Luo Longyu	021-50207692
Dongguan Securities Co., Ltd.	25/F, Pudong Kerry City Office Building, No. 1155 Fangdian Road, Shanghai		Zhao Yujie	021-50150057
China Chengxin International Credit Rating Co., Ltd.	Building 5, Yinhe SOHO, No.2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing		Zhao Tingting	010-66428877
Deloitte Touche Tohmatsu Certified Public Accountants LLP	30/F, Bund Center, No. 222 East Yan'an Road, Huangpu District, Shanghai	Ma Hingfai, Shi Man, Pan Zhuyun	Pan Zhuyun	021-61418888

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

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

Unit: 100 million Currency: RMB

Name of bond	Total proceeds	Amount utilized	Amount unutilized	Operation of special account for proceeds (if any)	Rectification of non-compliance in the use of proceeds (if any)	Compliance with the use, plan of use and other agreements as committed in the prospectus
2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (first tranche)	25	25	0	Normal	Nil	Yes
2022 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	40	40	0	Normal	Nil	Yes
2022 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	15	15	0	Normal	Nil	Yes
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 1)	20	20	0	Normal	Nil	Yes

Section IX Information on Bonds

Name of bond	Total proceeds	Amount utilized	Amount unutilized	Operation of special account for proceeds (if any)	Rectification of non-compliance in the use of proceeds (if any)	Compliance with the use, plan of use and other agreements as committed in the prospectus
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 2)	15	15	0	Normal	Nil	Yes
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	20	20	0	Normal	Nil	Yes
2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (second tranche)	35	35	0	Normal	Nil	Yes
2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)	35	35	0	Normal	Nil	Yes

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

7. Other information on corporate bonds

For details of offshore bonds issued by the Company, please refer to Note 50 to the consolidated financial statements in this report.

Section IX Information on Bonds

(i) Accounting data and financial indicators of the Company for the recent two years as at the end of the Reporting Period

Unit: 000 Currency: RMB

Major indicators	2022	2021	Increase or decrease in the current period as compared with the corresponding period of last year (%)	Reason for change
Net profit attributable to shareholders of the parent company after deducting non-recurring gains or losses	2,858,210	5,306,970	(46.14)	Decrease in operating income
Current ratio	1.32	1.50	(12.00)	Decrease in current assets
Quick ratio	1.32	1.50	(12.00)	Decrease in liquid assets
Gearing ratio (%)	68.41	72.89	Decreased by 4.48 percentage points	Increase in owners' equity due to rights issue
EBITDA to total debts ratio	0.05	0.07	(28.57)	Decrease in EBITDA
Interest coverage ratio	1.86	2.43	(23.46)	Decrease in total profits
Cash interest coverage ratio	8.91	(2.52)	N/A	Increase in net operating cash inflows
EBITDA interest coverage ratio	2.06	2.60	(20.77)	Decrease in EBITDA
Loan repayment rate (%)	100.00	100.00	—	
Interest repayment ratio (%)	100.00	100.00	—	

II. DURING THE REPORTING PERIOD, THE COMPANY HAD NO CONVERTIBLE CORPORATE BONDS

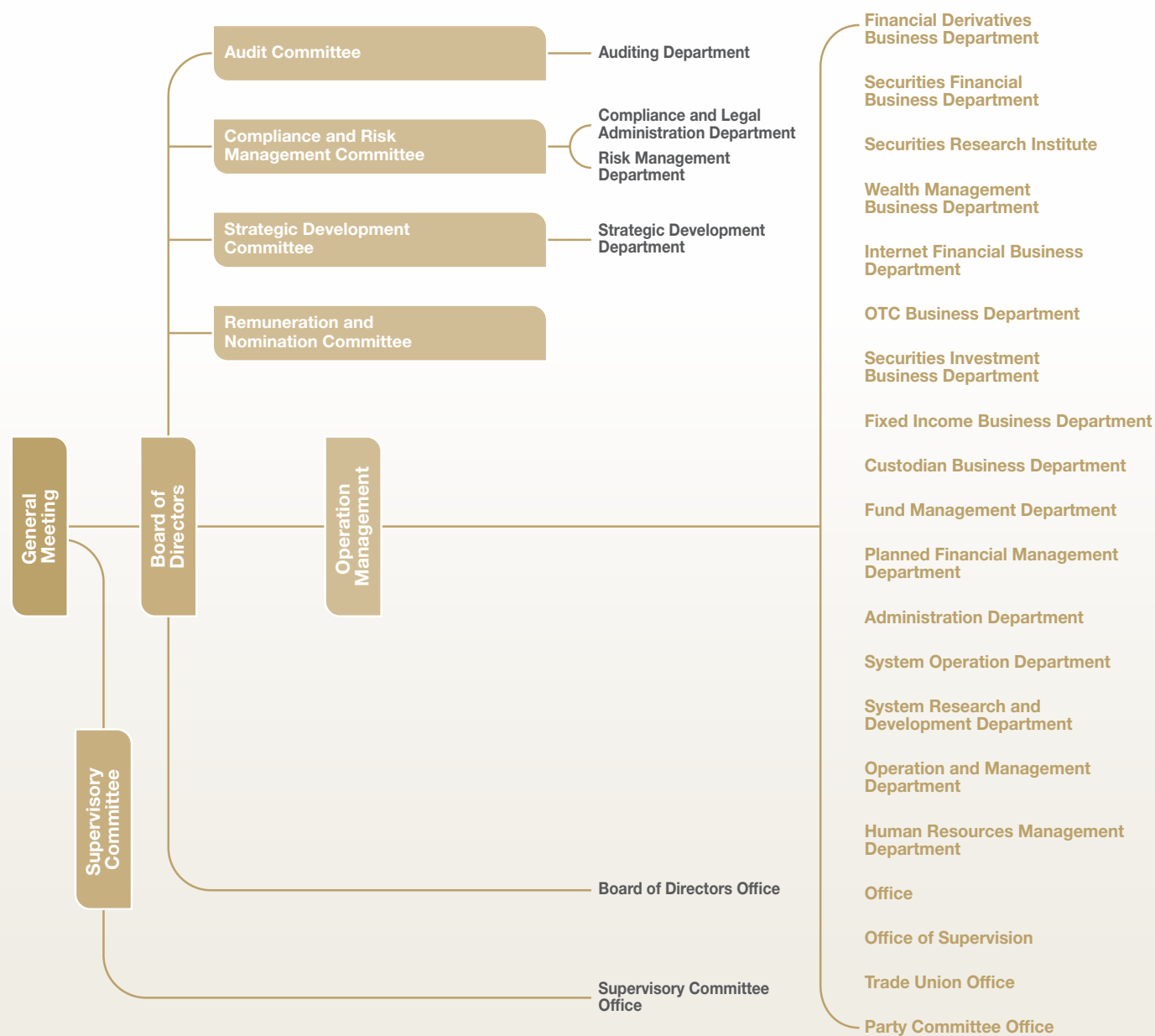
Section X Information Disclosures of Securities Company

I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

No.	Issued by	Title of document	Number of document	Issuing date
1	CSRC	Reply on Approval for Issuance of Overseas Listed Foreign Shares by 東方證券股份有限公司	CSRC Approval [2022] No. 348	February 18, 2022
2	CSRC	Reply on Approval for Rights Issue of 東方證券股份有限公司	CSRC Approval [2022] No. 540	March 16, 2022
3	CSRC	Approval Regarding the Registration of Subordinated Corporate Bonds Publicly Issued by 東方證券股份有限公司 to Professional Investors	Ji Gou Bu Han [2022] No. 561	March 17, 2022
4	National Equities Exchange and Quotations Co., Ltd.	Reply on Approval for 東方證券股份有限公司 as Host Broker on NEEQ	NEEQ Announcement [2022] No. 269	August 8, 2022
5	CSRC	Reply on Approval for Qualification of 東方證券股份有限公司 for Listed Securities Market Making Business	CSRC Approval [2022] No. 2172	September 15, 2022
6	CSRC	Approval Regarding the Registration of Short-term Corporate Bonds Publicly Issued by 東方證券股份有限公司 to Professional Investors	CSRC Approval [2022] No. 3159	December 20, 2022

Appendix I: Organizational Structure of the Company

Organizational Structure of the Company



Appendix II: Information on Securities Branches of the Company

As at the end of the Reporting Period, the Company had 179 securities branches.

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Yangpu District Yangshupu Road Securities Branch of 東方證券股份有限公司	2/F, No. 318 Yangshupu Road, Yangpu District, Shanghai	December 9, 1993
Shanghai Jing'an District Urumqi North Road Securities Branch of 東方證券股份有限公司	2/F, No. 480 Urumqi North Road, Jing'an District, Shanghai	October 28, 1994
Shanghai Pudong New Area Nanmen Street Securities Branch of 東方證券股份有限公司	No. 128 Nanmen Street, Pudong New Area, Shanghai	February 20, 1995
Shenzhen Jintian Road Securities Branch of 東方證券股份有限公司	Units 01 and 02, 17/F, Dinghe Tower, No. 100 Fuhua 3rd Road, Futian District, Shenzhen, Guangdong Province	July 6, 1995
Shanghai Baoshan District Yingao West Road Securities Branch of 東方證券股份有限公司	Zone A, 2/F, No. 638 Yingao West Road, Baoshan District, Shanghai	June 23, 1998
Shanghai Baoshan District Changjiang West Road Securities Branch of 東方證券股份有限公司	No. 2, Lane 1952 Changjiang West Road, Baoshan District, Shanghai	June 23, 1998
Shanghai Hongkou District Haining Road Securities Branch of 東方證券股份有限公司	307 Haining Road, Hongkou District, Shanghai (Room C, 1/F, 12/F)	June 23, 1998
Shanghai Huangpu District Beijing East Road Securities Branch of 東方證券股份有限公司	Main Building, 5/F, No. 270 Beijing East Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Fengyang Road Securities Branch of 東方證券股份有限公司	2/F, No. 310 Fengyang Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Zhonghua Road Securities Branch of 東方證券股份有限公司	Room 301-304 & 803, 804, West Side, No. 1600 Zhonghua Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Jiading District Cao'an Highway Securities Branch of 東方證券股份有限公司	Room 106, 107, 108, 1/F, No. 1685 Cao'an Highway, Jiading District, Shanghai	June 23, 1998

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Jing'an District Wanrong Road Securities Branch of 東方證券股份有限公司	102-1, 703-2, 703-3, No. 1 Building, Lane 777 Wanrong Road, Jing'an District, Shanghai	June 23, 1998
Shanghai Minhang District Dushi Road Securities Branch of 東方證券股份有限公司	Room 107, 1/F, No. 27 and Room 310, 3/F, No. 13, Lane 2635 Dushi Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Heqing Road Securities Branch of 東方證券股份有限公司	No. 338 Heqing Road, Minhang District, Shanghai	June 23, 1998
Shanghai Pudong New Area Mudan Road Securities Branch of 東方證券股份有限公司	6/F, No. 60 Mudan Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Pingdu Road Securities Branch of 東方證券股份有限公司	Room 247, Block 3, No. 258 Pingdu Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Xinchuan Road Securities Branch of 東方證券股份有限公司	No. 611 Xinchuan Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Yaohua Road Securities Branch of 東方證券股份有限公司	Room 107, 1/F and 16/F, No.488 Yaohua Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Yuanshen Road Securities Branch of 東方證券股份有限公司	3/F, Pingan Wealth Building, No. 1088 Yuanshen Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Zhoudong Road Securities Branch of 東方證券股份有限公司	No. 716 & 718 Zhoudong Road; 1/F & 2/F, No. 4128 Chuanzhou Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Putuo District Guangxin Road Securities Branch of 東方證券股份有限公司	Room 401-403, Room 405-406 & Room 2201-2203, No. 88 Guangxin Road, Putuo District, Shanghai	June 23, 1998
Shanghai Putuo District Yunling East Road Securities Branch of 東方證券股份有限公司	Room 202, 2/F, No. 235 & 245, Yunling East Road, Putuo District, Shanghai	June 23, 1998

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Xuhui District Guangyuan West Road Securities Branch of 東方證券股份有限公司	Room B & C, 6/F, Block 2, No. 315 Guangyuan West Road, Xuhui District, Shanghai	June 23, 1998
Shanghai Xuhui District Yishan Road Securities Branch of 東方證券股份有限公司	Unit 107, 1/F and Unit 201, 2/F, Building 85, No.700 Yishan Road, Xuhui District, Shanghai	June 23, 1998
Shanghai Xuhui District Zhaojiabang Road Securities Branch of 東方證券股份有限公司	9/F, No. 333 Zhaojiabang Road, Xuhui District, Shanghai	June 23, 1998
Shanghai Yangpu District Anbo Road Securities Branch of 東方證券股份有限公司	Room 2, 1/F, 2/F & 3/F, No. 521 Anbo Road, Yangpu District, Shanghai	June 23, 1998
Shanghai Changning District Changning Road Securities Branch of 東方證券股份有限公司	Unit 1303, Block 1, No. 546 Changning Road, Changning District, Shanghai	June 23, 1998
Shanghai Changning District Zunyi South Road Securities Branch of 東方證券股份有限公司	Room 101, No. 88 Zunyi South Road, Changning District, Shanghai	June 23, 1998
Fushun Liaozhong Street Securities Branch of 東方證券股份有限公司	3-6/F, No.25-2 Liaozhong Street, Wanghua District, Fushun, Liaoning Province	August 18, 1998
Fushun Yumin Road Securities Branch of 東方證券股份有限公司	No. 15, Yumin Road, Xinfu District, Fushun, Liaoning Province (4/F & 5/F, Bldg. No. 6, Zheshang International Trade Center)	August 18, 1998
Beijing Anli Road Securities Branch of 東方證券股份有限公司	No.202 and No.203, 2/F and No.301, 3/F, Building 27, No.8 Beichen East Road, Chaoyang District, Beijing	April 4, 2001
Chengdu Jianshe Road Securities Branch of 東方證券股份有限公司	Suite 2102 & 2103, 21/F, Block 1, No. 9 and 1/F, No.2 Jianshe Road, Chenghua District, Chengdu, Sichuan Province	April 11, 2001
Fushun Qingyuan Securities Branch of 東方證券股份有限公司	No. 49 Honghe Road, Qingyuan Town, Qingyuan Manchu Autonomous County, Fushun, Liaoning Province	December 18, 2001
Fushun Xinhua Street Securities Branch of 東方證券股份有限公司	Outlet No. 7 and 9, Building 20, Xinhua Street, Shuncheng District, Fushun, Liaoning Province	March 28, 2002

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Guangzhou Baogang Avenue Securities Branch of 東方證券股份有限公司	5/F, No. 283 Baogang Avenue, Haizhu District, Guangzhou, Guangdong Province	April 21, 2002
Changsha Laodong West Road Securities Branch of 東方證券股份有限公司	Shop at Southeast Corner, 1/F of Podium and Zone A, 7/F, Zhongtian Power Building, No. 471 Laodong West Road, Yuhua District, Changsha, Hunan Province	June 7, 2002
Hangzhou Xinye Road Securities Branch of 東方證券股份有限公司	Room 1302 and 1303, Tower B, Hualian Times Building, Shangcheng District, Hangzhou, Zhejiang Province	August 7, 2002
Suzhou Xihuan Road Securities Branch of 東方證券股份有限公司	1/F, North Podium, No. 2115 Xihuan Road, Suzhou, Jiangsu Province	August 12, 2005
Guilin Zhongshan Middle Road Securities Branch of 東方證券股份有限公司	North Zone, 4/F, Jintai Building, No. 16 Zhongshan Middle Road, Xiangshan District, Guilin, Guangxi Zhuang Autonomous Region	May 10, 2006
Nanjing Beijing East Road Securities Branch of 東方證券股份有限公司	Art & Crafts Building, No. 31 Beijing East Road, Xuanwu District, Nanjing, Jiangsu Province	May 10, 2006
Tianjin Xikang Road Securities Branch of 東方證券股份有限公司	2/F, No. 42 Xikang Road, Xinxing Street, Heping District, Tianjin	May 10, 2006
Wuhan Sanyang Road Securities Branch of 東方證券股份有限公司	Room 2, 1/F, South Zone of Room 1, 5/F, Block A, Jinyang New City, No. 118 Sanyang Road, Siwei Subdistrict, Jiang'an District, Wuhan, Hubei Province	May 11, 2006
Beihai Beihai Avenue Securities Branch of 東方證券股份有限公司	No. 0301, 3/F, Fengsheng Building, No. 187 Beihai Avenue, Beihai, Guangxi Zhuang Autonomous Region	May 12, 2006
Shantou Changping Road Securities Branch of 東方證券股份有限公司	1/F & 9/F-11/F, Yiyuan Building, No. 161 Changping Road, Shantou, Guangdong Province	May 12, 2006
Nanning Jinhu Road Securities Branch of 東方證券股份有限公司	Shop No. 10, 1/F and No. 2A4/2A5, 2/F, Oriental International Business Port, No. 26-1, Jinhu Road, Nanning, Guangxi Zhuang Autonomous Region	May 15, 2006
Shanghai Yangpu District Kongjiang Road Securities Branch of 東方證券股份有限公司	Room 101, Room 2508, No. 1555, Kongjiang Road, Yangpu District, Shanghai	May 15, 2006

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shenyang Nanba Middle Road Securities Branch of 東方證券股份有限公司	1-4/F, No. 25 Nanba Middle Road, Tiexi District, Shenyang, Liaoning Province	May 15, 2006
Shenyang Changjiang South Street Securities Branch of 東方證券股份有限公司	East Side of 1/F, 8/F, No. 169 Changjiang South Street, Huanggu District, Shenyang, Liaoning Province	May 15, 2006
Shenyang Dabeiguan Street Securities Branch of 東方證券股份有限公司	3-4/F, No. 79 Dabeiguan Street, Dadong District, Shenyang, Liaoning Province	May 16, 2006
Shanghai Pudong New Area Zhangyang Road Securities Branch of 東方證券股份有限公司	2/F, Zone A, No. 638 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	May 17, 2006
Shenzhen Shennan Avenue Securities Branch of 東方證券股份有限公司	22/F, Block A, East Pacific International Center, No. 7888 Shennan Avenue, Futian District, Shenzhen, Guangdong Province	May 18, 2006
Shenyang Shifu Road Securities Branch of 東方證券股份有限公司	Gates 2 and 3, No.423 Shifu Road, Shenhe District, Shenyang, Liaoning Province	June 14, 2006
Beijing Xueyuan Road Securities Branch of 東方證券股份有限公司	12/F, Block B, Techart Plaza, No. 30 Xueyuan Road, Haidian District, Beijing	July 18, 2006
Changchun Tongzhi Street Securities Branch of 東方證券股份有限公司	Rooms 705, 707-712, 7/F, Torch Building, 2400 Tongzhi Street, Chaoyang District, Changchun, Jilin Province	July 31, 2006
Hangzhou Longjing Road Securities Branch of 東方證券股份有限公司	No. 53 Longjing Road, Hangzhou, Zhejiang Province	August 1, 2006
Guangzhou Pingyue Road Securities Branch of 東方證券股份有限公司	No. 161 Pingyue Road, Guangzhou, Guangdong Province	August 29, 2006
Jinan Huaxin Road Securities Branch of 東方證券股份有限公司	Room 108, Room 1302-1307, Licheng Finance Building, Block 7, Xinyuanxin Center, No.3 Huaxin Road, Licheng District, Jinan, Shandong Province	April 9, 2007
Qunzhong East Road Securities Branch of 東方證券股份有限公司	1/F and 5/F, Sanmu Building, No.93, Qunzhong East Road, Xingang Street, Taijiang District, Fuzhou, Fujian Province	August 24, 2007
Shanghai Songjiang District Huting North Road Securities Branch of 東方證券股份有限公司	Rooms 901-8, 901-9 and 901-10 of No. 1 and Room 127 of No. 5, Lane 199 Huting North Road, Songjiang District, Shanghai	June 29, 2010

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Songjiang District New Songjiang Road Securities Branch of 東方證券股份有限公司	No. 251 New Songjiang Road, Songjiang District, Shanghai	July 5, 2010
Shanghai Jinshan District Weiqing West Road Securities Branch of 東方證券股份有限公司	Rooms 301-311, No. 17, Lane 128 & No. 132, 134, Weiqing West Road, Jinshan District, Shanghai	June 30, 2011
Shanghai Qingpu District Wushebang Road Securities Branch of 東方證券股份有限公司	No. 291 Wushebang Road (street-facing shop at 1/F of Block 3) and No. 289 Wushebang Road (Room 103 at 1/F of Block 4), Qingpu District, Shanghai	July 1, 2011
Hefei Wangjiang West Road Securities Branch of 東方證券股份有限公司	Office 801, 802 & 803, City Plaza, No. 99 Wangjiang West Road, Shushan District, Hefei, Anhui Province	January 31, 2012
Linyi Tongda Road Securities Branch of 東方證券股份有限公司	Room 402, Building 94-2 and Building 6, Xuyang City Landscape Shop, Tongda Road, Lanshan District, Linyi, Shandong Province	February 14, 2012
Shanghai Jiading District Jinsha Road Securities Branch of 東方證券股份有限公司	5/F, No. 77 Jinsha Road, Jiading District, Shanghai	February 17, 2012
Shanghai Fengxian District Nanting Highway Securities Branch of 東方證券股份有限公司	1-2/F, Block 1, No. 269 Nanting Highway, Nanqiao Town, Fengxian District, Shanghai	February 28, 2012
Shanghai Jiading District Huyi Highway Securities Branch of 東方證券股份有限公司	Room 103, 1/F, No. 1158 Huyi Highway, Jiading District, Shanghai	November 2, 2012
Shanghai Chongming Dongmen Road Securities Branch of 東方證券股份有限公司	No. 425-427 Dongmen Road, Chongming District, Shanghai	November 19, 2012
Shanghai Pudong New Area Jinke Road Securities Branch of 東方證券股份有限公司	Room 216, Block 2, No. 2966 Jinke Road, Pudong New Area, Shanghai	March 31, 2014
Taiyuan Pingyang Road Securities Branch of 東方證券股份有限公司	No. 1001, 1002 & 1003, 1-2/F, Block 171, No. 186 Pingyang Road, Xiaodian District, Taiyuan, Shanxi Province	April 17, 2014

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Huzhou Zhicheng Road Securities Branch of 東方證券股份有限公司	18-1-06, 18-2-05, 18-2-06, 18-2-07, 18-2-08, Building 18 (No. 112 Zhicheng Road), Aishan Plaza, Huzhou, Zhejiang Province	April 21, 2014
Nanchang Lvyin Road Securities Branch of 東方證券股份有限公司	Room 2902, 2903, 29/F, Office Building, Lianfa Plaza, No. 129 Lvyin Road, Nanchang, Jiangxi Province	April 23, 2014
Xiangtan Huxiang North Road Securities Branch of 東方證券股份有限公司	0101002-0101003, Block D1-2, Lot D, Xiangyinxicheng, No.3 Huxiang North Road, Baota Subdistrict, Yuetang District, Xiangtan, Hunan Province	April 23, 2014
Fushun Suihua Road Securities Branch of 東方證券股份有限公司	No. 45 West Section of Suihua Road, Dongzhou District, Fushun, Liaoning Province	April 25, 2014
Shaoxing Shangyu Liangzhu Avenue Securities Branch of 東方證券股份有限公司	No. 2389 North Section, Shangyu District, Shaoxing, Zhejiang Province	May 16, 2014
Yiwu Jiangbin Middle Road Securities Branch of 東方證券股份有限公司	No. 36 and No. 38 Jiangbin Middle Road and 1-2 Floor, No. 854 Qingyun Street, Choucheng Subdistrict, Yiwu, Zhejiang Province	May 26, 2014
Zhengzhou Huanghe Road Securities Branch of 東方證券股份有限公司	No.109 Courtyard, Huanghe road, Jinshui District, Zhengzhou, Henan Province	May 27, 2014
Hohhot Wulanchabu East Street Securities Branch of 東方證券股份有限公司	No. 102, 1/F, Tianyi Building, Wulanchabu East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	May 28, 2014
Putian Shengli North Street Securities Branch of 東方證券股份有限公司	1-2/F, No.1102 and No.1106 Shengli North Street, Zhenhai Street, Licheng District, Putian, Fujian Province	May 29, 2014
Chongqing Jinzhou Avenue Securities Branch of 東方證券股份有限公司	Unit 28-35 and 38-41, No. 36 Jinzhou Avenue, New North Zone, Chongqing	June 3, 2014
Chaoyang Chaoyang Street Securities Branch of 東方證券股份有限公司	No. 60, the Third Section of Chaoyang Street, Shuangta District, Chaoyang, Liaoning Province	June 4, 2014
Kunming Bailong Road Securities Branch of 東方證券股份有限公司	No. 1001 & 1008, 10/F, Diangao Commercial Building, No. 19 Bailong Road, Panlong District, Kunming, Yunnan Province	June 5, 2014

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Fuzhou Wusi Road Securities Branch of 東方證券股份有限公司	Unit 01-02, 19/F, the Rongdu International Building, No. 82 Wusi Road, Gulou District, Fuzhou, Fujian Province	June 10, 2014
Shanghai Baoshan District Songnan Road Securities Branch of 東方證券股份有限公司	No. 427-1 Songnan Road, Baoshan District, Shanghai (Temporary)	June 12, 2014
Shenzhen Haide Third Road Securities Branch of 東方證券股份有限公司	9/F, Block A, Tiley Central Plaza, No. 199, Haide Third Road, Nanshan District, Shenzhen, Guangdong Province	June 17, 2014
Chengdu Tianfu Avenue Securities Branch of 東方證券股份有限公司	No.1601, 1603, 1605, 1607 & 1609, 16/F, Block 1, No. 1399, the South Section of Tianfu Avenue, High-tech Zone, Chengdu, Sichuan Province	June 24, 2014
Shanghai Minhang District Nanjiangyan Road Securities Branch of 東方證券股份有限公司	No. 121 Nanjiangyan Road, Minhang District, Shanghai	June 26, 2014
Guilin Renmin Road Securities Branch of 東方證券股份有限公司	No. 1-2-1 & 1-2-3, Block 1, 2/F, Dashijie Main Building, Renmin Road, Lingui Town, Lingui County, Guilin, Guangxi Zhuang Autonomous Region	July 3, 2014
Lhasa Jinzhu West Road Securities Branch of 東方證券股份有限公司	No.123 Jinzhu West Road, Lhasa, Tibet Autonomous Region	July 10, 2014
Shanghai Huangpu District Zhongshan South Road First Securities Branch of 東方證券股份有限公司	Room 402, 4/F, No. 318 Zhongshan South Road, Huangpu District, Shanghai	July 14, 2014
Xi'an Tangyan Road Securities Branch of 東方證券股份有限公司	Room 0501, Unit 2, Block 1, Tangyan International Center, No. 3 Tangyan Road, Gaoxin District, Xi'an, Shaanxi Province	July 14, 2014
Shanghai Minhang District Suhong Road Securities Branch of 東方證券股份有限公司	Rooms 109 and 206, No. 29 and 33 Suhong Road, Minhang District, Shanghai	July 15, 2014
Yantai Yingchun Street Securities Branch of 東方證券股份有限公司	Inner No.102, No. 171 Yingchun Street, Laishan District, Yantai, Shandong Province	July 22, 2014
Deyang Lushan South Road Securities Branch of 東方證券股份有限公司	No. 10-12, Section 1, Lushan South Road, Jingyang District, Deyang, Sichuan Province	August 15, 2014

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Pudong New Area Qifan Road Securities Branch of 東方證券股份有限公司	Room 1517, Block B, South Building, No. 515 Qifan Road, Pudong New Area, Shanghai	September 2, 2014
Nanchong Hongguang Road Securities Branch of 東方證券股份有限公司	1/F and 3/F, No.83 Hongguang Road, Shunqing District, Nanchong, Sichuan Province	September 29, 2014
Shanghai Pudong New Area Tang'an Road Securities Branch of 東方證券股份有限公司	No. 782 Tang'an Road, Pudong New Area, Shanghai	October 10, 2014
Shanghai Pudong New Area Yincheng Middle Road Securities Branch of 東方證券股份有限公司	Room 2301B, No. 488 Yincheng Middle Road, Pudong New Area, Shanghai	May 8, 2015
Zhuzhou Jianshe South Road Securities Branch of 東方證券股份有限公司	No. 320 Jianshe South Road, Lusong District, Zhuzhou, Hunan Province	June 18, 2015
Nantong Renmin Middle Road Securities Branch of 東方證券股份有限公司	No. 60-1 Renmin Middle Road, Nantong, Jiangsu Province	June 25, 2015
Jiangyin Renmin East Road Securities Branch of 東方證券股份有限公司	1/F, No. 112 & 2/F, No. 108, 110, 112, Renmin East Road, Jiangyin, Jiangsu Province	July 9, 2015
Xiamen Xianyue Road Securities Branch of 東方證券股份有限公司	Shop 105 and Shop 108-1, No. 555 Xianyue Road, Siming District, Xiamen, Fujian Province	July 14, 2015
Liuzhou Wenchang Road Securities Branch of 東方證券股份有限公司	No. 2-1, 2, 3, Block 21, Dongjun, No. 26 Wenchang Road, Liuzhou, Guangxi Zhuang Autonomous Region	July 16, 2015
Xi'an Taoyuan South Road Securities Branch of 東方證券股份有限公司	No. 38 Taoyuan South Road, Lianhu District, Xi'an, Shaanxi Province	July 22, 2015
Beihai Chating Road Securities Branch of 東方證券股份有限公司	No. 1205-1207, Fuyu Building, No. 31 Chating Road, Beihai, Guangxi Zhuang Autonomous Region	July 28, 2015
Jiaxing Guangyi Road Securities Branch of 東方證券股份有限公司	No. 864, 866 and 868 Guangyi Road, Jiaxing Economic and Technological Development Zone, Jiaxing, Zhejiang Province	July 30, 2015
Ningbo Zhongxing Road Securities Branch of 東方證券股份有限公司	(1-2) (2-2), No. 601 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province	July 30, 2015
Quanzhou Jinhui Street Securities Branch of 東方證券股份有限公司	Room 502, Block A, Gas Building, No. 25 Jinhui Street, Fengze District, Quanzhou, Fujian Province	July 30, 2015

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Taizhou Jiaojiang District Zhongshan East Road Securities Branch of 東方證券股份有限公司	No. 368 Zhongshan East Road, Jiaojiang District, Taizhou, Zhejiang Province	July 30, 2015
Harbin Ganshui Road Securities Branch of 東方證券股份有限公司	Shop 14, 1-3/F, Commercial Building, Wanda Commercial Center No. 84 Ganshui Road, Nangang Jizhong District, Harbin Economic-technological Development Zone, Harbin, Heilongjiang Province	July 31, 2015
Haikou Jinlong Road Securities Branch of 東方證券股份有限公司	1/F & 2/F, East Coconut Grove International Building, No. 19 Jinlong Road, Longhua District, Haikou, Hainan Province	August 5, 2015
Lanzhou Nanchang Road Securities Branch of 東方證券股份有限公司	1/F, Shengshi Kaixuan Building, No. 1918 Nanchang Road, Chengguan District, Lanzhou, Gansu Province	August 5, 2015
Guiyang Huaguoyuan Securities Branch of 東方證券股份有限公司	Office Building No. 6, 7, 8, 9, 10, 11 & 12, 40/F, Unit 1, Building 6, Zone F, Pengjiawan Huaguoyuan Project, Huaguoyuan, Nanming District, Guiyang, Guizhou Province	August 7, 2015
Shijiazhuang Tiyu South Street Securities Branch of 東方證券股份有限公司	No. 233 Tiyu South Street, Yuhua District, Shijiazhuang, Hebei Province	August 7, 2015
Wenzhou Xinhe Street Securities Branch of 東方證券股份有限公司	Room 601, Block A, Songtai Building, Xinhe Street, Lucheng District, Wenzhou, Zhejiang Province	August 7, 2015
Urumqi Nanhu Road Securities Branch of 東方證券股份有限公司	No. 4, 5, 6, 3/F, Building Construction Mansion, No. 133 Nanhu Road, Shuimogou District, Urumqi, Xinjiang Uygur Autonomous Region	August 7, 2015
Wuxi Xinsheng Road Securities Branch of 東方證券股份有限公司	No. 152 Xinsheng Road, Wuxi, Jiangsu Province	August 7, 2015
Xining Huanghe Road Securities Branch of 東方證券股份有限公司	Shop 15, Building 3, No. 21 Huanghe Road, Chengxi District, Xining, Qinghai Province	August 7, 2015
Yinchuan Minzu North Street Securities Branch of 東方證券股份有限公司	2/F, No. 12 Minzu North Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region	August 7, 2015
Zhenjiang Dongwu Road Securities Branch of 東方證券股份有限公司	Room 110, 1/F, Building 1, No. 38 Dongwu Road, Zhenjiang, Jiangsu Province	August 7, 2015

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Taiyuan High-tech Street Securities Branch of 東方證券股份有限公司	15/F, No. 15 High-tech Street, High-tech Zone, Taiyuan, Shanxi Province	December 6, 2016
Baotou Qingnian Road Securities Branch of 東方證券股份有限公司	1-A4, Hengyuan Ginza Commercial Building, No. 28 Qingnian Road, Qingshan District, Baotou, Inner Mongolia Autonomous Region	December 19, 2016
Changshu Lizha Road Securities Branch of 東方證券股份有限公司	1/F & 2/F, 21, 22 & 23, No. 65 Lizha Road, Changshu, Jiangsu Province	January 5, 2017
Yangzhou Wenhui East Road Securities Branch of 東方證券股份有限公司	No. 231 Wenhui East Road, Economic Development Zone, Yangzhou, Jiangsu Province	January 5, 2017
Jinhua Bayi North Street Securities Branch of 東方證券股份有限公司	No. 190 Bayi North Street, Wucheng District, Jinhua, Zhejiang Province	January 6, 2017
Zhangjiagang Donghuan Road Securities Branch of 東方證券股份有限公司	Chengnan Building, No. 68 Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu Province	January 6, 2017
Shaoxing Shengli East Road Securities Branch of 東方證券股份有限公司	No. 402 Shengli East Road & Room 705, 706-1, No. 68 Didanghu Road, Yuecheng District, Shaoxing, Zhejiang Province	March 13, 2017
Xi'an Weiyang Road Securities Branch of 東方證券股份有限公司	Shop 04, 1/F, Building 1, Datang Xinghe Garden, No. 109-1 Weiyang Road, Xi'an, Shaanxi Province	March 30, 2017
Shenzhen Shennan East Road Securities Branch of 東方證券股份有限公司	Room 02, 03 & 05, 19/F, Main Building, Shun Hing Square, No. 5002 Shennan East Road, Guiyuan Street, Luohu District, Shenzhen, Guangdong Province	April 24, 2017
Zhuhai Jida Road Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 202, 2/F, Petroleum Building, No. 103 Jida Road, Xiangzhou District, Zhuhai, Guangdong Province	May 5, 2017
Shanghai Jing'an District Yanping Road Securities Branch of 東方證券股份有限公司	1-2/F, No. 167 Yanping Road, Jing'an District, Shanghai	May 12, 2017
Hefei Meishan Road Securities Branch of 東方證券股份有限公司	Center area of 1/F and whole floor of 2/F, No.19 Meishan Road, Shushan District, Hefei, Anhui Province	May 17, 2017

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Zibo Liuquan Road Securities Branch of 東方證券股份有限公司	Outlet 16 & 17, Huaxinyuan, No. 258 Liuquan Road, High-tech Zone, Zibo, Shandong Province	May 17, 2017
Tianjin Nanma Road Securities Branch of 東方證券股份有限公司	No. 1201 Nanma Road, Nankai District, Tianjin	July 5, 2017
Wuhu Beijing Middle Road Securities Branch of 東方證券股份有限公司	No. 104 & 501 Jinghu Star, No.1 Beijing Middle Road, Jinghu District, Wuhu, Anhui Province	July 5, 2017
Xuchang Xudu Road Securities Branch of 東方證券股份有限公司	1 & 2/F, Block A, Huitong Commercial Garden, South of Xudu Road & West of Wisdom Building, Dongcheng District, Xuchang, Henan Province	July 5, 2017
Changchun Ziyou Road Securities Branch of 東方證券股份有限公司	Room 110, Block B, The First International Centre, No. 3999 Ziyou Road, Er'dao District, Changchun, Jilin Province	July 5, 2017
Changzhou Longjin Road Securities Branch of 東方證券股份有限公司	Room 102, 1103 & 1104, Building 3, Modern Media Centre, No. 1590 Longjin Road, Xinbei District, Changzhou, Jiangsu Province	July 6, 2017
Jiangmen Yingbin Middle Avenue Securities Branch of 東方證券股份有限公司	Suite 109 & 2208-2209, Block 1, No. 118 Middle section of Yingbin Avenue, Pengjiang District, Jiangmen, Guangdong Province	July 6, 2017
Qingdao Miaoling Road Securities Branch of 東方證券股份有限公司	101-A, No. 36-1, Miaoling Road, Laoshan District, Qingdao, Shandong Province	July 6, 2017
Tangshan Beixin West Road Securities Branch of 東方證券股份有限公司	No. 36-13 Beixin West Road, Lijingqin Garden, Zhangdali, Lubei District, Tangshan, Hebei Province	July 6, 2017
Dalian Taiyuan Street Securities Branch of 東方證券股份有限公司	No. 177-13 Taiyuan Street, Shahekou District, Dalian, Liaoning Province	July 12, 2017
Dongguan Hongfu Road Securities Branch of 東方證券股份有限公司	No. 104 Huicheng Building, No. 102 Hongfu Road, Nancheng Street, Dongguan, Guangdong Province	July 12, 2017
Beijing Guomao Securities Branch of 東方證券股份有限公司	Room A111, 1/F & Room A212, 2/F, Block 17, No. 8 Guanghua Road, Chaoyang District, Beijing	July 13, 2017
Chengdu Yizhou Avenue Securities Branch of 東方證券股份有限公司	No. 319 Shangjin West First Road, Chengdu High-tech Zone, China (Sichuan) Pilot Free Trade Zone	July 13, 2017

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Xuzhou Heping Road Securities Branch of 東方證券股份有限公司	No. 101-1, Wenyuan Building, Jiangsu Normal University Science & Technology Park, No. 59 Heping Road, Yunlong District, Xuzhou, Jiangsu Province	July 13, 2017
Chongqing Honghu West Road Securities Branch of 東方證券股份有限公司	No. 41 & 43, Honghu West Road, Yubei District, Chongqing	July 13, 2017
Foshan Nanhai North Avenue Securities Branch of 東方證券股份有限公司	17/F, Office Building E, Zone 1, Yunjin Plaza, Yuexiu Xinghui, 84 Nanhai Avenue North, Guicheng Street, Nanhai District, Foshan, Guangdong Province	July 16, 2017
Guangzhou Guangzhou Middle Avenue Securities Branch of 東方證券股份有限公司	301 Self-built Room 2, No. 129-133 Middle section of Guangzhou Avenue, Yuexiu District, Guangzhou, Guangdong Province	July 18, 2017
Luoyang Nanchang Road Securities Branch of 東方證券股份有限公司	No. 107, Block 4, No. 14 Nanchang Road, Jianxi District, Luoyang, Henan Province	July 18, 2017
Zhongshan Zhongshan Fifth Road Securities Branch of 東方證券股份有限公司	Unit 01, 12/F, Block 3, Zima Benteng Square, No. 2 Zhongshan Fifth Road, Eastern Zhongshan District, Guangdong Province	July 18, 2017
Yichang Xiling First Road Securities Branch of 東方證券股份有限公司	No. 15 Xiling First Road, Xiling District, Yichang, Hubei Province (Shop 117 & 217, Jin'an Downtown)	July 19, 2017
Yueyang Jin'e Middle Road Securities Branch of 東方證券股份有限公司	1/F, Shengxincheng Caizhi Mansion, No. 408 Jin'e Middle Road, Yueyanglou District, Yueyang, Hunan Province	July 19, 2017
Jiujiang Changjiang Avenue Securities Branch of 東方證券股份有限公司	Unit 108-109, Unit 2, Block 2, Xinhua Chaisang Spring Zone 2, No. 358 Changjiang Avenue, Jiujiang, Jiangxi Province	April 8, 2019
Jinzhong Dingyang Road Securities Branch of 東方證券股份有限公司	Shops 3-2 and 3-3, No. 500 Dingyang Road, Yuci District, Jinzhong, Shanxi Province	April 9, 2019
Zhengzhou Wan'an Street Securities Branch of 東方證券股份有限公司	No.103, 104, 105 and 106, 1-2/F, Building 7, No. 6 Wan'an Street, Zhengdong New District, Zhengzhou, Henan Province	April 15, 2019
Hangzhou Jinji Road Securities Branch of 東方證券股份有限公司	No. 327 Jinji Road, Beigan Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province	April 16, 2019

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Nanjing Mochou Lake East Road Securities Branch of 東方證券股份有限公司	No. 8-3, Mochou East Road, Jianye District, Nanjing, Jiangsu Province	April 16, 2019
Ningbo Tiantong North Road Securities Branch of 東方證券股份有限公司	103, 1605 and 1607, Block C, Hebang Mansion, No. 899 Tiantong North Road, Zhonghe Subdistrict, Yinzhou District, Ningbo, Zhejiang Province	April 17, 2019
Xi'an Cuihua Road Securities Branch of 東方證券股份有限公司	Room 204 and 206, 2/F, Building A, Jiahe Commercial Building, No.500 Cuihua Road, Yanta District, Xi'an, Shaanxi Province	April 18, 2019
Yixing Jiefang East Road Securities Branch of 東方證券股份有限公司	Shops 239 and 251, Jiefang East Road, Yicheng Street, Yixing, Jiangsu Province	April 18, 2019
Changsha Renmin East Road Securities Branch of 東方證券股份有限公司	East of No. 107, Block 0, Dongyishiqu Building, No. 38 Renmin East Road, Yuhua District, Changsha, Hunan Province	April 22, 2019
Beijing Wangjing Securities Branch of 東方證券股份有限公司	Floor merchant shop, Block C, 410/F, Zone 4 Wangjingxiyuan, Chaoyang District, Beijing	April 23, 2019
Wuhan Yunxia Road Securities Branch of 東方證券股份有限公司	Shop 5, 1/F, No. 187 Yunxia Road, Jiangnan District, Wuhan, Hubei Province	April 23, 2019
Weihai Shichang Avenue Securities Branch of 東方證券股份有限公司	Room-1, No. 99A, Shichang Avenue, Weihai, Shandong Province	April 25, 2019
Bengbu Shengli West Road Securities Branch of 東方證券股份有限公司	101#-104#, 122#-126#, 1/F, Building 1, Yinhe Center, No. 28 Shengli West Road, Bengbu, Anhui Province	April 29, 2019
Shenzhen Xinhua Road Securities Branch of 東方證券股份有限公司	Units 08, 09 and 10, 26/F, Block B, Yifang Center, No. 99 Xinhua Road, Xin'an Subdistrict, Bao'an District, Shenzhen, Guangdong Province	April 29, 2019
Weifang Shengli East Street Securities Branch of 東方證券股份有限公司	Shop 1-1-03, Mingyuan Community, No. 4889 Shengli East Street, Kuiwen District, Weifang, Shandong Province	April 29, 2019
Dongying Fuqian Avenue Securities Branch of 東方證券股份有限公司	22/F, Block A, Huali International Financial Plaza, No.128 Fuqian Avenue, Dongying Development Zone, Shandong Province	May 19, 2020

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Hangzhou Shixin North Road Securities Branch of 東方證券股份有限公司	Room 1001, Block 1, Dongfang Zhizun International Center, No. 2028, 2030 and 2032 Shixin North Road, Ningwei Subdistrict, Xiaoshan District, Hangzhou, Zhejiang Province	October 9, 2020
Baoding Ruixiang Avenue Securities Branch of 東方證券股份有限公司	Building No.9, Yunxi Jiucheng Commercial Center, No. 1988 Ruixiang Avenue, Lianchi District, Baoding, Hebei Province	December 7, 2020
Jincheng Hongxing East Street Securities Branch of 東方證券股份有限公司	Shop 3, 1/F and 2/F, Block C, Taifu Xindu, Hongxing East Street, Cheng District, Jincheng, Shanxi Province	December 8, 2020
Yuncheng Hedong East Street Securities Branch of 東方證券股份有限公司	1/F, Huixin Building, No. 195 Hedong East Street, Yanhu District, Yuncheng, Shanxi Province	December 9, 2020
Datong Yuhe West Road Securities Branch of 東方證券股份有限公司	Shop 2384 of the Outlying Shops, Yujinyuan Phase II, Yuhe West Road, Pingcheng District, Datong, Shanxi Province	December 11, 2020
Langfang Art Avenue Securities Branch of 東方證券股份有限公司	No. 409 Art Avenue (No. 101, 1/F, Unit 1, Block 28, Peacock Huijingxuan), Guangyang District, Langfang, Hebei Province	December 11, 2020
Qingdao Yanji Road Securities Branch of 東方證券股份有限公司	No. 76-41, Building No. 6, No. 76 Yanji Road, Shibei District, Qingdao, Shandong Province	December 16, 2020
Wenzhou Tangjiaqiao Road Securities Branch of 東方證券股份有限公司	No. 439 Tangjiaqiao Road, Nanhui Subdistrict, Lucheng District, Wenzhou, Zhejiang Province	December 18, 2020
Kaifeng Zhengkai Avenue Securities Branch of 東方證券股份有限公司	Part of 1/F and 2/F, Block A, Dichen World Expo Plaza, No. 28 Zhengkai Avenue, Longting District, Kaifeng, Henan Province	October 18, 2022
Lvliang Binhe South Middle Road Securities Branch of 東方證券股份有限公司	Room 203, 2/F, Block 1, No. 238 Binhe South Middle Road (Upper level of the North Gate of Municipal Communist Party Committee), Binhe Subdistrict, Lishi District, Lvliang, Shanxi Province	October 24, 2022

Appendix III: Information on Futures Branches of the Company

As at the end of the Reporting Period, the Company had 7 futures branches and 32 futures outlets.

Name of futures branch offices	Registered address (PRC)	Date of establishment
Dalian Branch of Orient Futures Co., Ltd	Room 2411, 2412, 3501-3507 and 3510-1, Dalian Futures Building, Block A, Dalian International Financial Center, No. 129 Huizhan Road, Shahekou District, Dalian, Liaoning Province	January 16, 2009
Shanghai Fushan Road Outlet of Orient Futures Co., Ltd	Room 1107, No. 458 Fushan Road, China (Shanghai) Pilot Free Trade Zone	May 19, 2009
Zhengzhou Outlet of Orient Futures Co., Ltd	Room 1301, Futures Building, No. 30, Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province	July 2, 2009
Changsha Outlet of Orient Futures Co., Ltd	2118, Kaibin Commercial Plaza, No. 419 Shaoshan Middle Road, Yuhua District, Changsha, Hunan Province	November 24, 2009
Beijing Branch of Orient Futures Co., Ltd	302 and 303, 3/F, Building No. 27, Courtyard No. 8, Beichen East Road, Chaoyang District, Beijing	December 28, 2009
Changzhou Outlet of Orient Futures Co., Ltd	Room 1618-1658, No. 23, 25, 27 & 29, Yanling West Road, Changzhou, Jiangsu Province	July 5, 2010
Taiyuan Outlet of Orient Futures Co., Ltd	14/F, Unit 1, No. 1 Jifu Road, Jinyuan District, Taiyuan, Shanxi Province	November 29, 2010
Shanghai Branch of Orient Futures Co., Ltd	Room 3105, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai	August 3, 2011
Guangzhou Outlet of Orient Futures Co., Ltd	Room 2304, No. 365-1, Tianhe North Road, Tianhe District, Guangzhou, Guangdong Province	October 17, 2012
Qingdao Outlet of Orient Futures Co., Ltd	Room 3006, Building D3, No. 6 Shandong Road, Shinan District, Qingdao, Shandong Province	May 16, 2013
Ningbo Outlet of Orient Futures Co., Ltd	13-7, No. 288 Jiahui Street, Yinzhou District, Ningbo, Zhejiang Province	February 24, 2014
Shenzhen Outlet of Orient Futures Co., Ltd	7A, Times Fortune Building, South Eastern Part, Central Area, Futian District, Shenzhen, Guangdong Province	May 16, 2014

Appendix III: Information on Futures Branches of the Company

Name of futures branch offices	Registered address (PRC)	Date of establishment
Shanghai Pilot Free Trade Zone Outlet of Orient Futures Co., Ltd	Room 1303, 13/F, No. 5 Bibo Road, China (Shanghai) Pilot Free Trade Zone, Shanghai	May 29, 2014
Hangzhou Outlet of Orient Futures Co., Ltd	Room 907, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang Province	June 18, 2014
Sichuan Branch of Orient Futures Co., Ltd	No. 330, Huayang Haichang Road, Chengdu Tianfu New District, China (Sichuan) Pilot Free Trade Zone	January 7, 2015
Xi'an Outlet of Orient Futures Co., Ltd	12F-6, Jierui Wisdom Building, No. 5, West Section of South 2nd Ring, Lianhu District, Xi'an, Shaanxi Province	January 15, 2015
Xiamen Outlet of Orient Futures Co., Ltd	Room 908, Fortune Center, No. 100 Lujiang Road, Siming District, Xiamen, Fujian Province	January 23, 2015
Dongying Outlet of Orient Futures Co., Ltd	Room 903, Block 1, Guomao Building, No. 53, Fuqian Street, Dongying District, Dongying, Shandong Province	March 17, 2015
Tianjin Outlet of Orient Futures Co., Ltd	1-1-2406, Rongqiao Center, Building 1, Shanglanyuan, Intersection of Changjiang Avenue and Naikai Liuma Road, Nankai District, Tianjin	March 23, 2015
Harbin Outlet of Orient Futures Co., Ltd	No. 1103 & 1104, 11/F, Unit 1, Block 3, Fortune Center, Enclosure Area of Qunli Avenue, Lingjiang Road and Qunli Fourth Avenue, Qunli New District, Daoli District, Harbin, Heilongjiang Province	April 3, 2015
Beijing Chaoyangmen Outlet of Orient Futures Co., Ltd	Room 401-402, 4/F, No. 22 Chaowai Street, Chaoyang District, Beijing	September 8, 2015
Chongqing Outlet of Orient Futures Co., Ltd	4-3, No. 2 Qingyun Road, Jiangbei District, Chongqing	May 19, 2016
Hangzhou Jiaogong Road Outlet of Orient Futures Co., Ltd	Room 1405, Block 1 (Area C), EAC World Trade Lijing Building, West Lake District, Hangzhou, Zhejiang Province	July 1, 2016
Shantou Outlet of Orient Futures Co., Ltd	Room 1105 & 1107, Hanjiang Building, Block 17, West 3rd District, Danyangzhuang, Longhu District, Shantou, Guangdong Province	July 5, 2018

Appendix III: Information on Futures Branches of the Company

Name of futures branch offices	Registered address (PRC)	Date of establishment
Quanzhou Outlet of Orient Futures Co., Ltd	Unit 1203, Block A, Gas Building, No. 25 Jinhuai Street, Fengze District, Quanzhou, Fujian Province	July 13, 2018
Ningbo Tiantong South Road Outlet of Orient Futures Co., Ltd	Room 1305, Lane 577, Tiantong South Road, Yinzhou District, Ningbo, Zhejiang Province	July 18, 2018
Shenyang Outlet of Orient Futures Co., Ltd	No. 49, Xinghua North Street, Tiexi District, Shenyang, Liaoning Province	August 7, 2018
Suzhou Outlet of Orient Futures Co., Ltd	Room 3602-1, Block 2, Oriental Gate Building, No. 199 Xinggang Street, Suzhou Industrial Park, China (Jiangsu) Pilot Free Trade Zone Suzhou Area	October 11, 2018
Nantong Outlet of Orient Futures Co., Ltd	Room 1401, South Building, Yuanrong Plaza, No. 57 Gongnong Road, Chongchuan District, Nantong, Jiangsu Province	December 10, 2018
Zhejiang Branch of Orient Futures Co., Ltd	Room 3806, Yintai International Commercial Center, No. 1600 Kejiguang Street, Changhe Subdistrict, Binjiang District, Hangzhou, Zhejiang Province	December 17, 2018
Wuxi Outlet of Orient Futures Co., Ltd	Room 3007, Yunfu Building, No. 288-2801 Zhongshan Road, Liangxi District, Wuxi, Jiangsu Province	March 19, 2019
Shandong Branch of Orient Futures Co., Ltd	1-1801, Yinzuo Haowangjiao Plaza, No. 800 Minghu West Road, Tianqiao District, Jinan, Shandong Province	March 19, 2019
Zhengzhou Shangdu Road Outlet of Orient Futures Co., Ltd	No. 7 and 8, 2/F, Caixin Building, No. 27 Yongping Road Community, Shangdu Road, Zhengdong New Area, Zhengzhou, Henan Province	April 22, 2021
Nanjing Outlet of Orient Futures Co., Ltd	Room 706 (Room 1006, 10/F for Lift), No. 188 Lushan Road, Jianye District, Nanjing, Jiangsu Province	July 28, 2021
Fujian Branch of Orient Futures Co., Ltd	Unit 01, 27/F, Xiamen Fortune Center, No. 100 Lujiang Avenue, Siming District, Xiamen, Fujian Province	January 10, 2022

Appendix III: Information on Futures Branches of the Company

Name of futures branch offices	Registered address (PRC)	Date of establishment
Fuzhou Outlet of Orient Futures Co., Ltd	Room 1005 and 1006, Building #1, New Qiaolian Plaza, No. 106 Wuyi North Road, Dongjie Subdistrict, Gulou District, Fuzhou, Fujian Province	September 13, 2022
Taizhou Outlet of Orient Futures Co., Ltd	No. 396 Yunxi Road, Jiazhi Subdistrict, Jiaojiang District, Taizhou, Zhejiang Province	October 17, 2022
Wuhan Outlet of Orient Futures Co., Ltd	Unit 6, 14/F, Building T2, Block T2-P3, No. 17 Jingwu Road (Phase III of Yuexiu International Finance Center), Jiangnan District, Wuhan, Hubei Province	October 25, 2022
Nanjing Hanzhong Road Outlet of Orient Futures Co., Ltd	Room E-1, 12/F, No. 1 Hanzhong Road, Qinhuai District, Nanjing, Jiangsu Province	October 27, 2022

Appendix IV: Information Disclosure Index

- During the Reporting Period, the information disclosed in the China Securities Journal, the Shanghai Securities News, the Securities Times, the Securities Daily, and on the website of the SSE (<http://www.sse.com.cn>) by the Company was as follows:

Date of announcement	Subject
2022-01-05	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-01-15	Announcement on Resolution of the 6th Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee, Announcement on the Reply to the Feedback Notice to the Application Materials for Public Issuance of Securities under the Rights Issue, Reply to the Feedback Notice to the Application Materials for the Rights Issue of 東方證券股份有限公司
2022-01-25	Announcement on Expected Increase in Annual Results for the Year of 2021
2022-02-08	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-02-10	Announcement on Resolution of the 10th Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement in Relation to the Provision for Assets Impairment, Announcement on Preliminary Financial Data for the Year of 2021
2022-02-24	Announcement Regarding the Application for the H Share Rights Issue Approved by the CSRC
2022-03-01	Announcement on Resolution of the 11th Meeting (Temporary Meeting) of the Fifth Session of the Board
2022-03-02	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-03-08	Announcement Regarding the Application for the A Share Rights Issue Approved by the Issuance Approval Committee of the China Securities Regulatory Commission
2022-03-10	Announcement Regarding the Main Operation Situation of the Company
2022-03-17	H Shares Announcement – Date of Board Meeting
2022-03-18	Announcement Regarding the Application for the A Share Rights Issue Approved by the CSRC
2022-03-23	Announcement on Resolution of the 12th Meeting (Temporary Meeting) of the Fifth Session of the Board, Notice of 2022 First Extraordinary General Meeting and 2022 First A Shares Class Meeting
2022-03-24	Announcement in Relation to the Briefing on the Annual Results of 2021 of 東方證券股份有限公司
2022-03-25	Announcement on Approval from the CSRC for Registration of Public Issuance of Subordinated Corporate Bonds to Professional Investors by 東方證券股份有限公司

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-03-26	Meeting Materials of the 2022 First Extraordinary General Meeting, 2022 First A Shares Class Meeting and 2022 First H Shares Class Meeting of DFZQ
2022-03-31	Announcement of the Resolution of the 13th Meeting of the Fifth Session of the Board, Announcement of the Resolution of the 7th Meeting of the Fifth Session of the Supervisory Committee, Prior Approval Opinions of Independent Directors on Matters Related to the 13th Meeting of the Fifth Session of the Board, Independent Opinions of Independent Directors on Relevant Matters of the 13th Meeting of the Fifth Session of the Board and the Company's External Guarantee, Announcement on Renewal of Engagement of Accounting Firm, Announcement on Anticipating 2022 Daily Related Party Transactions of the Company, Announcement on Anticipating the Company's External Guarantee in 2022, Announcement on Amendments to Certain Articles of the Articles of Association, Announcement on Termination of Capital Reduction of a Wholly-owned Subsidiary, Announcement on the Appointment of the President of the Company, Announcement on the Election of an Executive Director of the Company, 2021 Annual Report, Summary of the 2021 Annual Report, Financial Statements and Audit Report, the Special Explanations on Funds Occupation of Controlling Shareholders and Other Related Parties, the Internal Control Audit Report, the Report of Independent Directors in 2021, the Work Report of the Audit Committee of Board in 2021, the Internal Control Evaluation Report in 2021, 2021 Corporate Social Responsibility Report, Articles of Association (Amended in March 2022), the Special Report on the Use of Proceeds Raised Previously as of December 31, 2021, the Special Report and Audit Report on the Use of Proceeds Raised Previously
2022-04-01	Announcement in Relation to the Briefing on the Cash Dividend
2022-04-02	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-04-14	Announcement of Resolutions of the 2022 First Extraordinary General Meeting, 2022 First A Shares Class Meeting and 2022 First H Shares Class Meeting
2022-04-14	Legal Opinion of Grandall Law Firm (Shanghai) on the 2022 First Extraordinary General Meeting, 2022 First A Shares Class Meeting and 2022 First H Shares Class Meeting of 東方證券股份有限公司
2022-04-15	H Shares Announcement – Date of Board Meeting
2022-04-18	Summary of Prospectus of A Share Rights Issue, Prospectus of A Share Rights Issue, Announcement on A Share Rights Issue, Announcement on Online Roadshow of A Share Rights Issue, Indicative Announcement on Suspension and Resumption of Trading of A Shares, Announcement on Resolution of the 14th Meeting (Temporary Meeting) of the Fifth Session of the Board

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-04-21	Indicative Announcement on A Share Rights Issue
2022-04-22	Indicative Announcement on A Share Rights Issue
2022-04-25	Indicative Announcement on A Share Rights Issue
2022-04-26	Indicative Announcement on A Share Rights Issue
2022-04-27	Indicative Announcement on A Share Rights Issue
2022-04-29	Announcement on Results of A Share Rights Issue
2022-04-30	The First Quarterly Report for the Year 2022
2022-05-05	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-05-06	Announcement on the Listing of Euro Notes on The Stock Exchange of Hong Kong Limited, Announcement on the Signing of Tripartite Supervision Agreement for Deposit of Funds Raised in Designated Accounts
2022-05-06	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-05-10	H Shares Announcement – Next Day Disclosure Return
2022-05-10	Announcement of the Changes in Shares under A Share Rights Issue and Listing of Rights Shares, Announcement of Changes in Shareholders' Equity Following the A Share Rights Issue, Listing Sponsorship Letter of China International Capital Corporation Limited and Orient Securities Investment Banking Co., Ltd. for Public Issuance of Securities under A Share Rights Issue of 東方證券股份有限公司
2022-05-18	Announcement on the Listing of USD Notes on The Stock Exchange of Hong Kong Limited
2022-05-25	H Shares Announcement – Date of Board Meeting and Proposed Declaration of Final Dividend
2022-05-28	Announcement on Results of the H Share Rights Issue and Changes in Rights Shares
2022-05-31	H Shares Announcement – Next Day Disclosure Return
2022-06-03	Announcement on Resolution of the 16th Meeting (Temporary Meeting) of the Fifth Session of the Board, Independent Opinions of Independent Directors on Matters related to Profit Distribution of the Company in 2021, Announcement on Resolution of the 9th Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee, Announcement on Profit Distribution Plan of 2021, Notice of 2021 Annual General Meeting, H Shares Announcement
2022-06-10	Meeting Materials of the 2021 Annual General Meeting
2022-06-21	H Shares Announcement – Updates on Arrangements for Proposed Payment of Final Dividend for the Year Ended December 31, 2021 in Relation to the Closure of Register of Members of H Shares

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-06-25	Announcement on Capital Increase in Orient Futures Co., Ltd
2022-06-28	Indicative Announcement on Relevant Precautions for Attending the 2021 Annual General Meeting of the Company
2022-07-01	Announcement of Resolutions of the 2021 Annual General Meeting, Legal Opinion of Grandall Law Firm (Shanghai) on the 2021 Annual General Meeting of 東方證券股份有限公司
2022-07-05	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-07-08	Announcement on Expiration of Term of Office of Independent Director
2022-07-09	Announcement on the Completion of the Changes of the Registered Capital and the Amendments of the Articles of Association, Articles of Association (Amended in June 2022)
2022-07-15	Expected Results for the First Half of 2022
2022-07-21	Announcement on Implementation of the 2021 Annual Distribution of Equity Interests
2022-07-26	Announcement on Resolution of the 17th Meeting (Temporary Meeting) of the Fifth Session of the Board, Independent Opinions of Independent Directors on Provision for Performance Bonus of Senior Management Members of the Company
2022-08-02	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-08-13	Announcement of Results of Issuance of the First Tranche of Short-term Financing Bills in 2022
2022-08-17	H Shares Announcement – Date of Board Meeting
2022-08-24	Announcement in Relation to the Briefing on the Interim Results of 2022, Announcement on Capital Increase in Orient Futures Co., Ltd

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-08-31	Announcement on Resolution of the 18th Meeting of the Fifth Session of the Board, Announcement on Resolution of the 10th Meeting of the Fifth Session of the Supervisory Committee, Announcement on Capital Increase in Orient Futures Co., Ltd, Statement of Candidates of Independent Directors, Statement of Nominees of Independent Directors, Management Measures for Shareholdings and Changes in Shareholdings of the Company by Directors, Supervisors and Senior Management (August 2022), Work Rules for the Secretary to the Board (August 2022), Independent Director Policy (August 2022), Measures to Manage External Guarantees (August 2022), Management Measures of Related-party Transactions (August 2022), Management Measures of Proceeds from Fund-raising Activities (August 2022), Administrative Measures for Insider Registration and Confidentiality (August 2022), Management Measures of Information Disclosure (August 2022), Special Report on the Deposit and Actual Use of Proceeds of the Company for the First Half of 2022, Announcement in Relation to the Provision for Assets Impairment, Summary of the 2022 Interim Report, 2022 Interim Report, Announcement on Provision of Guarantee by Orient Finance Holdings (Hong Kong) Limited to its Wholly-owned Subsidiaries to Obtain Bank Credit
2022-09-02	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-09-03	Announcement on the Participation in 2022 Group Reception Day for Listed Companies in Shanghai and Briefing on the Interim Results
2022-09-20	Announcement on Approval of Qualification for Listed Securities Market Making Business
2022-09-24	Announcement on Resolution of the 19th Meeting (Temporary Meeting) of the Fifth Session of the Board, Independent Opinions of Independent Directors of DFZQ on Appointment of Senior Management, Announcement on Changes in Senior Management and Appointment of Chief Compliance Officer and Chief Risk Officer, Announcement on Amendments to Certain Articles of the Articles of Association, Articles of Association (Amended in September 2022), Announcement on Resignation of Chairman of Supervisory Committee
2022-10-01	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-10-12	Notice of 2022 Second Extraordinary General Meeting, Announcement on Assumption of Office by the Chief Compliance Officer
2022-10-15	H Shares Announcement – Date of Board Meeting
2022-10-21	Meeting Materials of the 2022 Second Extraordinary General Meeting

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-10-22	Announcement on Completion of Amendments to the Articles of Association and Industrial and Commercial Registration Change, Articles of Association (October 2022)
2022-10-25	Announcement on Resolution of the 11th Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee
2022-10-27	Announcement on Provision of Guarantee for Issuance of USD Bonds by an Overseas Indirect Wholly-owned Subsidiary
2022-10-29	The Third Quarterly Report for the Year 2022
2022-11-01	Announcement in Relation to the Briefing on the Third Quarterly Results of 2022
2022-11-02	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-11-09	Announcement of Resolutions of 2022 Second Extraordinary General Meeting, Legal Opinion of Grandall Law Firm (Shanghai) on the 2022 Second Extraordinary General Meeting of 東方證券股份有限公司, Articles of Association (November 2022)
2022-11-10	Announcement on Provision of Guarantee for Orient Finance Holdings (Hong Kong) Limited, an Overseas Wholly-owned Subsidiary, to Obtain Bank Credit
2022-12-02	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
2022-12-06	Announcement on Receipt of No-Objection Letter for Listing and Transfer of Non-Publicly Issued Corporate Bonds on the Shanghai Stock Exchange
2022-12-23	Announcement on Resolution of the 21st Meeting (Temporary Meeting) of the Fifth Session of the Board
2022-12-28	Announcement on Approval from the CSRC for Registration of Public Issuance of Short-term Corporate Bonds to Professional Investors

Appendix IV: Information Disclosure Index

2. During the Reporting Period, the information disclosed by the Company on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) was as follows:

Date of announcement	Subject
2022-01-04	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2021
2022-01-14	Overseas Regulatory Announcement: Announcement on Resolution of the 6th Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee, Announcement on the Reply to the Feedback Notice to the Application Materials for the A Share Rights Issue, Reply to the Feedback Notice to the Application Materials for the Rights Issue of 東方證券股份有限公司
2022-01-24	Announcement on Expected Increase in Annual Results for the Year of 2021
2022-02-07	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2022
2022-02-09	Announcement on Preliminary Financial Data for the Year of 2021, Announcement in Relation to the Provision for Assets Impairment, Overseas Regulatory Announcement: Announcement on Resolution of the 10th Meeting (Temporary Meeting) of the Fifth Session of the Board
2022-02-23	Announcement Regarding the Application for the H Share Rights Issue Approved by the CSRC
2022-02-28	Overseas Regulatory Announcement: Announcement on Resolution of the 11th Meeting (Temporary Meeting) of the Fifth Session of the Board, Change of Joint Company Secretary and Waiver from Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules
2022-03-01	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2022
2022-03-07	Announcement Regarding the Application for the A Share Rights Issue Approved by the Issuance Approval Committee of the CSRC
2022-03-09	Announcement Regarding the Main Operation Situation of the Company
2022-03-16	Date of Board Meeting
2022-03-17	Announcement Regarding the Application for the A Share Rights Issue Approved by the CSRC

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-03-22	Announcement on Extension of Valid Period of the Resolution on Rights Issue and the Full Authorization Granted to the Board of Directors to Deal with Relevant Matters in Relation to the Rights Issue at the Previous General Meetings, Overseas Regulatory Announcement: Announcement on Resolution of the 12th Meeting (Temporary Meeting) of the Fifth Session of the Board, Notice of 2022 First Extraordinary General Meeting, Form of Proxy of Holders of H Shares for Use at 2022 First Extraordinary General Meeting to be Held on April 13, 2022, Notice of H Shares Class Meeting, Form of Proxy of Holders of H Shares for Use at the H Shares Class Meeting to be Held on April 13, 2022
2022-03-23	Announcement in Relation to the Briefing on the Annual Results of 2021
2022-03-24	Overseas Regulatory Announcement: Announcement on Approval from the CSRC for Registration of Public Issuance of Subordinated Corporate Bonds to Professional Investors by 東方證券股份有限公司
2022-03-25	Circular of 2022 First Extraordinary General Meeting and H Shareholders Class Meeting
2022-03-30	Results Announcement for the Year Ended December 31, 2021, DFZQ 2021 Environmental, Social and Governance Report, Announcement (1) Projected Intragroup Guarantees for the Year 2022 (2) Proposed Amendments to Certain Articles of the Articles of Association (3) Resignation of Non-executive Director (4) Proposed Appointment of Executive Director and President, List of Directors and Their Roles and Functions, Overseas Regulatory Announcements: Announcement of the Resolution of the 13th Meeting of the Board, Announcement of the Resolution of the 7th Meeting of the Fifth Session of the Supervisory Committee, Announcement on Anticipating 2022 Daily Related Party Transactions of the Company, Announcement on Renewal of Engagement of Accounting Firm, the Special Report on the Use of Proceeds Raised Previously as of December 31, 2021, the Report of Independent Directors in 2021, the Work Report of the Audit Committee of Board in 2021, the Internal Control Evaluation Report in 2021, Prior Approval Opinions of Independent Directors on Matters Related to the 13th Meeting of the Fifth Session of the Board, Independent Opinions of Independent Directors on Relevant Matters of the 13th Meeting of the Fifth Session of the Board and the Company's External Guarantee, the Internal Control Audit Report, the Special Explanations on Funds Occupation of Controlling Shareholders and Other Related Parties, the Special Report and Audit Report on the Use of Proceeds Raised Previously, Announcement on Termination of Capital Reduction of a Wholly-owned Subsidiary

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-03-31	Announcement in Relation to the Briefing on the Cash Dividend of 2021
2022-04-01	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2022
2022-04-13	Poll Results of Extraordinary General Meeting and H Shares Class Meeting Held on April 13, 2022, Overseas Regulatory Announcement: Legal Opinion of Grandall Law Firm (Shanghai) on the 2022 First Extraordinary General Meeting, 2022 First A Shares Class Meeting and 2022 First H Shares Class Meeting of 東方證券股份有限公司
2022-04-14	Date of Board Meeting
2022-04-18	H Share Rights Issue of 287,582,400 H Shares on the Basis of Two Point Eight (2.8) H Rights Shares for Every Ten (10) Existing H Shares at HK\$10.38 Per H Rights Share Payable in Full on Acceptance; A Share Rights Issue of 1,670,641,224 A Shares on the Basis of Two Point Eight (2.8) A Rights Shares for Every Ten (10) Existing A Shares at RMB8.46 Per A Rights Share Payable in Full on Acceptance; Closure of the H Shareholders' Register from Wednesday, April 27, 2022 to Wednesday, May 4, 2022, Overseas Regulatory Announcements: Announcement on Resolution of the 14th Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on A Share Rights Issue, Summary of Prospectus of A Share Rights Issue, Prospectus of A Share Rights Issue, Announcement on Online Roadshow of A Share Rights Issue, Indicative Announcement on Suspension and Resumption of Trading of A Shares
2022-04-20	2021 Annual Report
2022-04-20	Update of US\$2,500,000,000 Medium Term Note Programme by DFZQ, Overseas Regulatory Announcement: Indicative Announcement on A Share Rights Issue
2022-04-21	Supplemental Announcement in Relation to the Poll Results of Extraordinary General Meeting and H Shares Class Meeting Held on April 13, 2022
2022-04-21	Overseas Regulatory Announcement: Indicative Announcement on A Share Rights Issue
2022-04-24	Overseas Regulatory Announcement: Indicative Announcement on A Share Rights Issue
2022-04-25	Overseas Regulatory Announcement: Indicative Announcement on A Share Rights Issue
2022-04-26	Overseas Regulatory Announcement: Indicative Announcement on A Share Rights Issue
2022-04-28	Announcement on Results of A Share Rights Issue
2022-04-29	The First Quarterly Report for the Year 2022

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-05-04	H Share Rights Issue of 287,582,400 H Shares on the Basis of Two Point Eight (2.8) H Rights Shares for Every Ten (10) Existing H Shares at HK\$10.38 Per H Rights Share Payable in Full on Acceptance; A Share Rights Issue of 1,670,641,224 A Shares on the Basis of Two Point Eight (2.8) A Rights Shares for Every Ten (10) Existing A Shares at RMB8.46 Per A Rights Share Payable in Full on Acceptance, Provisional Allotment Letter, Excess Application Form
2022-05-05	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2022, Issue of EUR 100,000,000 1.75 per cent. Notes due 2025 by DFZQ under U.S. 2,500,000,000 Medium Term Note Programme, Overseas Regulatory Announcements: Announcement on the Signing of Tripartite Supervision Agreement for Deposit of Funds Raised in Designated Accounts, Dealing in Nil-paid Rights Shares
2022-05-09	Announcement of the Changes in Shares Under A Share Rights Issue and Listing of A Rights Shares, Next Day Disclosure Return, Overseas Regulatory Announcements: Indicative Announcement of Changes in Shareholders' Equity, Listing Sponsorship Letter of China International Capital Corporation Limited and Orient Securities Investment Banking Co., Ltd. for Public Issuance of Securities under A Share Rights Issue of 東方證券股份有限公司
2022-05-13	Last Trading Day for Dealing in Nil-paid Rights Shares
2022-05-17	Issue of USD300,000,000 3.5 per cent. Notes due 2025 by DFZQ under USD2,500,000,000 Medium Term Note Programme
2022-05-24	Date of Board Meeting
2022-05-24	Date of Board Meeting and Proposed Declaration of Final Dividend
2022-05-27	Results of the H Share Rights Issue of 287,582,400 H Shares on the Basis of Two Point Eight (2.8) H Rights Shares for Every Ten (10) Existing H Shares at HK\$10.38 Per H Rights Share
2022-05-30	Next Day Disclosure Return
2022-06-02	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2022, Notice of Annual General Meeting, Proposed Payment of Final Dividend for the Year ended December 31, 2021, Final Dividend for the Year ended 31 December 2021, Form of Proxy of Holders of H Shares for Use at the Annual General Meeting to be Held on June 30, 2022, Overseas Regulatory Announcements: Announcement on Resolution of the 16th Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on Resolution of the 9th Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee, Announcement on Profit Distribution Plan of 2021, Independent Opinions of Independent Directors on Matters related to Profit Distribution of the Company in 2021

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-06-09	Circular of 2021 Annual General Meeting
2022-06-20	Final Dividend for the Year ended 31 December 2021 (Updated)
2022-06-20	Updates on Arrangements for Proposed Payment of Final Dividend for the Year Ended December 31, 2021 in Relation to the Closure of Register of Members of H Shares
2022-06-24	Overseas Regulatory Announcement: Announcement on Capital Increase in Orient Futures Co., Ltd
2022-06-27	Indicative Announcement on Relevant Precautions for Attending Annual General Meeting
2022-06-30	Poll Results of Annual General Meeting Held on June 30, 2022, List of Directors and Their Roles and Functions, Articles of Association, Final Dividend for the Year ended 31 December 2021 (Updated), Overseas Regulatory Announcement
2022-07-04	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2022
2022-07-07	Expiration of Term of Office of Independent Non-executive Director
2022-07-08	Announcement on the Completion of the Changes of the Registered Capital and the Amendments of the Articles of Association, Articles of Association
2022-07-14	Expected Results for the First Half of 2022
2022-07-20	Overseas Regulatory Announcement: Announcement on Implementation of the 2021 Annual Distribution of Equity Interests
2022-07-25	Overseas Regulatory Announcements: Announcement on Resolution of the 17th Meeting (Temporary Meeting) of the Fifth Session of the Board, Independent Opinions of Independent Directors on Provision for Performance Bonus of Senior Management Members of the Company
2022-08-01	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2022
2022-08-12	Overseas Regulatory Announcement: Announcement of Results of Issuance of the First Tranche of Short-term Financing Bills in 2022
2022-08-16	Date of Board Meeting
2022-08-23	Announcement in Relation to the Briefing on the Interim Results of 2022, Overseas Regulatory Announcement: Announcement on Capital Increase in Orient Futures Co., Ltd

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-08-30	Overseas Regulatory Announcements: Announcement on Resolution of the 18th Meeting of the Fifth Session of the Board, Announcement on Resolution of the 10th Meeting of the Fifth Session of the Supervisory Committee, Independent Opinions of Independent Directors on Relevant Matters of the 18th Meeting of the Fifth Session of the Board, Announcement on Provision of Guarantee by Orient Finance Holdings (Hong Kong) Limited to its Wholly-owned Subsidiaries to Obtain Bank Credit, Special Report on the Deposit and Actual Use of Proceeds of the Company for the First Half of 2022, Statement of Candidates of Independent Directors, Statement of Nominees of Independent Directors, Announcement in Relation to the Provision for Assets Impairment, Interim Results Announcement for the Six Months ended June 30, 2022, Proposed Appointment of Independent Non-executive Director
2022-09-01	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2022
2022-09-02	Announcement on the Participation in 2022 Group Reception Day for Listed Companies in Shanghai and Briefing on the Interim Results
2022-09-09	Annual Corporate Report for the Year 2021
2022-09-19	Overseas Regulatory Announcement: Announcement on Approval of Qualification for Listed Securities Market Making Business
2022-09-22	2022 Interim Report
2022-09-23	Proposed Amendments to the Articles of Association, Resignation of Chairman of Supervisory Committee, Overseas Regulatory Announcements: Announcement on Resolution of the 19th Meeting (Temporary Meeting) of the Fifth Session of the Board, Announcement on Changes in Senior Management and Appointment of Chief Compliance Officer and Chief Risk Officer, Independent Opinions of Independent Directors on Appointment of Senior Management
2022-09-30	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2022
2022-10-11	Notice of Extraordinary General Meeting, Form of Proxy of Holders of H Shares for Use at the EGM to be Held on November 8, 2022, Overseas Regulatory Announcement: Announcement on Assumption of Office by the Chief Compliance Officer of 東方證券股份有限公司
2022-10-14	Date of Board Meeting
2022-10-20	Circular of 2022 Second Extraordinary General Meeting
2022-10-21	Announcement on Completion of Industrial and Commercial Registration Change, Re-issuance of Business Licence and Amendments to the Articles of Association, Articles of Association

Appendix IV: Information Disclosure Index

Date of announcement	Subject
2022-10-24	Overseas Regulatory Announcement: Announcement on Resolution of the 11th Meeting (Temporary Meeting) of the Fifth Session of the Supervisory Committee
2022-10-26	Overseas Regulatory Announcement: Announcement on Provision of Guarantee for Issuance of USD Bonds by an Overseas Indirect Wholly-owned Subsidiary
2022-10-26	Issue of U.S.\$300,000,000 5.125 per cent. Guaranteed Bonds due 2025 by Orient ZhiSheng Limited and guaranteed by DFZQ
2022-10-28	The Third Quarterly Report for the Year 2022
2022-10-31	Announcement in Relation to the Briefing on the Third Quarterly Results of 2022
2022-11-01	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2022
2022-11-08	Poll Results of Extraordinary General Meeting Held on November 8, 2022, List of Directors and Their Roles and Functions, Articles of Association, Overseas Regulatory Announcement: Legal Opinion of Grandall Law Firm (Shanghai) on the 2022 Second Extraordinary General Meeting of 東方證券股份有限公司
2022-11-09	Overseas Regulatory Announcement: Announcement on Provision of Guarantee for Orient Finance Holdings (Hong Kong) Limited, an Overseas Wholly-owned Subsidiary, to Obtain Bank Credit
2022-12-01	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2022
2022-12-05	Overseas Regulatory Announcement: Announcement on Receipt of No-Objection Letter for Listing and Transfer of Non-Publicly Issued Corporate Bonds on the Shanghai Stock Exchange
2022-12-22	Overseas Regulatory Announcement: Announcement on Resolution of the 21st Meeting (Temporary Meeting) of the Fifth Session of the Board
2022-12-27	Overseas Regulatory Announcement: Announcement on Approval from the CSRC for Registration of Public Issuance of Short-term Corporate Bonds to Professional Investors

Independent Auditor's Report



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 333 to 520, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board 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”) issued by the International Auditing and Assurance Standards Board. 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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit loss("ECL") of stock-pledged reverse repurchase agreements	
We identified the measurement of ECL for the Group's stock-pledged reverse repurchase 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 2022, the Group held stock-pledged reverse repurchase agreements of RMB9,965 million, less impairment allowance of RMB4,930 million as disclosed in Note 26 to the consolidated financial statements.	Our procedures in relation to management's measurement of ECL for stock-pledged reverse repurchase 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 impairment of 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.

Independent Auditor's Report

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 37 and 32 to the consolidated financial statements, as at 31 December 2022, the total net assets of the consolidated structured entities amounted to RMB4,692 million and the total net assets of the unconsolidated structured entities set up and managed by the Group amounted to RMB310,285 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.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- 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 Shi Chung Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	NOTES	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue			
Commission and fee income	6	8,878,552	10,399,067
Interest income	7	5,685,794	5,981,386
		14,564,346	16,380,453
Net investment gains	8	1,900,081	3,301,001
Other income, gains and losses, net	9	6,642,936	8,881,348
Total revenue, other income and net gains and losses		23,107,363	28,562,802
Depreciation and amortisation	10	(778,054)	(719,989)
Staff costs	11	(4,638,113)	(4,994,030)
Commission and fee expenses	12	(844,499)	(998,871)
Interest expenses	13	(4,045,617)	(4,517,636)
Other operating expenses	14	(9,037,388)	(11,155,792)
Impairment losses under expected credit loss model, net of reversal	15	(832,930)	(1,313,633)
Other impairment losses		(218,726)	–
Total expenses		(20,395,327)	(23,699,951)
Share of results of associates		665,984	1,443,983
Profit before income tax		3,378,020	6,306,834
Income tax expense	16	(367,688)	(933,695)
Profit for the year		3,010,332	5,373,139
Attributable to:			
Equity holders of the Company		3,010,558	5,371,496
Non-controlling interests		(226)	1,643
		3,010,332	5,373,139
Earnings per share attributable to the shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	17	0.35	0.72

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Profit for the year		3,010,332	5,373,139
Other comprehensive (expense)/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	54(4)	904,567	448,732
Income tax relating to items that will not be reclassified to profit or loss	54(4)	(226,142)	(112,183)
Subtotal		678,425	336,549
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	54(4)	(1,213,166)	306,359
Impairment loss for debt instruments at fair value through other comprehensive income	54(4)	20,138	(39,019)
Income tax impact relating to items that may be reclassified subsequently to profit or loss	54(4)	298,701	(66,835)
Share of other comprehensive income/(expense) of associates, net of related income tax	54(4)	16,958	(6,788)
Exchange differences arising on translation		129,685	(33,509)
Subtotal		(747,684)	160,208
Other comprehensive (expense)/income for the year, net of income tax		(69,259)	496,757
Total comprehensive income for the year		2,941,073	5,869,896
Attributable to:			
Equity holders of the Company		2,941,299	5,868,253
Non-controlling interests		(226)	1,643
		2,941,073	5,869,896

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	NOTES	As at 31 December	
		2022 RMB'000	2021 RMB'000
Cash and bank balances	18	121,862,060	90,555,816
Clearing settlement funds	20	29,106,272	25,472,872
Deposits with exchanges and financial institutions	21	4,343,234	2,655,369
Derivative financial assets	22	1,017,334	279,902
Placements to banks and financial institutions	23	–	382,833
Advances to customers	24	19,498,899	24,344,922
Account receivables	25	908,399	1,011,537
Reverse repurchase agreements	26	8,610,881	11,502,955
Financial assets at fair value through profit or loss	27	83,763,730	90,584,006
Debt instruments at fair value through other comprehensive income	28	76,862,096	58,599,581
Equity instruments at fair value through other comprehensive income	29	3,721,658	4,138,153
Debt instruments measured at amortised cost	30	3,164,972	3,594,039
Investments in associates	31	6,241,920	6,553,668
Right-of-use assets	33	639,915	774,013
Investment properties	34	265,583	352,411
Property and equipment	35	2,130,467	2,234,866
Other intangible assets	36	246,043	250,647
Goodwill	38	32,135	32,135
Deferred tax assets	39	1,908,541	1,438,838
Other assets	40	3,742,820	1,841,059
Total assets		368,066,959	326,599,622

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

		As at 31 December	
	NOTES	2022 RMB'000	2021 RMB'000
Placements from banks and financial institutions	41	8,352,456	8,485,677
Short-term financing bill payables	42	8,300,603	7,096,803
Account payables to brokerage clients	43	123,041,420	90,012,125
Repurchase agreements	44	62,299,523	62,741,993
Financial liabilities at fair value through profit or loss	45	18,539,311	16,588,356
Derivative financial liabilities	22	308,446	733,829
Contract liabilities	46	64,505	91,413
Current tax liabilities		233,603	638,543
Accrued staff costs	47	2,129,721	2,431,922
Borrowings	48	2,008,823	558,645
Lease liabilities	49	645,777	781,842
Debt securities issued	50	55,802,403	67,509,217
Deferred tax liabilities	39	77,936	19,202
Other liabilities	51	8,864,143	4,766,949
Total liabilities		290,668,670	262,456,516
Share capital	52	8,496,645	6,993,656
Other equity instrument	53	5,000,000	5,000,000
Reserves	54	55,051,415	43,003,283
Retained earnings	55	8,838,412	9,130,172
Equity attributable to equity holders of the Company		77,386,472	64,127,111
Non-controlling interests		11,817	15,995
Total equity		77,398,289	64,143,106
Total equity and liabilities		368,066,959	326,599,622

The consolidated financial statements on pages 333 to 520 were approved and authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:

Jin Wenzhong
Chairman of the Board

Lu Weiming
Executive Director

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

NOTES	Equity attributable to equity holders of the Company										
	Reserves								Non-controlling interests	Total equity	
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Subtotal	RMB'000	RMB'000
	(Note 52)	(Note 53)	(Note 54)	(Note 54)	(Note 54)	(Note 54)	(Note 54)	(Note 55)			
As at 1 January 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/(loss) for the year	-	-	-	-	-	-	-	3,010,558	3,010,558	(226)	3,010,332
Other comprehensive (expense)/ income for the year	-	-	-	-	-	(198,944)	129,685	-	(69,259)	-	(69,259)
Total comprehensive (expense)/ income for the year	-	-	-	-	-	(198,944)	129,685	3,010,558	2,941,299	(226)	2,941,073
Issuance of shares 52	1,502,989	-	11,122,255	(4,462)	-	-	-	-	12,620,782	-	12,620,782
Capital returned to non-controlling shareholders upon liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	(3,370)	(3,370)
Appropriation to surplus reserve	-	-	-	298,687	-	-	-	(298,687)	-	-	-
Appropriation to general reserve	-	-	-	-	1,106,449	-	-	(1,106,449)	-	-	-
Distribution to holders of other equity instrument 56	-	-	-	-	-	-	-	(237,500)	(237,500)	-	(237,500)
Dividends recognised as distribution 56	-	-	-	-	-	-	-	(2,124,160)	(2,124,160)	(582)	(2,124,742)
Transfer to retained earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal 29	-	-	-	-	-	(464,478)	-	464,478	-	-	-
Other	-	-	58,940	-	-	-	-	-	58,940	-	58,940
At 31 December 2022	8,496,645	5,000,000	39,534,520	4,293,542	11,135,082	100,899	(12,628)	8,838,412	77,386,472	11,817	77,398,289

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

NOTES	Equity attributable to equity holders of the Company										Non-controlling interests	Total equity
	Reserves								Subtotal			
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Retained earnings				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
(Note 52)	(Note 53)	(Note 54)	(Note 54)	(Note 54)	(Note 54)	(Note 54)	(Note 54)	(Note 55)				
As at 1 January 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 earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal	29	-	-	-	-	-	89,657	(89,657)	-	-	-	
Other	-	-	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	

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before income tax	3,378,020	6,306,834
Adjustments for:		
Interest expenses	4,045,617	4,517,636
Share of results of associates	(665,984)	(1,443,983)
Depreciation and amortisation	778,054	719,989
Impairment losses under expected credit loss model, net of reversal	832,930	1,313,633
Other impairment losses	218,726	–
(Gains)/losses on disposal of property and equipment, right-of-use assets and investment properties	(108,236)	687
Foreign exchange losses/(gains), net	178,363	(217,107)
Net realised (gains)/losses arising from disposal of associates	(2,807)	2,286
Net realised gains and income arising from financial assets at fair value through profit or loss	(372,319)	(419,796)
Net realised gains and income arising from debt instruments at fair value through other comprehensive income	(3,842,779)	(2,873,231)
Dividend income arising from equity instruments at fair value through other comprehensive income	(335,222)	(647,805)
Net realised losses/(gains) arising from financial liabilities at fair value through profit or loss	33,919	(37,684)
Net realised (gains)/losses arising from derivative financial instruments	(38)	92,916
Interest income from debt instruments measured at amortised cost	(114,447)	(161,115)
Unrealised fair value change of financial assets at fair value through profit or loss	1,117,664	(46,028)
Unrealised fair value change of financial liabilities at fair value through profit or loss	365,696	(211,854)
Unrealised fair value change of derivative financial instruments	(911,214)	269,939

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Operating cash flows before movements in working capital	4,595,943	7,165,317
Decrease/(increase) in advances to customers	4,841,427	(3,174,735)
Decrease in reverse repurchase agreements	1,570,606	1,424,854
Decrease/(increase) in placements to banks and other financial institutions	382,833	(382,833)
Decrease/(increase) in financial assets at fair value through profit or loss and derivative financial assets	10,061,536	(17,938,377)
Decrease/(increase) in restricted deposits and deposits with exchanges and financial institutions	568,409	(4,420,144)
Increase in bank balances and clearing settlement funds restricted or held on behalf of customers	(32,979,096)	(22,970,909)
Increase in account receivables and other assets	(1,802,669)	(314,508)
Increase in other liabilities and contract liabilities	3,768,085	1,207,331
Increase in account payables to brokerage clients	33,029,295	23,369,454
(Decrease)/increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	(1,068,734)	623,028
(Decrease)/increase in repurchase agreements	(578,250)	9,881,381
Decrease in placements from banks and other financial institutions	(139,000)	(1,185,490)
Cash generated from/(used in) operations	22,250,385	(6,715,631)
Income taxes paid	(1,111,038)	(1,028,930)
Interest paid	(1,377,258)	(1,713,458)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	19,762,089	(9,458,019)

(continued)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Dividends and interest received from investments	3,644,316	4,349,149
Proceeds on disposal of property and equipment and investment properties	184,218	16,080
Proceeds on disposal or redemption of:		
financial assets at fair value through profit or loss	12,959,741	21,557,816
equity instruments at fair value through other comprehensive income	1,414,050	5,335,944
debt instruments at fair value through other comprehensive income	78,546,874	51,606,911
debt instrument measured at amortised cost	403,283	2,606,202
Capital injection in associates	–	(77,350)
Purchases of:		
financial assets at fair value through profit or loss	(16,300,757)	(19,475,771)
equity instruments at fair value through other comprehensive income	(92,988)	(144,580)
debt instruments at fair value through other comprehensive income	(96,693,709)	(47,056,672)
debt instrument measured at amortised cost	–	(50,000)
Purchases of property and equipment and other intangible assets	(306,670)	(443,308)
Payments for right-of-use assets	(3,577)	(2,450)
Proceeds from disposal of or capital reduction from associates	224,249	270,512
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(16,020,970)	18,492,483

(continued)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

		Year ended 31 December	
	NOTES	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES			
Proceeds from H and A shares issued		12,715,329	–
Proceeds from issuance of debt securities, short-term financing bill payables and income certificates designated at fair value through profit and loss	66	38,347,584	35,601,653
Repayments on debt securities issued, short-term financing bill payables and income certificates designated at fair value through profit and loss	66	(46,608,566)	(37,126,878)
Proceeds from borrowings	66	3,177,276	2,139,963
Repayments of borrowings	66	(1,747,283)	(2,393,712)
Repayments of lease liabilities	66	(348,386)	(331,029)
Dividends paid to ordinary shareholders	66	(2,124,742)	(1,751,030)
Dividends paid to holders of other equity instrument	66	(237,500)	(237,500)
Transaction costs paid on issue of H and A shares		(94,547)	–
Interest paid on debt securities issued, short-term financing bill payables and income certificates designated at fair value through profit and loss	66	(2,858,156)	(2,720,175)
Interest paid on borrowings	66	(31,778)	(39,466)
Interest paid on lease liabilities	66	(25,179)	(30,804)
Payments on capital returned to non-controlling shareholders		(3,370)	(11,325)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		160,682	(6,900,303)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,901,801	2,134,161
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		21,937,713	19,984,516
Effect of foreign exchange rate changes		315,020	(180,964)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	19	26,154,534	21,937,713
Net cash generated from/(used in) operating activities including:			
Interest received		3,135,392	3,200,176
Interest paid		(1,377,258)	(1,713,458)

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

2. APPLICATION OF AMENDMENTS TO 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 Group’s annual period beginning on 1 January 2022 for the preparation of the 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO 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(including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
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 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these consolidated financial statements is 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 *Leases* ("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* ("IAS 36").

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 the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

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 loss 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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 the 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 the 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") or, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Goodwill *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Investments in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group applies the exemptions under IAS 28 *Investments in Associates and Joint Ventures* from applying the equity method when the investment in the associate is held by, or is held indirectly through venture capital organisations. The exemption is elected at inception on an investment-by-investment basis. Those investments in associates may be measured at fair value through profit or loss in accordance with IFRS 9 and presented within "Financial assets at fair value through profit or loss".

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 a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Investments in associates *(Continued)*

Changes in the Group's interests in associates

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.

Acquisition of additional interests in associates

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

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 of IFRS 16 or arising from business combinations, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Leases (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use 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 are 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”.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Leases (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. 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 sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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, including costs of testing whether the related assets is functioning properly 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.

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.

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 the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Property and equipment *(Continued)*

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Internally-generated intangible assets – research and development expenditure *(Continued)*

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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)*

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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Cash and cash equivalents *(Continued)*

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 18.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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. Settlements of monetary items which formed part of net investment in foreign operations without changes in the Group's ownership interests is not considered as partial disposals.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains and losses".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 and other long-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 other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant period.

Annuity scheme

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Taxation *(Continued)*

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 first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the 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 by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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* ("IFRS 3") 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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. 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 designated as 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 earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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)

(iii) Equity instruments designated as at FVTOCI *(Continued)*

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.

(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, reverse repurchase 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. Assessments 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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)*

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- 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 eight years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 debt instruments at FVTOCI, the Group recognises an impairment gain or loss in profit or loss by adjusting their carrying amount. For all other financial assets that are subject to ECL, 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 earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 changes 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 earnings 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, debt securities issued and repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments (Continued)

Embedded derivatives (Continued)

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.

Repurchase agreements and reverse repurchase 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 “Repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “Reverse repurchase agreements”. Repurchase agreements and reverse repurchase 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 or equity instruments at FVTOCI. The corresponding fee income was recorded in commission and fee income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 or 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

Variable consideration (Continued)

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.

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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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)

Commission and fee income *(Continued)*

- (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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, 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 judgements in applying accounting policies

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes, funds and limited partnerships where the Group involves as manager, the Group considers whether it has the power over the structured entities and assesses whether the combination of investments it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes, funds and limited partnerships that is of such significance that it indicates the Group controlled the structured entities. The collective asset management schemes, funds and limited partnerships are consolidated if the Group acts in the role of principal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(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 stock-pledged reverse repurchase agreements

The Group estimates the amount of loss allowance for ECL on stock-pledged reverse repurchase agreements. The estimation of the ECL involves high degree of uncertainty.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued)*

Impairment of stock-pledged reverse repurchase agreements (Continued)

Significant increase in credit risk and credit-impaired financial asset

ECL are measured either at 12m ECL or lifetime ECL. An asset moves to the stage of lifetime ECL (not credit-impaired) when its credit risk has increased significantly since initial recognition, and it moves to the stage of lifetime ECL (credit-impaired) 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.

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.

Probability of default

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued)*

Impairment of stock-pledged reverse repurchase agreements (Continued)

Loss given default

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 the 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 39.

5. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter referred 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 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 CODM, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SEGMENT REPORTING *(Continued)*

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

- (a) Securities sales and trading, which primarily includes 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 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 investments;
- (c) 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;
- (d) Investment banking, which primarily includes commissions and fees earned from equity underwriting and sponsorship, debt underwriting and financial advisory services;
- (e) Headquarters and other, which includes 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 2022 and 2021.

Segment profit/loss represents the profit earned/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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SEGMENT REPORTING (Continued)

The segment information provided to the CODM for the operating segments for the years ended 31 December 2022 and 2021 are as follows:

Operating segment

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and other RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the year ended 31 December 2022								
Segment revenue and results								
Segment revenue and net investment gains	5,248,676	3,066,257	5,833,447	1,933,328	1,948,101	18,029,809	(1,565,382)	16,464,427
Segment other income, gains and losses, net	200,912	134,104	6,482,234	25,111	(198,691)	6,643,670	(734)	6,642,936
Segment revenue, other income and net gains and losses	5,449,588	3,200,361	12,315,681	1,958,439	1,749,410	24,673,479	(1,566,116)	23,107,363
Segment expenses	(2,080,324)	(1,895,117)	(10,932,976)	(1,233,889)	(4,361,840)	(20,504,146)	108,819	(20,395,327)
Segment results	3,369,264	1,305,244	1,382,705	724,550	(2,612,430)	4,169,333	(1,457,297)	2,712,036
Share of results of associates	65,489	648,528	3,911	-	(51,944)	665,984	-	665,984
Profit/(loss) before income tax	3,434,753	1,953,772	1,386,616	724,550	(2,664,374)	4,835,317	(1,457,297)	3,378,020
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	50,130	86,346	304,415	49,180	287,983	778,054	-	778,054
Charge for/(reversal of) impairment losses	100,954	(299)	946,526	152	4,323	1,051,656	-	1,051,656
Capital expenditure	173	50,165	279,629	11,302	201,312	542,581	-	542,581
As at 31 December 2022								
Segment assets and liabilities								
Segment assets	149,725,659	14,090,848	173,123,944	2,556,851	55,714,739	395,212,041	(27,145,082)	368,066,959
Segment liabilities	86,888,306	2,060,521	134,282,385	731,761	74,664,352	298,627,325	(7,958,655)	290,668,670

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. SEGMENT REPORTING (Continued)

Operating segment (Continued)

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and other RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the year ended 31 December 2021								
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, net	63,325	55,149	8,529,065	2,338	281,218	8,931,095	(49,747)	8,881,348
Segment revenue, other income and net gains and losses	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 results	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
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)/charge 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
As at 31 December 2021								
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

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 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Commission on securities broking, dealing and handling fee income	2,666,376	3,362,383
Commission on futures and options contracts broking, dealing and handling fee income	1,027,028	938,431
Asset and fund management fee income	2,848,766	3,834,990
Underwriting, sponsors and financial advisory fee income	1,788,634	1,781,302
Consultancy fee income	185,599	122,112
Other	362,149	359,849
	8,878,552	10,399,067

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) Asset management

The Group provides asset management service 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 also be entitled to a performance fee when meeting certain criteria 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. COMMISSION AND FEE INCOME *(Continued)*

(3) 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. The revenue is recognised over time.

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	
	2022 RMB'000	2021 RMB'000
Advances to customers	1,237,478	1,436,646
Reverse repurchase agreements	145,360	205,500
Deposits with exchanges and financial institutions and bank balances	1,679,099	1,518,677
Interest income from debt instruments measured at amortised cost	113,135	161,115
Interest income from debt instruments at FVTOCI	2,506,589	2,656,623
Other	4,133	2,825
	5,685,794	5,981,386

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net realised gains/(losses) from disposal of associates	2,807	(2,286)
Net realised gains from disposal of debt instruments at FVTOCI	1,336,190	216,608
Net realised (losses)/gains from disposal of financial assets at FVTPL	(727,127)	928,088
Net realised gains arising from financial liabilities at FVTPL	23,897	202,778
Net realised gains arising from disposal of debt instrument measured at amortised cost	1,312	–
Net realised losses arising from derivative financial instruments	(339,835)	(686,923)
Dividend income from equity instruments at FVTOCI		
– relating to investments derecognised during the year	225,411	424,618
– relating to investments held at the end of the reporting period	109,811	223,187
Dividend income and interest income from financial assets at FVTPL	1,839,761	2,006,988
Unrealised fair value change of financial assets at FVTPL	(1,117,664)	46,028
Unrealised fair value change of financial liabilities at FVTPL	(365,696)	211,854
Unrealised fair value change of derivative financial instruments	911,214	(269,939)
	1,900,081	3,301,001

9. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Foreign exchange (losses)/gains, net	(178,363)	217,107
Rental income	3,405	4,575
Government grants	223,021	126,728
Bulk commodity trading income	6,428,079	8,470,193
Other	166,794	62,745
	6,642,936	8,881,348

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation of property and equipment	282,144	268,333
Depreciation of right-of-use assets	350,183	332,645
Depreciation of investment properties	11,439	1,829
Amortisation of other intangible assets	134,288	117,182
	778,054	719,989

11. STAFF COSTS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, bonus and allowances	3,766,666	4,178,003
Social welfare	689,177	576,598
Contributions to annuity schemes	182,270	239,429
	4,638,113	4,994,030

Note: The domestic employees of the Group in the PRC participate in state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Apart from participating in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity schemes at fixed rates of the employees' salary and bonus for the period. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Securities and futures broking and dealing expenses	608,657	683,781
Underwriting, sponsors and financial advisory fee expenses	55,373	76,526
Other service expenses	180,469	238,564
	844,499	998,871

13. INTEREST EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Account payables to brokerage clients	128,999	113,090
Repurchase agreements	1,353,382	1,473,946
Borrowings	34,008	30,086
Placements from banks and financial institutions	87,593	93,598
Short-term financing bill payables	227,128	224,243
Debt securities issued	2,188,818	2,552,458
Lease liabilities	25,689	30,215
	4,045,617	4,517,636

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Advisory expenses	132,666	131,702
Auditor's remuneration	8,055	8,226
Business travel expenses	85,354	102,664
Communication expenses	226,943	219,775
Electronic equipment operating expenses	297,235	271,429
Entertainment expenses	110,946	139,263
Administrative expenses	373,287	434,838
Operating lease rentals in respect of short-term leases and low value assets	16,953	33,722
Products distribution expenses	847,178	1,033,303
Securities and futures investor protection funds	61,862	72,493
Stock exchange management fees	102,554	91,313
Sundry expenses	192,283	149,713
Tax and surcharges	81,490	100,876
Donation	24,773	39,594
Bulk commodity trading expenses	6,472,810	8,318,557
Other	2,999	8,324
	9,037,388	11,155,792

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Expected credit losses in respect of		
– Reverse repurchase agreements	767,458	1,318,267
– Advances to customers	733	2,923
– Account receivables and other receivables	4,758	17,773
– Debt instruments at FVTOCI	60,098	(24,894)
– Debt instruments measured at amortised cost	(117)	(436)
	832,930	1,313,633

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current tax:		
– PRC Enterprise Income Tax	718,186	1,114,978
– Hong Kong Profits Tax	8,575	8,552
	726,761	1,123,530
Adjustments in respect of current income tax in relation to prior years:		
– PRC Enterprise Income Tax	(20,663)	2,962
Deferred tax	(338,410)	(192,797)
	367,688	933,695

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16. INCOME TAX EXPENSE (Continued)

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%.

Under the two-tiered profits tax rates regime in Hong Kong, 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 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	
	2022 RMB'000	2021 RMB'000
Profit before income tax	3,378,020	6,306,834
Tax at the statutory tax rate of 25%	844,505	1,576,708
Effect of share of results of associates	(203,194)	(286,580)
Adjustments for prior years	(20,663)	2,962
Tax effect of expenses not deductible for tax purpose	220,386	121,170
Tax effect of income not taxable for tax purpose (Note a)	(474,287)	(478,541)
Tax effect of tax losses not recognised (Note b)	82,524	42,381
Utilisation of tax losses previously not recognised	(57,284)	(131)
Income tax at concessionary rate	(11)	(197)
Effect of different tax rates of subsidiaries operating in other jurisdictions	35,087	(5,524)
Other (Note c)	(59,375)	(38,553)
Income tax expense for the year	367,688	933,695

Note a: Income not taxable for tax purpose mainly includes interest income from government bonds.

Note b: The Group has estimated unutilised tax losses of approximately RMB832 million as at 31 December 2022 (31 December 2021: RMB807 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. Those tax losses arising from the subsidiaries in Hong Kong could be carried forward indefinitely and those arising from the entities in mainland China could be carried forward for five years.

Note c: According to the announcement on corporate income tax policy of perpetual bonds (Announcement No. 64, 2019 of the Ministry of Finance and the State Taxation Administration), when an enterprise issues perpetual bonds that meet specified conditions, the current year interest expense attributable to perpetual bond paid by the issuer is allowed to be deducted for the purpose of enterprise income tax computation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000 (Restated)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the Company	3,010,558	5,371,496
Less: profit attributable to holders of perpetual subordinated bond	(237,500)	(237,500)
Subtotal	2,773,058	5,133,996
Number of shares (in thousand):		
Number of issued shares on 1 January	6,993,656	6,993,656
Effect of A share and H share rights issue	1,011,199	100,627
Weighted average number of ordinary shares in issue	8,004,855	7,094,283
Basic earnings per share (RMB Yuan)	0.35	0.72

There were no potential dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021, thus no diluted earnings per share is presented.

During the year ended 31 December 2022, 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 year ended 31 December 2021 were restated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. CASH AND BANK BALANCES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
House accounts	24,840,675	22,802,574
including: restricted bank deposits (<i>Note a</i>)	136,837	177,611
Cash held on behalf of clients (<i>Note b</i>)	97,021,385	67,753,242
	121,862,060	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 31 December 2022 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 43*).

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash and bank balances	24,817,952	22,802,574
Clearing settlement funds	3,201,834	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	(1,720,415)	(3,958,637)
restricted bank deposits (<i>Note 18</i>)	(136,837)	(177,611)
	26,154,534	21,937,713

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	3,201,834	3,279,387
Clients	25,904,438	22,193,485
	29,106,272	25,472,872

21. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trading deposits	793,571	1,011,534
Credit deposits	41,497	54,083
Performance bonds	3,508,166	1,589,752
	4,343,234	2,655,369

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2022		
	Notional amounts RMB'000	Fair Value Assets RMB'000	Liabilities RMB'000
Interest rate derivatives			
Interest rate swaps ⁽ⁱ⁾	674,940,000	8,328	4,931
Treasury bond futures ⁽ⁱⁱ⁾	21,914,525	–	–
Collar options	204,220	–	7,233
Equity derivatives			
Stock index futures ⁽ⁱⁱⁱ⁾	9,805,390	–	672
Equity linked derivatives	24,753,845	551,075	124,570
Stock index options	12,433,694	109,451	46,263
Currency derivatives			
Foreign exchange options ⁽ⁱ⁾	2,094,581	1,667	25,332
Foreign exchange swaps ⁽ⁱ⁾	27,069,842	1,657	1,449
Foreign exchange forward	5,410,290	45,831	–
Credit derivatives			
Credit default swap	100,000	21,379	–
Other derivative instruments			
Total return swaps	4,257,833	58,446	68,099
Commodity futures ⁽ⁱⁱ⁾	57,951,047	–	–
Gold swaps	3,016,037	136,628	–
Gold forwards	2,125,140	76,935	–
Gold deferred contracts ⁽ⁱⁱ⁾	410	–	–
Commodity options	6,293,995	5,937	29,897
Standard bond forward ⁽ⁱⁱ⁾	150,000	–	–
	852,520,849	1,017,334	308,446

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

- (i) Interest rate swaps, foreign exchange swaps and foreign exchange options: Daily mark-to-market settlement arrangement was implemented for some transactions of these derivatives. Any gains or losses of the Group's position in these transactions were settled daily.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

- (ii) Treasury bond futures, commodity futures, gold deferred contracts and standard bond forward: Under the daily mark-to-market settlement arrangement, any gains or losses of the Group's position in these derivatives were settled daily and the corresponding receipts and payments were included in "clearing settlement funds".
- (iii) Stock index futures: Under the daily mark-to-market settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that SIF in Hong Kong market is not under the daily mark-to-market settlement arrangement and is presented in gross.

Details of the Group's treasury bond futures, commodity futures, gold deferred contracts and standard bond forward are set out below:

	As at 31 December			
	2022		2021	
	Notional amount RMB'000	Fair value RMB'000	Notional amount RMB'000	Fair value RMB'000
Treasury bond futures	21,914,525	32,855	11,738,716	(26,708)
Less: settlement		32,855		(26,708)
Net position of treasury bond futures		–		–
Commodity futures	57,951,047	5,442	23,268,343	10,947
Less: settlement		5,442		10,947
Net position of commodity futures		–		–
Gold deferred contracts	410	(17)	392	19
Less: settlement		(17)		19
Net position of gold deferred contracts		–		–
Standard bond forward	150,000	185	150,000	57
Less: settlement		185		57
Net position of standard bond forward		–		–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's interest rate swaps are set out below:

	As at 31 December			
	2022		2021	
	Notional amount RMB'000	Fair value RMB'000	Notional amount RMB'000	Fair value RMB'000
Interest rate swaps	674,940,000	101,314	441,025,710	(6,266)
Less: settlement		97,917		(10,839)
Net position of interest rate swaps		3,397		4,573

Details of the Group's foreign exchange swaps are set out below:

	As at 31 December			
	2022		2021	
	Notional amount RMB'000	Fair value RMB'000	Notional amount RMB'000	Fair value RMB'000
Foreign exchange swaps	27,069,842	(79,401)	39,541,654	46,794
Less: settlement		(79,609)		54,631
Net position of foreign exchange swap		208		(7,837)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's foreign exchange options are set out below:

	As at 31 December			
	2022		2021	
	Notional amount RMB'000	Fair value RMB'000	Notional amount RMB'000	Fair value RMB'000
Foreign exchange options	2,094,581	(23,670)	4,477,250	(3,834)
Less: settlement		(5)		(743)
Net position of foreign exchange options		(23,665)		(3,091)

Details of the Group's SIF are set out below:

	As at 31 December			
	2022		2021	
	Notional amount RMB'000	Fair value RMB'000	Notional amount RMB'000	Fair value RMB'000
SIF	9,805,390	(116,284)	5,979,337	96,456
Less: settlement		(115,612)		96,456
Net position of SIF		(672)		–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

23. PLACEMENTS TO BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2022 RMB'000	2021 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 varied from 0.30% to 0.45% per annum.

24. ADVANCES TO CUSTOMERS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Loans to margin clients	19,551,657	24,393,084
Less: impairment allowance	(52,758)	(48,162)
	19,498,899	24,344,922

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 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 total undiscounted market values of collaterals held in clients' margin accounts in respect of margin financing business amounted to approximately RMB64,597 million as at 31 December 2022 (31 December 2021: RMB82,142 million).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022	1,299	215	46,648	48,162
– Transfer to lifetime not credit-impaired	(162)	162	–	–
– Transfer to 12m ECL	182	(182)	–	–
– Impairment losses (reversed)/recognised	(200)	504	429	733
– Foreign exchange differences	2	–	3,861	3,863
As at 31 December 2022	1,121	699	50,938	52,758

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	18,473,192	1,027,527	50,938	19,551,657

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. ACCOUNT RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Account receivables from/related to:		
– Clearing house	66,046	79,372
– Brokers	255,539	292,798
– Asset management fee and trading seats commission	548,595	638,573
– Advisory and investment banking commission	48,490	12,052
Subtotal	918,670	1,022,795
Less: impairment allowance	(10,271)	(11,258)
	908,399	1,011,537

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	856,390	974,205
Between 1 and 2 years	45,089	32,927
Between 2 and 3 years	2,515	–
Over 3 years	4,405	4,405
	908,399	1,011,537

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 is provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022	5,405	5,853	11,258
– Impairment losses (reversed)/recognised	(1,170)	120	(1,050)
– Write off	–	(100)	(100)
– Foreign exchange differences	163	–	163
As at 31 December 2022	4,398	5,873	10,271

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. 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 2022

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	907,090	11,580	918,670

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 2022, included in the Group's account receivables balance are those with aggregate carrying amount of RMB10,236 thousand (31 December 2021: RMB9,799 thousand) which are past due as at the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. REVERSE REPURCHASE AGREEMENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Analysed by collateral type:		
– Stock	9,965,133	12,651,238
– Bonds	3,575,907	4,234,523
Subtotal	13,541,040	16,885,761
Less: impairment allowance	(4,930,159)	(5,382,806)
	8,610,881	11,502,955
Analysed by market:		
– Stock exchange	10,749,892	14,847,389
– Inter-bank market	2,791,148	2,038,372
Less: impairment allowance	(4,930,159)	(5,382,806)
	8,610,881	11,502,955

The reverse repurchase agreements are those resale agreements that qualified investors entered into with the Group with a commitment to purchase the specified assets at a future date with an agreed price.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. REVERSE REPURCHASE AGREEMENTS *(Continued)*

The following tables show reconciliation of loss allowances that have been recognised for financial assets (collateralised by stock) 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 2022	–	–	5,382,806	5,382,806
– Impairment losses recognised	–	–	767,458	767,458
– Transfer out	–	–	(1,196,286)	(1,196,286)
– Write off	–	–	(23,819)	(23,819)
As at 31 December 2022	–	–	4,930,159	4,930,159

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. REVERSE REPURCHASE AGREEMENTS (Continued)

The table below details the credit risk exposures of the Group's reverse repurchase agreements, which are subject to ECL assessment.

As at 31 December 2022

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	3,575,907	–	9,965,133	13,541,040
– Stock	–	–	9,965,133	9,965,133
– Bonds	3,575,907	–	–	3,575,907

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	–	–	12,651,238	12,651,238
– Bonds	4,234,523	–	–	4,234,523

In 2022, the gross carrying amount of the Group's reverse repurchase agreements in credit-impaired stage decreased, and the amount of ECL of this stage decreased accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Analysed by type:		
– Debt securities (<i>Note a</i>)	36,616,115	44,018,362
– Equity securities	6,205,297	9,594,626
– Funds	11,707,357	12,232,040
– Associates (<i>Note b</i>)	1,933,905	1,110,026
– Other investments (<i>Note c</i>)	27,301,056	23,628,952
	83,763,730	90,584,006
Analysed as:		
– Listed (<i>Note d</i>)	18,742,963	31,674,094
– Unlisted (<i>Note e</i>)	65,020,767	58,909,912
	83,763,730	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: This consists of 55 associates measured at fair value as at 31 December 2022 (31 December 2021: 39) and none of these associates is individually material.

Note c: 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.

Note d: Securities and funds traded on stock exchanges are included in the “Listed” category.

Note e: The unlisted debt securities and perpetual instruments were traded on inter-bank market.

As at 31 December 2022, the Group’s pledged collateral of bonds and funds included in financial assets at fair value through profit or loss in connection with its repurchase agreements and securities borrowing amounted to RMB28,779 million (31 December 2021: RMB34,958 million) and RMB2,125 million (31 December 2021: RMB626 million), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Analysed by type:		
– Government bonds	24,202,295	26,397,534
– Bonds issued by policy banks	1,686,510	323,689
– Bonds issued by commercial banks and other financial institutions	3,648,763	2,566,900
– Other debt securities (<i>Note a</i>)	47,324,528	29,311,458
	76,862,096	58,599,581
Analysed as:		
– Listed (<i>Note b</i>)	43,715,110	33,253,769
– Unlisted (<i>Note c</i>)	33,146,986	25,345,812
	76,862,096	58,599,581

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

Note b: Debt securities traded on stock exchanges are included in the “Listed” category.

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

As at 31 December 2022, the Group’s pledged collateral of bonds included in debt instruments at FVTOCI in connection with its repurchase agreements and securities borrowing amounted to RMB25,802 million (31 December 2021: RMB26,900 million) and RMB13,918 million (31 December 2021: RMB1,458 million), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

The following table shows reconciliation of loss allowances that have 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 2022	11,225	25,350	196,896	233,471
– Transfer to lifetime credit-impaired	–	(25,382)	25,382	–
– Transfer to lifetime not credit-impaired	(32)	32	–	–
– Impairment losses recognised	6,985	–	53,113	60,098
– Write off	–	–	(39,960)	(39,960)
– Foreign exchange differences	9	–	–	9
As at 31 December 2022	18,187	–	235,431	253,618

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	77,236,316	–	366,111	77,602,427

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Analysed by type:		
– Equity securities (<i>Note a</i>)	3,390,348	3,555,261
– Perpetual instruments (<i>Note b</i>)	331,310	582,892
	3,721,658	4,138,153
Analysed as:		
– Listed (<i>Note c</i>)	3,498,354	3,653,721
– Unlisted (<i>Note d</i>)	223,304	484,432
	3,721,658	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 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 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 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 RMB903 thousand (2021: cumulative losses on disposal of RMB92,237 thousand) on equity securities traded on the NEEQ, and the cumulative gains on disposal of RMB463,225 thousand (2021: cumulative losses on disposal of RMB3,246 thousand) on equity securities listed on stock exchanges, and RMB2,156 thousand (2021: cumulative gains on disposal of RMB4,792 thousand) on private equity investments have been transferred to retained earnings respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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. In 2021, 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.

Note d: The unlisted perpetual instruments were traded on inter-bank market.

As at 31 December 2022, the Group's perpetual instruments recorded in equity instruments at FVTOCI pledged as collateral for the Group's repurchase agreements amounted to RMB310 million (31 December 2021: RMB353 million), respectively.

30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Analysed by type:		
– Government bonds	957,585	957,585
– Bonds issued by commercial banks and other financial institutions	1,862,751	1,980,025
– Other debt securities (<i>Note a</i>)	344,747	656,657
Less: impairment allowance	(111)	(228)
	3,164,972	3,594,039
Analysed as:		
– Listed (<i>Note b</i>)	435,544	1,034,324
– Unlisted (<i>Note c</i>)	2,729,428	2,559,715
	3,164,972	3,594,039

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

Note b: The debt securities traded on stock exchanges are included in the "Listed" category.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022	228	–	–	228
– Impairment losses reversed	(117)	–	–	(117)
As at 31 December 2022	111	–	–	111

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	3,165,083	–	–	3,165,083

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 of 31 December 2022 and 2021, all of the Group's debt instruments measured at amortised cost are bonds that are investment grade. Therefore, these investments are considered to be low credit risk investments.

As at 31 December 2022, the Group's pledged bonds included in debt instruments measured at amortised cost as collateral in connection with its repurchase agreements and securities borrowing amounting to RMB2,777 million (31 December 2021: RMB3,374 million) and RMB223 million (31 December 2021: nil), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cost of unlisted investments in associates	2,748,867	2,970,309
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,711,779	3,583,359
Less: impairment allowance (<i>Note a</i>)	(218,726)	–
	6,241,920	6,553,668

Note a: The impairment allowance of investments in associates as at 31 December 2022 related to 2 associates invested by the Group.

At the end of each reporting period, the Group had the following significant associates accounted for using the equity method:

Name of associates	Place and date of establishment	Equity interest held by the Group as at 31 December		Principal activities
		2022	2021	
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group as at 31 December		Principal activities
		2022	2021	
海寧東證藍海併購投資合夥企業 (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
誠泰融資租賃(上海)有限公司 Chengtay Financial Leasing (Shanghai) Co., Ltd. ⁽²⁾⁽³⁾	PRC 11 September 2015	19.02%	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
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
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

* English translated names are for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. 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 associate 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) The Group's percentages of shareholdings in the investee have decreased due to capital injection by other shareholders of the investee for the year ended 31 December 2022.

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 31 December	
	2022 RMB'000	2021 RMB'000
Total assets	13,547,905	13,459,008
Total liabilities	4,158,872	4,659,654
Net assets	9,389,033	8,799,354

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Total revenue	6,787,450	9,378,533
Profit for the year	2,093,657	3,262,523
Other comprehensive income/(expenses)	46,481	(14,447)
Total comprehensive income	2,140,138	3,248,076

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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	
	2022 RMB'000	2021 RMB'000
Equity attributable to equity holders of the associate	9,389,033	8,799,354
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	3,324,542	3,115,765

Aggregate information of associates that are not individually material:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
The Group's share of (losses)/profits	(75,381)	289,772
The Group's share of other comprehensive income/(expenses)	499	(1,673)
The Group's share of total comprehensive (expenses)/income	(74,882)	288,099
Aggregate carrying amount of the Group's interests in these associates	2,917,378	3,437,903

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 years ended 31 December 2022 and 2021. Except for the structured entities the Group has consolidated as disclosed in Note 37, based on management 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 set up and managed by the Group amounted to RMB310,285 million as at 31 December 2022 (31 December 2021: RMB410,192 million). The relating asset and fund management fee income for the year ended 31 December 2022 amounted to RMB2,849 million (31 December 2021: RMB3,835 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 2022 and 2021. As at 31 December 2022, the carrying amount of the Group's interests in unconsolidated funds, asset management schemes and limited partnership were RMB3,563 million (31 December 2021: RMB4,007 million), which approximates the maximum risk exposure of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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 2022 and 2021.

As at 31 December 2022

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	2,412,242	2,412,242
Investments in associates	1,151,231	1,151,231
Total	3,563,473	3,563,473

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

The types of structured entities that the Group does not consolidate but in which it holds an interest mainly include funds, asset management schemes, limited partnership, 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, limited partnership, trust schemes and wealth management products 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 2022 and 2021.

As at 31 December 2022

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	30,710,810	30,710,810
Investments in associates	176,241	176,241
Total	30,887,051	30,887,051

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. RIGHT-OF-USE ASSETS

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
COST			
As at 1 January 2022	1,568,661	3,429	1,572,090
Additions	232,545	3,366	235,911
Deductions	(158,547)	(684)	(159,231)
Transfer during the year	6,888	–	6,888
Exchange difference	5,453	–	5,453
As at 31 December 2022	1,655,000	6,111	1,661,111
ACCUMULATED DEPRECIATION			
As at 1 January 2022	795,620	2,457	798,077
Charge for the year	348,502	1,681	350,183
Deductions	(137,081)	(678)	(137,759)
Transfer during the year	6,888	–	6,888
Exchange difference	3,807	–	3,807
As at 31 December 2022	1,017,736	3,460	1,021,196
CARRYING AMOUNT			
As at 1 January 2022	773,041	972	774,013
As at 31 December 2022	637,264	2,651	639,915

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. RIGHT-OF-USE ASSETS (Continued)

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. 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 2022, total cash outflow for leases amounted to RMB390,518 thousand (31 December 2021: RMB395,555 thousand); expense relating to short-term leases and leases of low value assets excluding short-term leases of low value assets amounted to RMB15,875 thousand and RMB1,078 thousand respectively (31 December 2021: RMB32,347 thousand and RMB1,375 thousand respectively).

As at 31 December 2022 and 2021, 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 RMB645,777 thousand were recognised as at 31 December 2022 (31 December 2021: RMB781,842 thousand) (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 2022 and 2021, the Group did not enter into leases that were not yet commenced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

34. INVESTMENT PROPERTIES

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
COST		
At beginning of the year	372,457	63,517
Transfer during the year	(13,103)	313,098
Disposal	(72,852)	(4,158)
At end of the year	286,502	372,457
ACCUMULATED DEPRECIATION		
At beginning of the year	20,046	23,056
Charge for the year	11,439	1,829
Transfer during the year	(8,881)	(4,839)
Disposal	(1,685)	–
At end of the year	20,919	20,046
CARRYING VALUES		
At beginning of the year	352,411	40,461
At end of the year	265,583	352,411

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35. 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
COST							
As at 1 January 2022	1,879,840	1,071,380	43,841	145,556	629,057	26,712	3,796,386
Additions	-	57,213	260	8,346	30,979	80,737	177,535
Disposals	(1,014)	(103,385)	(434)	(9,156)	-	-	(113,989)
Transfer during the year	6,215	69,814	-	1,599	-	(71,413)	6,215
Exchange difference	-	1,326	53	236	1,832	268	3,715
As at 31 December 2022	1,885,041	1,096,348	43,720	146,581	661,868	36,304	3,869,862
ACCUMULATED DEPRECIATION							
As at 1 January 2022	259,621	725,189	32,276	83,227	461,207	-	1,561,520
Charge for the year	60,436	143,388	3,492	15,984	58,844	-	282,144
Eliminated on disposals	(658)	(98,626)	(412)	(8,804)	-	-	(108,500)
Transfer during the year	1,993	-	-	-	-	-	1,993
Exchange difference	-	989	48	138	1,063	-	2,238
As at 31 December 2022	321,392	770,940	35,404	90,545	521,114	-	1,739,395
CARRYING VALUES							
As at 31 December 2022	1,563,649	325,408	8,316	56,036	140,754	36,304	2,130,467

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35. 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
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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
COST			
As at 1 January 2022	61,553	836,268	897,821
Additions	–	129,135	129,135
Exchange difference	–	1,728	1,728
As at 31 December 2022	61,553	967,131	1,028,684
ACCUMULATED AMORTISATION			
As at 1 January 2022	39,810	607,364	647,174
Charge for the year	–	134,288	134,288
Exchange difference	–	1,179	1,179
As at 31 December 2022	39,810	742,831	782,641
CARRYING VALUES			
As at 31 December 2022	21,743	224,300	246,043

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36. OTHER INTANGIBLE ASSETS (Continued)

	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

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 their carrying amounts. Accordingly, the management of the Group determined that there was no impairment of the trading rights as at 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 subsidiaries	Type of legal entity registered	Place of incorporation/ establishment/ operations	Equity interest held by the Group As at 31 December		Registered capital as at 31 December 2022	Principal activities
			2022	2021		
上海東證期貨有限公司 Shanghai Orient Securities Futures Co., Ltd. ⁽¹⁾⁽⁴⁾	Limited liability company	PRC	100.00%	100.00%	RMB3,800,000,000	Commodity futures brokerage, financial futures brokerage, and futures investment advisory
上海東祺投資管理有限公司 Shanghai Dongqi Investment Management Co., Ltd. *	Limited liability company	PRC	100.00%	100.00%	RMB250,000,000	Equity investment, investment management, and asset management
東證潤和資本管理有限公司 Orient Runhe Asset Management Co., Ltd. *	Limited liability company	PRC	100.00%	100.00%	RMB1,000,000,000	Equity investment, investment management, and asset management
上海東方證券資產管理有限公司 Orient Securities Asset Management Co., Ltd. ⁽¹⁾	Limited liability company	PRC	100.00%	100.00%	RMB300,000,000	Securities asset management, securities investment, and fund management
上海東方證券資本投資有限公司 Orient Securities Capital Co., Ltd. ⁽¹⁾	Limited liability company	PRC	100.00%	100.00%	RMB4,000,000,000	Private equity investment, bond investment, and related investment advisory
東方睿義(上海)投資管理有限公司 Orient Ruiyi (Shanghai) Investment Management Co., Ltd. *	Limited liability company	PRC	100.00%	100.00%	RMB1,350,000,000	Investment management and investment advisory
東方星輝(北京)投資基金管理有限公司 Orient Xinghui (Beijing) Investment Funds Management Co., Ltd. *	Limited liability company	PRC	57.95%	57.95%	RMB8,800,000	Investment management and investment advisory
海寧東方紅投資管理有限公司 Haining Orient Sun Investment Management Co., Ltd. ^{(3)*}	Limited liability company	PRC	N/A	51.00%	RMB2,000,000	Investment management and investment advisory

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Type of legal entity registered	Place of incorporation/ establishment/ operations	Equity interest held by the Group As at 31 December		Registered capital as at 31 December 2022	Principal activities
			2022	2021		
東石發展有限公司 East Milestone Company Limited	Limited liability company	Hong Kong	100.00%	100.00%	HKD3,000,000	Investment management and investment advisory
東方翌睿(上海)投資管理有限公司 Orient Securities Yirui (Shanghai) Investment Management Co., Ltd. *	Limited liability company	PRC	51.00%	51.00%	RMB2,000,000	Investment management, asset management, and industrial investment
東方弘泰資本投資(成都)有限公司 Orient Hongtai Capital Investment (Chengdu) Co., Ltd. *	Limited liability company	PRC	51.00%	51.00%	RMB30,000,000	Investment management, asset management, and project investment
Golden Power Group Limited	Limited liability company	British Virgin Islands ("BVI")	100.00%	100.00%	USD100	Equity investment and industrial investment
誠麒環球有限公司 Chengqi Global Limited *	Limited liability Company	BVI	100.00%	100.00%	USD100	Equity investment and industrial investment
東方金融控股(香港)有限公司 Orient Finance Holdings (Hong Kong) Limited ⁽¹⁾	Limited liability company	Hong Kong	100.00%	100.00%	HKD2,754,078,015	Investment holding and provision of management services
東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED	Limited liability company	Hong Kong	100.00%	100.00%	HKD1,000,000,000	Securities brokerage
東方期貨(香港)有限公司 ORIENT FUTURES (HONG KONG) LIMITED	Limited liability company	Hong Kong	100.00%	100.00%	HKD100,000,000	Futures brokerage
東方資產管理(香港)有限公司 ORIENT ASSET MANAGEMENT (HONG KONG) LIMITED	Limited liability company	Hong Kong	100.00%	100.00%	HKD100,000,000	Asset management

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Type of legal entity registered	Place of incorporation/ establishment/ operations	Equity interest held by the Group As at 31 December		Registered capital as at 31 December 2022	Principal activities
			2022	2021		
東方融資(香港)有限公司 ORIENT CAPITAL (HONG KONG) LIMITED	Limited liability company	Hong Kong	100.00%	100.00%	HKD150,000,000	Provision of corporate finance advisory services
東方信貸財務(香港)有限公司 ORIENT CREDIT FINANCE (HONG KONG) LIMITED	Limited liability company	Hong Kong	100.00%	100.00%	HKD31,000,000	Credit operations
東方鴻盛有限公司 ORIENT HONGSHENG LIMITED ⁽²⁾	Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose
ORIENT ZHISHENG LIMITED ⁽²⁾	Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose
東方智匯有限公司 ORIENT ZHIHUI LIMITED	Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose
東方證券承銷保薦有限公司 Orient Securities Investment Banking Co., Ltd. ⁽¹⁾	Limited liability company	PRC	100.00%	100.00%	RMB800,000,000	Securities underwriting and sponsor
上海東方證券創新投資有限公司 Shanghai Orient Securities Innovation Investment Co., Ltd. ^{(1)*}	Limited liability company	PRC	100.00%	100.00%	RMB7,200,000,000	Financial assets investment, securities investment, investment management and advisory
南京東證明展產業投資管理有限公司 Nanjing Orient Mingzhan Industrial Investment Management Co., Ltd. *	Limited liability company	PRC	66.00%	66.00%	RMB10,000,000	Investment management and advisory
ORIENT HUIZHI LIMITED ⁽²⁾	Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose
東方睿信有限公司 Orient Ruixin Limited	Limited liability company	Hong Kong	100.00%	100.00%	HKD10,000	Equity investment, industrial investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Type of legal entity registered	Place of incorporation/ establishment/ operations	Equity interest held by the Group As at 31 December		Registered capital as at 31 December 2022	Principal activities
			2022	2021		
東證國際金融集團有限公司 Orient Securities International Financial Group Limited	Limited liability company	Hong Kong	100.00%	100.00%	HKD2,010,000,000	Investment holding and provision of management services
東證期貨國際(新加坡)有限公司 Orient Futures International (Singapore) Pte. Ltd.	Private Company Limited by shares	Singapore	100.00%	100.00%	SGD 50,000,000	Foreign exchange brokers and dealers
東證科技(深圳)有限公司 Orient Securities Technology (Shenzhen) Co., Ltd. *	Limited liability company	PRC	100.00%	100.00%	RMB27,000,000	Software development service
Orient International Investment Products Limited	Limited liability company	BVI	100.00%	100.00%	USD1	Product investment

* These subsidiaries do not have official English names. English translated names are for identification only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

- (1) These subsidiaries are directly held by the Company.
- (2) None of the subsidiaries had issued any debt securities at the end of the year except Orient HuiZhi Limited, Orient HongSheng Limited and Orient ZhiSheng Limited.
- (3) This subsidiary had been liquidated as of 31 December 2022.
- (4) As at 31 December 2022, the registered capital and paid-in capital of this subsidiary were RMB3,800 million and RMB4,300 million, respectively. The registration process for the RMB500 million capital injection has not been completed as of the end of the reporting period.

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 holds together with its remuneration creates exposure to variability of returns from the activities of the structured entities 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 RMB4,692 million as at 31 December 2022 (31 December 2021: RMB7,521 million).

Interests in all consolidated asset management schemes, funds and limited partnership held by the Group amounted to fair value of RMB4,021 million as at 31 December 2022 (31 December 2021: RMB5,508 million). The Group held no interest in the subordinated tranche of these structured products in 2022 and 2021.

Interests held by other interest holders are mainly included in financial liabilities designated at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. GOODWILL

Impairment testing on goodwill

For the purpose of impairment testing, goodwill is related to 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 2022 and 2021 relevant to these units are as follows:

	As at 31 December	
	2022 RMB'000	2021 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

As at 31 December 2022 and 2021, management of the Group performed annual goodwill impairment test and determined that there was no impairment of the relevant CGUs as the recoverable amount of the CGUs exceeded their carrying amount respectively.

39. DEFERRED TAXATION

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred tax assets	1,908,541	1,438,838
Deferred tax liabilities	(77,936)	(19,202)
	1,830,605	1,419,636

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39. DEFERRED TAXATION (Continued)

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

	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
At 1 January 2022	(474,599)	316,795	(186,398)	1,772,688	(8,850)	1,419,636
(Charge)/credit to profit or loss	(7,931)	25,699	4,970	33,054	282,618	338,410
Credit to other comprehensive income	-	-	72,559	-	-	72,559
Transfer out upon disposal of equity instruments at FVTOCI	-	-	154,826	-	(154,826)	-
As at 31 December 2022	(482,530)	342,494	45,957	1,805,742	118,942	1,830,605
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 expense	-	-	(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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. OTHER ASSETS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Other receivables	4,475,557	2,392,097
Prepayments	233,795	172,281
Other	788,669	842,133
Less: impairment allowance	(1,755,201)	(1,565,452)
	3,742,820	1,841,059

The following table shows reconciliation of loss allowances that have been recognised for other 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 2022	4,866	–	1,560,586	1,565,452
– Impairment losses (reversed)/recognised	(1,344)	–	7,152	5,808
– Transfer in	–	–	1,196,286	1,196,286
– Write off	–	–	(1,012,361)	(1,012,361)
– Recoveries of other receivables previously written off	–	–	9	9
– Foreign exchange differences	7	–	–	7
As at 31 December 2022	3,529	–	1,751,672	1,755,201

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. OTHER ASSETS (Continued)

	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

The tables below detail the credit risk exposures of the Group's other receivables, which are subject to ECL assessment.

As at 31 December 2022

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	2,688,788	–	1,786,769	4,475,557

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Placements from banks (<i>Note a</i>)	6,341,448	6,480,155
Placements from China Securities Finance Corporation Limited (<i>Note b</i>)	2,011,008	2,005,522
	8,352,456	8,485,677

Note a: As at 31 December 2022, the effective interest rates bearing on the outstanding amount of placements from banks ranged from 1.00% to 2.60% (31 December 2021: 1.20% to 2.65%) per annum. The amount of placements from banks were repayable within six days (31 December 2021: seven days) from the end of the reporting period.

Note b: As at 31 December 2022, the effective interest rate of placements from China Securities Finance Corporation Limited ranged from 2.10% to 2.50% (31 December 2021: 2.80%) per annum. The amount of placements from China Securities Finance Corporation Ltd. were repayable within six months (31 December 2021: three months) from the end of the reporting period.

42. SHORT-TERM FINANCING BILL PAYABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Short-term commercial paper and corporate bonds (<i>Note a</i>)	8,095,027	6,958,466
Income certificates (<i>Note b</i>)	205,576	138,337
	8,300,603	7,096,803
Analysed by market:		
Stock exchange	8,095,027	6,958,466
Over the counter	205,576	138,337
	8,300,603	7,096,803

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. SHORT-TERM FINANCING BILL PAYABLES (Continued)

Note a: As at 31 December 2022 and 2021, short-term commercial paper and corporate bonds 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 2022, the yields of all the outstanding short-term financing bill payables ranged from 2.03% to 2.38% per annum (31 December 2021: 2.68% 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 2022, the yields of all the outstanding income certificates ranged from 2.25% to 2.95% per annum (31 December 2021: 2.1% to 4.2%), respectively.

43. 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 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 2022, approximately RMB3,149 million (31 December 2021: RMB2,770 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

44. REPURCHASE AGREEMENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Analysed by collateral type		
– Bonds	53,441,494	54,201,916
– Funds	1,437,900	4,441,581
– Advances to customers	200,159	3,786,682
– Gold	6,911,917	–
– Perpetual instruments	308,053	311,814
	62,299,523	62,741,993
Analysed by market		
– Stock exchanges	21,183,237	28,542,159
– Inter-bank market	31,852,424	27,344,526
– Over the counter	9,263,862	6,855,308
	62,299,523	62,741,993

Sales and repurchase agreements are transactions in which the Group sells a financial asset and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase price is fixed and the Group is still exposed to substantially all the risks and rewards of the financial asset sold. The financial asset is not derecognised from the consolidated financial statements but is regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of the financial asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Debt securities	8,956,988	1,976,300
Gold borrowings	3,210,032	9,103,247
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities (<i>Note a</i>)	670,653	2,012,657
– Income certificates (<i>Note b</i>)	4,749,492	2,674,736
– Other (<i>Note c</i>)	952,146	821,416
	18,539,311	16,588,356

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.

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

Note c: Other mainly includes the structured note issued by a subsidiary of the Group. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

46. CONTRACT LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Asset and fund management services	8,250	8,211
Investment banking services	31,864	34,030
Sales of bulk commodity	24,391	49,172
	64,505	91,413

	Asset and fund management services RMB'000	Investment banking services RMB'000	Sales of bulk commodity RMB'000
For the year ended 31 December 2022 Revenue recognised that was included in the contract liability balance at the beginning of the year	8,211	24,443	49,172

	Asset and fund management services RMB'000	Investment banking 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	16,923	363,183

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

47. ACCRUED STAFF COSTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, bonus and allowances	2,077,839	2,408,657
Social welfares	936	1,203
Annuity schemes	50,946	22,062
	2,129,721	2,431,922

48. BORROWINGS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Unsecured short-term borrowings repayable within one year	1,171,563	558,645
Unsecured long-term borrowings repayable after one year	837,260	–
	2,008,823	558,645
<i>of which:</i>		
Floating rate borrowings		
– repayable within one year at interest rates ranging from 5.52% to 6.02% (31 December 2021: 1.40% to 1.99%)	911,240	500,580
– repayable after one year at a floating rate of 1 month SOFR plus 1.5% per annum (31 December 2021: None)	837,260	–
Fixed rate borrowings		
– repayable within one year at interest rates ranging from 3.95% to 4.50% (31 December 2021: 4.00% to 4.85%)	260,323	58,065
	2,008,823	558,645

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

49. LEASE LIABILITIES

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Lease liabilities payable:		
Within three months	100,445	83,029
Within a period of more than three months but not more than one year	250,763	222,425
Within a period of more than one year but not more than two years	175,288	276,507
Within a period of more than two years but not more than three years	78,859	127,906
Within a period of more than three years but not more than five years	37,390	65,595
Within a period of more than five years	3,032	6,380
	645,777	781,842

50. DEBT SECURITIES ISSUED

	As at 31 December 2022 RMB'000	2021 RMB'000
Corporate bonds	36,463,074	36,429,599
Subordinated bonds	13,292,467	20,601,787
Offshore bonds	6,045,793	10,109,205
Income certificates (<i>Note a</i>)	1,069	368,626
	55,802,403	67,509,217

Note a: The amount represents income certificates issued by the Company with maturities of more than one year. As at 31 December 2022, the outstanding income certificates carried yield from 2.55% to 2.85% (31 December 2021: 3.40%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. DEBT SECURITIES ISSUED (Continued)

Issues	Currency	Issue amount (Original currency in million)	Issue amount (RMB in million)	Issue date	Maturity date	Coupon rate
17-3 Corporate Bond	RMB	4,000	4,000	03/08/2017	03/08/2027	4.98%
20-2 Corporate Bond	RMB	4,000	4,000	18/06/2020	18/06/2023	3.45%
20-3 Corporate Bond	RMB	4,000	4,000	19/08/2020	19/08/2023	3.50%
20-4 Corporate Bond	RMB	3,500	3,500	28/09/2020	28/09/2023	3.75%
20-5 Corporate Bond	RMB	3,500	3,500	04/11/2020	04/11/2023	3.65%
21-1 Corporate Bond	RMB	4,000	4,000	27/01/2021	27/01/2024	3.60%
21-2 Corporate Bond	RMB	4,000	4,000	24/11/2021	24/11/2024	3.08%
22-1 Corporate Bond	RMB	2,000	2,000	21/07/2022	21/07/2025	2.79%
22-2 Corporate Bond	RMB	1,500	1,500	21/07/2022	21/07/2027	3.18%
22-3 Corporate Bond	RMB	2,000	2,000	25/08/2022	25/08/2027	3.00%
22-4 Corporate Bond	RMB	3,500	3,500	14/12/2022	14/12/2025	3.40%
Subtotal			36,000			
21-1 Orient Subordinated Bond	RMB	2,500	2,500	08/03/2021	08/03/2024	3.95%
21-2 Orient Subordinated Bond	RMB	3,000	3,000	16/04/2021	16/04/2024	3.70%
21-3 Orient Subordinated Bond	RMB	1,500	1,500	16/04/2021	16/04/2026	4.20%
22-1 Orient Subordinated Bond	RMB	2,500	2,500	13/01/2022	13/01/2025	3.16%
22-2 Orient Subordinated Bond	RMB	3,500	3,500	21/10/2022	21/10/2024	2.53%
Subtotal			13,000			
20 Offshore USD Bond	USD	160	1,114	13/10/2020	13/10/2023	2.40%
22 Offshore EUR Bond	EUR	100	742	05/05/2022	05/05/2025	1.75%
22-1 Offshore USD Bond	USD	300	2,089	17/05/2022	17/05/2025	3.50%
22-2 Offshore USD Bond	USD	300	2,089	26/10/2022	26/10/2025	5.125%
Subtotal			6,034			
Total			55,034			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

51. OTHER LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Other account payables		
– Payables for underwriting and products distribution fees	391,397	517,954
– Settlement payables	546,091	208,879
– Notes payable	248,000	525,986
Other payables and accruals		
– Value-added taxes and other taxes	119,239	148,926
– Payables for securities and futures investor protection fund	39,162	41,627
– Futures risk reserve	202,589	152,074
– Derivatives deposit received from customers	6,751,508	2,555,792
– Other	566,157	615,711
	8,864,143	4,766,949

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:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each: Year ended 31 December 2022	6,993,656	1,502,989	8,496,645
Year ended 31 December 2021	6,993,656	–	6,993,656

	Opening	Addition	Closing
Number of shares (in '000): Year ended 31 December 2022	6,993,656	1,502,989	8,496,645
Year ended 31 December 2021	6,993,656	–	6,993,656

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

52. 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"). As of 29 April 2022, 1,502,907,061 new A rights shares were issued at a price of RMB8.46 per share, raising approximately RMB12,715 million in total. The Company completed the registration at China Securities Depository and Clearing Corporation Limited Shanghai Branch on 9 May 2022, and the new A Shares were listed on the Shanghai Stock Exchange on 13 May 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 20 May 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 31 May 2022.

After the completion of the above right issues, a total of 1,502,989,489 new share were issued. The fund raised in excess of the par value of the new shares (net of issuance cost) was credited to capital reserve.

53. OTHER EQUITY INSTRUMENT

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Perpetual subordinated bond	5,000,000	5,000,000
	5,000,000	5,000,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

53. OTHER EQUITY INSTRUMENT *(Continued)*

The Company issued a perpetual subordinated bond with a principal amount of RMB5 billion in August 2020, with the initial interest rate of 4.75% per annum.

The perpetual subordinated bond is unsecured. The interest rate for perpetual subordinated bond is repriced every five years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300 basis points. The current base rate is defined as the average yield of 5 years treasury from the bond yield curve published on China Bond website 5 working days before the repricing date of interest rate. Upon the maturity of every repricing cycle, the Company has the option to extend the maturity of the bond for another repricing cycle, or redeem the bond entirely.

The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the Company may choose to defer the interest payment to the next payment date for the current year as well as all interests and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. The mandatory interest payment events are limited to dividend distributions to ordinary shareholders of the Company and reductions of registered capital within 12 months before the interest payment date.

The perpetual subordinated bond issued by the Company is classified and presented as other equity instrument in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

54. RESERVES

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value, the change of carrying amount of the Group's investments in associate other than profit or loss and other comprehensive income, 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	11,122,255	39,373,960
Other capital reserve	101,620	58,940	160,560
As at 31 December 2022	28,353,325	11,181,195	39,534,520
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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	3,148,369	298,687	3,447,056
Discretionary reserve	850,948	(4,462)	846,486
For the year ended 31 December 2022	3,999,317	294,225	4,293,542
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 issued by the Ministry of Finance of the PRC, 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 earnings since 2020.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 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 earnings and cannot be distributed or transferred to share capital.

General reserves for the Company's subsidiaries are appropriated according to relevant requirements.

The movements of general reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
General risk reserve	4,956,151	703,607	5,659,758
Transaction risk reserve	5,072,482	402,842	5,475,324
For the year ended 31 December 2022	10,028,633	1,106,449	11,135,082
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

54. RESERVES (Continued)

(4) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group are set out below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	764,321	144,398
Equity instruments at FVTOCI:		
Net fair value changes during the year	904,567	448,732
Income tax related to net fair value changes during the year	(226,142)	(112,183)
Debt instruments at FVTOCI:		
Net fair value changes during the year	123,024	522,967
Income tax related to net fair value changes during the year	(30,376)	(130,742)
Reclassification adjustment to profit or loss on disposal	(1,336,190)	(216,608)
Reclassification adjustment to profit or loss on expected credit loss	20,138	(39,019)
Income tax related to reclassification adjustment to profit or loss during the year	329,077	63,907
Share of other comprehensive income/(expense) of associates	16,958	(6,788)
Transfer to retained earnings for cumulative fair value change of equity instruments at FVTOCI upon disposal	(464,478)	89,657
At end of the year	100,899	764,321

(5) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

55. RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	9,130,172	7,494,952
Profit for the year	3,010,558	5,371,496
Appropriation to surplus reserve	(298,687)	(323,169)
Appropriation to general reserve	(1,106,449)	(1,337,536)
Dividends recognised as distribution	(2,124,160)	(1,748,414)
Cumulative fair value change transfer to retained earnings upon disposal of equity instruments at FVTOCI	464,478	(89,657)
Distribution to holders of other equity instrument	(237,500)	(237,500)
At end of the year	8,838,412	9,130,172

56. DIVIDENDS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Dividends recognised as distribution (<i>Note a</i>)	2,124,160	1,748,414
Distribution to holders of other equity instrument	237,500	237,500
	2,361,660	1,985,914

Note a: Final dividend in respect of the year ended 31 December 2021 amounting to RMB2.50 (tax inclusive) per 10 shares, totaling RMB2,124 million (2020: RMB1,748 million) was approved by shareholders in 2022 general meeting.

Final dividend in respect of the year ended 31 December 2022 amounting to RMB1.50 (tax inclusive) per 10 shares, totaling RMB1,274 million, has been approved by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

57. TRANSFERS OF FINANCIAL ASSETS

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 RMB351 million and RMB461 million as at 31 December 2022 and 2021, 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 the 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.

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a financial asset and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase price is fixed and the Group is still exposed to substantially all the risks and rewards of the financial asset sold. The financial asset is not derecognised from the consolidated financial statements but is regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of the financial asset. A financial liability is recognised for cash received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

57. TRANSFERS OF FINANCIAL ASSETS (Continued)

Repurchase agreements (Continued)

The following tables provide a summary of carrying amounts of transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2022

	Financial assets at fair value through profit or loss RMB'000	Debt instruments at FVTOCI RMB'000	Equity instruments at FVTOCI- Perpetual instruments 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	28,779,382	25,801,892	310,203	204,829	2,777,131	3,463,175	61,336,612
Carrying amount of associated liabilities	23,703,675	24,402,936	308,053	200,159	2,515,819	4,256,964	55,387,606
Net position	5,075,707	1,398,956	2,150	4,670	261,312	(793,789)	5,949,006

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- Perpetual instruments 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	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2022 and 2021 are set out below:

For the year ended 31 December 2022

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 ^(b)	-	990	162	2,996	4,148
Lu Weiming ^(c)	-	940	161	2,664	3,765
Non-executive Directors:					
Yu Xuechun ^(d)	-	-	-	-	-
Zhou Donghui	-	-	-	-	-
Cheng Feng ^(d)	-	-	-	-	-
Ren Zhixiang ^(d)	-	-	-	-	-
Zhu Jing ^(e)	-	866	162	1,756	2,784
Liu Wei ^(f)	-	-	-	-	-
Independent Non-executive Directors:					
Jin Qinglu	190	-	-	-	190
Wu Hong	190	-	-	-	190
Feng Xingdong	160	-	-	-	160
Luo Xinyu ^(g)	160	-	-	-	160
Chan Hon ^(h)	27	-	-	-	27
Xu Zhiming ⁽ⁱ⁾	160	-	-	-	160

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2022 and 2021 are set out below: (Continued)

For the year ended 31 December 2022 (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:					
Du Weihua	-	785	161	2,432	3,378
Wu Junhao ⁽ⁱ⁾	-	-	-	-	-
Zhang Jian ^(k)	-	-	-	-	-
Shen Guangjun ^(k)	-	-	-	-	-
Tong Jie	-	-	-	-	-
Xia Lijun ^(k)	100	-	-	-	100
Ruan Fei ^(k)	-	820	162	1,504	2,486
Ding Yan ^(k)	-	787	159	1,648	2,594
Zhang Qian ⁽ⁱ⁾	-	-	-	-	-
	987	5,188	967	13,000	20,142

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2022 and 2021 are set out below: (Continued)

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 ^(b)	–	993	226	2,102	3,321
Non-executive Directors:					
Yu Xuechun ^(d)	–	–	–	–	–
Liu Wei ^(f)	–	–	–	–	–
Zhou Donghui	–	–	–	–	–
Cheng Feng ^(d)	–	–	–	–	–
Ren Zhixiang ^(d)	–	–	–	–	–
Zhu Jing ^(e)	–	660	226	2,115	3,001
Wu Junhao ⁽ⁱ⁾	–	–	–	–	–
Li Xiang ^(m)	–	–	–	–	–
Xia Jinghan ^(m)	–	–	–	–	–
Xu Jianguo ^(m)	–	–	–	–	–
Independent Non-executive Directors:					
Xu Zhiming ⁽ⁱ⁾	160	–	–	–	160
Jin Qinglu	190	–	–	–	190
Wu Hong	190	–	–	–	190
Feng Xingdong	160	–	–	–	160
Luo Xinyu ^(g)	107	–	–	–	107
He Xuan ⁽ⁿ⁾	40	–	–	–	40

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2022 and 2021 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 ^(l)	—	—	—	—	—
Du Weihua	—	793	213	2,544	3,550
Wu Junhao ^(l)	—	—	—	—	—
Zhang Jian ^(k)	—	—	—	—	—
Shen Guangjun ^(k)	—	—	—	—	—
Tong Jie	—	—	—	—	—
Xia Lijun ^(k)	83	—	—	—	83
Ruan Fei ^(k)	—	615	226	1,853	2,694
Ding Yan ^(k)	—	585	217	1,675	2,477
Huang Laifang ^(o)	—	—	—	—	—
Liu Wenbin ^(o)	—	—	—	—	—
Yin Keding ^(o)	—	—	—	—	—
Wu Zhengkui ^(o)	—	—	—	—	—
Zhou Wenwu ^(o)	—	205	—	30	235
Yao Yuan ^(o)	—	212	—	30	242
	930	4,063	1,108	10,349	16,450

* The amount of director fee was nil, except for the independent director fee and supervisor fee disclosed.

- Song Xuefeng was appointed as director in March 2021.
- Jin Wenzhong was appointed as chairman of the board in March 2021.
- Lu Weiming was appointed as director in June 2022.
- Yu Xuechun, Cheng Feng and Ren Zhixiang were appointed as director in March 2021.
- Zhu Jing was appointed as director in March 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

- f. Liu Wei resigned as director in March 2022.
- g. Luo Xinyu was appointed as independent director in May 2021.
- h. Chan Hon was appointed as independent director in November 2022.
- i. Xu Zhiming resigned as independent director in November 2022.
- j. Wu Junhao resigned as director in March 2021, and was appointed as supervisor in March 2021.
- k. Zhang Jian, Shen Guangjun, Xia Lijun, Ruan Fei and Ding Yan were appointed as supervisor in March 2021.
- l. Zhang Qian resigned as chairman of the supervisory board in September 2022.
- m. Li Xiang, Xia Jinghan and Xu Jianguo resigned as director in March 2021.
- n. He Xuan resigned as independent director in March 2021.
- o. Huang Laifang, Liu Wenbin, Yin Keding, Wu Zhengkui, Zhou Wenwu and Yao Yuan resigned as supervisor in March 2021.

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 determined by reference to the Group's/Company's and the individuals' performance. The amounts of bonus paid and disclosed for the year ended 31 December 2022 relate to performance bonus in 2021.

For the years ended 31 December 2022 and 2021, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

59. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 58 (2021: None). Details of the remuneration of the five highest paid employees during the year ended 2022 and 2021 are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries and allowances	11,540	9,799
Discretionary bonuses	31,508	47,511
Employer's contribution to pension schemes	966	1,600
	44,014	58,910

Bonuses are discretionary and determined by reference to the Group's/Company'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 years ended 31 December 2022 and 2021.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
– RMB8,500,001 to RMB9,000,000	5	–
– RMB9,500,001 to RMB10,000,000	–	2
– RMB10,500,001 to RMB11,000,000	–	1
– RMB12,500,001 to RMB13,000,000	–	1
– RMB15,500,001 to RMB16,000,000	–	1
	5	5

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

60. COMMITMENTS AND CONTINGENT LIABILITY

Capital commitments

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of property and equipment:		
Contracted but not provided for	27,269	38,384

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related party

Major shareholder of the Company

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 31 December	
	2022 %	2021 %
申能(集團)有限公司 Shenergy (Group) Company Limited	26.63	25.27

Associates

The details of the associates of the Group are set out in Note 31.

Others

The Directors and Supervisors of the Company have been appointed as directors or senior management of these related parties as at 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

(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 2022 and 2021, the Group had the following material balances with the major shareholder and entities under its control:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Account payables to brokerage clients		
– Shenergy Group Finance Company Limited*	–	4,622
– Shanghai Dazhong Gas Co., Ltd.*	1,749	4
– Shanghai Jiu Lian Group Co., Ltd.*	1,856	491
– Shenergy (Group) Company Limited	506	10,282
– Shanghai Shenergy Property Management Co., Ltd.*	14	14
– Shanghai Gas (Group) Co., Ltd.*	7,705	1
– Shanghai Shenergy Innovation & Development Co., Ltd.*	5	617
– Shenergy Company Limited	12	–
Other account payables		
– Shanghai Gas Co., Ltd.*	1,472	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the years ended 31 December 2022 and 2021, the Group had the following material transactions with the major shareholder and entities under its control:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Commission and fee income		
– Shenergy Company Limited	606	666
– Shenergy (Group) Company Limited	383	4,717
– Shanghai Gas Co., Ltd.*	–	1,500
– Shenergy Group Finance Company Limited*	3	103
– Shanghai Jiu Lian Group Co., Ltd.*	26	43
– Shanghai Shenergy Financial Leasing Co., Ltd.*	167	870
– Shanghai International Superconducting Technology Co., Ltd.*	–	566
– Shanghai Liquefied Natural Gas Co., Ltd.*	1,820	1,161
– Shanghai Shenergy Innovation & Development Co., Ltd.*	18	–
– Shanghai Hydrochen New Energy Technology Co., Ltd.*	94	–
Interest expenses		
– Shanghai Dazhong Gas Co., Ltd.*	3	15
– Shenergy Group Finance Company Limited*	5	32
– Shanghai Gas (Group) Co., Ltd.*	12	12
– Shenergy (Group) Company Limited	352	49
– Shenergy Company Limited	12	27
– Shanghai Jiu Lian Group Co., Ltd. *	53	68
– Shanghai Shenergy Innovation & Development Co., Ltd.*	46	1
Other operating expenses		
– Shanghai Shenergy Property Management Co., Ltd.*	19,203	19,899
– Shanghai Dazhong Gas Co., Ltd.*	251	253

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
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.*	13,003	2,120
– Chengtay Financial Leasing (Shanghai) Co., Ltd	599	597
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	–	483
– Chengdu Jiaozi Oriental Investment Development Partnership LLP.*	73	–
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP.*	9,849	9,849
– China Universal	2,336	3,342
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	–	5,920
Other account payables		
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	1,814	1,814
– Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP.*	308	308

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets at FVTPL		
– China Universal	529,456	959,943
– Shanghai Dongkai Capital Co., Ltd. *	129,447	151,716

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets at FVTPL		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	40,240	88,817
Debt instruments at FVTOCI		
– Chengtay Financial Leasing (Shanghai) Co., Ltd	100,462	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

For the years ended 31 December 2022 and 2021, the Group had the following material transactions with associates:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Commission and fee income		
– China Universal	215,617	329,401
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	–	5,695
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	141	236
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	11,815	8,799
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	28,178	5,585
– Chengdu Jiaozi Oriental Investment Development Partnership LLP. *	5,151	8,491
– Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. *	5,849	4,537
– Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP.*	925	894
– Haining Chunqiu Investment Partnership LLP.	3,495	6,976
Interest income		
– Chengtay Financial Leasing (Shanghai) Co., Ltd	407	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

For the years ended 31 December 2022 and 2021, the Group had the following material transactions with associates: (Continued)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest expenses		
– China Universal	7	8
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	–	72
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	11	6
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	69	1
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	2	2
– Chengdu Jiaozi Oriental Investment Development Partnership LLP. *	119	–
Net investment gains		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	4,548	1,037
– Shanghai Dongkai Capital Co., Ltd. *	12,060	13,682
Other operating expenses		
– Hangzhou Shuxing Technology Co., Ltd. *	1,726	2,232

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Account payables to brokerage clients		
– Shanghai Construction Group., Ltd.	N/A	246
– Shanghai Shangbao Asset Management Co., Ltd.	3	3
– Greenland Group	N/A	4
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	1	–
– Zhejiang Energy Capital Holdings Limited*	1	–
Other receivables		
– Great Wall Fund Management Co., Ltd.	28	–
Other account payables		
– Haitong Securities Co., Ltd.	3	10
– China Zheshang Bank Co., Ltd.	1,045	507

As at 31 December 2022 and 2021, the Group had the following material balances of products managed by other related parties:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets at FVTPL		
– Great Wall Fund Management Co., Ltd.	100,444	–
– Huatai Baoxing Fund Management Co., Ltd.	7,181	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets at FVTPL		
– Great Wall Fund Management Co., Ltd.	228,466	230,498
– Haitong Securities Co., Ltd.	5	2,327
– Shanghai Construction Group., Ltd.	N/A	222,866
– China Pacific Insurance (Group) Co., Ltd.	–	1,641
– Greenland Group	N/A	248
– Shanghai Qizhong Garden Golf Club.	42,000	20,134
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	–	84
– Jiangsu Financial Leasing Co., Ltd.	N/A	97
– China Zheshang Bank Co., Ltd.	128	256
– East Money Information Co., Ltd.	9,096	33,285
– Shanghai Sanyou Medical Co., Ltd.	–	59,999
– China Securities Credit Investment Co., Ltd.	410,000	N/A
Equity instruments at FVTOCI		
– China Securities Credit Investment Co., Ltd.	41,055	N/A
Debt instruments at FVTOCI		
– China Pacific Property Insurance Co., Ltd.	104,434	106,213
– Shanghai Shangbao Asset Management Co., Ltd.	–	40,445

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the years ended 31 December 2022 and 2021, the Group had the following material transactions with other related parties:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Commission and fee income		
– Great Wall Fund Management Co., Ltd.	5,442	4,479
– Shanghai Construction Group., Ltd.	N/A	4,099
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	–	15
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	433	54
– Shanghai Shangbao Asset Management Co., Ltd.	–	426
– Zhejiang Energy Capital Holdings Limited*	–	109
– Huatai Baoxing Fund Management Co., Ltd.	300	–
Interest income		
– China Pacific Property Insurance Co., Ltd.	4,798	4,824
– Shanghai XinHua Distribution Group Co., Ltd.	N/A	1,167
– Shanghai Shangbao Asset Management Co., Ltd.	81	1,547
– Zhejiang Energy Group CP Ltd.	N/A	1
Net investment gains/(losses)		
– Shanghai Construction Group., Ltd.	N/A	7,971
– Haitong Securities Co., Ltd.	(406)	(2,691)
– Great Wall Fund Management Co., Ltd.	12,513	8,780
– China Pacific Insurance (Group) Co., Ltd.	(103)	2,930
– Greenland Group	N/A	(39)
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	(13)	(53)
– Jiangsu Financial Leasing Co., Ltd.	N/A	(77)
– China Zheshang Bank Co., Ltd.	(32)	(6)
– Shanghai Sanyou Medical Co., Ltd.	–	133
– East Money Information Co., Ltd.	(2,922)	4,930
– Zhejiang Energy Group CP Ltd.	N/A	(9)
– China Securities Credit Investment Co., Ltd.	15,585	N/A
– Huatai Baoxing Fund Management Co., Ltd.	343	–
– Shanghai Shangbao Asset Management Co., Ltd.	271	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

61. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the years ended 31 December 2022 and 2021, the Group had the following material transactions with other related parties: (Continued)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest expenses		
– Shanghai Construction Group., Ltd.	N/A	246
– Shanghai Shangbao Asset Management Co., Ltd.	–	1
– Greenland Group	N/A	5
– Zhejiang Energy Capital Holdings Limited*	23	19
– China Zheshang Bank Co., Ltd.	100	–
Other operating expenses		
– China Pacific Property Insurance Co., Ltd.	400	436
– Haitong Securities Co., Ltd.	87	85
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	660	6
– East Money Information Co., Ltd.	943	1,604
– China Zheshang Bank Co., Ltd.	539	645
Commission and fee expenses		
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	69	9

* These companies do not have official English names. English translated names are for identification only.

(3) Key management personnel

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Short-term benefits:		
Salaries, allowance and bonuses	30,750	32,895
Post-employment benefits:		
Employer's contribution to pension schemes/annuity plans	1,344	2,172
	32,094	35,067

The amounts of bonus paid and disclosed for the year ended 31 December 2022 relate to performance bonus in 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash and bank balances	33,551,974	33,889,308
Clearing settlement funds	9,081,227	8,015,637
Deposits with exchanges and financial institutions	2,470,494	1,360,911
Derivative financial assets	1,005,692	214,017
Placements to banks and financial institutions	–	382,833
Advances to customers	19,145,313	24,011,204
Account receivables	207,349	291,215
Reverse repurchase agreements	8,391,822	9,970,767
Financial assets at fair value through profit or loss	65,810,350	69,426,257
Debt instruments at fair value through other comprehensive income	76,329,251	58,599,581
Equity instruments at fair value through other comprehensive income	3,661,774	4,070,366
Debt instruments measured at amortised cost	3,164,972	3,594,039
Investments in associates	3,343,431	3,312,436
Investments in subsidiaries	19,173,304	16,723,304
Right-of-use assets	412,478	473,034
Investment properties	32,540	38,445
Property and equipment	1,951,263	2,060,725
Other intangible assets	176,386	192,939
Goodwill	18,948	18,948
Deferred tax assets	1,622,758	1,202,400
Other assets	3,298,558	1,089,034
Total assets	252,849,884	238,937,400

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

62. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Placements from banks and financial institutions	8,352,456	8,485,677
Short-term financing bill payables	8,298,911	7,094,595
Account payables to brokerage clients	28,526,831	27,718,875
Repurchase agreements	60,147,737	59,673,367
Financial liabilities at fair value through profit or loss	16,671,261	12,228,975
Derivative financial liabilities	307,276	672,180
Contract liabilities	991	—
Current tax liabilities	—	78,183
Accrued staff costs	412,420	679,483
Lease liabilities	406,449	465,782
Debt securities issued	52,573,976	61,691,688
Other liabilities	6,740,511	2,725,992
Total liabilities	182,438,819	181,514,797
Share capital	8,496,645	6,993,656
Other equity instrument	4,995,755	4,995,755
Reserves	51,856,452	40,564,200
Retained earnings	5,062,213	4,868,992
Total equity	70,411,065	57,422,603
Total equity and liabilities	252,849,884	238,937,400

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 earnings RMB'000	Total RMB'000
As at 1 January 2022	6,993,656	4,995,755	28,154,426	3,999,317	7,621,811	788,646	4,868,992	57,422,603
Profit for the year	-	-	-	-	-	-	2,986,875	2,986,875
Other comprehensive expense for the year	-	-	-	-	-	(195,291)	-	(195,291)
Total comprehensive (expense)/income for the year	-	-	-	-	-	(195,291)	2,986,875	2,791,584
Issuance of shares	1,502,989	-	11,064,311	(8,762)	-	-	-	12,558,538
Appropriation to surplus reserve	-	-	-	298,687	-	-	(298,687)	-
Appropriation to general reserve	-	-	-	-	597,785	-	(597,785)	-
Distribution to holders of other equity instrument	-	-	-	-	-	-	(237,500)	(237,500)
Dividends recognised as distribution	-	-	-	-	-	-	(2,124,160)	(2,124,160)
Transfer to retained earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal	-	-	-	-	-	(464,478)	464,478	-
At 31 December 2022	8,496,645	4,995,755	39,218,737	4,289,242	8,219,596	128,877	5,062,213	70,411,065
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 earnings 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

Note a: Capital reserve of the Company represents primarily the share premium arising from the issuance of the Company's shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

63. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	84,781,064	90,863,908
Debt instruments at FVTOCI	76,862,096	58,599,581
Equity instruments at FVTOCI	3,721,658	4,138,153
Financial assets measured at amortised cost	190,622,313	160,844,481
	355,987,131	314,446,123
Financial liabilities		
Financial liabilities at fair value through profit or loss	18,847,757	17,322,185
Financial liabilities measured at amortised cost	268,443,341	240,927,123
	287,291,098	258,249,308

64. FINANCIAL RISK MANAGEMENT

64.1 Risk management overview and organisation

(1) Risk management overview

The Group is committed to the philosophy of “full compliance by all staff and focus on risk management”. 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, which covers all businesses, departments, branches and employees and runs through the processes of decision-making, execution, supervision and feedback.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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, technology 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 types of risk. 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 dynamic management system for risk control indicators and various specific 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》) (“Rules for the Risk Management”) and our own operations, the Company has set up a multiple-level risk management structure, comprising: (i) the Board, (ii) the Supervisory Committee, (iii) the management, and (iv) risk management function for each business department, branch and subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.2 Credit risk

Credit risk mainly refers to the probability 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. The first one is direct credit risk, i.e. the risk arising from failure of issuer to meet its contractual obligations; the second one is counterparty risk, i.e. the risk arising from a breach of contract by the counterparties in the business including over-the-counter derivatives or securities financing business; the third one is settlement risk, i.e. the risk arising from a breach of contract during the settlement of a transaction. In a short speaking, the Company fulfils its delivery obligation while the counterparty defaults in the business.

(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. 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, stress testing, early-warning monitoring, 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 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.

In addition, the Company has established the same-business and same-customer management mechanism in accordance with external guidelines and actual business operations of the Company. It conducts unified quantitative measurement, limit monitoring and management on the credit business, improves its centralised credit management system and further enhances the credit risk management of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 using the simplified approach of lifetime ECL on account receivables. 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 12m 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;
- 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.2 Credit risk *(Continued)*

(2) Credit risk and impairment assessment (Continued)

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 2022.

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 2022, the Group invests primarily in bonds with debt ratings of AA or above (inclusive).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.2 Credit risk *(Continued)*

(2) Credit risk and impairment assessment (Continued)

Regarding the reverse repurchase 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 reverse repurchase agreements, 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.

(3) Measurement of ECL

Generally, the stock-pledged reverse repurchase agreements 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 reverse repurchase agreements, 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 more than 90 days or the stock-pledged reverse repurchase agreements 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 reverse repurchase agreements are considered to be credit-impaired, they are classified under Stage 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.2 Credit risk *(Continued)*

(3) Measurement of ECL *(Continued)*

The Group applies a three-stage approach to measure ECL on financial assets measured at amortised cost 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: 12m 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, LGD and EAD 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) 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; and
- (iii) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.2 Credit risk *(Continued)*

(3) Measurement of ECL *(Continued)*

The expected credit losses are measured based on the probability weighted results of PD, LGD and EAD.

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 Money Supply ("M2"), Consumers Price Index ("CPI"), Industrial Product Price Index ("PPI"), etc.

- Growth rate of M2: the forecast rate as of 31 December 2022 ranges between 8.40% to 11.19%;
- Growth rate of CPI: the forecast rate as of 31 December 2022 ranges between 1.88% and 2.51%;
- Growth rate of PPI: the forecast rate as of 31 December 2022 ranges from -0.17% to -0.22%.

In order to determine the relationship between these economic indicators and the default probability as well as the default loss rate, the Group constructs an econometric model to determine the impact of historical changes in these indicators on the PD and LGD.

The Group makes forward-looking estimation of the ECL based on the scenario reflecting key economic indicators above. When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Advances to customers	19,498,899	24,344,922
Account receivables	908,399	1,011,537
Other receivables and other	3,127,596	1,324,138
Debt instruments at FVTOCI	76,862,096	58,599,581
Reverse repurchase agreements	8,610,881	11,502,955
Financial assets at fair value through profit or loss	36,616,115	44,018,362
Debt instruments measured at amortised cost	3,164,972	3,594,039
Derivative financial assets	1,017,334	279,902
Placements to banks and financial institutions	–	382,833
Deposits with exchanges and financial institutions	4,343,234	2,655,369
Clearing settlement funds	29,106,272	25,472,872
Cash and bank balances	121,862,060	90,555,816
	305,117,858	263,742,326

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.

64.3 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.3 Market risk *(Continued)*

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-economic factors.
- Set up the institution for decision-making, performance and responsibility for the significant events, prepare emergency plans under various predictable extreme cases, and grade and manage the significant events according to their severity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's interest bearing financial assets and financial liabilities. 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 is always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China, Shanghai Inter-bank offered rate and Hong Kong Inter-bank offered rate are the major sources of the Group's cash flow interest rate risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT (Continued)

64.3 Market risk (Continued)

Interest rate risk (Continued)

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace 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 financial liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier.

As at 31 December 2022

	Less than 1 month RMB'000	More than 1 month to 3 months (Inclusive) RMB'000	More than 3 months to 1 year (Inclusive) RMB'000	More than 1 year but less than 5 years (Inclusive) RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial Assets							
Cash and bank balances	70,568,119	8,470,760	42,757,598	65,413	-	170	121,862,060
Clearing settlement funds	29,106,272	-	-	-	-	-	29,106,272
Deposits with exchanges and financial institutions	4,343,234	-	-	-	-	-	4,343,234
Derivative financial assets	-	-	-	-	-	1,017,334	1,017,334
Advances to customers	1,732,651	5,820,430	11,945,818	-	-	-	19,498,899
Account receivables	-	-	-	-	-	908,399	908,399
Reverse repurchase agreements	8,610,881	-	-	-	-	-	8,610,881
Debt instruments at FVTOCI	300,596	1,318,464	7,389,895	42,694,147	25,158,994	-	76,862,096
Equity instruments at FVTOCI	-	-	-	-	-	3,721,658	3,721,658
Financial assets at FVTPL	826,212	659,773	9,681,209	16,617,379	8,831,542	47,147,615	83,763,730
Debt instruments measured at amortised cost	103,390	174,630	55,575	2,831,377	-	-	3,164,972
Other receivables and other	-	406,360	-	-	-	2,721,236	3,127,596
Subtotal	115,591,355	16,850,417	71,830,095	62,208,316	33,990,536	55,516,412	355,987,131

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT (Continued)

64.3 Market risk (Continued)

Interest rate risk (Continued)

As at 31 December 2022 (Continued)

	Less than 1 month RMB'000	More than 1 month to 3 months (Inclusive) RMB'000	More than 3 months to 1 year (Inclusive) RMB'000	More than 1 year but less than 5 years (Inclusive) RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial Liabilities							
Placements from banks and financial institutions	7,352,281	-	1,000,175	-	-	-	8,352,456
Short-term financing bill payables	28,300	72,484	8,199,819	-	-	-	8,300,603
Account payables to brokerage clients	123,041,420	-	-	-	-	-	123,041,420
Repurchase agreements	56,185,718	2,523,534	3,590,271	-	-	-	62,299,523
Financial liabilities at FVTPL	9,640,498	2,900,321	4,005,249	1,276,500	-	716,743	18,539,311
Derivative financial liabilities	-	-	-	-	-	308,446	308,446
Borrowings	1,748,499	90,113	170,211	-	-	-	2,008,823
Lease liabilities	-	100,445	250,763	291,537	3,032	-	645,777
Debt securities issued	-	-	16,301,568	39,500,835	-	-	55,802,403
Other account payables and other payables	-	-	-	-	-	8,638,113	8,638,113
Subtotal	197,996,716	5,686,897	33,518,056	41,068,872	3,032	9,663,302	287,936,875
Net interest-bearing position	(82,405,361)	11,163,520	38,312,039	21,139,444	33,987,504	45,853,110	68,050,256

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT (Continued)

64.3 Market risk (Continued)

Interest rate risk (Continued)

As at 31 December 2021

	Less than 1 month RMB'000	More than 1 month to 3 months (Inclusive) RMB'000	More than 3 months to 1 year (Inclusive) RMB'000	More than 1 year but less than 5 years (Inclusive) RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial Assets							
Cash and bank balances	62,214,025	3,238,299	7,178,298	17,925,194	–	–	90,555,816
Clearing settlement funds	25,472,872	–	–	–	–	–	25,472,872
Deposits with exchanges and financial institutions	2,655,369	–	–	–	–	–	2,655,369
Derivative financial assets	–	–	–	–	–	279,902	279,902
Placements to banks and financial institutions	–	382,833	–	–	–	–	382,833
Advances to customers	2,145,197	7,945,236	14,254,489	–	–	–	24,344,922
Account receivables	–	–	–	–	–	1,011,537	1,011,537
Reverse repurchase 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 FVTPL	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
Other receivables and other	497,493	–	–	–	–	826,645	1,324,138
Subtotal	108,615,902	16,772,627	38,055,394	66,487,905	31,692,414	52,821,881	314,446,123

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 to 3 months (Inclusive) RMB'000	More than 3 months to 1 year (Inclusive) RMB'000	More than 1 year but less than 5 years (Inclusive) RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial Liabilities							
Placements from banks and 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
Account payables to brokerage clients	90,012,125	–	–	–	–	–	90,012,125
Repurchase agreements	55,630,643	4,670,792	2,440,558	–	–	–	62,741,993
Financial liabilities at FVTPL	2,364,548	2,596,392	7,880,254	913,089	–	2,834,073	16,588,356
Derivative financial liabilities	–	–	–	–	–	733,829	733,829
Borrowings	402,899	155,746	–	–	–	–	558,645
Lease liabilities	–	83,029	222,425	470,008	6,380	–	781,842
Debt securities issued	–	9,267,973	22,602,080	31,555,161	4,084,003	–	67,509,217
Other account payables and other payables	–	–	–	–	–	4,522,663	4,522,663
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 financial 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 financial 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	
	2022 RMB'000	2021 RMB'000
Profit for the year		
50 basis points increase	(686,838)	(817,176)
50 basis points decrease	716,924	848,022
Equity		
50 basis points increase	(2,353,793)	(2,052,297)
50 basis points decrease	2,511,284	2,171,339

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 and financial liabilities denominated in foreign currencies that are different from the relevant group entity's functional currency, the Group only holds a minimal amount of foreign currency denominated investments. The management considers the foreign exchange rate risk of the Group is not material as the proportion of the Group's foreign currency asset and foreign currency liability is minimal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 faces 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 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 and other comprehensive income before income tax and vice versa.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit for the year		
Increase by 10%	2,198,789	2,214,252
Decrease by 10%	(2,198,789)	(2,214,252)
Other comprehensive income before income tax for the year		
Increase by 10%	372,166	413,815
Decrease by 10%	(372,166)	(413,815)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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 during the year. The Company also conducts liquidity stress testing and emergency drilling regularly, and reports to the regulator such indicators as liquidity coverage rate and net stable capital rate daily. The above practices can ensure that the Company is able to satisfy the liquidity demand timely at reasonable cost, and will control the liquidity risk within the tolerable scope.

Undiscounted cash flows by contractual maturities of non-derivative financial liabilities

The tables below present the cash flows payable by the Group within the remaining contractual maturities of non-derivative financial liabilities at the end of each respective periods. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of respective reporting periods. The liquidity risk of derivative financial liabilities of the Group is insignificant and not disclosed in the table below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022

	On Demand RMB'000	Within 3 months (Inclusive) RMB'000	3 months to 1 year (Inclusive) RMB'000	1 year to 5 years (Inclusive) RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Placements from banks and financial institutions	-	7,354,987	1,010,617	-	-	8,365,604	8,352,456
Short-term financing bill payables	-	101,149	8,279,719	-	-	8,380,868	8,300,603
Account payables to brokerage clients	123,041,420	-	-	-	-	123,041,420	123,041,420
Repurchase agreements	-	58,791,040	3,638,321	-	-	62,429,361	62,299,523
Financial liabilities at fair value through profit or loss	46,090	13,055,427	4,025,681	1,418,425	-	18,545,623	18,539,311
Borrowings	-	1,005,478	171,790	840,100	-	2,017,368	2,008,823
Lease liabilities	-	100,703	258,651	313,243	3,755	676,352	645,777
Debt securities issued	-	321,750	17,739,007	41,713,150	-	59,773,907	55,802,403
Other account payables and other payables	8,638,113	-	-	-	-	8,638,113	8,638,113
	131,725,623	80,730,534	35,123,786	44,284,918	3,755	291,868,616	287,628,429

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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	Within 3 months (Inclusive) RMB'000	3 months to 1 year (Inclusive) RMB'000	1 year to 5 years (Inclusive) RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Placements from banks and financial institutions	-	8,495,896	-	-	-	8,495,896	8,485,677
Short-term financing bill payables	-	84,028	7,140,992	-	-	7,225,020	7,096,803
Account payables to brokerage clients	90,012,125	-	-	-	-	90,012,125	90,012,125
Repurchase agreements	-	60,428,887	2,462,975	-	-	62,891,862	62,741,993
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
Borrowings	-	501,462	58,249	-	-	559,711	558,645
Lease liabilities	-	85,416	232,103	502,954	7,964	828,437	781,842
Debt securities issued	-	13,721,250	24,408,272	33,584,295	4,199,200	75,913,017	67,509,217
Other account payables and other payables	4,522,663	-	-	-	-	4,522,663	4,522,663
	95,289,919	89,913,576	42,192,596	35,446,009	4,207,164	267,049,264	258,297,321

64.5 Interest rate benchmark reform

Certain of the Group's financial assets and financial liabilities are based on London Interbank Offered Rate ("LIBOR") or Hongkong Interbank Offered Rate ("HIBOR") and are 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

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.5 Interest rate benchmark reform *(Continued)*

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. Certain of the Group’s borrowings linked to HIBOR will continue till maturity and hence, not subject to transition.

(i) 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.

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 2022. The amounts of financial assets and liabilities are shown at their carrying amounts.

As at 31 December 2022

Financial instruments prior to transition	Maturing in	Carrying amounts/ in RMB'000	Transition progress for financial instruments
Non-derivative financial assets			
Financial assets at fair value through profit or loss linked to 3-month USD LIBOR	2023	38,610	LIBOR will continue till maturity
Non-derivative financial liabilities			
Borrowing linked to 1-month HIBOR	2023	178,660	HIBOR will continue till maturity
Repurchase agreements linked to 3-month USD LIBOR	2023	28,894	LIBOR will continue till maturity

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.5 Interest rate benchmark reform *(Continued)*

Interest Rate Basis Risk (Continued)

(i) Progress towards implementation of alternative benchmark interest rates (Continued)

As at 31 December 2021

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts in RMB'000	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
Repurchase agreements linked to 3-month USD LIBOR	2022	162,555	LIBOR will continue till maturity
Debt securities issued 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

64. FINANCIAL RISK MANAGEMENT *(Continued)*

64.6 Capital management *(Continued)*

In accordance with Administrative Measures for Risk Control Indicators of Securities Firms (Revision 2020) (the “Administrative Measures”) issued by CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% (“Ratio 1”);
2. The ratio of core net capital divided by the sum of on-balance-sheet and off-balance-sheet assets shall be no less than 8% (“Ratio 2”);
3. The ratio of high-quality liquid assets divided by net cash outflow of the next thirty days shall be no less than 100% (“Ratio 3”);
4. The ratio of available stable capital divided by required stable capital shall be no less than 100% (“Ratio 4”);
5. The ratio of net capital divided by net assets shall be no less than 20% (“Ratio 5”);
6. The ratio of net capital divided by liabilities shall be no less than 8% (“Ratio 6”);
7. The ratio of net assets divided by liabilities shall be no less than 10% (“Ratio 7”);
8. The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% (“Ratio 8”); and
9. The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% (“Ratio 9”).

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

65. 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 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 table below summarises the carrying amounts and expected fair values 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			
	2022		2021	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial asset				
Debt instruments measured at amortised cost	3,164,972	3,192,105	3,594,039	3,624,187
Financial liability				
Debt securities issued				
– Corporate bonds	36,463,074	36,855,594	36,429,599	36,911,219
– Subordinated bonds	13,292,467	13,329,203	20,601,787	20,630,733
– Offshore bonds	6,045,793	5,878,148	10,109,205	10,551,219
– Income certificates	1,069	1,068	368,626	368,347
Total	55,802,403	56,064,013	67,509,217	68,461,518

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset				
Debt instruments measured at amortised cost	436,008	2,756,097	–	3,192,105
Financial liability				
Debt securities issued	50,184,797	5,879,216	–	56,064,013

As at 31 December 2021

	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				
Debt securities issued	57,541,952	10,919,566	–	68,461,518

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 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 statements of financial position approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

65. 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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

65. 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 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	43,709,766	33,152,330	–	76,862,096
Equity instruments at FVTOCI				
– Equity securities	3,165,489	7,151	217,708	3,390,348
– Perpetual instruments	310,203	21,107	–	331,310
Financial assets at FVTPL				
– Debt securities	9,558,952	26,766,786	290,377	36,616,115
– Equity securities	1,763,049	48,711	4,393,537	6,205,297
– Associates	–	–	1,933,905	1,933,905
– Funds	2,219,324	9,488,033	–	11,707,357
– Other investments	3,876,238	21,912,892	1,511,926	27,301,056
Derivative financial assets	–	466,259	551,075	1,017,334
Total	64,603,021	91,863,269	8,898,528	165,364,818
Financial liabilities:				
Financial liabilities at FVTPL	3,210,032	9,969,012	5,360,267	18,539,311
Derivative financial liabilities	672	183,204	124,570	308,446
Total	3,210,704	10,152,216	5,484,837	18,847,757

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

65. 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 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
Financial assets at FVTPL				
– Debt securities	18,450,438	25,567,924	–	44,018,362
– Equity securities	5,084,853	111,758	4,398,015	9,594,626
– Funds	2,020,652	10,211,388	–	12,232,040
– Associates	–	–	1,110,026	1,110,026
– 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	4,303,050	3,182,059	16,588,356
Derivative financial liabilities	–	594,914	138,915	733,829
Total	9,103,247	4,897,964	3,320,974	17,322,185

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

65. 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)*

The following table presents the valuation techniques and inputs used for the major financial instruments in Level 3.

Financial instruments	As at 31 December 2022 RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity securities/ Associates	4,207,295 (asset)	Calculated based on pricing/yield such as price-to earnings (P/E), price-to-book value (P/B) and price-to-sales (P/S) 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	1,348,062 (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.
Equity securities/ Associates	989,793 (asset)	Recent transaction price	Discount for lack of marketability	The higher the discount, the lower the fair value.
Debt securities	290,377 (asset)	Future cash flows are discounted by the risk adjusted discount rate of the bonds.	Discount rate	The higher the discount rate, the lower the fair value.
Equity linked derivatives	551,075 (asset) 124,570 (liability)	The option pricing model is used which applies the option exercise price, the price and volatility of the underlying asset, the option exercise time, and the risk-free interest rate.	The volatility of the underlying asset for option	The higher the volatility, the greater the impact on the fair value

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

65. 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 instruments	As at 31 December 2022 RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Income certificates designated at FVTPL	4,749,492 (liability)	The option pricing model is used which applies the option exercise price, the price and volatility of the underlying asset, the option exercise time, and the risk-free interest rate.	The volatility of the underlying asset for option	The higher the volatility, the greater the impact on the fair value.
Other investments	1,511,926 (asset) 46,090 (liability)	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 various counterparties.	Discount rate	The higher the discount rate, the lower the fair value.
Interests attributable to other holders of consolidated structured entities	564,685 (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

There were no significant transfers between instruments in Level 1 and Level 2 during the relevant year.

The following tables represent the changes in Level 3 financial instruments for the relevant years.

Year ended 31 December, 2022

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At beginning of the year	431,914	5,508,041	(3,182,059)
Changes in fair value recognised in other comprehensive income	(17,688)	–	–
Changes in fair value recognised in profit or loss	–	425,089	(76,546)
Additions <i>(Note a)</i>	–	4,431,531	(4,550,993)
Transfer out of Level 3 <i>(Note b)</i>	–	(855,116)	–
Disposals	(196,518)	(1,379,800)	2,449,329
At end of the year	217,708	8,129,745	(5,360,267)
Total gains/(losses) for assets/liabilities held at end of the year			
– unrealised gains recognised in other comprehensive income	4,321	–	–
– unrealised gains/(losses) recognised in profit or loss	–	409,032	(41,498)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Year ended 31 December 2021

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At beginning of the year	296,625	3,892,397	(442,836)
Changes in fair value recognised in other comprehensive income	153,464	–	–
Changes in fair value recognised in profit or loss	–	710,741	(434,797)
Additions <i>(Note a)</i>	20,565	2,515,529	(2,773,976)
Transfer out of Level 3 <i>(Note b)</i>	–	(858,965)	–
Disposals	(38,740)	(751,661)	469,550
At end of the year	431,914	5,508,041	(3,182,059)
Total gains for assets/liabilities held at end of the year			
– unrealised gains recognised in other comprehensive income	139,611	–	–
– unrealised gains recognised in profit or loss	–	447,253	5,128

Note a: These mainly included the issuance of new income certificates containing embedded derivatives, the equity securities traded on the NEEQ with decreased turnover rates and other investments with significant unobservable inputs applied in valuing these investments. The equity securities traded on the NEEQ with decreased turnover rates 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. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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	Financial liabilities at FVTPL – Income Certificates	Debt securities issued and short-term financing bill payables	Derivative financial assets and liabilities	Lease liabilities	other liabilities – dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	558,645	2,674,736	74,606,020	10,839	781,842	80	78,632,162
Financing cash flows	1,398,215	2,119,966	(13,239,142)	38	(373,565)	(2,362,242)	(12,456,730)
Interest expenses	34,008	–	2,415,946	–	25,689	–	2,475,643
New lease entered/lease modified	–	–	–	–	210,190	–	210,190
Dividends declared	–	–	–	–	–	2,362,242	2,362,242
Net investment gains	–	33,919	–	(38)	–	–	33,881
Fair value adjustments	–	(79,129)	–	(87,774)	–	–	(166,903)
Foreign exchange	17,955	–	320,182	–	1,621	–	339,758
At 31 December 2022	2,008,823	4,749,492	64,103,006	(76,935)	645,777	80	71,430,243

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

66. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Borrowings	Financial liabilities at FVTPL – Income Certificates	Debt securities issued and short-term financing bill payables	Derivative financial assets and liabilities	Lease liabilities	other liabilities – dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 entered/lease modified	–	–	–	–	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

67. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

68. SUBSEQUENT EVENTS

Absorption of and Merger with a subsidiary

On 28 February 2023, the CSRC approved the absorption of and merger with Orient Securities Investment Banking Co., Ltd. by the Company and change of business scope of the Company.

Proposed profit distribution

Pursuant to the Board resolution passed on 30 March 2023, it is proposed that cash dividends of RMB1.50 be distributed for every 10 shares (tax inclusive) based on the Company's existing share capital of 8,496,645 thousand shares. This proposed distribution of cash dividends is subject to the approval of the Shareholders' general meetings.

Issuance of corporate bonds

On 21 February 2023, the Company issued two corporate bonds with par value of RMB1.5 billion and RMB2.5 billion respectively. These two bonds bear interest rates at 2.92% and 3.13% with maturity periods of 2 years and 3 years respectively. On 21 March 2023, the Company issued a corporate bond with par value of RMB2 billion. This bond bears an interest rate of 3.32% with a maturity period of 5 years.