
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in 東方證券股份有限公司, you should at once hand this Circular together with the accompanying form of proxy and reply slip to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



(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)

**2016 REPORT OF THE BOARD
2016 REPORT OF THE SUPERVISORY COMMITTEE
2016 FINAL ACCOUNTS REPORT
2016 PROFIT DISTRIBUTION PROPOSAL
2016 ANNUAL REPORT
PROPRIETARY BUSINESS SCALE OF THE COMPANY IN 2017
ENGAGEMENT OF AUDITING FIRMS FOR THE YEAR 2017
PROJECTED DAILY RELATED PARTY TRANSACTIONS/CONNECTED
TRANSACTIONS OF THE COMPANY IN 2017
PROVISION OF GUARANTEES BY THE COMPANY IN 2017
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the AGM of the Company to be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC on Monday, June 5, 2017 at 2:00 p.m. is set out on pages 10 to 12 of this Circular.

The reply slip and the form of proxy for the AGM have been distributed on Wednesday, April 19, 2017 and have also been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn). If you are not able to attend the AGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the AGM (i.e. 2:00 p.m. on Sunday, June 4, 2017), and deposit it together with the notarized power of attorney or other document of authorization with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM should you so desire.

Shareholders intending to attend the AGM in person or by their proxies should complete and return the reply slip for attending the AGM to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares) on or before Tuesday, May 16, 2017.

April 28, 2017

TABLE OF CONTENTS

		<i>Page</i>
DEFINITIONS	.....	1
LETTER FROM THE BOARD	.....	3
NOTICE OF ANNUAL GENERAL MEETING	.....	10
ANNEX I – 2016 REPORT OF THE BOARD	.....	I-1
ANNEX II – 2016 REPORT OF THE SUPERVISORY COMMITTEE	.....	II-1
ANNEX III – 2016 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS	.....	III-1
ANNEX IV – 2016 FINAL ACCOUNTS REPORT	.....	IV-1
ANNEX V – PROJECTED DAILY RELATED PARTY TRANSACTIONS / CONNECTED TRANSACTIONS OF THE COMPANY IN 2017	.....	V-1

DEFINITIONS

In this Circular, unless the context otherwise requires, the following expressions have the following meanings:

“A Share(s)”	the domestic share(s) of the Company with a nominal value of RMB1 each, which are listed for trading on the SSE
“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC on Monday, June 5, 2016 at 2:00 p.m.
“Articles of Association”	the articles of association of 東方證券股份有限公司, as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“Company”	東方證券股份有限公司, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange under the stock code of 03958 and the A Shares of which are listed on the SSE under the stock code of 600958
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary share(s) of the Company with a nominal value of RMB1 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	April 21, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this Circular prior to its publication

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, but for the purposes of this Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rules of Procedure for Shareholders’ General Meetings”	the Rules of Procedure for Shareholders’ General Meetings of the Company, as amended from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares
“SSE”	Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

LETTER FROM THE BOARD



(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)

Executive Directors:

Mr. PAN Xinjun (*Chairman*)
Mr. JIN Wenzhong (*President*)

Non-executive Directors:

Mr. WU Jianxiong (*Vice chairman*)
Mr. ZHANG Qian
Mr. WU Junhao
Mr. CHEN Bin
Mr. LI Xiang
Mr. XU Jianguo
Ms. HUANG Laifang
Mr. ZHOU Yao

Independent Non-executive Directors:

Mr. LI Zhiqiang
Mr. XU Guoxiang
Mr. TAO Xiuming
Mr. WEI Anning
Mr. PAN Fei
Mr. XU Zhiming

Registered office:

22/F, 23/F and 25-29/F
Building 2, No. 318 Zhongshan South Road
Shanghai
PRC

Principal place of business in Hong Kong:

28-29/F
100 Queen's Road Central
Central
Hong Kong

April 28, 2017

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

The purpose of this Circular is to provide you, as holders of H Shares, with the notice of the AGM (set out on pages 10 to 12 of this Circular) and provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions or abstain from voting at the AGM.

At the AGM, ordinary resolutions will be proposed to approve, among others, (i) the report of the Board of Directors of the Company for the year 2016 (the “**2016 Report of the Board**”); (ii) the report of the Supervisory Committee of the Company for the year 2016 (the “**2016 Report of the Supervisory Committee**”); (iii) the final accounts report of the Company for the year 2016 (the “**2016 Final**”).

LETTER FROM THE BOARD

Accounts Report”); (iv) the profit distribution proposal of the Company for the year 2016 (the “**2016 Profit Distribution Proposal**”); (v) the annual report of the Company for the year 2016 (the “**2016 Annual Report**”); (vi) the proprietary business scale of the Company in 2017; (vii) the engagement of auditing firms for the year 2017; (viii) the projected daily related party transactions/connected transactions of the Company in 2017; and (ix) the provision of guarantees by the Company in 2017.

ORDINARY RESOLUTIONS:

1. 2016 Report of the Board

An ordinary resolution will be proposed at the AGM to approve the 2016 Report of the Board. Details of the aforesaid report of the Board are set out in Annex I of this Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The 2016 Report of the Board was considered and approved by the Board on 30 March 2017 and is hereby proposed at the AGM for consideration and approval.

2. 2016 Report of the Supervisory Committee

An ordinary resolution will be proposed at the AGM to approve the 2016 Report of the Supervisory Committee. Details of the aforesaid report of the Supervisory Committee are set out in Annex II of this Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The 2016 Report of the Supervisory Committee was considered and approved by the Supervisory Committee on 30 March 2017 and is hereby proposed at the AGM for consideration and approval.

3. 2016 Final Accounts Report

An ordinary resolution will be proposed at the AGM to approve the 2016 Final Accounts Report. Details of the aforesaid final accounts report are set out in Annex IV of this Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The 2016 Final Accounts Report was considered and approved by the Board on 30 March 2017 and is hereby proposed at the AGM for consideration and approval.

4. 2016 Profit Distribution Proposal

An ordinary resolution will be proposed at the AGM to approve the profit distribution proposal of the Company in accordance with the Articles of Association.

As audited, the net profit attributable to the owners of the Parent Company in 2016 consolidated statements of the Group was RMB2,313,974,857.75 and the net profit of the Parent Company in 2016 was RMB1,518,668,265.70.

LETTER FROM THE BOARD

In accordance with the Company Law of the PRC, the Law of Securities of the PRC, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may appropriate statutory reserve fund, discretionary reserve fund, general risk reserve fund and transaction risk reserve, respectively, at 10%, 5%, 11% and 15% of the net profit of the Parent Company realized in 2016, amounted to RMB622,653,988.95, and the distributable profit of the year was RMB896,014,276.75. Together with the undistributed profit outstanding in the previous year of RMB6,824,081,893.40 and deducting the dividends distributed of RMB1,848,610,022.35 according to the profit distribution scheme of 2015 implemented, the accumulated distributable profit in cash of the year was amounted to RMB5,871,486,147.80.

In accordance with the Listed Companies Regulatory Guidance No.3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號-上市公司現金分紅》) issued by CSRC, the Guidelines of Cash Dividends Distribution of SSE and other related regulations, as well as based on the actual needs of business development of the Company, the Company has considered the long-term development and the interest of investors, and proposed the following profit distribution scheme:

Ways of cash dividend distribution for 2016 profit of the Company: based on the total share capital of 6,215,452,011.00 Shares as at the end of 2016, a cash dividend of RMB1.5 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders (holders of A Shares and H Shares) who are registered on the date of cash distribution in 2016, with a total cash dividend of RMB932,317,801.65 while the outstanding distributable profit of RMB4,939,168,346.15 being carried forward to next year. Cash dividend to be denominated and distributed in RMB and paid in RMB to Shareholders of A Shares but paid in HK dollar to Shareholders of H Shares. Actual amount of distribution in HK dollar will be converted into HK dollar based on the translation rate published by PBOC five working days before the date of 2016 annual general meeting.

For the Shareholders of H Shares except for those holding H Shares by the Southbound trading, the Company proposes to appoint the Computershare Hong Kong Trustees Limited as the collection agent (the “**Collection Agent**”) of Shareholders of H Shares and would pay the dividend to the Collection Agent, which would distribute all dividends to the Shareholders of H Shares. The Board shall authorize the chairman of the Board, the president or the secretary of the Board to deal with aforesaid matter, individually or jointly.

The 2016 Profit Distribution Proposal was considered and approved by the Board on 30 March 2017 and is hereby proposed at the AGM for consideration and approval. The Company will conduct the cash dividend distribution within two months from the date of convening the AGM, subject to the approval of the aforesaid profit distribution proposal at the AGM.

5. 2016 Annual Report

An ordinary resolution will be proposed at the AGM to approve the 2016 Annual Report. The 2016 Annual Report of the Company has been despatched and also published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.dfzq.com.cn).

The 2016 Annual Report was considered and approved by the Board on 30 March 2017 and is hereby proposed at the AGM for consideration and approval.

LETTER FROM THE BOARD

6. The Proprietary Business Scale of the Company in 2017

An ordinary resolution will be proposed at the AGM to consider and approve the investment asset allocation of equity, fixed income securities and derivative products of the Company. Details are as follows:

The proprietary business is the principle businesses of the Company. In order to keep in line with regulatory requirements and further strengthen risk management, the proprietary business scale of the Company in 2017 is set out as follows in accordance with the Administrative Measures for Risk Control Indicators of Securities Companies and relevant laws and regulations and company rules:

In accordance with various regulatory requirement of the CSRC, the maximum amount of investment in proprietary equity securities and securities derivatives shall not exceed 100% of net capital of the Company, and the maximum amount of investment in proprietary non-equity securities and securities derivatives shall not exceed 500% of net capital of the Company. The Board of the Company will be authorized to determine the detailed investment scale within the aforesaid limit based on the market changes and business development situation and keep in line with various regulatory requirements in relation to proprietary management and risk monitoring.

The aforesaid resolution was considered and approved by the Board on 30 March 2017 and is hereby proposed at the AGM for consideration and approval.

7. The Engagement of Auditing Firms for the Year 2017

Pursuant to the resolution passed on the 2015 annual general meeting of Shareholders of the Company, the Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP (“**Shu Lun Pan CPAs**”) as the domestic auditors in 2016, the appointment of which is expired; pursuant to the resolution passed on the first extraordinary general meeting of the Shareholders of the Company, the Company appointed Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (“**DTT**”) as the overseas auditors in 2016 for a period of one year, the appointment of which is expired.

The Board proposes that DTT be appointed as the domestic and overseas auditors of the Company in 2017, and will be responsible for provision of relevant audit and review services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards. The fees will not exceed RMB2.78 million. The Board proposes that Deloitte Touche Tohmatsu Certified Public Accountants LLP be appointed as the internal control auditor of the Company in 2017, and the fees will not exceed RMB0.3 million.

The Board proposed that the management of the Company be authorized to determine the annual audit fees in 2017 within the scope of RMB3.08 million. It will be proposed at the AGM to authorize the Board to determine the auditing fees if there is any increase to the auditing fees due to the change.

LETTER FROM THE BOARD

The Shu Lun Pan CPAs has confirmed that there is no other matter in relation to the proposed non-reappointment that needs to be brought to the attention of the audit committee, the Board and the Shareholders. The audit committee of the Company has confirmed that it is not aware of any such matter in relation to the proposed non-reappointment of Shu Lun Pan CPAs as the domestic auditor that needs to be brought to the attention of the Board and the Shareholders.

The aforesaid resolution was considered and approved by the Board on 30 March 2017 and is hereby proposed at the AGM for consideration and approval.

8. The projected daily related party transactions/connected transactions in 2017

Reference is made to the announcement of the Company dated 30 March 2017 in relation to projected daily related party transactions/connected transactions in 2017. Ordinary resolutions will be proposed at the AGM to consider and approve the projected daily related party transactions of the Company for the year 2017, details of which are set out in Annex V of this Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The aforesaid resolution was considered and approved by the Board on 30 March 2017 and are hereby proposed at the AGM for consideration and approval.

9. Provision of Guarantees by the Company in the Year 2017

Reference is made to the announcement of the Company dated 30 March 2017 in relation to the provision of intergroup guarantees in 2017. Ordinary resolutions will be proposed at the AGM to consider and approve the guarantees provided by the Company for its subsidiaries or among its subsidiaries in 2017, details are as follows:

In accordance with the operation plan of the Company and in order to minimize the financing costs, some subsidiaries of the Company propose to adopt various fundraising methods in 2017, including bond issuance and banking loans, which may involve guarantees provided by the Company for its subsidiaries or among its subsidiaries. To minimize the financing time cost and prepare internal approval in advance, the Board considers and approves the following matters to be submitted to the general meeting for consideration and approval in accordance with the relevant requirements of the laws and regulations, the articles of association of the Company, and the Measures to Manage External Guarantees:

1. Guarantee limit: the total of additional Intragroup Guarantees provided by the Company and its subsidiaries in 2017 shall not exceed 20% of the latest audited net assets of the Company, and each separate Intragroup Guarantees shall not exceed 10% of the latest audited net assets of the Company.
2. Types: any one-time, multiple-time, or multiple-tranche onshore or offshore debt financing instrument(s) is/are issued through public or non-public offerings (including but not limited to bonds, subordinated bonds, ultra short-term financing bills, short-term financing bills,

LETTER FROM THE BOARD

medium-term notes, notes, and establishment of note programs), or loans are granted from domestic or overseas financial institutions (including but not limited to bank credit, bank loans and syndicated loans).

3. Models: collateralization include guarantees, security, pledges, and other models as required under the provisions of the relevant laws and regulations.
4. Targets: guarantees will be provided by the Company for its wholly-owned subsidiaries (including those with the gearing ratio over 70%), whether directly or indirectly, or provided among its wholly-owned subsidiaries (including those with the gearing ratio over 70%).
5. Authorization: it is proposed that the general meeting of the shareholders will authorize the Board and its authorized representatives to, in their sole discretion, execute all documents in connection with the aforementioned guarantees, obtain approvals from and handle filing formalities with the relevant regulatory authorities and all other relevant matters, and to fulfill the obligation of information disclosure in a timely manner in accordance with the relevant laws and regulations upon the provision of letters of guarantees or issuance of guarantee documents for the Company's wholly-owned subsidiaries.

The aforesaid resolution was considered and approved by the Board on 30 March 2017 and are hereby proposed at the AGM for consideration and approval.

READING MATERIALS – 2016 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS

Pursuant to the requirements of the Rules of General Meeting of Listed Companies issued by CSRC, independent Directors shall present a duty performance report at the AGM. Such report will be presented at the general meeting, but no Shareholder's approval is required. The duty performance report of the independent Directors of the Company is made available to the Shareholders in Annex III of this Circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC on Monday, June 5, 2017 at 2:00 p.m. The notice of the AGM is set out on pages 10 to 12 of this Circular.

The register of members of H Shares of the Company will be closed from Saturday, May 6, 2017 to Monday, June 5, 2017 (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of H Shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as Shareholders on the register of members of H Shares of the Company before 4:30 p.m. on Friday, May 5, 2017 are entitled to attend and vote in respect of all resolutions to be proposed at the AGM. In order to attend the AGM, holders of H Shares should ensure that all transfer documents, accompanied by the relevant H Share certificates, are lodged with the Company's H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, May 5, 2017.

LETTER FROM THE BOARD

Reply slip and the form of proxy for the AGM have been distributed on Wednesday, April 19, 2017 and have also been published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn). Shareholders intending to attend the AGM in person or by their proxies should complete and return the reply slip for attending the AGM to the Company's H Share Registrar (for holders of H Shares) on or before Tuesday, May 16, 2017.

To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to the Company's H Share Registrar not less than 24 hours before the time appointed for the AGM (i.e. 2:00 p.m. on Sunday, June 4, 2017). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM in person if you so wish.

In accordance with the provisions of the relevant PRC laws and regulations, in relation to resolution no.8 at the AGM, the relevant related/connected Shareholders shall abstain from voting on the related proposals, respectively.

HONG KONG LISTING RULES REQUIREMENT

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a shareholders' general meeting must be taken by poll. Therefore, all resolutions at the AGM will be taken by way of a poll.

RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

RECOMMENDATION

Saved as mentioned above, to the best of the Directors' knowledge as at the Latest Practicable Date, there is no other Shareholder who is required to abstain from voting in respect of the ordinary and special resolutions at the AGM.

The Board believes that all the resolutions mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favor of the relevant resolutions to be proposed at the AGM as set out in the notice of the AGM set out in this Circular.

Yours faithfully,
By order of the Board
PAN Xinjun
Chairman

NOTICE OF ANNUAL GENERAL MEETING



(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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “**Annual General Meeting**”) of 東方證券股份有限公司 (the “**Company**”) will be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the People's Republic of China (the “**PRC**”) on Monday, June 5, 2017 at 2:00 p.m., for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the Board of Directors of the Company for the year 2016.
2. To consider and approve the report of the Supervisory Committee of the Company for the year 2016.
3. To consider and approve the final accounts report of the Company for the year 2016.
4. To consider and approve the profit distribution proposal of the Company for the year 2016.
5. To consider and approve the annual report of the Company for the year 2016.
6. To consider and approve the proposal regarding the proprietary business scale of the Company in 2017.
7. To consider and approve the proposal regarding the engagement of auditing firms for the year 2017.
8. To consider and approve the proposal regarding the projected daily related party transactions / connected transactions of the Company in 2017;
 - 8.01 Related party transactions with Shenergy (Group) Company Limited and its related companies;
 - 8.02 Related party transactions with other related companies.
9. To consider and approve the proposal regarding the provision of guarantees by the Company in 2017.

By order of the Board of Directors
PAN Xinjun
Chairman

Shanghai, the PRC
April 19, 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Eligibility for attending the Annual General Meeting and date of registration of holders for H Shares

The register of members of H Shares of the Company will be closed from Saturday, May 6, 2017 to Monday, June 5, 2017 (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as shareholders on the register of members of H Shares of the Company before 4:30 p.m. on Friday, May 5, 2017 are entitled to attend and vote in respect of all resolutions to be proposed at this Annual General Meeting.

In order to attend this Annual General Meeting, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, May 5, 2017.

2. Proxy

- (1) Each shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized.

To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the Annual General Meeting (i.e. before 2:00 p.m. on Sunday, 4 June 2017).

3. Registration procedures for attending the Annual General Meeting

- (1) A shareholder or his proxy should present proof of identity when attending the Annual General Meeting. If a shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the Annual General Meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the Annual General Meeting in person or by their proxies should complete and return the reply slip for attending the Annual General Meeting to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, May 16, 2017.

4. Voting by poll

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a shareholders' general meeting must be taken by poll.

5. Miscellaneous

- (1) The Annual General Meeting is expected to be held for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is:

17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

NOTICE OF ANNUAL GENERAL MEETING

- (3) The registered office of the Company:

22/F, 23/F and 25-29/F
Building 2, No. 318 Zhongshan South Road
Shanghai
The People's Republic of China

Contact office: Office of the Board
Telephone No.: 86 (21) 63325888
Facsimile No.: 86 (21) 63326010
Contact Person: Mr. DENG Haipeng

As at the date of this notice, the Board of Directors comprises Mr. PAN Xinjun and Mr. JIN Wenzhong as executive Directors; Mr. WU Jianxiong, Mr. ZHANG Qian, Mr. WU Junhao, Mr. CHEN Bin, Mr. LI Xiang, Mr. XU Jianguo, Ms. HUANG Laifang and Mr. ZHOU Yao as non-executive Directors; and Mr. LI Zhiqiang, Mr. XU Guoxiang, Mr. TAO Xiuming, Mr. WEI Anning, Mr. PAN Fei and Mr. XU Zhiming as independent non-executive Directors.

Dear Shareholders,

The 2016 annual work report and 2017 annual work plan of the Board is set out below according to relevant requirements of laws and regulations and the Company's Articles of Association:

In 2016, both domestic and international financial markets experienced increasing systematic risk while capital market presented to be complicated and variable. Throughout the year, the SSE Composite Index, Shenzhen Composite Index and GEM Index recorded drop of 12.3%, 19.6% and 27.7%, respectively, while the Total Net Price (Total Value) Index of Chinese Bonds had decreased by 2.4%. During the year, the total share-based funds transaction volume in the Shanghai and Shenzhen Stock Exchanges amounted to RMB138,910 billion, representing a year-on-year decrease of 48.7%. The margin financing and securities lending balances as of the end of 2016 was RMB939.249 billion, representing a decrease of 20.0% as compared to the end of previous year.

In 2016, the Board of the Company successfully accomplished the target of listing of H Shares by capitalizing on advantageous opportunities and making scientific decisions. Through further reinforcement of innovative transformation, stringent management on various risks, and continuous improvement of regulated operation, the Company was enabled to achieve optimization and perfection in business structure and profit-making model with constantly strengthened capability of risk prevention in general. As such, the Company was rated, for a consecutive three years, level AA under group A which represented the highest rating in this industry, which laid solid foundation for its further development against the adverse conditions.

I. OPERATION OF THE COMPANY IN 2016**(I) Key Financial Indicators**

In 2016, the Company realized an operating income (on a consolidated basis) of RMB6.9 billion, representing a year-on-year decrease of 55%, and a net profit attributable to the parent company of RMB2.3 billion representing a year-on-year decrease of 68%. As of the end of the year, the total assets of the Company amounted to RMB212.4 billion, representing a year-on-year increase of 2%, the net assets attributable to its parent company amounted to RMB40.5 billion, representing a year-on-year increase of 16%, and its earnings per share amounted to RMB0.41, with net assets per share of RMB6.59.

(II) Operation***1. Achieve initial effectiveness for the transformation to wealth management business***

The Company was approved to set up 33 new branches, and the "Orient Winner" was honored the "Best Investment Advisory Brand" by the Securities Times. The turnover of stocks and funds amounted to RMB3,548.1 billion, securing 1.26% of market share, achieving initial effectiveness for the transformation from traditional brokerage business to wealth management. Securities financing business recorded both expanding scale and growing revenue for six years in row, which contributed more than a quarter of entire operating income to the Company. The scale of stock collateralized repurchase business amounted to RMB34.86 billion, representing a year-on-year increase of 43.5%, achieving a break-through effectiveness for the transformation from traditional trading to capital intermediary.

2. Large proprietary business managed to break through and consolidate its strengths

The net investments of securities investment business outperformed the Shanghai and Shenzhen Composite Index. The fixed income business realized a revenue of RMB1.29 billion. Various businesses from inter-bank market continued its leading position, and the spot bond settlement via China Central Depository & Clearing Co., Ltd ranked first among securities companies; the spot bond settlement via clearing house increased by 2.54 times year on year. The bond market-making business ranked second among securities companies, and the underwriting volume of each of book-entry government bonds, CDB bonds and ADBC bonds ranked the second among securities companies. The scale of products and entrusted assets under management of capital intermediary business increased of 90% and 58% year on year respectively. The gold business became new profit growth point. The proportion to revenue of capital intermediary business and the gold business increased significantly from 1.7% and 5.3% in 2014 and 2015 respectively to nearly 17%. The transformation from traditional fixed income business to FICC business achieved sound effectiveness. The financial derivatives business realized a full-year revenue of RMB120 million, designed 10 transactions of over-the-counter derivatives, and gradually transformed from pure proprietary model to sales trading business. The total transaction volume of market making for equity investment department and transaction business department was always heading the list, secured a spot in the list of “Most Powerful NEEQ Market Maker (新三板最具影响力做市券商)” selected by Chinese Business Network (“CBN”) for three consecutive years.

3. Innovative business actively seized new territory

The total scale of OTC market business amounted to RMB21.86 billion, the existing scale of products amounted to RMB20.54 billion. The entrusted business explored the characteristic service model, and continued to expand its business scale. 416 portfolios were operated, entrusted and outsourced on line, with business scale of RMB23.867 billion, representing a net year-on-year increase of 2.7 times and 2.3 times. The internet financing business made a relatively great progress. The number of registered users of APP exceeded 110 thousand, with wealth management accounts nearing 50 thousand. The number of new accounts opened throughout the year was doubled to more than 235 thousand, while the weight of new accounts opened on line increased from 52.4% of last year to 94.7%.

4. Research business optimization service

The securities research institute steadily improved its market expansion capability, and was honored the Research Institution with Most Potential by New Fortune (新财富), the fourth in research on new materials by Golden Bull (金牛獎) and the Institution with Best Sales Service by CBN (第一財經).

5. The strengths of subsidiaries kept growing, deepening corporatization and internationalization

Orient Securities Asset Management realized a revenue of RMB1 billion, and the fiduciary assets under management reached RMB161.204 billion, representing a year-on-year increase of 38.5%; Orient Securities Futures realized a revenue of RMB450 million, representing a year-on-year increase of 22.2%; Orient Securities Capital Investment realized a revenue of RMB250 million, representing an explosive increase in business scale, operated and managed 27 direct investment funds, with a total amount of RMB21.63 billion, representing a year-on-year increase of 69% and 61% respectively; Orient Securities Innovation Investment realized a revenue of RMB200 million; Orient Finance Hong Kong

realized a revenue of RMB200 million, with a year-on-year increase of 42% in asset management business and a year-on-year increase of 1.33 times in credit interest income; Citi Orient realized a revenue of RMB1.15 billion, representing a year-on-year increase of 63.6%, and a year-on-year increase of 36.5% in underwriting amount, and both underwriting amount and project number of assets securitization ranked tenth among securities companies; China Universal continued its leading position in the industry, with total scale of RMB476 billion, ranking the top 15 in the industry.

II. MAIN WORK OF THE BOARD IN 2016

(I) Due diligence, scientific decision-making

In 2016, the Board focused on the consideration and decision on the Company's major issues. The Company held a total of 8 Board meetings, in which, 3 meetings were held on site and 5 meetings were via teleconference. The first was considering and passing important strategic matters including proposals relating to listing of H Shares of the Company; the second was the decision and tracking of the matters relating to daily operation including the Company's annual business plan, allocation of assets and liabilities and related transactions; the third was considering and passing major decisions on personnel and organization. The Board passed the matter including appointment of company secretary in a timely manner according to its actual need.

In strict compliance with relevant requirements of laws and regulations and the Articles of Association of the Company, the Board of the Company performed its duty as a convener of the shareholders' general meeting diligently. In 2016, a total of one annual general meeting and one extraordinary general meeting were convened, on which the Board considered or listened to a total of 17 proposals or reports, which practically protected the rights of shareholders.

(II) Successful completion of offering and listing of H Shares of the Company

The offering and listing of H Shares was the top priority of the annual work in 2016. Driven by the Board, the Company actively coordinated the strengths of all parties, carefully organized and implemented the report to and feedback from regulatory authorities for various work including the reduction of state-owned shares, global road show and sales and over-allotment. The H Shares of the Company was priced and placed in Hong Kong on June 29, and finally completed listing on Hong Kong Stock Exchange on July 8, with gross proceeds of HK\$7.61billion.

The Company overcame various difficulties for the IPO for H shares, especially in response to the intense market volatility caused by Brexit, and successfully completed the offering, becoming the fifth securities company listed both in the A Share and H Share markets. The offering of H shares was an important milestone in the development of the Company, which opened up an internationalized financing channel, improved the Company's market position and influence, paving more extensive room for its leaping development.

(III) Actively seek for capital supplement through channels of stocks and debts

The Board of the Company attached importance and strengthened the liabilities management of the Company. In 2016, the Company completed 4 bond issuances with total financing of RMB17.5 billion, and 4 issuance of short-term financing of RMB8.6 billion on a rolling basis. The Company effectively supplemented its working capital through debt financing, and supported its innovative development.

Following successful listing of H Shares, in order to further tamp capital strengths, consolidate competing strengths and improve anti-risk ability, the Board actively planned the equity financing for the next stage. At the beginning of 2017, refinancing matters have been passed the Board through consideration and carried forward smoothly.

(IV) Adapt to the transformation as a listed company of both A Shares and H Shares and improve corporate governance

In order to meet the requirements of a listed company of both A Shares and H Shares, the Company actively improved its corporate governance. The first was to strengthen the establishment of relevant systems, and make amendment and improvement to its Articles of Association, Rules of Procedure for Shareholders' General Meetings and the terms of reference of special committees of the Board, information disclosure, shareholdings of Directors, supervisors and senior management, investor relationship management system; the second was to attach great importance to self-building including trainings for Directors and the Board, to actively participate in regular trainings organized by regulatory authorities and special trainings on information disclosure and standard operation for listed companies to Directors according to the needs of work and special training on listing of H Shares, and to improve their ability to perform their duties; the third was to establish good relations with stakeholders, to maintain the interests of both shareholders and creditors; to maintain the interests of customers through efficient and professional services; to maintain the lawful interests of employees through well-established labor system and corporate culture system; to continuously carry out various types of public welfare undertakings to perform the corporate social responsibility.

(V) Strictly perform information disclosure responsibility

Following listing of A Shares and H Shares, simultaneous application of regulatory rules of both PRC and Hong Kong placed higher regulatory requirements on information disclosure. The Board required the Company to seriously study and master the regulatory requirements, strictly implement the regulatory requirements, improve compliance and effectiveness of information disclosure, and practically maintain the interests of investors and the Company. Based on the existing information disclosure system for A Shares, the Company rapidly rationalized the process and method of information disclosure upon listing of its A Shares and H Shares. The Company prepared and disclosed in aggregate 4 regular reports, issued 65 temporary announcements, 12 monthly financial data reports and 5 insider information announcements. The effectiveness of information disclosure of the Company has been recognized by regulatory authorities, where the appraisal rating for annual information disclosure of the Company upon listing of A Shares by Shanghai Stock Exchange was A (excellent).

(VI) Carry out sound management on investor relations

The Company attached great importance to management on investor relations. During the reporting period, according to the requirements of Hong Kong Stock Exchange for listed companies, the Company improved the establishment of management platform for investor relationship, built and maintained the database for investor relationship of the Company; receipt 13 times of research from institutional investors and analysts, established good communication with institutional investors; answered hotline for investors to answer their questions, deepened the understanding of investors to the Company and enhanced the degree of recognition; organized the Company's 2016 semi-annual performance road show, communicated well with investors and analysts, kept up with market feedback in a timely manner, improved the corporate image and the transparency of the Company.

III. SPECIFIC EXPLANATION ON DUTY PERFORMANCE, APPRAISAL AND REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT IN 2016**(I) Duty performance, appraisal and remuneration of Directors**

In 2016, all Directors of the Company lawfully, honestly and diligently fulfilled their statutory duties in compliance with relevant requirements of laws and regulations, the Listing Rules and the Articles of Association. The Directors actively attended the meetings of special committees and the Board meetings, carefully considered various issues, made recommendations and suggestions and provided professional expertise on important aspects including corporate governance, issuance and listing of H shares, strategic planning and major decision-making, major investment and financing projects, compliance and risk management, which ensured scientific and standardized decision-making of the Board, pointed out an exact direction and laid a solid foundation for seizing the opportunity of in-depth reform of industry, innovation and development in a timely and effectively manner to achieve a leaping development.

The Board of the Company held in aggregate 8 meetings during the year, each Director has attended in the meetings in person or by entrusting other Directors, particulars of attendance of meetings are as follows:

Directors of the third section of the Board	Number of Board meetings requiring attendance during the reporting period	Attendance in person	Attendance by proxy	Absence	Voting results
Pan Xinjun	8	8	0	0	Voted in favour of all proposals submitted for voting
Wu Jianxiong	8	8	0	0	Voted in favour of all proposals submitted for voting
Jin Wenzhong	8	8	0	0	Voted in favour of all proposals submitted for voting
Zhang Qian	8	7	1 (Entrusted Wu Junhao, a Director, to vote on his behalf on the 21st meeting of the third session of the Board)	0	Voted in favour of all proposals submitted for voting
Wu Junhao	8	8	0	0	Voted in favour of all proposals submitted for voting
Chen Bin	8	8	0	0	Voted in favour of all proposals submitted for voting
Li Xiang	8	8	0	0	Voted in favour of all proposals submitted for voting
Xu Jianguo*	1	1	0	0	Voted in favour of all proposals submitted for voting
Huang Laifang*	4	4	0	0	Voted in favour of all proposals submitted for voting

Directors of the third section of the Board	Number of Board meetings requiring attendance during the reporting period	Attendance in person	Attendance by proxy	Absence	Voting results
Zhou Yao	8	7	1 (Entrusted Pan Xinjun, the chairman, to vote on his behalf on the 17th meeting of the third session of the Board)	0	Voted in favour of all proposals submitted for voting
Li Zhiqiang	8	8	0	0	Voted in favour of all proposals submitted for voting
Xu Guoxiang	8	8	0	0	Voted in favour of all proposals submitted for voting
Tao Xiuming	8	7	1 (Entrusted Li Zhiqiang, an independent Director, to vote on his behalf on the 17th meeting of the third session of the Board)	0	Voted in favour of all proposals submitted for voting
Wei Anning	8	8	0	0	Voted in favour of all proposals submitted for voting
Pan Fei	8	8	0	0	Voted in favour of all proposals submitted for voting
Xu Zhiming*	4	4	0	0	Voted in favour of all proposals submitted for voting

Directors of the third section of the Board	Number of Board meetings requiring attendance during the reporting period	Attendance in person	Attendance by proxy	Absence	Voting results
Chen Bichang*	1	0	1 (Entrusted Pan Xinjun, the chairman, to vote on his behalf on the 17th meeting of the third session of the Board)	0	Voted in favour of all proposals submitted for voting
Xu Chao*	4	3	1 (Entrusted Jin Wenzhong, a Director, to vote on his behalf on the 17th meeting of the third session of the Board)	0	Voted in favour of all proposals submitted for voting

**Notes:*

1. Mr. Chen Bichang resigned as a Director of the third session of the Board on April 12, 2016.
2. Ms. Huang Laifang was elected as a Director of the third session of the Board at the shareholders' general meeting of the Company on May 25, 2016, and assumed the office since the day on which she obtained the qualification as a Director on June 27, 2016.
3. Mr. Xu Zhiming was elected as an independent Director of the third session of the Board at the shareholders' general meeting of the Company on September 22, 2015, and assumed the office since the listing date of H Shares on July 8, 2016.
4. Mr. Xu Chao resigned as a Director of the third session of the Board on July 12, 2016.
5. Mr. Xu Jianguo was elected as a Director of the third session of the Board at the shareholders' general meeting of the Company on November 8, 2016.

In 2016, the strategic development committee, compliance and risk management committee, remuneration and nomination committee and audit committee of the Board held 1 meeting, 3 meetings, 5 meetings and 7 meetings respectively. Each special committee, with well-defined terms of reference, conducted the prior consideration on the proposals respectively, put forward professional review opinions as reference for consideration of proposals to the Board, which provided strong support to improve the scientific and forward-looking decision-making of the Board. Independent Directors were capable of diligently performing their duties, expressing their independent opinions and recommendations on the proposals, which practically maintained the interests of shareholders, especially minority shareholders, and promoted the standardized operation of the Company.

In 2016, except that the independent Directors received the allowance for independent Directors in accordance with the resolution of the shareholders' general meeting each year, and the chairman and president received the remuneration which was included into the personnel appraisal in accordance with the relevant provisions, the remaining Directors did not receive any remuneration from the Company.

(II) Duty performance, appraisal and remuneration of senior management

In 2016, all senior management of the Company lawfully, honestly, diligently and effectively fulfilled their duties of operation and management in compliance with relevant requirements of laws and regulations, relevant systems of the Company including the Articles of Association and resolutions of the Board and president's office meeting. Under the guidance and support of the Board, the senior management completed the goal of listing of H Shares, achieved breakthroughs in innovation-driven transformation, coupled with its leading position in compliance and risk control across the industry and the continuous rating of Class A Grade AA, the Company went further on its strategic objective to becoming a leading domestic investment bank.

According to requirements of relevant systems of the Company, the remuneration and nomination committee of the Board are responsible for annual performance evaluation of operational management team after the end of each year.

In 2016, the senior management (including chairman) of the Company received fixed annual remuneration and performance bonus according to requirements of relevant systems, where the fixed annual remuneration was adjusted and determined according to requirements of systems, and the performance bonus was determined based on annual evaluation.

For the remuneration of senior management of the Company, please refer to "Remuneration Management for Directors, Supervisors and Senior Management" in 2016 annual report of the Company.

IV. WORK PLAN FOR THE BOARD IN 2017

The year 2017 is an important year for implementation of "13th Five-Year" Plan, and is also the year ending the three-year strategic planning. As an important intermediary institution in the capital market, the Company must fulfill the responsibility of serving real economy development and social wealth management. As a listed company of both A Shares and H Shares, the Company must build a high-quality listed securities company, fully implement the requirements of corporate governance and responsibility of information disclosure, and return investors with excellent performance. Facing the

lawful, strict, comprehensive regulatory policy environment and increasingly intense competition in the industry, the Company will firmly grasp the keynote of seeking progress in stability, and will undergo innovation and transformation by centering on the strategic objective of “building up a modern investment bank which has the domestic first-class core competitiveness and provides comprehensive financial services for clients” to further drive the development of Company up to a new horizon.

The Board of the Company will give a full play to its leading and decision-making role, diligently perform their duties, collectively make progress, oversee the overall situation, promote innovation, strictly control the risk and lead the development. Specifically speaking, the Board will focus on the following work:

(I) Push forward the refinancing of the Company with full efforts

Expansion of capital strengths of the Company is of great importance for expanding the business scale, improving the competitive position in the industry and the ability of anti-risk for the Company. The Board will promote the implementation of the refinancing of Company, carefully work on supervision, communication and various proposals, and strive to complete the offering and listing as soon as possible. The Board will also strengthen the management of liabilities, focus on liquidity management, adopt various financing channels, optimize financing structure and expand the asset size. At the same time, the Board will focus on the usage management for the proceeds, promote the transformation of business structure for the Company, improve the structure of profits of Company, and form virtuous circles between capital supplement and leveraged operation, as well as performance growth and capital return.

(II) Further improve corporate governance and effectively perform the responsibility of information disclosure

Since the listing of A Shares and H Shares, the Company has initially established standardized operation and information disclosure system as a listed company adapt to the regulatory rules of both PRC and Hong Kong. In 2017, the Board of the Company will further improve the corporate governance system and the corporate governance level in accordance with the requirements of regulatory rules of both PRC and Hong Kong; the Company shall further adapt to the new situation and new requirements and rationalize the management relationship with Shenergy Group, the largest shareholder of the Company. The Company shall strictly fulfill the information disclosure obligations, ensure the authenticity, accuracy, completeness, timeliness and fairness of information disclosure, and practically improve the effectiveness of domestic and foreign information disclosure, strengthen the management of investor relations, establish and maintain a smooth channel for communication between domestic and foreign investors, and establish a good market image of the Company.

(III) Strengthen strategic planning and enhance the level of strategic management

The Company has implemented three-year strategic plan of the Company for the years 2015-2017. The Board will combine domestic and foreign economic situation and the development trend for securities industry on the basis of evaluation for implementation of strategic plan of the Company for the previous three years, and formulate the next round of strategic planning for the development of the Company on the basis of careful analysis and scientific research, and utilize the important role of strategic planning in overseeing the overall situation, guidance and promotion. At the same time, the

Board will focus on corporatization management and development, further improve the management on subsidiaries, and promote the marketization development of the subsidiaries and promote their expansion and enhancement.

(IV) Adhere to the bottom line of compliance, and strengthen the overall risk management

In 2017, the industry regulation stressed that the risk prevention shall be placed in a more prominent position, and the bottom line of non-occurring of systemic risk shall be firmly held; deepen the strict overall supervision in accordance with laws and maintain the market order. The Board will urge the Company to carry out strict compliance and the risk control management to ensure non-occurring of risk of material violations of regulations. The first is to strictly implement various requirements of regulatory requirements to ensure that every business of the Company is in line with regulatory indicators, and further enhance the quality and efficiency of work; the second is to comprehensively rationalize and improve the compliance management system of the Company to achieve full coverage of compliance management, and focus on key fields. The third is to further rationalize and improve the comprehensive risk management system of the Company, strengthen the control on various risks including market risk, credit risk, liquidity risk and employees' occupational ethics, and vigorously promote the construction of risk management information system; the fourth is to adhere to carry out risk-oriented audit, and strictly control the quality of audit.

(V) Strengthen the construction of talent team and promote the reform of system and mechanism

The innovation, transformation and development of the Company requires support and safeguard of cadre team and professional talents. The Board will follow the strategic planning of the Company, guide the Company in construction of talent echelon and training of key talents, and take the training of talents as a key task. The Company shall strengthen the introduction and training of talents, promote the professionalization, younger age and internationalization of cadre team, and further improve the internal incentive and restraint mechanisms to fully mobilize and stimulate the vitality and enthusiasm of the talent team.

In the past year, in the difficult market environment, the Company has withstood the severe test, abide by the bottom line of compliance risk, all work has achieved good situation of sustainable development, and these achievements cannot be separated from the vigorous support from all shareholders and Directors. At present, the Company has come to a new starting point, and the Board will continue to unite all cadres and staff of the Company under the vigorous support from all shareholders and Directors, closely center on creating the strategic objective of "building up a modern investment bank which has the domestic first-class core competitiveness and provides comprehensive financial services for clients", seek progress in stability, diligently perform duties, seize the opportunities of the times, get ready for new challenges, adhere to bottom line of compliance and risk management, and return investors and society with excellent performance.

The above proposals are subject to consideration by shareholders of the Company.

Dear Shareholders,

The 2016 annual work report and 2017 annual work plan of the Supervisory Committee is set out below according to relevant requirements of laws and regulations and the Company's Articles of Association:

1. REVIEW OF THE WORK IN 2016

In 2016, the Supervisory Committee put in place the guiding ideology to **“align itself with the A+H listing requirements, pay close attention to operating risks and keep deepening the supervisory functions, so as to promote the sound development of the Company”** in observance of the Company Law, the Securities Law and other relevant laws and regulations of the PRC. To this end, it closely followed the development strategy of the Company, kept optimizing the supervisory system, explored the innovative supervision mode and continued to broaden the supervisory channels, and thus provided safeguard for the comprehensive breakthrough development of the Company.

(1) Focus on key elements to cement the supervisory foundation***(i) Convened meetings of the Supervisory Committee and attended the shareholders' general meetings of the Company in accordance with relevant laws***

In 2016, the Supervisory Committee held a total of four meetings at which the proposals including the regular reports of the Company were duly discussed and considered. In addition, the Supervisors of the Company attended two shareholders' general meeting at which the chairman of the Supervisory Committee made a report to shareholders on the work and plans of the Supervisory Committee, thus fulfilling the duties as Supervisors in accordance with relevant laws. (For details, please refer to the annex titled “the Meetings and Survey of the Supervisory Committee in 2016” 《2016年度監事會會議及調研情況》).

(ii) Continued with the assessment on performance of duties by Directors, Supervisors and senior management

The Supervisory Committee continued to conduct the assessment on performance of duties in 2016 in accordance with the “Rules of the Supervisory Committee of the Company on Assessment of the Performance of Duties by Directors, Supervisors and Senior Management (《公司監事會對董事、監事、高管人員履職評價辦法》). With regard to the performance of duties by Directors, Supervisors and Senior Management in 2015, the Supervisory Committee prepared the respective reports on performance of duties by Directors, Supervisors and Senior Management and submitted the same to the sixth meeting of the third session of the Supervisory Committee. In 2016, the Supervisory Committee delegated its members to attend a total of three on-site meeting of the Board of Directors and a total of five on-site meetings of the special committees of the Board of Directors. It performed due supervision over the decision-making procedures and performance of duties by Directors at the meetings in accordance with relevant laws through studying the proposals to be put forth to relevant meetings in advance and recording the attendance and opinions of Directors and the voting at the meetings. In addition, the Supervisory Committee appointed its members to make opinions at the meetings of the Board of Directors, which effectively strengthened the exchange and communication with shareholders, Directors and managers of the Company.

(iii) Made targeted supervision proposals to key departments

In accordance with the requirements made at the sixth meeting of the third session of the Supervisory Committee on finance, compliance and risk management, the Supervisory Committee gave “Supervision Proposals” in written (《監督建議書》) to the Finance Planning Management Department, the Treasury Management Department, the Compliance and Legal Management Department and the Risk Management Department, respectively, in which it made the suggestions such as “to promote information standardization in light of the listing of H Shares”, “to broaden financing channels and increase the capital of the Company”, “to improve the internal control system for a timely routine administration” and “to keep a watchful eye on the risks of innovative business and strengthen the reporting response mechanism”. Afterwards, the Supervisory Committee made specific written reply to the corresponding work plans and improvement measures submitted by the aforesaid departments.

(2) Deepen its supervisory function in light of the A+H dual listing requirements

(i) Made full cooperation for the listing of H Shares

In connection with the listing of H Shares, the Supervisory Committee well aligned itself with the listing schedule, actively cooperated with the intermediaries in due diligence investigations, worked effectively in preparation and submission of materials in relation to the Supervisory Committee, Supervisor interview and completion of the questionnaires, arranged the Supervisors to attend relevant trainings, and made timely understanding of the requirements on performance of duties by Directors and Supervisors and relevant laws and regulations, thus ensuring the effective progress of the listing of H Shares.

(ii) Made improvements to the process of information disclosure

For good corporate governance as an A+H public company, the Supervisory Committee Office actively studied the laws and regulations in Hong Kong, made intensive reference to the materials published by securities firms listed in both Shanghai and Hong Kong, stayed in close communication with the Board Office and lawyers, and strictly implemented the drafting and approval process. As a result, it made no errors in the announcements of the Supervisory Committee throughout the year. The Supervisory Committee strictly observed the information disclosure regulation of the Company when publishing news and its work briefings at the intranet of the Company, thus ensuring the compliance of its information disclosure with the requirements as an A+H listed company.

(iii) Participated the Best Practice of Supervisory Committee of Listed Companies and won the Top 20 award

The Supervisory Committee participated the “Best Practice of Supervisory Committee of Listed Companies” jointly organised by China Association for Public Companies, Shanghai Stock Exchange and Shenzhen Stock Exchange in 2016 and was awarded the “Top 20 Best Practice of Supervisory Committee of Listed Companies” through its efforts in comprehensively rationalizing the regular and featured work of the Supervisory Committee in accordance with relevant laws and regulations and the “Guidance to the Work of Supervisory Committee of Listed Companies” (《上市公司監事會工作指引》), actively preparing materials for expert review and appraisal and engaging the whole company in public voting via internet. Such participation further promoted optimization of the functions and processes of the Supervisory Committee and improvements to corporate governance in accordance with the working standard of the Supervisory Committee of an A+H listed securities firm.

(3) Enhance communication and coordination to create supervision synergies***(i) Conducted exploratory post-evaluation on overseas investment projects***

In 2016, the Supervisory Committee conducted post-evaluation on those overseas investment projects of the Company aged two years as required by relevant regulatory authorities. For the purpose of professionalism and independence of the evaluation, the Supervisory Committee collected and studied the post-evaluation cases of other financial firms and compared the work plans offered by a number of external consultation institutions, and for the first time independently engaged BDO China Shu Lun Pan Certified Public Accountants LLP to act as the intermediary which, in collaboration with our Compliance and Legal Management Department and Auditing Department, conducted field interview and walk-through test on the financial inspection procedure and material business internal control process of relevant subsidiaries as well as the control procedures of the Company. As a result, the Supervisory Committee gained a proper knowledge about the investment management of overseas investment project and relevant influencing factors.

(ii) Made in-depth investigation and survey on the key operations and branches of the Company

For the purpose of deepening the implementation of tour inspection and survey mechanism of the Supervisory Committee and enhancing the supervision and inspection on the compliance and risk management of key operations and branches, the Supervisory Committee made inspection tour and survey on the Securities Financing Department, the Securities Research Institute, two branches in Chengdu, Zhangyang Road Branch in Shanghai and two branches in Beijing of the Company consecutively in 2016. After hearing the report on the development of key operations of the Company and the operation and compliance and risk management of the branches, the Supervisory Committee gave its suggestions, together with the summarized opinions of the managerial staff of the branches, to relevant functional departments, and urged the headquarter departments of the Company to enhance exchange and communication with the branches and actively explore the coordination mode, so as to further promote the work efficiency of the Company.

(iii) Broadened the communication channel in an all-round way

In 2016, the Supervisory Committee made further efforts in exchange and communication both internally and externally. The Supervisory Committee Office has in its day-to-day work established smooth communication channels with institutions and authorities such as the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) and China Association for Public Companies to keep abreast of the regulatory requirements and key elements for reporting, which ensures that the work of the Supervisory Committee could stay in correct direction and focus on key points. During the year, the Supervisory Committee circulated a total of 12 issues of its work briefings to Directors and Supervisors to give information on matters of the Supervisory Committee such as convening of meetings, tour inspection and survey and dispatch of supervision proposals, which facilitated the understanding and support of the Directors and Supervisors to the dynamic work of the Company. After the Company was awarded the “Top 20 Best Practice of Supervisory Committee of Listed Companies”, media such as Securities Daily and Capital Shanghai made special interview and coverage on and gave a high appraisal to the work of the Supervisory Committee, which effectively uplifted the steady and sound brand image of the Company.

(4) Specific explanation on the performance of duties and remuneration of Supervisors in 2016

In 2016, all the Supervisors of the Company discharged their duties lawfully, honestly and diligently in accordance with laws and regulations and the requirements of the Articles of Association. The Supervisors actively attended the meetings and activities of the Supervisory Committee, conducted effective supervision over the finance, compliance and risk management and key operations of the Company and gave prompt opinions and suggestions thereon, which promoted the sustainable and healthy development of the Company.

During the year, the Supervisory Committee held a total of four meetings and all Supervisors attended such meetings either in person or by way of proxy. Set out below are the details of their attendances:

Name of Supervisor	Required attendances (Times)	Attendance in person (Times)	Attendance by proxy (Times)	Absence	Voting
SONG Xuefeng	4	4	0	0	Voted in favour of all proposals
LI Bin	4	4	0	0	Voted in favour of all proposals
LIU Wenbin	4	4	0	0	Voted in favour of all proposals
YIN Keding	4	4	0	0	Voted in favour of all proposals
WU Zhengkui	4	3	1	0	Voted in favour of all proposals
ZHOU Wenwu	4	4	0	0	Voted in favour of all proposals
YAO Yuan	4	4	0	0	Voted in favour of all proposals

In 2016, Apart from LI Bin, the vice chairman of the Supervisory Committee, who received his remuneration based on assessment of performances for the management team in accordance with relevant requirements, and ZHOU Wenwu and YAO Yuan, both being employee representative Supervisors, who received their remunerations based on the assessment of performances for their specific posts, other Supervisors did not receive remunerations from the Company.

2. SUPERVISORY OPINIONS AND SUGGESTIONS

(1) Supervisory opinions

(i) Opinions on the performance of duties of Directors and senior management

In 2016, the Directors and senior management of the Company followed the guiding ideology for the work of 2016 as established by the Shareholders' general meeting and the Board of Directors at the beginning of 2016, led the Company to proactively address the complex and difficult industry condition, adhered to innovation and transformation, exerted strict control over risks, held fast to the bottom line of compliance, maintained the AA rating and overcame difficulties to achieve successful listing of H Shares and officially established presence on international capital stage.

In 2016, the Company could operate in accordance with the Company Law, the Securities Law, the Articles of Association of the Company and relevant requirements of the state, and the decision-making procedures of the Company were in compliance with relevant laws. We are not aware of any breach of laws, regulations or the Articles of Association of the Company in the discharge of their duties of Directors and senior management of the Company, nor are we aware of any behavior detrimental to the interests of Shareholders, the Company or the employees.

(ii) Opinions on the financial activities of the Company in 2016

The Supervisory Committee is of the opinion that, in 2016, the Company could conduct its financial activities in earnest observance of the national financial and tax laws and regulations and the financial rules of the Company and in strict accordance with the disclosure requirements on financial information of listed securities firms in Shanghai and Hong Kong, and in a way that could rationally promote the work in respect of "replacing business tax with value-added tax", enhance the overall management of budget and balance sheet composition, increase the frequency and strength of financial forecast, continue to broaden financing channels both at home and abroad, keep improving the liquidity management system, promptly push on the affairs of international rating and serve the A+H listing and collectivization development strategy of the Company.

(iii) Opinion on the compliance and risk management of the Company

The Supervisory Committee is of the opinion that, in 2016, the Company could conduct its compliance work in a way that promptly facilitate the routine management of internal control, strengthen compliance management against the conduct of its employees, continue to promote the key affairs such as management of client abnormal transactions and actively cooperate with supervision and inspection of regulatory authorities. In respect of risk management, the Company could keep optimizing the risk appetite management mechanism by focusing on net capital and risk exposure, achieve day-to-day monitoring of major risk control indicators of the Company and strength monitoring and appraisal of risk profile of business lines, which ensures the overall risk exposure of the Company is controllable and acceptable and there were no material breaches of laws or regulations throughout the year.

(2) Supervision suggestions

It is suggested that, in 2017, the Company shall grasp the opportunities in China's economy and capital market to further enhance its capital strength, strike a good balance between risk control and business development, increase efforts in resources consolidation and business coordination, continue to uplift the quality and level of its comprehensive financial services, and strive to build DFZQ into an industry-leading financial group to the satisfaction of Shareholders and with perception of affiliation for its employees.

(i) Enhance capital strength and deepen business transformation

(a) Proceed with the non-public issuance of A Shares by making effective and timely efforts in relevant consideration and reporting and response plan, so as to further enhance the capital strength of the Company and reduce operation leverage as well as lay a good foundation to resist industrial risks and grasp market opportunities; (b) further proper efforts shall be made in arrangement of financing methods so as to keep optimizing its debt structure; (c) deepen business innovation and transformation, effectively consolidate resources, optimize revenue structure and strengthen business coordination, so as to provide more comprehensive financial services to clients and create more value to Shareholders; and (d) strengthen study on the integration of industry and finance, effectively consolidate resources of Shareholder entities and the edges in financial services of its own, seek coordination opportunities in terms of capital and business, explore an effective mode in which the industrial development could be well supported by financial services, so as to utilize the synergy advantages from group-based development.

(ii) Pay constant attention to risks and hold fast to the bottom line of compliance

(a) Implement the requirements of the "Administrative Measures for Compliance of Securities and Fund Institutions" (《證券基金經營機構合規管理辦法》) to comprehensively streamline and optimize the compliance management system of the Company, follow up with the business innovation progress in a real-time manner and make prompt control measures before, during and after the event, so as to achieve comprehensive coverage of compliance management; (b) implement the newly revised Norm for the Comprehensive Risk Management of Securities Firms (《證券公司全面風險管理規範》) to improve the organizational framework for risk management, promote the establishment of information technology system for risk management and improve the risk indicator system with net capital and liquidity as its cores, so as to ensure that the overall risk of the Company is controllable and acceptable; and (c) on the basis that the effectiveness of the work flow could be ensured, optimize work flow for compliance and risk management to further improve work efficiency and better support the innovative development of the Company.

(iii) Improve coordination mechanism and optimize talents pool

(a) Further improve the mechanism for business coordination among headquarter departments, subsidiaries and branches of the Company and nail down matters such as the functions, performance assessment and profit allocation involved in the cooperation, so as to motivate branches to further play their roles as comprehensive service outlets, effectively identify and pass on client's needs, promote the development of the businesses of the Company and enhance the level of the Group's comprehensive financial services; and (b) further improve talents pool by filling the talent vacancies in emerging

businesses in a timely manner, attaching importance to sales and managerial talents reserve and improving the mechanism for talents fostering, assessment and motivation, for the purpose to provide constant impetus to the development of the Company.

3. WORK PLAN FOR 2017

Looking into 2017, in a bid to provide safeguard for achieving new-round of development objectives of the Company, the Supervisory Committee will put in place the guiding ideology to “**make exploratory evaluation of compliance risk control, pay close attention to the group management and control, standardize and optimize supervisory functions, so as to promote the steady and sound development of the Company through effective supervision**” in observance of the Company Law, the Securities Law and other relevant laws and regulations of the PRC. To this end, it will push on the improvement of compliance and risk management of the Company by focusing on the progress of the Company’s transformation, increase guidance to and supervision on the work of supervisors (Supervisory Committees) at the subsidiaries and optimize the supervision process norm.

(1) Exert supervision to effectively facilitate development of the Company with focus on compliance risk control

(i) *Hear reports to keep abreast of the overall situation of compliance risk control*

Through fully exerting its independent and prudential supervision function, the Supervisory Committee will conduct tour inspection and survey on the Compliance and Legal Management Department and the Risk Management Department of the Company, with an aim to gain comprehensive knowledge about the overall framework and implementation of compliance and risk management of the Company, fully understand the incorporating of compliance risk control into the process of business innovation and business operation of the Company and thoroughly explore an effective mode for supervising the compliance and risk management of the Company.

(ii) *Pay close attention to and urge for the improvement of risk control system*

Close attention will be paid to the improvement of the comprehensive risk management system of the Company. In this respect, the Supervisory Committee will hear the overall opinion of intermediaries on the risk management system and their suggestions for subsequent improvement thereof and follow up with the rectification and improvement in the aspects such as personnel, system and rules, in a bid to comprehensively enhance the risk management at group level.

(iii) *Make research and exploration to enhance the efficiency of compliance and risk control management*

The Supervisory Committee will research and explore the systematic evaluation on the integrity, effectiveness and efficiency of the compliance and risk management system of the Company under the general regulatory framework of the CSRC on compliance and risk control of securities firms, and with reference to the findings from its day-to-day supervision, put forth suggestions for improvement and urge relevant departments to implement the rectification, so as to push on the Company to further enhance its compliance and risk management practice and ensure its satisfaction of regulatory requirements and the need for business development.

(2) Expand the depth and breadth of supervision with focus on tour inspection and survey***(i) Nail down supervision focuses by conducting a series of symposium***

The Supervisory Committee will conduct a series of survey symposiums to make comprehensive communication with intermediaries such as accounting firms, representatives of independent and non-independent Directors, relevant business and managerial departments to extensively hear their opinions and suggestions toward the work of the Supervisory Committee, with an aim to seek for the focuses of effective supervisions in key areas, promote the further optimization of work flow of the Supervisory Committee and expand the depth and breadth of its supervision.

(ii) Deepen tour inspection and survey to boost work effect

The Supervisory Committee will further deepen the tour inspection and survey mechanism and send its Supervisors to visit key business departments such as the Wealth Management Business Department and branches for survey for the purpose to conduct supervision and inspection on matters such as the reform of Wealth Management Business Department, cross-department coordination of the Company, compliance risk control in the development of innovative business and management of employees' practices, so as to promote the sustainable and healthy development of the Company.

(iii) Establish supervision close-loop to enhance the effectiveness of suggestions

The Supervisory Committee will extend the chain of its supervision in that more efforts are to be made in following up with the implementation of its supervision suggestions put forth after its supervision inspection. To this end, firstly, scientific supervision suggestions will be made after it conducts, in collaboration with relevant departments or professional institutions engaged, specific study on the key and difficult issues identified in the supervision inspection; secondly, review and feedback will be made after the responsible department completes self-rectification, with an aim to check the effect and quality of such rectification; and lastly, the Supervisory Committee will prepare a comprehensive supervision and check report and send the same to the Company or relevant regulatory authorities. With such supervision close-loop, the Supervisory Committee could further enhance the effectiveness of its supervision and thus provide a safeguard for the Company's sustainable and healthy operation by identifying and addressing problems in a timely manner.

(3) Unite the internal and external supervision forces with focus on group-based control***(i) Pay on-going attention to the Group's financial safety***

The Supervisory Committee will, by means such as conducting tour inspection on relevant headquarter functional departments and regular communication with auditors, further strengthen its supervision on the finance affairs of the Company, urge the Company to make proper capital arrangement, optimize business layout, keep enhancing liquidity management system and increase the accuracy of the real-time monitoring of liquidity indicators, so as to fully protect the liquidity safety of the Group. With a focus on the leverage level of the Company, the Supervisory Committee will urge the Company to keep optimizing its debt structure, strengthen the coordination and management of capital, optimize the capital allocation of the group company and effectively increase the return on capital.

(ii) Promote the completion of the post-evaluation of overseas investment

The Supervisory Committee will further promote the post-evaluation of overseas investment projects on the basis of the field inspection made previously. A systematic and objective analysis will be made for the management process, benefits and influence of such investments based on the findings of inspection and interview. In collaboration with the Compliance Management Department and the Auditing Department of the Company, the Supervisory Committee will make opinions on further improvement of corporate governance, strengthening financial management, optimizing control compliance and risk management of relevant subsidiaries based on their profiles of internal control and the regular auditing in prior year, so as to provide reference and suggestions for the Company to examine the investment performance and optimize investment decision-making.

(iii) Promote the assessment of performance of duties by directors, supervisors and senior management of subsidiaries

The Supervisory Committee will urge the Company to implement the assessment of performance of duties by directors, supervisors and senior management of subsidiaries in accordance with the “Administrative Measures for Subsidiaries” (《子公司管理辦法》) and the “Administrative Measures for Directors, Supervisors and Senior Management of Subsidiaries” (《子公司董監高管理辦法》) as soon as practicable, so as to further enhance the standardization of corporate governance of the Company and the effectiveness of management and control practice of the Group. The Supervisory Committee will, on the premise that relevant laws and regulations are to be observed, convene joint conference of supervisors (supervisory committees) and conduct supervision and assessment of performance of duties by seconded supervisors, with an aim to enhance exchange and communication among supervisors (supervisory committees) of the Company and its subsidiaries, urge the seconded supervisors to strengthen effective supervision on the capital, finance and risk management of subsidiaries, and thus creates synergies by the joint supervision efforts of the supervisory committees of the Company and its subsidiaries.

(4) Uplift the norm for the work of Supervisory Committee by focusing on system construction***(i) Optimize the norms for the work flow of Supervisory Committee***

According to the “Guidance to the Work of Supervisory Committee of Listed Companies” (《上市公司監事會工作指引》) issued by China Association for Public Companies as well as relevant requirements of competent authorities, the Supervisory Committee will further optimize and improve its practice and formulate the “Work Regulations for the Supervisory Committee of the Company” (《公司監事會工作條例》) to define duties and power of the Supervisory Committee as well as specific measures and work flow for discharge of its duties, so as to provide a reference basis and standard for the effective and proper practice of the Supervisory Committee.

(ii) Further clarify the requirements for performance of duties by supervisors

The “Norm for Performance of Duties by Supervisors”(《監事履職規範》) of the Company will be formulated in accordance with relevant laws, regulations and relevant requirements for supervisors of an A+H listed company, which will set out the rights and obligations of Supervisors, provide detailed requirements on the attending meetings, expressing supervision opinions and implementing information disclosure by Supervisors and define the assessment method, so as to promote a more prudential and proper performance of duties by Supervisors. In addition, research will be made on the mechanism where the staff congress conducts democratic appraisal on employee Supervisor, aiming to comprehensively enhance the responsibility and representativeness in the performance of duties by employee Supervisors.

(iii) Continue to expand communication and coordination channels

The Supervisory Committee will actively expand effective channels to strengthen learning from and discussion with Shareholders, Directors and peer supervisory committees, keep abreast of the business development of the Company and the experience in supervision and management in the industry and promote the coordinated and mutual development of the Company and its Shareholder entities. The Supervisor Committee Office will strengthen communication and coordination with relevant departments to enhance the supervision efficiency and create united supervision forces. In addition, it will recruit additional professionals in finance and legal field and enhance training for existing personnel, striving to build a professional and efficient work team that could better assist the Supervisor Committee to exercise effective supervision.

The above proposals are hereby put forth to Shareholders for consideration.

ANNEX III 2016 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS

Dear Shareholders,

We, as the independent directors of Orient Securities Company Limited, hereby report our work for 2016 below pursuant to the Guidance on the Establishment of Independent Director System in Listed Companies, the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the Listing Rules of Shanghai Stock Exchange as well as the relevant rules under the Guidelines for the Format of the Annual Work Report of Independent Directors promulgated by the Shanghai Stock Exchange:

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

At the beginning of the reporting period, there were 15 directors at the third session of the Board of Directors, including 5 independent directors; currently, there are 16 directors at the third session of the Board of Directors, including 6 independent directors.

At the beginning of the reporting period, the independent directors were Mr. Li Zhiqiang, Mr. Xu Guoxiang, Mr. Tao Xiuming, Mr. Wei Anning and Mr. Pan Fei.

At the end of the reporting period, the independent directors were Mr. Li Zhiqiang, Mr. Xu Guoxiang, Mr. Tao Xiuming, Mr. Wei Anning, Mr. Pan Fei and Mr. Xu Zhiming.

In order to meet the requirement of at least one independent non-executive director of the H-share listed company ordinarily resident in the Hong Kong company thereof, Mr. Xu Zhiming was appointed as a new independent director of the third session of the Board of Directors at the first extraordinary general meeting for 2015 convened on September 22, 2015. Mr. Xu Zhiming would officially assume office and perform his duties from the date of satisfying all the following conditions until the term of office for the third session of Board of Directors is expired: 1. Mr. Xu Zhiming is qualified by the securities regulatory authority to act as an independent director of a securities company; 2. the H Shares issued by the Company are listed and traded on the Main Board of the Hong Kong Stock Exchange; 3. the Articles of Association (draft), which is applicable after H Shares issued by the Company are listed and traded on the Main Board of the Hong Kong Stock Exchange, is considered and approved by the shareholders' general meeting, and is approved by the securities regulatory authority. On January 22, 2016, the Company received the Reply on Approving Change of Material Articles in Articles of Association by Orient Securities Company Limited (Hu Zheng Jian Xu Ke [2016] No.11) issued by the Shanghai Bureau of the CSRC, pursuant to which the Company was approved to change some important articles in the Articles of Association of Orient Securities Company Limited; on June 17, 2016, the Company received the Reply on Approving Qualification of Xu Zhiming as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 56) issued by the Shanghai Bureau of the CSRC; on July 8, 2016, the overseas listed foreign shares (H Shares) issued by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange. As such, all the conditions which qualifies Mr. Xu Zhiming to be an Independent Director of the third session of the Board of the Company have been satisfied. Mr. Xu Zhiming has officially assumed the office as an independent director of the third session of the Board of the Company since July 8, 2016.

The basic information of each of the independent directors is as follows:

(I) Current Independent Directors

Mr. Li Zhiqiang, born in 1967, is a member of the Communist Party of the People's Republic of China (PRC), master graduate and senior lawyer. He served as the director and senior partner of Jin Mao Partners, the PRC legal council of the Graham & James LLP; as well as the vice chairman of the legal practice committee of the Inter-Pacific Bar Association. Currently, he serves as a founding partner of Jin Mao Kai De Partners, an independent director of Shanghai M&G Stationary Inc., an independent director of China Haisum Engineering Co., Ltd. and an independent director of Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd.

Mr. Xu Guoxiang, born in 1960, is a member of the Communist Party of the PRC, doctor and professor. He held the position of a lecturer of the Department of Management in Shanghai Maritime University, and held the positions of lecturer, associate professor, professor and the department head of the Department of Statistics in Shanghai University of Finance and Economics. Currently, he serves as the director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics, an independent director of Baoding Tianwei Baobian Electric Co., Ltd., an independent director of China Enterprise Company Limited, a supervisor of Dazhong Transportation (Group) Co., Ltd., a supervisor of Shanghai Xintonglian Packaging Co., Ltd. and an independent director of Luzhou Laojiao Co., Ltd.

Mr. Tao Xiuming, born in 1964, is a member of the Communist Party of the PRC and doctor graduate. He served as a lawyer in Beijing Tianping Law Firm and China Law Counsel Center, as well as a research assistant in the Institute of International Law of Chinese Academy of Social Sciences. Currently, he serves as a founding partner and the management committee director of JunZeJun Law Offices, a director of Gao Lin Capital Management Co., Ltd, an executive director of Beijing Houjian Investment Co., Ltd. and an independent director of Taikang Asset Management Co., Ltd.

Mr. Wei Anning, born in 1963, is a doctor. He served as a lecturer of the Department of Economics and Statistics of Ningxia Broadcasting and Television University (Yinchuan) (寧夏廣播電視大學(銀川)), the director and research assistant of the Economic Development Office of the Economic Research Institute of Chinese Academy of Social Sciences, an agricultural economist of the Agricultural Natural Resources Bureau of the World Bank, the Northeast Asia director and director of agriculture, food, industry and commerce of Rabo Bank in Northeastern Asia, the executive vice president of New Hope Group, the head of PRC business development, CEO of PRC and president of Shanghai Branch of Fortis Bank Belgium, and the chairman of the board of Shandong Pacific Zhonghui Group. Currently, he serves as an executive director and general manager of Shanghai Guwang Investment Management Limited, an independent director of Ningbo Tech-Bank Co., Ltd., a director of Hangzhou United Rural Commercial Bank Co., Ltd., an independent director of DaChan Food (Asia) Limited, an independent director of Fortune SG Fund Management Co., Ltd., an executive director of Ningxia Guwang Investment Management Limited, an executive director of Ningbo Guwang Investment Management Limited and a director of Xinjiang Tycoon Group Co., Ltd.

ANNEX III 2016 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS

Mr. Pan Fei, born in 1956, is a doctor. He served as a teaching assistant, lecturer, associate professor, and assistant dean of the School of Accountancy of Shanghai University of Finance and Economics. Currently, he serves as a professor and doctoral supervisor of the School of Accountancy of Shanghai University of Finance and Economics, an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd., and an independent director of Chongqing New Century Cruises Co., Ltd.

Mr. Xu Zhiming, born in 1961, is a doctor. He served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation, the co-director of the corporate finance department and capital market department of Nomura International (Hong Kong) Limited, a director and head of investment banking department for Great China Region of National Westminster Bank of Britain, a director and head of corporate financing department for Great China Region of Bank of Boston, 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, a senior consultant of TOM Group Limited and an executive director and chief operating officer of TOM Online Inc. Currently, he is a founding partner of China Broadband Capital.

(II) Resigned Independent Director

No independent directors resigned during the reporting period.

There is no impact on the current independent directors to serve as the independent directors of the Company during their term of office.

(III) Employment of the Special Committees to the Board of Directors

In accordance with the Rules for Governance of Securities Companies and other laws and regulations as well as the Articles of Association, the Board of Directors has established four special committees, namely the Strategy Development Committee, the Compliance and Risk Management Committee, the Auditing Committee and the Remuneration and Nomination Committee. The specific positions of the independent directors are as follows:

Current Independent Directors of the Third Session of the Board of Directors	Employment
Li Zhiqiang	The chairman of the Remuneration and Nomination Committee and a member of the Compliance and Risk Management Committee
Xu Guoxiang	A member of the Auditing Committee and a member of the Remuneration and Nomination Committee
Tao Xiuming	A member of the Strategy Development Committee
Wei Anning	A member of the Auditing Committee and a member of the Remuneration and Nomination Committee
Pan Fei	The chairman of the Auditing Committee

II. ANNUAL WORK PERFORMANCE OF INDEPENDENT DIRECTORS**(I) Attendance of the General Meetings**

There were 2 general meetings convened by the Company this year. The annual general meeting for 2015 was convened on May 25, 2016. This meeting was attended by four independent directors, including Mr. Li Zhiqiang, Mr. Xu Guoxiang, Mr. Wei Anning and Mr. Pan Fei. Mr. Li Zhiqiang addressed the work report on behalf of the independent directors at the meeting. The first extraordinary general meeting for 2016 was convened on November 8, 2016. This meeting was attended by three independent directors, including Mr. Li Zhiqiang, Mr. Xu Guoxiang and Mr. Pan Fei.

ANNEX III 2016 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS

(II) Attendance of the Board Meetings

There were 8 meetings convened by the third session of the Board of Directors this year, 3 of which were on-site meetings and 5 of which were held by way of correspondence. All the directors attended the meetings in person or appointed other directors as their proxies to attend the meetings. The attendance of such meetings is detailed below:

Current Independent Directors of the Third Session of the Board of Directors	Required Attendance (times)	Attendance in Person (times)	Attendance by Proxy (times)	Absence (times)	Voting
Li Zhiqiang	8	8	0	0	In favour of all the issues to be voted by him
Xu Guoxiang	8	8	0	0	In favour of all the issues to be voted by him
Tao Xiuming	8	7	1 (He appointed the independent director Li Zhiqiang as his proxy to vote at the 17th meeting of the third session of the Board of Directors)	0	In favour of all the issues to be voted by him
Wei Anning	8	8	0	0	In favour of all the issues to be voted by him
Pan Fei	8	8	0	0	In favour of all the issues to be voted by him
Xu Zhiming	3	3	0	0	In favour of all the issues to be voted by him

ANNEX III 2016 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS

(III) Attendance of the Meetings of the Special Committees of the Board of Directors

There were 16 meetings of the special committees convened by the Board of Directors this year, of which 1 was of the Strategy Development Committee, 7 were of the Auditing Committee, 3 were of the Compliance and Risk Management Committee, and 5 were of the Remuneration and Nomination Committee. The attendance of such meetings is detailed below (actual number of attendance/required number of attendance):

Current Independent Directors of the Third Session of the Board of Directors	Strategy Development Committee	Compliance and Risk Management Committee	Auditing Committee	Remuneration and Nomination Committee
Li Zhiqiang		3/3		5/5
Xu Guoxiang			7/7	5/5
Tao Xiuming	1/1			
Wei Anning			7/7	5/5
Pan Fei			7/7	
Xu Zhiming				

The proposals considered by the special committees the respective independent directors served for were fully reviewed and discussed, and relevant recommendations were put forward therefor. At the end the independent directors voted in favour of the related proposals and there was no against or abstain from voting. In addition, the Auditing Committee communicated with Deloitte & Touche LLP and BDO China Shu Lun Pan Certified Public Accountants LLP in respect of reviewing the semi-annual report for 2016 and auditing the financial statement for 2016, respectively, so that the audit process was reasonably arranged, the audit strategy and key issues were defined and the Company's auditing was ensured to be completed in a timely and effective manner.

(IV) Other Work Performance

In 2016, the Board of Directors, in due diligence and by scientific decision-making, led the company to actively promote the business transformation, strengthen the compliance risk control, and successfully complete the listing of H shares. In those efforts, the independent directors played a positive, professional and effective role. The independent directors actively attended the general meetings as well as the meetings of the Board of Directors and its special committees to actively understand, among others, the Company's strategic development, innovation and transformation, compliance and risk management and listing progress; in addition, the independent directors provided professional opinions and suggestions with regards to the relevant decision-making and corporate governance, effectively promoting the Board of Directors to make decisions in a scientific and forward-looking manner and enhancing the effectiveness of corporate governance.

ANNEX III 2016 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS

The independent directors kept abreast of the details of the operation and management as well as the operating progress in a timely manner through the Company Newspaper, Consolidated Report for Compliance and Risk Management, Compliance Delivery and other materials regularly prepared by the Company. Meanwhile, the independent directors maintained daily contact with the company in a timely manner through e-mail, phone and other means, forming an effective communication mechanism and ensuring the right to know.

III. KEY ISSUES ON THE ANNUAL WORK PERFORMANCE OF INDEPENDENT DIRECTORS

(I) Related Party Transactions

The independent directors made judgments on the necessity and objectivity of the related party transactions of the company and determined whether the pricing was fair and reasonable or whether it damaged the interests of the Company and shareholders in accordance with the Listing Rules of Shanghai Stock Exchange, the Guidelines on Related Party Transactions of Listed Companies and other laws and regulations as well as the requirements of the Administrative Measures for Related Party Transactions formulated by the Company. The independent directors also reviewed the foregoing based on relevant processes. The independent directors expressed independent opinion on the related party transactions, and were of the opinion that the relevant transactions were in line with the principle of equality, voluntariness, equivalence and payment, and that the price of the transaction did not deviate from the price of the independent third parties in the market, and that there was no damage to the interests of the shareholders of non-related party and the Company. This was conducive to the normal operation of the Company's business.

(II) External Guarantee and Capital Occupation

In accordance with the Notification on Standardizing the Capital Transfer between Listed Companies and Related Parties and on Certain Issues of External Guarantee of Listed Companies and the Notification on Standardizing External Guarantee Behavior of Listed Companies promulgated by the CSRC, the Administrative Measures for External Guarantee formulated by the Company and other rules and requirements, the independent directors carefully and meticulously verified, among others, the external guarantee and capital occupation, and were of the opinion that there was no damage to the legitimate rights and interests of the Company and other shareholders.

(III) The Use of Proceeds Raised

The independent directors expressed their independent opinion on the deposit and actual use of the proceeds raised by the Company. Upon verification, the deposit, use and management of the proceeds raised by the Company were in line with the relevant provisions of the CSRC and the Shanghai Stock Exchange for the deposit and use of the proceeds raised by listed companies as well as the relevant rules under the Administrative Measures for Funds Raised formulated by the Company; and there is no change in the raised proceeds investment projects. During the period, the Company has fulfilled the relevant obligations and there was no violation of laws and regulations, and the information on the funds raised were disclosed in a timely, true, accurate and complete manner.

(IV) Nomination, Appointment and Remuneration of Directors and Senior Management

1. The independent directors expressed independent opinion in respect of the issue for accruing the performance bonus of management team members for 2015 as considered at the 17th meeting of the third session of the Board of Directors, and were of the opinion that the total performance bonus, determined by the Company in accordance with the Administrative Measures for the Remuneration and Performance of Management Team Members and based on the annual performance evaluation by the Remuneration and Nomination Committee, was in line with the actual circumstances and system of the Company, which reflected that the responsibility, right and interest were consistent and was beneficial to the sustainable development of the Company.
2. The independent directors expressed independent opinion in respect of the issue for adjusting the independent directors' allowance as considered at the 17th meeting of the third session of Board of Directors, and were of the opinion that it would be beneficial to further promote the independent directors to exercise due diligence in performing their duties, and that it was in accordance with the principle of the allowance of independent directors pegged to their labor, risks and responsibilities, and that it was also in line with the market level of the allowance for the independent directors of the domestic listed financial companies.
3. The independent directors, after reviewed the personnel work history of relevant personnel and other relevant materials which helps judgment, expressed independent opinions in respect of the issue for electing the non-executive director as considered at the 18th meeting and the 21st meeting of the third session of the Board of Directors and in respect of the issue for appointing the secretary of the Board of Directors as considered at the 24th meeting of the third session of the Board of Directors. The independent directors were of the opinion that related personnel were equipped with relevant professional knowledge and capable of decision-making, supervision and coordination, that they were qualified to perform related duties and that their job qualification was in line with the Company Law, the Securities Law, the Measures for Regulating the Qualification of Directors, Supervisors and Senior Management of Securities Companies and other laws and regulations as well as the relevant rules of the Articles of Association, which was beneficial for the operation and development of the Company.

(V) Results Forecast and Results Express

The Company announced its results increase for 2015 and results express for the first half of 2016 on January 28, 2016 and July 29, 2016, respectively. The independent directors were of the opinion that the company discloses information in a timely manner in accordance with the Listing Rules of Shanghai Stock Exchange, the Memorandum of Understanding on the Daily Information Disclosure of Listed Companies and the Company's Administrative Measures for Information Disclosure, and that the financial data and indicators contained in the results express and results forecast are not significantly different from the actual data and indicators disclosed in related regular reports.

(VI) Appointment of Accounting Firm

Given that BDO China Shu Lun Pan Certified Public Accountants LLP was diligent to serve as the financial report auditor of the Company for 2015 and was highly professional, the independent directors expressed independent opinion in respect of the issue for appointing the accounting firm for 2016 as considered at the 17th meeting of the third session of the Board of Directors. Pursuant to the opinion, it was agreed to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's auditor for 2016 for a term of one year. It was agreed to authorize the Board of Directors to determine the fee for the accounting firm based on the scope and content of the businesses provided by BDO China Shu Lun Pan Certified Public Accountants LLP, including auditing, net asset verification and other related consulting services.

After listing of H shares, the Company is required to employ an overseas accountant for the annual audit under the International Accounting Standards. Given that Deloitte & Touche LLP was diligent to serve as the reporting auditor for the H-share listing of the company and has shown its strong professional competency, the independent directors expressed independent opinion in respect of the issue for appointing the overseas accounting firm for 2016 as considered at the 22nd meeting of the third session of the Board of Directors. Pursuant to the opinion, it was agreed to appoint Deloitte & Touche LLP as the company's overseas external auditor for 2016 for a term of one year. It was agreed to authorize the Board of Directors to determine the fee for the accounting firm based on the scope and content of the auditing and other businesses provided by Deloitte & Touche LLP.

(VII) Cash Dividends

The independent directors expressed independent opinion in respect of the issue of the profit distribution plan of the Company for 2015 as considered at the 17th meeting of the third session of the Board of Directors. The independent directors were of the opinion that the profit distribution plan, proposed by the Company upon comprehensive consideration of the interests of shareholders, the Company's development and other factors, was in line with relevant laws, regulations and normative documents as well as the actual situation of the Company; and that the Company implemented the profit distribution policy in an ongoing, stable and positive manner, which was conducive to the Company's long-term development and in line with the overall and long-term interests of shareholders.

(VIII) Performance of the Undertakings of the Company and Shareholders

The independent directors have diligently performed their duties and safeguarded the overall interests of the Company. In particular, the independent directors has attached great importance to protect the legitimate rights and interests of the minority shareholders from being damaged, and actively concerned about the performance of the undertakings of the Company and shareholders. The undertakings that have not yet been fulfilled by the shareholders and the Company are fully disclosed in the Company's prospectus. During the reporting period, the Company and its shareholders have fulfilled related undertakings in good faith, and there was no breach thereof.

(IX) Implementation of Information Disclosure

The Company has disclosed the information in accordance with the Company Law, Securities Law, the Listing Rules of Shanghai Stock Exchange and other laws, regulations, normative documents as well as the Articles of Association. The independent directors were of the opinion that the Company's information is disclosed in a true, accurate, complete, timely and fair manner, and there is no false representation, misleading statement or material omission.

(X) Implementation of Internal Control

The independent directors were of the opinion that the Company has established and continuously improve the internal control system in accordance with the Company Law, the Securities Law, the Basic Norms of Corporate Internal Control and its supporting guidelines as well as the requirements of CSRC on regulating internal control, which was in line with the principles of comprehensiveness, prudence, effectiveness and timeliness. There was no material flaw existing. The internal control system was operated well during the implementation, which effectively guaranteed the healthy development of the Company.

(XI) The Operation of the Board of Directors and its Special Committees

The independent directors were of the opinion that the meetings for the Board of Directors and its special committees were convened in accordance with the Articles of Association, the Rules of Procedures of the Board of Directors and the working rules of the committees; and that their duties were performed under laws and rules, the decision-making process was scientific and efficient, the voting results were effectively implemented, and the information was disclosed in a true, accurate, complete and timely manner.

(XII) Other Issues that Independent Directors Consider Should be Improved by the Listed Company

The independent directors were of the opinion that, in the volatile market, the Company's business should maintain steady while focusing on compliance and risk control and taking the road of sustainable development; in terms of business innovation and transformation, the Company should strengthen strategic thinking, explore connotative development, fully mobilize the enthusiasm of talents, and strengthen the system and team building.

IV. OVERALL EVALUATION AND RECOMMENDATIONS

In 2016, all the independent directors were faithful, diligent and dedicated in performing their duties and giving full play to their independence role. Through sound and effective cooperation with the Board of Directors, the board of supervisors and the management, the independent directors made due diligence for improving the corporate governance structure, promoting the listing development of the Company and safeguarding the interests of the Company as a whole as well as the legitimate rights and interests of the public shareholders.

In 2017, the independent directors will abide by the regulatory requirements for listed securities companies; continue corporate governance in the principle of independence, objective and prudent judgment; use professional knowledge and experience to provide constructive opinions and suggestions for the scientific decision-making of the Board of Directors; and safeguard the legitimate rights and interests of all the shareholders and in particular of the minority shareholders, with a view to promote the Company's development in a sustainable, health and stable way.

Dear Shareholders,

The preparation of 2016 final accounts report of the Company was finished. Both of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu have audited the Company's 2016 financial statements and issued standard unqualified opinions on the financial statements.

Unless otherwise stated, the financial data in this final accounts report are based on its A Shares audited consolidated financial statements. Among which, net profit, net asset, and consolidated total income are all based on those attributable to the Parent Company.

2016 KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: 100 million (RMB)

Items	A Share			H Share		
	As at the end of 2016	As at the beginning of 2016	Change	As at the end of 2016	As at the beginning of 2016	Change
Total assets	2,124.11	2,078.98	+2.17%	2,124.11	2,078.98	+2.17%
Total liabilities	1,714.73	1,725.22	-0.61%	1,714.73	1,725.22	-0.61%
Net assets	404.83	349.58	+15.80%	404.83	349.58	+15.80%
Gearing ratio	76.76%	78.52%	↓1.76 ppts	76.76%	78.52%	↓1.76 ppts
Net capital (Parent Company)	338.90	310.19	+9.26%	338.9	310.19	+9.26%
Items	2016	2015	Change	2016	2015	Change
Operating income/revenue and other income	68.77	154.35	-55.45%	122.42	204.59	-40.16%
Operating expenses/total expenses	42.74	60.40	-29.24%	98.28	113.96	-13.80%
Of which: business and management fee	37.86	52.22	-27.50%	37.86	52.22	-27.50%
Total profit	28.13	94.99	-70.38%	28.13	94.99	-70.38%
Net profit	23.14	73.25	-68.41%	23.14	73.25	-68.41%
Total consolidated income	9.80	81.52	-88.00%	9.80	81.52	-88.00%
Earnings per Share (RMB/Share)	0.41	1.46	-71.92%	0.41	1.46	-71.92%
Weighted average returns on net assets	6.25%	25.11%	↓18.86 ppts	6.25%	25.11%	↓18.86 ppts
Rate of business and management fee	55.05%	33.84%	↑21.21 ppts	30.93%	25.52%	↑5.41 ppts

Notes:

1. “Gearing ratio” is calculated by deducting amount from securities brokerage business and funds payable to securities issuers.
2. For financial report of H Share prepared in accordance with IFRS, the main difference between its total income and total expenditure and operating income and operating expenditure reflected in Financial Report of A Share prepared in accordance with CASBE was income and expenses of fee and interest which were reflected respectively in net amount. Total assets, total liabilities and net assets in Financial Report of A Share are identical to those in Financial Report of H Share.

I. FINANCIAL POSITION IN 2016**(1) Assets**

As at the end of 2016, the total assets of the Company amounted to RMB212.411 billion, representing an increase of RMB4.514 billion or 2% compared with that of the beginning of the year. Main changes: due to the increase of non-equity investment (including bonds), financial assets increased RMB7.497 billion as compared with that of the beginning of the year; due to expansion of collateralized stock business, lending amount and financial assets held under resale agreements increased RMB4.471 billion compared with that of the beginning of the year; as amount from securities brokerage business decreased, monetary funds, clearing settlement funds and refundable deposits decreased RMB9.456 billion compared with that of the beginning of the year.

(2) Liabilities

As at the end of 2016, total liabilities of the Company amounted to RMB171.473 billion, representing a decrease of RMB1.049 billion or 1% compared with that of the beginning of the year. Main changes: due to expansion of financing channels of the Company, the balance of corporate debentures and subordinated debts increased while the balance of long-term borrowings and corporate bonds increased RMB13.095 billion; gold lending business and short-selling of debentures business expanded, so financial liabilities at fair value through profit or loss increased RMB4.324 billion from the beginning of the year; short-term borrowings, short-term financing bills payables, amount due to banks and other financial institutions and financial assets sold under repurchase agreements decreased RMB9.937 billion from the beginning of the year; as affected by settlement funds from brokerage clients, amount from securities brokerage business decreased RMB7.541 billion from the beginning of the year; salaries payable, tax payable and other kinds of liabilities decreased RMB1.814 billion from the beginning of the year.

After deducting amount from securities brokerage business and funds payable to securities issuers, as at the end of 2016, the gearing ratio of the Company was 76.76%, representing a drop of 1.76 ppts from the beginning of the year.

(3) Net assets and net capital

As at the end of 2016, the net assets of the Company amounted to RMB40.483 billion, representing an increase of RMB5.525 billion or 16% compared with that of the beginning of the year. Main changes: net proceeds from fund raising after the completion of listing of H Shares amounted to RMB6.376 billion at the exchange rate of issuing shares, with newly added share capital of 934 million shares and capital premium of RMB5.442 billion; in 2016, the Company realized net profit and other comprehensive income of RMB2.314 billion and RMB-1.334 billion respectively; distribution of 2015 dividends led to a decrease of net assets of RMB1.849 billion.

As at the end of 2016, net asset per share attributable to owners of Parent Company was RMB6.51, a drop of RMB0.11 compared with that of the beginning of the year.

As at the end of 2016, net capital of the Parent Company amounted to RMB33.890 billion, representing an increase of RMB2.871 billion or 9%, compared with that of the beginning of the year. Main changes: net proceeds from fund raising after the completion of listing of H Shares amounted to RMB6.376 billion, fully charged in core net capital; during the year, net capital of the Parent Company and other major risk control indicators all have complied with the regulatory standards stipulated in the Administrative Measures for the Risk Control Indicators of Securities Companies.

II. OPERATION IN 2016

(1) Operating Income

In 2016, the Company realized operating income of RMB6.877 billion, representing a decrease of RMB8.558 billion or 55% year on year. Among which:

1. Net fee and commission income amounted to RMB4.194 billion, representing a decrease of RMB1.636 billion or 28% compared with the same period of last year. Main reasons: an obvious shrinking turnover in 2016 led to a significant drop in net fee income from brokerage business, achieving an annual net income for brokerage business of RMB1.638 billion, representing a drop of 53%; the investment banking business was benefited from the rapid development of Citi Orient's IPO business and significant growth of the underwriting income of interest bearing bonds of Parent Company, realizing an annual net income of RMB1.488 billion, with an increase of 66%; for asset management business, due to a decrease of extra rewards to be drawn by Orient Securities Asset Management, a subsidiary, as compared with last year, the Company realized an annual income of RMB893 million, a drop of 36%.
2. Net interest income amounted to RMB-847 million, a decrease of RMB588 million as compared with the same period of last year. Main reasons: the continuous expansion of financing channels and the scale of financing of the Company has led to a 44% increase of interest expenditure from amount due to banks and other financial institutions, corporate bonds, subordinated bonds, offshore bonds, income certificates, short-term financial bills, and etc., amounting to RMB3.359 billion; due to the decline in size of financing and income right of margin financing and securities lending, interest expenditure of financial assets sold under repurchase agreements amounted to RMB1.670 billion, a drop of 21%; interest income from securities financing business includes interest income from margin financing and

securities lending business, securities repurchase agreement transactions business and collateralized stock repurchase business, in aggregate of RMB3.043 billion for the year, a drop of 2%; interest income from inter-bank deposit was RMB995 million, a drop of 6%.

3. Investment income and profit from change in fair value amounted to RMB3.212 billion in aggregate, representing a decrease of 67%. Main reasons: decrease in profit from proprietary securities holding and disposal and decrease in change in fair value.
4. Profit from exchange amounted to RMB218 million, representing an increase of 318%, mainly due to appreciation of Hong Kong Dollar while the Hong Kong Dollar held by the Company recorded a substantial increase.

(2) Operating expenditure

In 2016, the operating expenditure of the Company amounted to RMB4.274 billion, representing a decrease of RMB1.767 billion or 29%. Main reasons: decrease in operating income led to decrease in expenditure including staff salary, and led to a decrease in business and management fee of RMB1.436 billion as compared with same period of last year; less taxable income and levying value-added tax in lieu of business tax led to a decrease in tax and surcharges of RMB619 million as compared with the same period of last year.

(3) Profit and comprehensive income

In 2016, the Company realized a net profit of RMB2.314 billion, a decrease of RMB5.011 billion or 68% compared with the same period of last year. The Company realized a total comprehensive income of RMB980 million, a decrease of RMB7.172 billion or 88%.

In 2016, earnings per Share of the Company amounted to RMB0.41, a decrease of RMB1.05 or 72% compared with the same period of last year.

In conclusion, although the Company, suffering from the overall market situation, recorded a decline in its overall results as compared with last year, the Company has kept optimizing its income structure and part of its operation income still realized obvious growth in 2016. Besides, the Company has finished its H Share listing during the year, which further enhanced its capital strength and risk resistance ability, bringing a more reasonable structure of asset and a better quality of assets.

The above proposals are hereby submitted to the Shareholders for consideration.

Dear Shareholders,

In accordance with the Listing Rules of Shanghai Stock Exchange, the Guidelines for the Implementation of Related Party Transactions of Listed Companies of Shanghai Stock Exchange, Chapter 14A (Connected Transactions) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and The Administrative Measures for the Related Party Transactions of the Company, taking into consideration of the Company's daily operation and business development needs, the Company has made estimation on the related party transactions/connected transactions that may occur in 2017, details of which are as follows:

I. RELATED / CONNECTED PARTIES AND DESCRIPTION OF THEIR RELATED / CONNECTED RELATIONS

(I) Shenergy (Group) Company Limited and its related companies

Shenergy (Group) Company Limited was established by Shanghai State-owned Assets Supervision and Administration Commission on November 18, 1996 with a registered capital of RMB10 billion. Its legal representative is WANG Jian. Shenergy (Group) Company Limited holds 24.74% shares of the Company and is the largest shareholder of the Company.

Shenergy (Group) Company Limited (hereinafter "**Shenergy Group**") and its related companies include companies directly or indirectly controlled by Shenergy Group; and companies (other than the Company and its holding subsidiaries), directors or senior management of which are those of Shenergy serving as directors, or its supervisors of the Company.

(II) Other related companies

- (1) Shareholders holding 5% or more shares of the Company and its related companies other than Shenergy Group in the latest 12 months.
- (2) Companies (other than the Company and its holding subsidiaries), directors and senior management of which are those serving as directors, supervisors or senior management of the Company in the last 12 months, except for related parties listed above;
- (3) Legal persons or other institutions holding 10% or more shares of holding subsidiaries that have significant influence over the Company;
- (4) Companies (other than the Company and its holding subsidiaries), directors and senior management of which are the close family members (i.e. spouse, offspring of 18 years old or above and their spouses, parents and parents-in-law, siblings and their spouses, siblings of their spouses and parents of daughters-in-law or sons-in-law) serving as directors, supervisors and senior management of the Company.

(III) Related / connected natural persons

Related / connected natural persons refer to directors, supervisors and senior management of the Company and their close family members (i.e. spouse, offspring of 18 years old or above and their spouses, parents and parents-in-law, siblings and their spouses, siblings of their spouses and parents of daughters-in-law or sons-in-law).

II. DETAILS OF PROJECTED RELATED PARTY TRANSACTIONS / CONNECTED TRANSACTIONS

(I) Related party transactions / connected transactions with Shenergy (Group) Company Limited and its related companies

No.	Category of transactions	Contents of transactions	Estimated amount
1	Services for securities and financial products	The services cover, including but not limited to, securities and futures brokerage; leasing of trading seats; sale of securities and financial products; securities and financial business; entrusted assets management; investment and consultancy; underwriting financial advisor of investment bank and asset custody services.	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount. The applicable ratios of each projected transaction under Chapter 14A of the Hong Kong Listing Rules should not be more than 0.1%.
2	Trading in securities and financial products	The transactions with related / connected parties may refer to, including but not limited to, resale or repurchase in the interbank market; bonds proprietary trade business in the inter-bank market; usufruct transfer business; subscription for funds, wealth management or trust plans issued by related / connected parties; related / connected parties' subscription for funds and wealth management products issued by the Company.	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount. The applicable ratios of each projected transaction under Chapter 14A of the Hong Kong Listing Rules should not be more than 0.1%.

Note: Pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, the applicable ratio of continuing connected transaction represents the asset ratio, income ratio and consideration ratio. The asset ratio refers to total assets involved in the relevant transaction divided by total assets of the Company; the income ratio refers to the income attributable to the assets involved in the transaction divided by total income of the Company; and the consideration ratio refers to the consideration divided by total capitalization of the Company.

(II) Related party transactions with other related companies

No.	Category of transactions	Contents of transactions	Estimated amount
1	Services for securities and financial products	The services cover, including but not limited to, securities and futures brokerage; leasing of trading seats; dealing in securities and financial products; securities and financial business; entrusted assets management; investment and consultancy; underwriting financial advisor of investment banks and asset custody services.	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.
2	Trading in securities and financial products	The transactions with related parties may refer to, including but not limited to, resale and repurchase in the inter-bank market; bonds proprietary trade business in the inter-bank market; usufruct transfer business; subscription for funds, wealth management or trust plans issued by related parties; related parties' subscription for funds and wealth management products issued by the Company.	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.

Note: The Company confirmed these related companies do not constitute “connected parties” under the Hong Kong Listing Rules.

(III) Projected related party / connected transactions with related / connected natural persons

Related / connected natural persons will receive securities and futures brokerage services rendered by the Company or subscribe for wealth management products issued by the Company in accordance with laws, regulations and regulatory requirements. Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount. As estimated by the Company, based on the total amount of projected transactions with each related natural person, the applicable ratio of each transaction under Chapter 14A of the Hong Kong Listing Rules will be no more than 0.1%.

III. PRICING DETERMINATION PRINCIPLES AND BASIS OF THE RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

For the aforementioned related party transactions in the ordinary course of business, the Company will determine the transaction price in strict compliance with the principle of fairness with reference to the market price level, industry practice and prices determined by any third party.

IV. IMPACT OF DAILY RELATED PARTY TRANSACTIONS / CONNECTED TRANSACTIONS ON THE COMPANY

1. The above related party transactions / connected transactions are those that will contribute to normal business development of the Company during the normal business of the Company;
2. The pricing of the aforesaid related party transactions / connected transactions was determined with reference to the market price, which was fair and reasonable without causing any prejudice against the interests of the Company and its non-associated shareholders.
3. The above related party transactions / connected transactions did not affect the independence of the Company as the principal businesses of the Company did not rely on the related parties as a result of the above related party transactions.

The above proposals are hereby submitted to the Shareholders for consideration (the relevant related/connected Shareholders shall abstain from voting on the related proposals, respectively).