



东方证券
— D F Z Q —

*(A joint stock company incorporated in the People's Republic of China
with limited liability under the Chinese corporate name "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

东方与你 共享同悦



Important Notice

- I. The Board, the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that the information contained herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this annual report, and severally and jointly accept legal liability.
- II. This report has been considered and approved at the second meeting of the fourth session of the Board of the Company. All the Directors attended the Board meetings.
- III. There was no objection from the Directors or Supervisors to this report.
- IV. The 2017 annual financial report of the Company, prepared in accordance with the China Accounting Standards for Business Enterprises (“CASBE”) and the International Financial Reporting Standards (“IFRS”), was audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu respectively, who each issued a standard unqualified audit report to the Company. Unless otherwise stated, all data included in this report are denominated in RMB.
- V. Mr. Pan Xinjun, the chairman of the Company, and Mr. Zhang Jianhui, the accounting chief and person-in-charge of the accounting department (head of the accounting department), warrant the truthfulness, accuracy and completeness of the financial report set out in the annual report.
- VI. The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period reviewed by the Board

Based on the total share capital of 6,993,655,803 Shares (A Shares and H Shares) as at the end of 2017, a cash dividend of RMB2.00 (inclusive of tax) for every 10 Shares will be distributed by the Company to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date, with a total cash dividend of RMB1,398,731,160.60 while the outstanding distributable profit of the Parent Company of RMB4,981,635,329.03 for the period is being carried forward to next year.

- VII. The forward-looking statements contained in this report including future plans and development strategies do not constitute substantial commitments to investors by the Company. Investors are advised to pay attention to such investment risks involved.
- VIII. No appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their respective related parties has occurred during the Reporting Period.
- IX. The Company did not provide any external guarantee in violation of the decision-making procedures during the Reporting Period.
- X. Chinese and English versions of this report are provided by the Company. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.
- XI. Unless otherwise stated, all analysis and explanations in this report are on consolidated basis.

Important Notice

XII. MATERIAL RISK WARNINGS

The business of the Company is highly dependent on economic and market conditions in China and other jurisdictions where it operates. General economic and political conditions, such as macroeconomic and monetary policies, laws and regulations on the financial and securities industries, upward and downward trends in the market, business and financial sectors, currency and interest rate fluctuations, availability of short-term and long-term market funding sources and financing cost, could affect the business of the Company. As a securities firm, the business of the Company is directly affected by the inherent risks associated with the securities markets, including market volatility, changes in investment sentiment, fluctuations in trading volume, liquidity changes, and the creditworthiness or the perceived creditworthiness of the securities industry in the marketplace. Downturns in general economic conditions and adverse market conditions could materially and adversely affect the Company's business, results of operations, financial conditions and prospects in various ways, for example, the demand of its clients for securities trading could decrease, resulting in a decline in its revenue from the securities brokerage; the value and returns on financial assets the Company holds for securities trading and investment and the value of investment portfolio for the asset management products of the Company may be adversely affected by market volatility; the Company may face increased default risks that a client or counterparty may fail to perform his contractual obligations; the financing cost of the Company may increase due to the limited access to liquidity and the capital markets, and therefore restricting its ability to raise funds to develop its business; the Company may not be able to effectively implement its business plans and strategies.

In addition to the extensive competition in the securities industry in the PRC, the Company also faces intense competition from other financial institutions, such as commercial banks, fund management companies, insurance companies, trust companies, futures companies and asset management companies. Some of the competitors of the Company may have certain competitive advantages over it, including greater financial resources, stronger brand recognition, broader product and service offerings and wider branch network coverage. Failure by the Company to effectively compete may have a material and adverse effect on the Company's business, financial conditions, results of operations and prospects.

The Company relies on banks and other external financing channels and bond issuances to fund a significant portion of its working capital requirements. The financial conditions, liquidity and business operations of the Company will be adversely affected to the extent the Company is not able to service or repay its debt in a timely manner due to lack or unavailability of internal resources or inability to obtain alternative financing. Even if the Company is able to meet its debt service obligations, the amount of debt the Company borrows could also adversely affect it in a number of ways, for example, limiting the ability of the Company to obtain any necessary financing in the future for working capital, strategic investment, debt service requirement, or other purposes; limiting the flexibility of the Company in planning for, or reacting to, changes in its business; placing the Company at a competitive disadvantage relative to its competitors who have lower levels of debt; affecting the credit ratings of the Company and increasing its financial cost; making the Company more vulnerable to a downturn in its business or the economy generally; subjecting the Company to the risk of being forced to refinance at higher interest rates.

The Company has described the risks such as market risk and credit risk in detail in this report. Please refer to the contents of the Potential Risks and Prevention Measures under the Discussion and Analysis on the Company's Future Development in the section entitled Directors' Report for details.

Chairman's Statement

In 2017, amid a more rigorous regulatory environment and the deleveraging policy, the Company achieved relatively satisfactory operating results through aligning itself with market trends, sticking to prudent operations, strengthening management of compliance risks and comprehensively promoting business transformations. In 2017, the Company recorded RMB16.679 billion of revenue and other income, representing an increase of 36.24% as compared with 2016, and profit for the year attributable to shareholders of the Company of RMB3.554 billion, representing an increase of 53.57% as compared with 2016.

The Company experienced notable enhancement in capital strength and rapid expansion of business scale. Despite the difficulties brought by the stricter new regulatory policies in respect of private share placement, reducing stockholding and asset management, the Company successfully completed the non-public issuance of A Shares and thus uplifted its capital strength by three steps within three years, exceeding the RMB50 billion mark. By leveraging our business advantages, we made a success in innovative transformation and realized significant increase in our operating results despite the general downturn in the industry. The client base was further cemented with the number of our securities branches increasing to 153, covering 76 cities across 31 provinces, regions and municipalities in China.

New progress was made in Party building and corporate culture work with a great enhancement in the sense of gain of our staff. Through such efforts from Party building endeavors to innovative work in respect of mass organizations, from Happy DFZQ APP to Happy Home construction, and from sports games to art festivals, we made all-out efforts to constantly deepen the content of the core values, promote our corporate culture and DFZQ's disposition and carry forward the "Home" culture focusing on people, aiming to create good lives for our employees.

The Company received wide recognition for its brand image and actively fulfilled its corporate social responsibility. The Company's proprietary investment business realized satisfactory gains. Dong Fang Hong Asset Management products created a record for its excellent performance and recorded such a small subscription quota due to phenomenally high demand. China Universal was awarded the "First Prize for Shanghai Financial Innovation Achievements". All of these demonstrated our competitive advantages. We are committed to public welfare undertakings and constant fulfillment of our social responsibilities.

The achievements in 2017 and even over the past three years or twenty years cannot be made without the correct guidance of the Party, governments and regulatory authorities, the great support from our Shareholders, Directors, Supervisors and all circles of the society, and more importantly the united hard work of all the employees of the Company. I hereby represent the Party's leaders of the Company to express our sincere gratitude to you all.

The year 2018 marks the 40th anniversary of China's opening and reform and the opening year to comprehensively implement the spirit of the 19th National Congress of the Communist Party of China, and thus a critical period for China's reform course to inherit the past and usher in the future. In 2018, which also marks the 20th anniversary of the Company and the beginning of the new Three Year Development Strategy 2018-2020, we will stick to the general keynote to promote progress while maintaining stability and enhance quality and efficiency, as well as serve the key route of supply-side structural reform. With the historical mission to deepen the combination of industry and finance, we will continue to build up the leading advantages of group synergies and endeavor to exert the great role of financial technology. We are determined to work hard in a down-to-earth manner in each aspect of our work to bring excellent returns to our investors.

Chairman's Statement

Over the past twenty years, we made concerted and strenuous efforts, shared weal and woe, overcame difficulties and created miracles. As the famous Chinese poem says, “the strong pass of the enemy is like a wall of iron, yet with firm strides, we are conquering its summit”. We will make persistent efforts and endeavors to constantly enhance our creativity, and determined cohesion and ability, and strive for a more sustainable development of higher quality and higher efficiency, towards a new and glorious chapter of our journey!

Pan Xinjun

Party Committee Secretary and Chairman



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Section I Definitions

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

Definitions of the frequently used terms

“A Share(s)”	the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE
“Articles of Association”	the articles of association of 東方證券股份有限公司
“Board” or “Board of Directors”	the board of directors of DFZQ
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, the Special Administrative Region of Macau and Taiwan
“China Universal”	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司), an investee company of the Company
“Citi Orient”	Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a controlling subsidiary of the Company
“Company” or “the Company” or “Parent Company” or “DFZQ”	東方證券股份有限公司
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of DFZQ
“Group” or “the Group” or “We”	東方證券股份有限公司 and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange
“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	Initial Public Offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)

Section I Definitions

“NSSF”	the National Council for Social Security Fund of the PRC (中國社會保障基金理事會)
“Orient Hong Kong”	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Asset Management”	Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Capital Investment”	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Futures”	Shanghai Orient Securities Futures Co., Ltd. (上海東證期貨有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Innovation Investment”	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company
“Reporting Period”	January 1, 2017 to December 31, 2017
“RMB, RMB’000, RMB’0000, RMB100 million”	Renminbi Yuan, Renminbi ’000, Renminbi ’0000, Renminbi 100 million (unless otherwise specified)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Bureau of the CSRC”	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
“Shanghai Haiyan Investment”	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)
“Shenergy Group”	Shenergy (Group) Company Limited (申能(集團)有限公司)
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“SSE”	the Shanghai Stock Exchange
“SSE Composite Index”	Shanghai Stock Exchange Composite Index
“Supervisor(s)”	the supervisor(s) of DFZQ
“Supervisory Committee”	the supervisory committee of DFZQ
“SZSE Component Index”	Shenzhen Stock Exchange Component Index
“US”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Wenhui-Xinmin Press Group”	Wenhui-Xinmin United Press Group

Section II Company Profile and Key Financial Indicators

I. COMPANY INFORMATION

Chinese name of the Company	東方證券股份有限公司
Chinese abbreviation of the Company	東方證券
English name of the Company	ORIENT SECURITIES COMPANY LIMITED
English abbreviation of the Company	DFZQ
Legal representative of the Company	Pan Xinjun
General manager of the Company	Jin Wenzhong
Authorized representatives of the Company	Pan Xinjun, Jin Wenzhong
Joint company secretaries	Yang Yucheng, Leung Wing Han Sharon

Registered capital and net capital of the Company

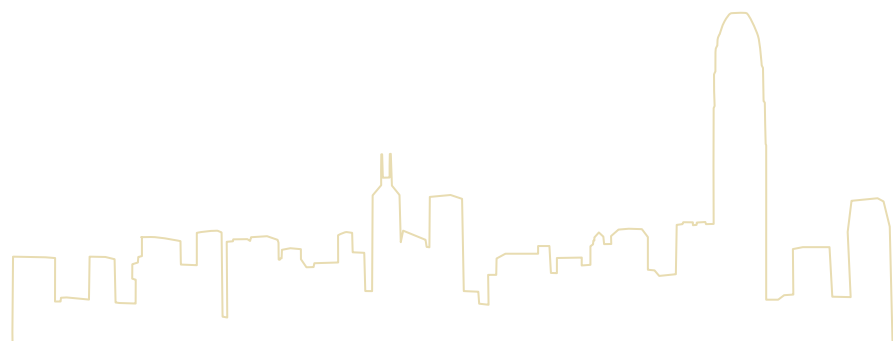
Unit: Yuan Currency: RMB

	As at the end of this Reporting Period	As at the end of last year
Registered capital	6,993,655,803.00	6,215,452,011.00
Net capital	43,731,920,126.18	33,890,090,462.99

Note: The Company completed the registration of shares under the Non-public Issuance of A Shares of the Company with Shanghai branch of China Securities Depository and Clearing Co., Ltd. on December 28, 2017, with the number of its total shares increased to 6,993,655,803, of which the number of A Shares was 5,966,575,803 and the number of H Shares was 1,027,080,000. As at the disclosure date of this report, the Company has completed the changes in industrial and commerce registration of the registered capital.

Business scope of the Company

Securities brokerage; margin financing and securities lending; securities investment advisory; financial advisory related to securities trading and securities investing activities; proprietary trading of securities; proxy sale of securities investment funds; intermediary introduction business for futures companies; proxy sale of financial products; securities underwriting (only including treasury bonds, financial bonds of policy banks, short-term financing bills and medium-term notes); stock options market-making business. 【For items subject to approval pursuant to laws, its operations could only be commenced upon approval by relevant authorities】



Section II Company Profile and Key Financial Indicators

Each individual business qualification of the Company

No.	Name of business qualification	Approval authority and approval number
1	Permit to operate securities business	CSRC (No.: 10160000)
2	Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business	Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108)
3	Qualification for conducting online securities commissioning	CSRC (Zheng Jian Xin Xi Zi [2001] No. 8)
4	Qualification for conducting distribution business of open-ended securities investment funds	CSRC (Zheng Jian Ji Jin Zi [2004] No. 50)
5	Qualification for conducting SSE Fund Connect business	SSE Membership Department (SSE [2005])
6	Qualification for conducting underwriting business of short term financing bills	People's Bank of China (Yin Fa [2005] No. 275)
7	Pilot securities companies conducting relevant innovative businesses	Securities Association of China (Review Notice No.2 on Securities Companies Engaging in Innovation Businesses Issued by Securities Association of China)
8	Qualification for conducting share transfer agency business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 158)
9	Qualification for conducting quotation and transfer business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 173)
10	Dealer qualification for Integrated Electronic Platform of Fixed-income Securities of SSE	SSE (Shang Zheng Hui Zi [2007] No. 45)
11	Approval of brokerage business qualification on financial futures	CSRC (Zheng Jian Qi Huo Zi [2007] No. 351)
12	Qualification of Type A clearing participants of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 25)
13	Qualification for clearing business of financial futures transaction	CSRC (Zheng Jian Xu Ke [2008] No. 684)
14	Qualification for trial operation of direct investment business	CSRC (Ji Gou Bu Bu Han [2009] No. 475)
15	Qualification for provision of intermediary and referral services to futures companies	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 132)
16	Establishment of wholly-owned subsidiary, Shanghai Orient Securities Asset Management Co., Ltd. and qualification for conducting securities assets management business	CSRC (Zheng Jian Xu Ke [2010] No. 518)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
17	Qualification for conducting margin financing and securities lending business	CSRC (Zheng Jian Xu Ke [2010] No. 764)
18	Type 1 Licence – Dealing in securities	Securities and Futures Commission of Hong Kong (CE No. AVD362)
19	Type 4 Licence – Advising on securities	Securities and Futures Commission of Hong Kong (CE No. AVH864)
20	Type 9 Licence – Asset management	Securities and Futures Commission of Hong Kong (CE No. AVH864)
21	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
22	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
23	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
24	Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business	CSRC (Zheng Jian Xu Ke [2011] No. 2136)
25	Qualification for trial operation of dealer-quoted collateralized bond repurchase business	CSRC (Ji Gou Bu Bu Han [2012] No. 20)
26	Qualification for provision of integrated services to insurance institutional investors	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
27	Qualification for conducting securities repurchase agreement transaction business	CSRC (Ji Gou Bu Bu Han [2012] No. 481) SSE (Shang Zheng Hui Zi [2012] No. 167) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 15)
28	Qualification for investment manager of insurance funds	Announcement of the China Insurance Regulatory Commission
29	Qualification of pilot margin refinancing	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2012] No. 149 and Zhong Zheng Jin Han [2012] No. 153)
30	Qualification for assets management business	CSRC (Zheng Jian Xu Ke [2012] No. 1501)
31	Qualification for conducting special institutional client business of insurance institutions	China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions)
32	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)
33	Permit to operate futures business	CSRC (No.: 31350000)
34	Qualification for financial products distribution business	Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)
35	Qualification for conducting brokerage business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Han [2013] No. 44)
36	Conducting comprehensive custodian business for private equity fund (limited partnership)	CSRC (Ji Gou Bu Bu Han [2013] No. 174)
37	Qualification for conducting pilot consumption and payment service of securities funds of clients	CSRC (Ji Gou Bu Bu Han [2013] No. 207)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
36	Permit to operate securities investment business	CSRC (RQF2013HKS015)
37	Qualification for collateralized stock repurchase business	SSE (Shang Zheng Hui [2013] No. 77) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 60)
38	Qualification for conducting securities pledge registration agency business	China Securities Depository and Clearing Corporation Limited (Confirmation on Qualification for Securities Pledge Registration Agency Business)
39	Qualification for management business of publicly offered securities investment fund	CSRC (Zheng Jian Xu Ke [2013] No. 1131)
40	Qualification for equity-based return swaps and OTC options business	Securities Association of China (Zhong Zheng Xie Han [2013] No. 923)
41	Qualification for conducting pilot securities refinancing business	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227)
42	Qualification for conducting securities underwriting business (limited to government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2013] No. 265)
43	Permit to operate securities business	CSRC (No.: 10168001)
44	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
45	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
46	Qualification for conducting market maker business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No.707)
47	Qualification of first batch of quotation and service participants of private fund products trading between companies	China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch])
48	Type 6 Licence – Advising on corporate finance	Securities and Futures Commission of Hong Kong (CE No. BDN128)
49	Permit to conduct Shanghai-Hong Kong Stock Connect business	SSE (Shang Zheng Han [2014] No. 626)
50	Qualification for pilot OTC market business	Securities Association of China (Zhong Zheng Xie Han [2014] No. 632)
51	Qualification for pilot proprietary business of gold spot contract	CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)
52	Pilot online securities business	Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
53	Qualification for underwriting business of debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Announcement of National Association of Financial Market Institutional Investors [2014] No. 16)
54	Qualification of options transaction participants of SSE and permit to operate stock and options brokerage and proprietary business and qualification for options clearing business	SSE (Shang Zheng Han [2015] No. 61) China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11)
55	Qualification for conducting transfer and deposit service of clients' deposits	China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67)
56	Qualification for stock and options market making business	CSRC (Zheng Jian Xu Ke [2015] No. 163)
57	Qualification of general market maker for SSE 50 ETF Options	SSE (Shang Zheng Han [2015] No. 433)
58	Qualification for conducting quotation business for debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Zhong Shi Xie Bei [2015] No. 32)
59	Qualification for sales of securities investment fund	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)
60	Qualification for company conducting pilot market making business for quotation system	China Securities Internet System Co., Ltd.
61	Permit to operate securities business, with business scope of underwriting and sponsoring of securities (excluding government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	CSRC (No.: 13790000)
62	Qualification for funds sales business	CSRC (No.: 000000519)
63	Contractor of service in relation to private equity fund business	Asset Management Association of China
64	Qualification for issue of short-term financing bills	CSRC (Ji Gou Bu Han [2015] No. 3337)
65	License of Money Lenders	Eastern Magistrates' Courts of Hong Kong (No. 0048/2016)
66	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326)
67	Qualification for inter-bank Gold Price Asking Transactions	Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81)
68	Qualification of stock options transaction participants of SEE	SEE (Shang Zheng Han [2017] No. 165)
69	Authorised for pledge-type dealer-quoted repurchase transactions of SEE	Shenzhen Stock Exchange (Shen Zheng Hui [2017] No. 371)

Section II Company Profile and Key Financial Indicators

In addition, the Company is a member of the Securities Association of China, SSE, Shenzhen Stock Exchange, National Debt Association of China and Shanghai Gold Exchange. It is also a clearing participant of China Securities Depository and Clearing Corporation Limited and a member of the Asset Management Association of China.

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of securities affairs
Name	Wang Rufu	Li Tingting
Correspondence address	23/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC	23/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC
Tel	+86-021-63325888	+86-021-63325888
Fax	+86-021-63326010	+86-021-63326010
E-mail	wangrf@orientsec.com.cn	litingting@orientsec.com.cn

III. BASIC COMPANY INFORMATION

Registered address	22/F, 23/F and 25-29/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Postal code of registered address	200010
Business address	13/F, 21-23/F, 25-29/F, 32/F, 36/F, 39/F and 40/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Postal code of business address	200010
Place of business in Hong Kong	28-29/F, No. 100 Queen's Road Central, Central, Hong Kong
Internet website	http://www.dfzq.com.cn
E-mail	ir@orientsec.com.cn

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of annual reports	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of annual reports	http://www.hkexnews.hk
Place where the annual reports of the Company are available	23/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC

Section II Company Profile and Key Financial Indicators

V. BRIEF INFORMATION ON SHARES OF THE COMPANY

Class of shares	Stock exchange on which shares are listed	Stock abbreviation	Stock code
A Shares	SSE	DFZQ	600958
H Shares	Hong Kong Stock Exchange	DFZQ	03958

VI. OTHER INFORMATION OF THE COMPANY

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

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

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

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

Section II Company Profile and Key Financial Indicators

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

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

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

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

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



Section II Company Profile and Key Financial Indicators

(II) Organizational structure of the Company

1. Organizational structure of the Company

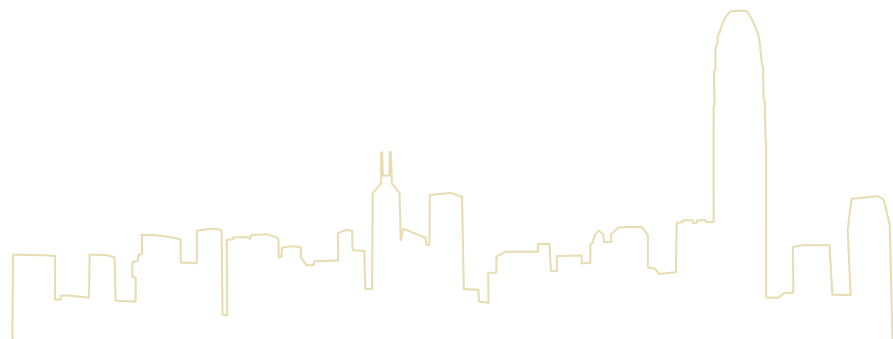
The shareholders' general meeting shall be the source of authority of the Company; the Board shall be the institution for decision-making and is responsible for the shareholders' general meeting; the Board has established four special committees including the strategic development committee ("Strategic Development Committee"), the remuneration and nomination committee ("Remuneration and Nomination Committee"), the audit committee ("Audit Committee") as well as the compliance and risk management committee ("Compliance and Risk Management Committee"). Each of the special committees shall be accountable to the Board. The Supervisory Committee shall be the internal supervisory institution of the Company, which is responsible for the shareholders' general meeting. The Supervisory Committee has established the office of the Supervisory Committee.

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

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

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

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



Section II Company Profile and Key Financial Indicators

3. Briefings of the wholly-owned subsidiaries and controlling subsidiaries of the Company

(1) Shanghai Orient Securities Futures Co., Ltd.

Address: 14/F, Shanghai Futures Building, No. 500 Pudian Road,
China (Shanghai) Pilot Free Trade Zone

Date of incorporation: December 8, 1995

Registered capital: RMB1.5 billion

Percentage of shareholding: 100%

Legal representative: Lu Dayin

Tel: +86-021-68400610

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

Address: 36/F, Building 2, No. 318 South Zhongshan Road,
Huangpu District, Shanghai, the PRC

Date of incorporation: February 8, 2010

Registered capital: RMB4 billion

Percentage of shareholding: 100%

Legal representative: Jin Wenzhong

Tel: +86-021-63325888

(3) Orient Finance Holdings (Hong Kong) Limited

Address: 28-29/F, No.100 Queen's Road Central, Central,
Hong Kong

Date of incorporation: February 17, 2010

Registered capital: HKD2.1 billion

Percentage of shareholding: 100%

Chairman: Yang Yucheng

Tel: +852-35191188



Section II Company Profile and Key Financial Indicators

- (4) *Shanghai Orient Securities Asset Management Co., Ltd.*
Address: 31/F, Building 2, No. 318 South Zhongshan Road,
Huangpu District, Shanghai, the PRC
Date of incorporation: June 8, 2010
Registered capital: RMB0.3 billion
Percentage of shareholding: 100%
Legal representative: Chen Guangming
Tel: +86-021-63325888
- (5) *Shanghai Orient Securities Innovation Investment Co., Ltd.*
Address: 40/F, Building 2, No. 318 South Zhongshan Road,
Huangpu District, Shanghai, the PRC
Date of incorporation: November 19, 2012
Registered capital: RMB3 billion
Percentage of shareholding: 100%
Legal representative: Zhang Jianhui
Tel: +86-021-63325888
- (6) *Citi Orient Securities Co., Ltd.*
Address: 24/F, Building 2, No. 318 South Zhongshan Road,
Huangpu District, Shanghai, the PRC
Date of incorporation: June 4, 2012
Registered capital: RMB0.8 billion
Percentage of shareholding: 66.67%
Legal representative: Ma Ji
Tel: +86-021-23153888



Section II Company Profile and Key Financial Indicators

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

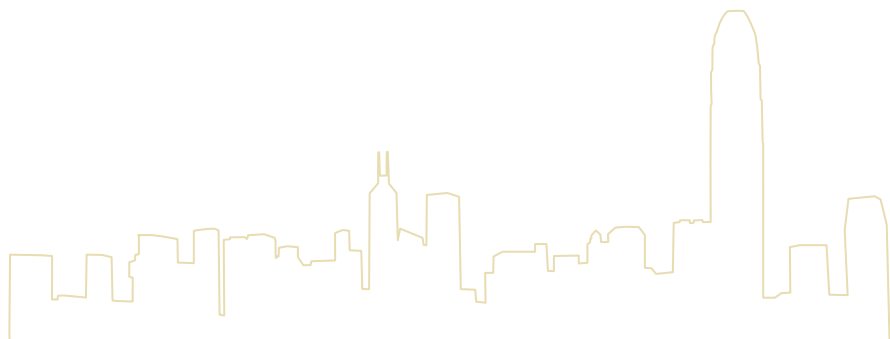


As at the end of the Reporting Period, the total amount of the branches of the Company amounted to 153.
(Please refer to “Appendix II” to this report for details.)

Section II Company Profile and Key Financial Indicators

VII. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)
	Office address	30/F, 222 East Yan'an Road, Huangpu District, Shanghai, the PRC
	Name of the signing accountants	Ma Hingfai, Pan Zhuyun
Overseas accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Name of the signing accountants	Ma Hingfai
Sponsor performing continuous supervisory duty during the Reporting Period	Name	Everbright Securities Company Limited
	Office address	No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC
	Name of the signing sponsor representatives	Zhou Ping, Yu Jian
	Period of continuous supervision	March 23, 2015 to April 18, 2017



Section II Company Profile and Key Financial Indicators

Name	Guotai Junan Securities Co., Ltd.
Office address	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone
Name of the signing sponsor representatives	Miao Tao, Jin Licheng
Period of continuous supervision	April 19, 2017 to December 31, 2018

Name	Citi Orient Securities Co., Ltd.
Office address	24/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Name of the signing sponsor representatives	Su Yuexing, Sun Xiaoqing
Period of continuous supervision	April 19, 2017 to December 31, 2018

Chief Risk Officer and Chief Compliance Officer	Yang Bin
Legal Advisor to the Company as to the PRC law	Grandall Law Firm (Shanghai)
Legal Advisor to the Company as to Hong Kong law	Clifford Chance
Compliance Advisor	Anglo Chinese Corporate Finance, Limited
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
H Share Registrar	Computershare Hong Kong Investor Services Limited



Section II Company Profile and Key Financial Indicators

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

(I) Key accounting data

Unit: '000 Currency: RMB

Key accounting data	2017	2016	Change over the previous year	2015
Operating results				
Total revenue and other income	16,679,385	12,242,382	36.24%	20,459,275
Profit before income tax	4,388,513	2,813,323	55.99%	9,499,086
Profit for the year attributable to shareholders of the Company	3,553,626	2,313,975	53.57%	7,325,225
Net cash (used in)/ generated from operating activities	(6,812,997)	3,612,152	-288.61%	(22,727,048)
Other comprehensive expenses, net of income tax	(1,122,988)	(1,333,907)	N/A	827,306
Earnings per share (RMB/share)				
Basic earnings per share	0.57	0.41	39.02%	1.46
Diluted earnings per share	N/A	0.41	N/A	N/A
Indicator of profitability				
Weighted average returns on net assets (%)	8.62	6.25	Up by 2.37 percentage points	25.11

Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

	As at the end of 2017	As at the end of 2016	Change as at the end of this year over the previous year	As at the end of 2015
Indicators of scale				
Total assets	231,859,988	212,411,087	9.16%	207,897,562
Total liabilities	178,358,513	171,473,262	4.02%	172,521,817
Account payables to brokerage clients	28,219,521	35,651,787	-20.85%	43,193,275
Equity attributable to Shareholders of the Company	52,985,502	40,482,898	30.88%	34,958,119
Share capital ('000)	6,993,656	6,215,452	12.52%	5,281,743
Net assets per share				
attributable to Shareholders of the Company (RMB/share)	7.58	6.51	16.44% Down by 3.07 percentage points	6.62
Gearing ratio (%)	73.69	76.76		78.52

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

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

1. Profit

Unit: million Currency: RMB

Items	2017	2016	2015	2014	2013
Total revenue and other income	16,679	12,242	20,459	7,888	4,587
Total expenses	12,768	9,828	11,396	5,090	3,576
Share of results of associates	477	399	436	136	124
Profit before income tax	4,389	2,813	9,499	2,934	1,134
Profit for the year attributable to Shareholders of the Company	3,554	2,314	7,325	2,342	1,007

Section II Company Profile and Key Financial Indicators

2. Assets

Unit: million Currency: RMB

Item	As at the end of 2017	As at the end of 2016	As at the end of 2015	As at the end of 2014	As at the end of 2013
Share capital	6,994	6,215	5,282	4,282	4,282
Total equity	53,501	40,938	35,376	18,625	15,778
Equity attributable to Shareholders of the Company	52,986	40,483	34,958	18,353	15,550
Total liabilities	178,359	171,473	172,522	88,905	45,074
Account payables to brokerage clients	28,220	35,652	43,193	21,783	10,894
Total assets	231,860	212,411	207,898	107,530	60,852

3. Key financial indicators

Key financial indicators	2017	2016	2015	2014	2013
Basic earnings per share (RMB/share)	0.57	0.41	1.46	0.55	0.24
Diluted earnings per share (RMB/share)	N/A	0.41	N/A	N/A	N/A
Weighted average returns on net assets (%)	8.62	6.25	25.11	13.81	6.65
Gearing ratio (%)	73.69	76.76	78.52	78.28	67.21
Net assets per share attributable to Shareholders of the Company (RMB/share)	7.58	6.51	6.62	4.29	3.63

Section II Company Profile and Key Financial Indicators

(III) Net capital and risk control indicators of the Parent company

Unit: '000 Currency: RMB

Items	As at the end of this Reporting Period	As at the end of the previous year
Net capital	43,731,920.13	33,890,090.46
Net assets	49,984,782.16	38,530,671.53
Risk coverage rate (%)	290.25	221.73
Capital gearing ratio (%)	18.89	16.06
Liquidity coverage ratio (%)	247.63	190.68
Stable funding ratio (%)	147.55	112.44
Net capital/net assets (%)	87.49	87.96
Net capital/liabilities (%)	32.90	27.62
Net assets/liabilities (%)	37.60	31.40
Proprietary equity-based securities and its derivatives/net capital (%)	39.97	51.26
Proprietary non-equity securities and its derivatives/net capital (%)	189.18	204.45

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

IX. DIFFERENCES BETWEEN IFRS AND CASBE

Net profits for January to December 2017 and January to December 2016, and net assets as at December 31, 2017 and December 31, 2016 as stated in the consolidated financial statements of the Group prepared in accordance with CASBE are consistent with those prepared in accordance with IFRS.



Section II Company Profile and Key Financial Indicators

X. ITEMS MEASURED AT FAIR VALUE

Unit: '000 Currency: RMB

Project name	Opening balance	Closing balance	Current changes	Effects on current profits
1. Financial assets at fair value through profit or loss	23,329,194	48,029,447	24,700,253	3,089,284
2. Derivative financial instruments	(348,668)	(459,457)	(110,789)	269,826
3. Available-for-sale financial assets	77,261,928	72,234,378	(5,027,550)	3,262,514
4. Financial liabilities at fair value through profit or loss	7,471,177	6,059,727	(1,411,450)	(153,847)
Total	107,713,631	125,864,095	18,150,464	6,467,777

Note: The effect on current profit includes: (1) investment income acquired through holding and disposing above-mentioned projects; (2) profit or loss from change in fair value of items other than available-for-sale financial assets; (3) impairment loss from available-for-sale financial assets. All amounts above-mentioned affecting the current profit are amounts before enterprise income tax.

Section III Summary of the Company's Business

I. EXPLANATIONS ON THE PRINCIPLE BUSINESSES ENGAGED BY THE COMPANY, OPERATIONAL MODELS AND INDUSTRIAL CONDITIONS DURING THE REPORTING PERIOD

The Company is a listed financial holding group established under the CSRC's approval, which is engaged in the provision of comprehensive, one-stop, professional and integrated financial services covering securities, futures, asset management, wealth management, investment banking, investment consultancy and securities research. After years of development, the Company has established a leading position in the industry in relation to its competitive business such as equity investment, fixed income investment, securities and futures research and asset management business.

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

- **Securities Sales and Trading**

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

- The Company engages in professional equity investment and trading business and fixed income investment and trading business, which includes various stocks, funds, bonds, derivatives and others. In the meantime, it actively expands FICC business.
- The Company conducts financial derivatives trading business by means of arbitrage trading to obtain absolute income with low risk exposure.
- The Company actively conducts NEEQ market-making business through selecting high quality targets in a professional way, aiming to obtaining bid-ask spread arising from share trading.
- The Company engages in innovation investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include structured products in secondary market, special assets backed securitization products and others.
- The Company provides its institutional clients with research services. The clients allocate funds to the seats through the Company, and determine to lease special unit trading seats from the Company, and determine the trading volume allocated based on the quality of the research services provided by the Company.



Section III Summary of the Company's Business

- **Investment Management**

The Company provides its clients with asset management scheme, mutual securities investment funds products and private equity investment funds management.

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

- **Brokerage and Securities Financing**

The Company conducts securities brokerage business and futures brokerage business, and provides its clients with securities financing services including margin financing and securities lending, collateralized stock repurchase and repurchase agreement transactions.

- The Company's securities brokerage business primarily focuses on trading stocks, funds and bonds on behalf of its clients according to the instructions given to the authorized branches.
- The Company conducts futures brokerage business through Orient Securities Futures, a wholly-owned subsidiary of the Company as well as a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange, who provides the clients with commodity futures brokerage, financial futures brokerage, futures investment consultancy and other services.
- The Company's margin financing and securities lending business mainly refers to a transaction in which an investor provides the Company with collateral to borrow funds and purchase securities (margin financing transaction) or borrow and sell securities (securities lending transaction).
- The Company's collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their stocks or other securities as collateral to obtain financing from the Company and agree to repay the funds on a future date to release such pledge.
- The Company's repurchase agreement transaction refer to a transaction in which qualified clients sell subject securities to the Company at an agreed-upon price, and agree to repurchase the subject securities from the Company at another agreed-upon-price on a specific date in the future.

Section III Summary of the Company's Business

• Investment Banking

The Company carries out investment banking business mainly through its relevant functional departments and Citi Orient, a subsidiary in which the Company holds 66.67% equity interests.

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

• Headquarters and Others

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

- Headquarters' treasury business mainly includes headquarters financing business and liquidity reserves investment.
- The Company conducts internationalization business through Orient Hong Kong, a wholly-owned subsidiary of the Company with its business place in Hong Kong. Orient Hong Kong conducts securities trading, financing business, securities underwriting, asset management and other business through its wholly-owned subsidiaries.

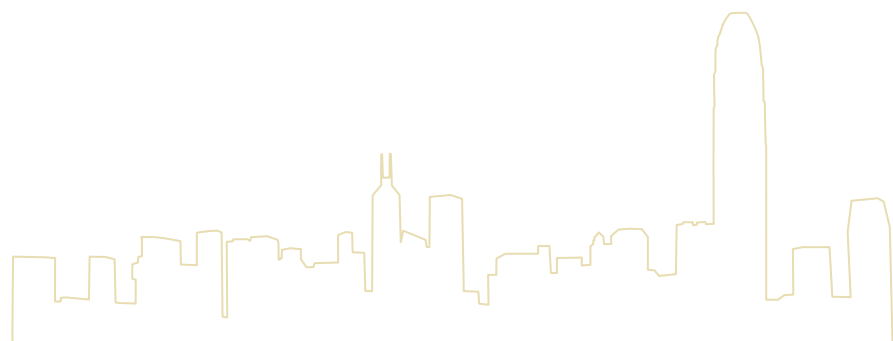
In 2017, SSE Composite Index increased by 6.56% as compared with the end of last year, SZSE Component Index decreased by 3.54% as compared with the end of last year, and ChinaBond Full Price Index (中債全價指數) dropped by 4.26%; the average daily transaction volume in Shanghai and Shenzhen stock markets was RMB458.607 billion, down by 11.74% year on year. During the Reporting Period, the Company upheld the regulatory concept of "legitimate supervision, strict supervision and comprehensive supervision" in the financial regulation. For the purpose of regulating the actions of securities companies, preventing risks and promoting the health and orderly growth of the securities industry, the regulatory authorities have revised a number of system regulations.



Section III Summary of the Company's Business

According to the statistics published by the Securities Association of China, the overall asset scale of securities companies has been expanding while maintaining stability with the continuously strong capital strength. As at December 31, 2017, the total assets of the industry amounted to RMB6,142.002 billion, representing an increase of 6.00% as compared with the beginning of the year; the net assets amounted to RMB1,849.115 billion, representing an increase of 12.50% as compared with the beginning of the year. The industry realized RMB311.328 billion of the aggregate operating income, which represented a decrease of 5.08% as compared with the same period of last year; and recorded RMB112.995 billion of net profits, which represented a decrease of 8.47% as compared with the same period of last year. As for securities brokerage business, the income of which continued to decrease year on year due to the impact of the decline of the transaction volume and commission rate. It realized RMB82.092 billion of the net income from brokerage trading of securities business (including booth lease income), which represented a year-on-year decrease of 22.04%. In respect of investment banking business, the revenue and underwriting scale of investment banking business was smaller than that of 2016. The revenue of investment banking business declined by 25.43% year on year to RMB51.030 billion. In terms of proprietary business, the revenue of investment business increased significantly due to the benefit of the soaring stock index. The investment business income of securities companies amounted to RMB86.098 billion, representing an increase of RMB29.250 billion or 51.45% as compared with the same period of last year. As for the asset management business, the expansion of agency asset management was restrained and the scale of targeted asset management shrunk sharply. However, in terms of revenue, the asset management revenue maintained a positive growth period-on-period. The annual net income of asset management business was RMB31.021 billion in the industry, representing an increase of RMB1.375 billion or 4.64% year on year, accounting for 10% of operating income. It realized RMB34.809 billion of annual net interest income in the industry, which represented a decrease of 8.83% year on year.

During the Reporting Period, the Company had solid performance in its overall results with significant higher growth rate of revenues and profits than the industry average, and the scale of balance sheet was steadily expanded with substantial enhancement in net assets. Rationalized the asset allocation and effectively guaranteed the revenue growth, the Company completed the non-public issuance of A Shares; securities sales and transaction business continued to maintain its competitive advantages; investment management business was leading in the industry; the compliance and risk control work had impressive results and continued to be rated as A class brokerage; the brand influence of the Company boosted enormously together with the remarkable effect of targeted poverty alleviation.



Section III Summary of the Company's Business

II. EXPLANATIONS ON MATERIAL CHANGE IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Please refer to "Section IV, II, (iii) Analysis on assets and liabilities" to this report for details.

In particular: offshore assets amounted to RMB16.639 billion, accounting for 7.18% of the total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

After years of development, the Company has established comparative advantages in areas such as talent, capital, risk control and culture in the industry and some of our business and innovative brands have strong competitiveness in the industry.

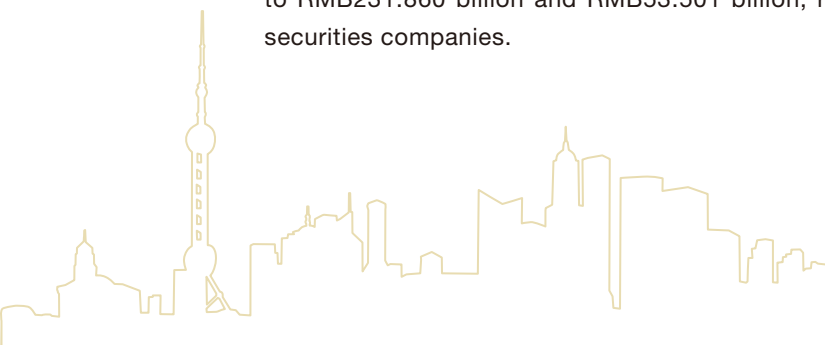
1. Stable Management Team and Professionals

With over 15 years of management experience in the securities and financial industries on average, our senior management team has a deep understanding of the capital market. With a philosophy which is united, aggressive, practical, professional, responsible, stable and harmonious, our senior management team holds long-term strategic planning and international insight on issues of the Company. The long-term stability of the senior management team is conducive to the continuity of the Company's strategic decisions as well as the consistent implementation of its strategies.

A professional, high caliber and stable talent team is the important core competitiveness of the Company. The Company motivates employees and explores their potentials, enhances the enterprises belongingness of the talent team and improves the construction of talent team through a talent cultivation method at multiple levels, in multiple forms and with DFZQ's characteristics. Relying on its market-oriented incentive mechanism and broad platform space, the Company also attracts talent in the capital market to join and grow with the Company. The Company has cultivated a large number of professionals with strong competitiveness through cultivating internal talent and introducing external talent.

2. Fast-growing Capital Strength

After conducting equity financing (A Share listing, H Share Listing and A Share non-public issuance) for the third year in a row, and together with the issuance of debt financing instruments such as corporate bonds and overseas bonds as well as the profits generated by the Company itself, the capital strength of the Company has improved significantly with enhanced market competitiveness and anti-risk capability, which laid a solid capital foundation for the business transformation and the development of innovative business of the Company. At the end of the Reporting Period, the total assets and net assets of the Company amounted to RMB231.860 billion and RMB53.501 billion, respectively, making the Company one of the first-class securities companies.



Section III Summary of the Company's Business

3. Distinguished Investment and Research Abilities and Outstanding Investment Abilities

Leveraging on its distinguished investment management capability, the Company has been leading the industry in securities investment, asset management and fund management fields for a long time.

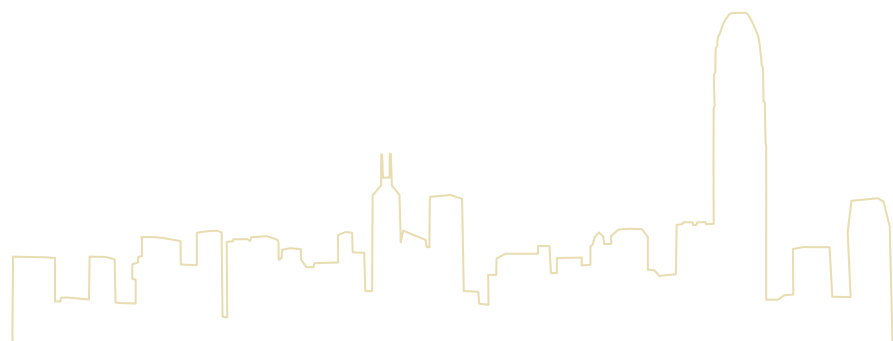
For the securities investment business, the Company always sticks to an investment ideal of “value investment and active risk management” to achieve absolute returns, and has developed an investment and research abilities which are well recognized in the industry. The securities investment business has kept its leading position in the industry in terms of scale and performance.

Orient Securities Asset Management has been adhering to the philosophy of value-oriented investment and active management strategy and committed to maximizing the interests of clients. It has been pursuing absolute returns instead of blindly pursuing for expansion of asset management scale. Orient Securities Asset Management has been leading the industry for a long time in terms of financial performance, and the net value of the Dong Fang Hong series products hit a record high one after another, making Dong Fang Hong brand a reputable brand in the market.

During the Reporting Period, with excellent investment performance and leading innovative abilities, China Universal achieved a steady increase in its assets under management (“AUM”) and maintained stable ranking. As at the end of the Reporting Period, the AUM of China Universal has exceeded RMB550.0 billion, an increase of 15% as compared with the beginning of the year and ranking top 10 in terms of AUM in the publicly offered funds industry. The discretionary management equity publicly offered funds of China Universal recorded the best performance among the top ten fund companies in recent five years.

4. Deepened Innovation and Transformation and Effective Compliance and Risk Control

Business innovation and transformation expand the development space of the Company. In recent years, the Company has been implementing its strategic planning carefully and actively promoting the transformation from traditional brokerage business to wealth management business, from services through traditional channels to comprehensive financial services, from traditional trading business to capital intermediary business, and from traditional investment business to sales trading business and positive progress has been made in these four transformations. The Company has been focusing on the development of over-the-counter (the “OTC”) business and private equity fund business, derivatives and capital intermediary business, international business and internet financial business, and results have been achieved in innovation on the four business segments. After several years of innovation and transformation, the Company has established first-mover advantages and brand advantages in many areas. During the Reporting Period, revenues from the Company's innovative business accounted for 34.9% of its total revenues, and the Shanghai State-owned Enterprises ETF (上海國企ETF), an innovative project of China Universal, won the first place of the Shanghai Financial Innovation Award.



Section III Summary of the Company's Business

Compliance and risk control ensure sound operation. The Company always adheres to the concept of compliance creating value, continues to improve comprehensive risk management systems, carries out the integration of compliance management, risk management and internal control work, and strengthens the application of information technology in compliance and risk management, thus constantly enhancing the effectiveness of compliance and risk management. During the Reporting Period, there were no material non-compliance and risk events, and the Company was rated Grade AA of Class A companies or Grade A of Class A companies by the CSRC for nine consecutive years. Effective compliance and risk control have ensured the sound operation of the Company and safeguarded the Company's operation and development.

5. Continue to Strengthen Party Building and Corporate Culture Construction

The Company places great emphasis on Party building and corporate culture construction and believes that Party building and corporate culture are productive forces. Our internal cohesion and external influence have both been enhanced through strengthening Party building to promote development. Over the years, the Company has thoroughly implemented a responsibility system for the Party building at the grassroots level and complied with the requirements for strict Party self-governance. The construction of service-oriented Party organization at the grass root level has been strengthened and innovation on mass organization has been promoted continuously. The Company deepened the construction of enterprise culture brand, cultivated "Sanxin" employees and fostered a people-oriented "Home" Culture, with view to creating a happy life for its employees. Due to the Company's continuous devotion to Party building and corporate culture construction, the leading group, middle management and employees of the Company unite as one, which demonstrated the significant effect of Party building and corporate culture construction on the cohesion of the Company.

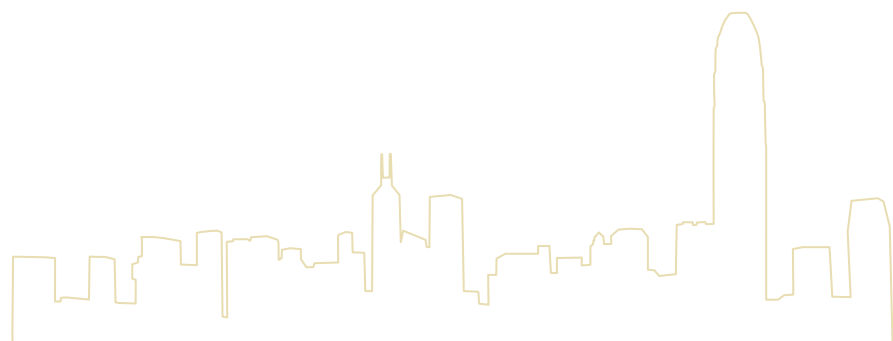


Section IV Report of the Board

I. DISCUSSION AND ANALYSIS OF OPERATION

In 2017, the 19th National Congress of the Communist Party of China depicts a grand blueprint which imposes a higher requirement on the reform of capital market. The Central Economic Working Conference also set a keynote for the macroeconomic policy for the next year. Due to various factors such as the shifting of China's economy from the stage of high-speed growth to the stage of high-quality development, stricter financial regulation and a slow recovery in global economy, profound changes occurred to the capital market in China with dramatic fluctuation in A Share market, seriously differentiated performance of individual stocks, bond market turning from bull to bear and increase in interests rates. In 2017, SSE Composite Index registered a rise of 6.56%, SZSE Component Index registered a fall of 3.54%, Growth Enterprise Index declined by 10.67% and ChinaBond Full Price Index fell 4.26%.

Despite the complicated economic situation, tightening regulatory policy and changing market environment, the Company promoted progress while maintaining stability and delivered a satisfactory performance through grasping key points and addressing weak links. Against the backdrop that both the operating revenue and net profit of the whole industry experienced a year-on-year decrease in 2017, the Company still realized a growth in financial results. During the reporting period, overcoming the difficulties from stricter new regulatory policies in respect of non-public issuance, reducing stockholding and asset management, the Company successfully completed the non-public issuance of its A Shares, which raised funds of RMB11.058 billion, further enhancing its capital strength and consolidating the base for further development of the Company. The Company adhered to legitimate governance and compliant operation, kept abreast of regulatory developments and safeguarded the baseline of preventing financial risks. As a result, there had been no occurrence of materials risks or non-compliance events in the whole year. While maintaining its advantageous businesses, the Company deepened business transformation and witnessed a parallel development of all business sectors as well as an excellent performance for its securities investment business. In pursuit of its business transformation, while profoundly developing the A Share market, the Company put more efforts in overseas market research and investment to promote the transformation and development of FICC business. Owing to the effective transformation toward wealth management, the market share of our equity funds hit a nine-year high. With steady progress made in research service, the Company also saw an increasingly mature system for its OTC custody business. The subsidiaries of the Company continued to grow with significant increase in their industrial influences. Attaching great importance to the combination of industry and finance, the Company proactively capitalized on the financial feature and resource advantages and promoted the implementation of a number of industry-finance integration projects, achieving synergy and win-win development. With increased efforts in independent research and development, the Company developed a leading investment trading system to enhance quality and efficiency for its operation and business development. The Company prepared the three-year strategic plan, kept uplifting its corporate governance practice, improved its talents system, continued to deepen the market-oriented mechanism, strengthened its management coordination in an orderly manner and significantly boosted its brand influence. In addition, the Company promoted the implementation of "Liangxueyizuo" (兩學一做) initiative to make study and education normal and institutional, which delivered fruitful results in Party building and corporate culture building work.



Section IV Report of the Board

II. OPERATION DURING THE REPORTING PERIOD

As at the end of 2017, total asset of the Company amounted to RMB231.860 billion, up by 9.16% over the beginning of the year, and owners' equity attributable to parent company reached RMB52.986 billion. The net capital of parent company amounted to RMB43.732 billion, up by 29.04% over the beginning of the year, and net profit attributable to owners of parent company was RMB3.554 billion, up by 53.57% year on year. The Company realized RMB16.679 billion of revenue and other income, of which securities sales and trading business realized RMB5.211 billion, taking up 30.83% of the total; investment management business realized RMB2.419 billion, taking up 14.31% of the total; brokerage and securities financing business realized RMB5.601 billion, taking up 33.13% of the total; investment banking business realized RMB1.565 billion, taking up 9.26% of the total and headquarters and others business realized RMB2.107 billion, taking up 12.47% of the total. (Calculation of segment revenue and other income, segment expenditure and relevant proportions has not taken account of any consolidation and offsetting factors; the same approach is adopted below)

(I) Principal business of the Group

Analysis on Changes in Related Items of Statement of Profit or Loss and Cash Flows

Unit: '000 Currency: RMB

Segment	Segment revenue and other income	Segment expenditure	Profit margin (%)	Change in segment revenue and other income over last year (%)	Change in segment expenditure over last year (%)	Change in profit margin over last year (%)
Securities sales and trading	5,211,407	1,893,675	63.66	205.74	30.41	Up by 48.85 percentage points
Investment management	2,419,274	1,406,473	61.57	66.94	105.09	Down by 18.61 percentage points
Brokerage and securities financing	5,601,125	3,077,723	45.05	(0.72)	4.22	Down by 2.60 percentage points
Investment banking	1,565,218	838,862	46.41	(3.38)	(4.14)	Up by 0.43 percentage point
Headquarters and others	2,107,138	5,696,124	(170.33)	(6.09)	42.42	Down by 92.08 percentage points

Section IV Report of the Board

1. Securities Sales and Trading

The Company conducts securities sales and trading business with its own capital, including proprietary trading (equity investment and trading, fixed income investment and trading, financial derivatives trading business), NEEQ market-making business, innovative investment and securities research services. During the Reporting Period, the securities sales and trading business segment realized operating income of RMB5.211 billion, taking up 30.83% of the total.

Proprietary trading

The following table sets forth the balance by asset class of our proprietary trading business

(in RMB million)	As at December 31, 2016	As at December 31, 2017
Stocks	7,914.19	11,912.00
Funds	2,743.49	4,173.50
Bonds	40,529.52	56,593.78
Others ^(Note 1)	4,294.67	2,273.07
Total	55,481.87	74,952.35

Note 1: Primarily include investment in asset management schemes and wealth management products using our own capital.

In 2017, the world economy picked up slowly, while in China, the economy improved remarkably and the supervisory on financial risk kept increasing. The Company reinforced its core competitiveness of investment and research and maintained a leading position among the industry in terms of scale and performance of the proprietary trading business.

In the aspect of equity proprietary trading business, the Company pursues absolute returns, adheres to the investment culture of value investment and active risk management as well as an investment concept of persisting core competitiveness in the medium-to-long term, and continuously adopts an approach of deepening industry and equity research services in A Share market and Hong Kong securities market. Through interpreting various regulatory policies and keeping track of operating condition of listed companies, the Company increased the proportions of investments in high-quality white horses and Hong Kong securities. Therefore, during the Reporting Period, in terms of net growth rate of relative gains, the investment portfolios of the Company were among top 10% of the equity funds of more than RMB5.0 billion. Since its incorporation, the Company has achieved an average

Section IV Report of the Board

compound rate of returns of 23.91% in respect of equity proprietary trading business. The Company will further expand the international investment business with better allocation of assets around the globe. The Company will attach great importance to risk control while share market dividends with customers. Meanwhile, the Company will develop more investment strategies, with an aim of developing new profit growth driver and constantly optimizing income structure.

During the Reporting Period, the Company's fixed income proprietary trading business followed the development trend of market to adjust its operating strategies, pursuant to which it improved the safe of its investment through conducting arbitrage transactions and introducing quantitative strategies actively. Besides, the Company enhanced the stability of capital chain and mitigated credit risk by reducing proportionate position of credit bonds. During the Reporting Period, the Company recorded a trading volume of spot bond of RMB3.63 trillion on interbank market, representing an increase of 5.66% and a total bond settlement of RMB5.30 trillion on CCDC, representing a growth of 13.01%, heading the list of securities companies. During the Reporting Period, the Company was awarded Core Dealer (核心交易商), Outstanding Bond Trader (優秀債券交易商) and Award of Best Technology (最佳技術獎) by China Foreign Exchange Trade System as well as Excellent Self-operating Institution Prize (優秀自營機構獎) by China Central Depository & Clearing Co., Ltd.

The interbank bond market-making business delivered outstanding results along with increasing vitality and impact on the market. Thus, the Company was among the first batch of securities firms that obtained the qualifications to quote in the "Bond Connect". During the year, the transaction volume of market-making business accumulated to RMB1.64 trillion, ranking 2nd across the market, and the turnover in the "Bond Connect" accumulated to RMB13.4 billion, ranking 8th among 24 quoting institutions in the "Bond Connect" and 2nd among securities dealers.

During the Reporting Period, the derivatives trading business shifted from traditional alpha strategic investments to options, treasury bonds futures, commodity futures and other on-exchange transactions and the sales and trading of OTC derivatives, pushing steadily all financial derivatives business forward. Sales trading business, as featured by OTC derivatives business, has become the main income source of the Company's derivative business. In the meantime, block trade, OTC individual stock options, options market making, commodity futures dealing, OTC commodity options, treasury bonds futures dealing and fund market making, etc., became more full-fledged amidst stable development, with incomes rising gradually and getting more diversified.

NEEQ market making

In 2017, NEEQ Market Making Component Index accumulated a decline of 10.65%. Facing a severe market, the Company continued to implement its refined market making strategy of whole industry chain service, focused on three themes, namely "de-stocking, adjusting structure and developing core research and development capability", enhanced post-investment management of existing shares under its scope, and further optimized share investment portfolio. When selecting new targets, the Company assessed potential, industry development, business scale and valuation safety margin more carefully. As a result, the NEEQ market making business remained at a leading position in the market.

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From January to December 2017, according to the “Monthly Quality Rating for Sponsors (主辦券商執業質量月度評價)” published by NEEQ listed companies, the Company came into the second place among 96 market makers in terms of transaction volume and timeliness in aggregate. As at the end of the Reporting Period, the Company invested in 155 NEEQ listed enterprises. Out of these investments, 101 were qualified to transfer to NEEQ innovation board (創新層), accounting for 70.9% of the total market value of assets held by the Company. The Company offered the NEEQ market making service for 84 enterprises, and the balance of the market making business amounted to RMB3.364 billion.

During the Reporting Period, the Company was recognized as one of the “2016 China’s Best Ten NEEQ Market Maker (2016中國新三板十大最佳做市商)” at the NEEQ Market Maker Conference of China, and was awarded the “2017 Junding Award for NEEQ Market Maker in China (2017年中國區新三板做市商君鼎獎)” by Securities Times.

Innovative investment

The Company engages in alternative investment business through its wholly-owned subsidiary Orient Securities Innovation Investment. During the Reporting Period, Orient Securities Innovation Investment propels the acquisition and disposal of special asset package steadily, and expands from cooperation and development with banks to the comprehensive cooperation with asset management companies, thus gaining a good reputation in the market. As at the end of the Reporting Period, Orient Securities Innovation Investment has 76 on-going investment projects with an on-going investment amount of RMB2.886 billion.

Securities research

During the Reporting Period, the securities research business of the Company continued to intensively penetrate into the mutual fund market. With its institutional client base, the Company strived to increase market share, expand customer coverage and actively developed its non-mutual fund clients. During the Reporting Period, the research institute of the Company achieved a commission income of RMB274 million, of which RMB243 million were the commission income from publicly offered funds research (including special proceeds account, social security and annuity seats), representing a market share of 2.81%. The Company obtained a rising ranking in respect of core mutual fund client research, and was the second runner-up of “Most Potential Research Institutions (最具潛力研究機構)” by the Best Analyst of New Fortune for 2017 (2017年新財富最佳分析師). In addition, the securities research business conducted transformation actively, reinforced support and synergy within the Group and helped the Group to realized integrated financial service. The Company explored the service method of institutional clients capitalizing on its core research and development capability, so as to provide service of high value to a broader industry capital. Besides, the Company improved the allocation and cultivation of oversea research capability, aiming to develop new competitive edge in the area of oversea research. As at the end of the Reporting Period, there are 77 employees in the research positions of the securities research business, of which 49 are with analyst qualification and 21 are with investment consultant qualification, publishing 2,444 research reports of various kind during the year.

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2. Investment Management

The Company provided clients with asset management schemes, mutual fund products and private equity investment business. During the Reporting Period, the investment management business realized operating income of RMB2.419 billion, accounting for 14.31% of the total.

Asset management

The Company mainly engages in asset management business through its wholly-owned subsidiary Orient Securities Asset Management.

In 2017, the capital market showed more obvious structural characteristics. The asset management industry is facing intensive release of new regulations and increasing unified supervision of “One Bank and Three Commissions”, which accelerated the shift of securities dealers to an active management approach regarding asset management, bringing fundamentally change to the industry. Securities companies with product innovation and design capability, capability of stable risk control as well as strong strategic foresight in respect of business layout will gain competitive edge.

As a leader in the asset management business of securities firms, Orient Securities Asset Management has been focusing on enhancing its core competitiveness in order to seize development opportunities of the industry. With its emphasis on a development strategy of “Professionalism and Branding (專業化、品牌化)”, upholding the principle of client-oriented, it aims to provide multi-level integrated investment and financing resolutions to all kinds of clients. Against the backdrop of changes in direction and operating mode of the industry, Orient Securities Asset Management adhered to the origin mission of the asset management industry, adopted a method of active management and upheld a professionalized and differentiated development path.

By adhering to long-term value investment and absolute returns, the asset management business of the Company survived market challenges and accumulated extensive experience in investment management and risk control, thus maintaining its leading position in the industry in terms of the medium and long-term results. In 2017, the average annualized return of the discretionary management equity products of Orient Securities Asset Management was 56.25% while the return of CSI 300 Index was 21.78% for the same period. From 2005 to the end of the Reporting Period, the average annualized return of the discretionary management equity products of Orient Securities Asset Management was 25.16% while the average annualized return of CSI 300 Index was 12.79% for the same period.

As at the end of the Reporting Period, the AUM of entrusted assets of the Company reached RMB214.392 billion, up by 39.12% as compared with the same period of last year. The AUM of discretionary management assets reached RMB200 billion, accounting for 98.02% of the total, far above the average level of asset management business of securities firm. According to the Securities Association of China, Orient Securities Asset Management ranked 1st in the industry in terms of the net income from entrusted asset management business.



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

(in RMB million)	As at December 31, 2016	As at December 31, 2017
Collective asset management scheme	29,202.13	51,544.49
Targeted asset management scheme	77,909.87	75,459.66
Specialized asset management scheme	10,723.27	12,054.49
Publicly offered funds issued by securities dealer	36,272.98	75,333.28
Total	154,108.25	214,391.92

The following table sets forth the AUM of discretionary management products and non-discretionary management products:

(in RMB million, except for percentage)	As at December 31, 2016		As at December 31, 2017	
	AUM	Percentage	AUM	Percentage
Assets under active management	142,798.75	92.66%	210,145.71	98.02%
Assets under non-active management	11,309.50	7.34%	4,246.21	1.98%
Total	154,108.25	100.00%	214,391.92	100.00%

Adhering to the corporate culture of “Thanksgiving, Responsibility and Dream (感恩、責任、夢想)” for many years, Dong Fang Hong brand of Orient Securities Asset Management has won wide accolades from the industry and clients through relentless efforts. During the Reporting Period, despite the growth of Dong Fang Hong’s domestic demand and the overwhelming subscription levels of many products of Dong Fang Hong Rui Feng, the Company insisted on giving top priority to the interests of its clients and determined not to blindly pursue management scale. By focusing on developing customers, the Company seeks for long-term investment from customers. During the Reporting Period, Orient Securities Asset Management held a meeting of holders of certain products to adjust the investment scope of products in order to protect the return on investment of old customers. During the Reporting Period, the Company was honored with more than 20 awards including “Golden Bull – Asset Management Securities Firm (金牛券商資產管理人獎)”.

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Fund management through China Universal

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

By bearing the value of “Customer First (客戶第一)” and the operating philosophy of “All for the Long Term (一切從長期出發)” in mind, China Universal gave full play to its four-core capability of investment management, product innovation, customer service and risk management and was committed to creating more returns for the investors. China Universal won the “Best Fund Company of the Year (年度最佳基金公司)” award by “Eastmoney Billboard (東方財富風雲榜)” for three consecutive years.

As at the end of the Reporting Period, with the AUM of publicly offered funds of RMB322.5 billion, representing an increase of 17.59% as compared with the beginning of the year, China Universal was the largest fund company in Shanghai area in terms of the AUM of mutual funds. Its AUM of special proceeds accounts and social security accounts increased by 33.78% as compared with the beginning of the year to around RMB200.0 billion, with results ranking among the first batch. China Universal comprehensively upgraded its internet e-commerce platform and established a customer service system of multiple channels, thus comprehensively enhancing customer experience. In addition, the total AUM of its international business reached RMB20 billion. The investment in Hong Kong securities and foreign bonds continued to deliver excellent results, among which the China-Hong Kong Strategy Fund maintained the five-star rating (for three-year period) by Morningstar.

As at the end of the Reporting Period, the returns for the last five and three years of China Universal’s discretionary management and investment equity funds were 184.98% and 89.86% respectively, both ranking the leading position among the top 10 fund companies. Contributing to its outstanding results and stable operation, China Universal gained confidence from more investors, with number of clients increased from more than 40 million to more than 60 million in 2017.

Private equity investment

The Company mainly conducts private equity investment and fund business through its wholly-owned subsidiary Orient Securities Capital Investment. Orient Securities Capital Investment has transformed from a direct-investment subsidiary of securities firm to a private equity fund subsidiary of securities firm, conducting business mainly through private equity fund management. Orient Securities Capital Investment receives management fees and/or performance rewards as agreed in the fund contracts and based on actual results as its main resources of income. At the same time, Orient Securities Capital Investment also acts as one of the private equity fund investors to share investors’ profits.

Orient Securities Capital Investment has always been focusing on its operating philosophy of “Continuously expanding business scale, consolidating the market share in equity investment as well as merger and acquisition business, strengthening post-investment management, increasing the utilization of capital and raising the return on assets”. During the Reporting Period, Orient Securities Capital Investment was awarded “Golden Bull-Direct-Invested Institution of Securities Firm for 2016 (2016年金牛券商直投機構)” and “Top 50 Chinese Private Equity Investment Institutions by Zero2IPO for 2017 (清科2017年中國私募股權投資機構50強)”.

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As at the end of the Reporting Period, the AUM of Orient Securities Capital Investment and the funds under its management amounted to RMB24.343 billion. Orient Securities Capital Investment has 81 on-going investment projects and has invested accumulatively 96 projects with an investment amount totaling RMB11.001 billion and USD1.079 billion. In addition, 9 projects were under preparation, involving an amount of RMB1.6 billion.

3. *Brokerage and Securities Financing*

The Company's brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business and securities financing business including margin financing and securities lending and collateralized stock repurchase. Focusing on customer service is the core of the business. The Company seeks to build a full-spectrum diversified financial platform by opening capital-light branches with low cost and high efficiency and expanding its online service platform and focusing on catering to the needs of its clients to provide them with customized value-added services, thus promoting the transformation from traditional brokerage business to wealth management. During the Reporting Period, the brokerage and securities financing business achieved operating income of RMB5.601 billion, accounting for 33.13% of the total operating income.

The brokerage business is mainly conducted through the Company's securities branches. During the Reporting Period, taking advantage of market opportunities, the Company continued to expand its branches network, which laid a solid foundation for the securities brokerage business and comprehensive financial services. As at the end of the Reporting Period, the Company had 153 securities branches in total, covering 76 cities in 31 provinces, autonomous regions and municipalities directly under the central government. A securities branches network across the country has been initially established. As at the end of the Reporting Period, the Company had 24 futures branches in total. Based on the existing network, the establishment of the Company's network will be in normal operation, aiming to achieve a structural growth in the number of network within three years by upholding the principle of "talent first, profitability prevails" strategy.

During the Reporting Period, the Internet financing business of the Company underwent rapid development, which facilitated the unity and overall enhancement of the Orient Winners Wealth Mobile Internet to obtain comprehensive competitive edge. The "Orient Winners Wealth APP (東方贏家財富版APP)" has provided users with comprehensive services featuring information, market information, transactions, wealth management and other aspects. In addition, the APP was also equipped with a series of services with smart functions centered on users' investment behavior cycle, signaling the initiative regarding the establishment of AI investment service system, which in turn broadened service coverage through financial technology as well as enhanced service effectiveness. As at the end of the Reporting Period, total registered users of the "Orient Winners Wealth APP" amounted to 271 thousand members, representing a year-on-year increase of approximately 147%, with accumulated on-exchange trading volume amounting to RMB54.882 billion. The number of clients who had carried out transactions through the Internet and mobile terminal accounted for 94.73% of the total number of the stock and fund brokerage clients, and the total number of new accounts opened online accounted for 89.09% of the total number of accounts opened during the corresponding period. The trading

Section IV Report of the Board

volume of stocks and funds completed through the Internet and mobile devices accounted for 81.49% of the total trading volume of stocks and funds during the corresponding period. Due to remarkable performance in the financial technology area, the “Orient Winners Wealth APP” received plenty of awards, namely “Securities Firm in China, Best Ten APP of Securities Firm in 2017 (券商中國2017證券公司APP十大品牌)” and “2017 Award for Innovative and Breakthrough APP of Securities Firm (2017 券商APP突破創新獎)”, in the event of “Securities Firm in China • 2017 Outstanding APP of Securities Firm (券商中國 • 2017優秀證券公司APP評選)” during the Reporting Period. In addition, the APP also attracted continuous attention in the industry and received the “Outstanding Financial Technology Product For The Year (年度卓越金融科技產品)” awarded by wallstreetcn.com 2017 Leader in the Financial Industry (華爾街見聞2017金融領軍者評選).

Securities brokerage

In 2017, average daily trading volume of stocks and funds for the year in Shanghai and Shenzhen markets was RMB458.607 billion, representing a year-on-year decline of 11.74%. During the Reporting Period, the Company’s trading volume of securities on behalf of its clients reached RMB17,556.390 billion, rising to the 14th in the industry with a market share of 2.29%, in which the trading volume of stocks and funds amounted to RMB3,758.823 billion, rising to the 18th in the industry with a market share of 1.55% (according to the statistics of Wind), the average stocks and funds brokerage commission rate (including seats) was 3.34 bps.

The following table sets forth the trading volume of our securities brokerage business by product type for the periods indicated (according to the statistics of Wind):

(in RMB million)	As at December 31,	
	2016	2017
Stocks and funds		
Stocks	3,243,359.20	2,911,169.68
Funds	304,714.75	847,653.95
Sub-total	3,548,073.95	3,758,823.63
Bonds	10,428,581.67	13,797,566.31
Total	13,976,655.62	17,556,389.94

During the Reporting Period, the Company distributed wealth management products through its extensive securities branch network and the internet platforms. Targeting at the allocation of major classes of assets, the Company established diversified product lines in order to cater to the needs of its clients.

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The following table sets forth the type and amount of all the financial products we distributed for the periods indicated, including OTC products:

(in RMB million)	As at December 31,	
	2016	2017
Publicly offered funds	121,865.60	110,379.52
Collective wealth management products issued by securities dealer	937.62	5,149.54
Trust schemes	–	167.54
Private fund products	1,122.07	1,292.88
Other financial products	16,841.25	21,341.89
Total	140,766.54	138,331.37

During the Reporting Period, the Company optimized its transaction service based on its brokerage business, while targeting at the allocation of major classes of assets, promoting the transformation from traditional brokerage business to wealth management, proactively developing institution business as well as strengthening comprehensive financial service capabilities. PB business successfully introduced 225 products and 93 managers. In addition, the Company also resumed business as a securities firm to support physical economy, accelerate the integration of industry and finance, persistently explore business opportunities in areas containing consumption finance and supply chain finance. Aiming at actively exploring institution customers, as at the end of the Reporting Period, the Company had a total of 1.3798 million brokerage clients with total value of assets under custody reaching RMB552.047 billion, of which institution clients were 4,875, an increase of 670 with total value of assets under custody reaching RMB317.026 billion, which accounted for 57.43% of the total assets of brokerage clients, representing a year-on-year growth of 2.8 percentage points.

During the Reporting Period, the Company strived to develop investment consultant business in an attempt to foster service capability and its coverage, while actively developing the “Orient Winners” wealth management brand for the purpose of enlarging brand influence, creating brand value and maximizing brand synergy effect. The Company attached importance to the education of investors and actively developed “Educational Base for Investors of Shanghai Securities and Futures (上海市證券期貨投資者教育基地)” and went through relevant application procedures. Eventually, its educational base for investors was honored with “The First Batch of Educational Base for Investors of Shanghai Securities and Futures (首批上海市證券期貨投資者教育基地)”. The Company was honored the award of “2017 Jun Ding Award for Wealth Management Institution in China (2017中國財富管理機構君鼎獎)” by Securities Times.

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Futures brokerage

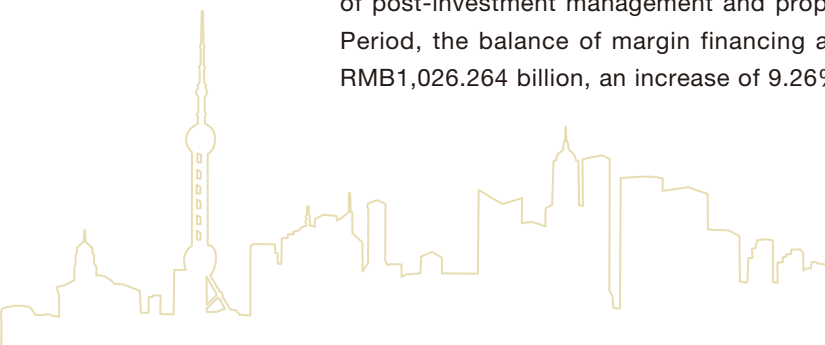
The Company conducted futures brokerage business through its wholly-owned subsidiary Orient Securities Futures. During the Reporting Period, Orient Securities Futures proactively developed mutual funds, banking, insurance, private equity fund, industry and other institutional investors and professional investors so as to increase market share. The Company also improved its on-line service platform, exerted efforts to develop the “Orient Securities Winners App 2.0 (東證贏家App 2.0)”, an industry-leading mobile comprehensive financial service terminal for futures and constructed an integrated financial management system that combined on-line and off-line platforms. Moreover, improvements in derivative research service level in the futures industry also enabled the Company to provide customers with value added service such as investment research. Furthermore, the futures and spot business are rolling out progressively, and the scale of spot selling business saw a rapid growth. The Company promoted international business while consolidating the Group’s resources, so as to provide customers with comprehensive financial service and establish a full-spectrum financial management platform.

As at the end of the Reporting Period, Orient Securities Futures had 39,939 clients, with the size of client equity amounting to RMB12.544 billion and average daily size of client equity for the year amounting to RMB10.776 billion. During the Reporting Period, Orient Securities Futures completed 201.21 million lots of trading turnover on behalf of clients with a trading volume of RMB12,969.854 billion, in which the trading volumes of commodity futures (including commodity options) and financial futures were RMB11,298.930 billion and RMB1,670.924 billion, respectively.

During the Reporting Period, Orient Securities Futures received plenty of awards, namely the “2016 Zhengzhou Commodity Exchange’s Outstanding Member in Market Development (2016年度鄭商所市場發展優秀會員)” by Zhengzhou Commodity Exchange, the “2016 Outstanding Member Golden Award (2016年度優秀會員金獎)” by Dalian Commodity Exchange, the “2016 Outstanding Member Platinum Golden Award (2016年度優秀會員白金獎)” by China Financial Futures Exchange, the “Jun Ding Award for Wealth Management Institution in China (中國財富管理機構君鼎獎)” and the “2017 Jun Ding Award for Futures Company with Innovative Industry Service in China” (2017中國創新產業服務期貨公司君鼎獎)” by Securities Times.

Securities financing

During the Reporting Period, upon the successive implementation of de-leveraging, strict compliance as well as latest restrictions on refinance and shareholding reduction, the Company adjusted its business strategies in a timely manner and put forward the operation philosophy featuring “scale stability, risk control, assets settlement” and maintained stable development of securities financing business through organization structure adjustment, prudent assessment of project risks, enhancement of post-investment management and proper management of risks. As at the end of the Reporting Period, the balance of margin financing and securities lending in the whole market amounted to RMB1,026.264 billion, an increase of 9.26% as compared to that of the beginning of the year. Daily



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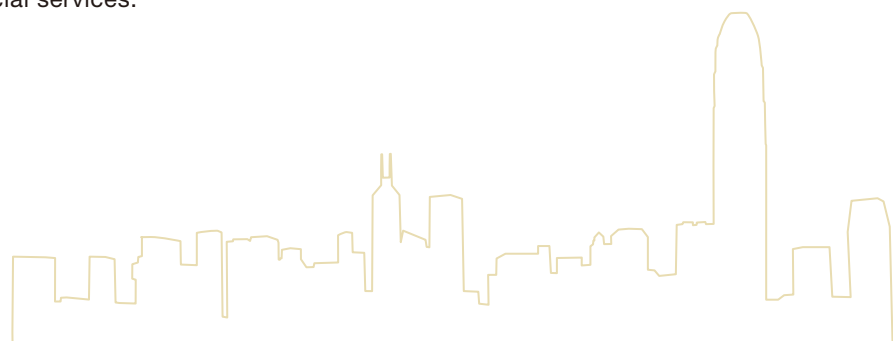
average balance in 2016 and 2017 were RMB897.425 billion and RMB934.591 billion, respectively, reflecting a stable and slow growth in general. The collateralized stock business of the whole market amounted to RMB1,560.208 billion (according to the Securities Association of China), an increase of 27.23% as compared to that of the beginning of the year; however, the growth of the total value of the collateralized stock repurchase transaction in the whole market had been significantly slowed down. The Company promptly adjusted its business strategy regarding securities financing business after taking into account the current situation, leading to stable development of the overall scale. The total value of the securities financing business amounted to RMB46.017 billion as at the end of the Reporting Period, representing an increase of 1.78% as compared with the beginning of the year. Business income for the year recorded RMB2.304 billion, representing a year-on-year increase of 16.35%.

As at the end of the Reporting Period, the total value of the margin financing and securities lending business amounted to RMB12.659 billion, representing an increase of 22.81% as compared with the beginning of the year which was 13.55 percentage points higher than that of the market level. The market share of the margin financing and securities lending business was 1.23%, a rise of 0.13 percentage point as compared with the beginning of the year, and ranking 20th in the industry (according to the statistics of Wind). The number of margin financing and securities lending clients of the Company was 27,035, up by 4.84% as compared with the beginning of the year.

As at the end of the Reporting Period, the balance of collateralized stock of the Company amounted to RMB33.340 billion, ranking 15th (according to the statistics of stock exchanges) in the industry with a market share of 2.14%, of which the total value of internal capital contribution ranked 7th (according to the statistics of stock exchanges) with a market share of 3.88%. As at the end of the Reporting Period, the balance of the repurchase agreement transaction business amounted to RMB18 million.

Others

OTC market business of China's securities firm was at the early stage of development and there is plenty of opportunities for development in the future. The Company's OTC market business outperformed most of the Companies in the Industry. After three years of establishment, the Company has built 5 core systems, namely OTC bulletin board, trading matching system, registration and clearing system, OTC financial product management system and market maker system, which made the Company become the first securities firm in the industry that developed independent OTC trading system and market maker system, and connected with quotation system, China clearing, securities dealers engaging in asset management, trust companies and banks. In addition, the Company has created a OTC business platform concerning product issuance, listing and transfer, market-making service, connectivity, investment function, financing function and collateralized repurchase function based on the consolidation of resources, businesses, functions of the Group to provide customers with a one-stop comprehensive financial services.



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During the Reporting Period, the total value of the Company's OTC market business amounted to RMB30.030 billion, representing an increase of 37.40% as compared with the same period of last year. In particular, the total value of product issuance (including subscription) amounted to RMB25.798 billion, representing a year-on-year increase of 37.52%. The total value of the product transfer and market-making transactions has increased 12 times from RMB62 million in the corresponding period last year to RMB832 million in line with a much more active market. As at the end of the Reporting Period, the total value of the Company's OTC market business was approximately RMB21.412 billion.

During the Reporting Period, the Company strove to develop comprehensive financial services of private equity fund, achieving the target of rapid growth in business scale, business income and building relationship with customers. In addition, the Company also established a market image of high efficiency and professionalism and completed an on-line service platform of "Private Equity Smart Expert (私募機構智能管家)", which was awarded the "Private Equity Innovative Service Award (私募基金服務創新獎)" by Hexun Finance (和訊財經).

As at the end of the Reporting Period, there were 1,006 product portfolios whose operations were trusted online or outsourced, representing a net increase of 590 portfolios as compared with the beginning of the year or a growth of 141.83%; the total value amounted to RMB70.610 billion, representing a net increase of RMB46.743 billion as compared with the beginning of the year or a growth of 195.85%.

4. *Investment Banking*

The Company mainly conducts investment banking business through Citi Orient (a subsidiary in which the Company holds 66.67% equity interest) and the Fixed Income Department. Citi Orient is engaged in underwriting and acting as sponsor of corporate stocks and debentures, underwriting of corporate bonds and asset backed securities, merger and restructuring, and financial advisory services relating to NEEQ listing and corporate restructuring. The Fixed Income Department is engaged in underwriting services for government bonds and financial bonds. During the Reporting Period, investment banking business realized operating income of RMB1.565 billion, accounting for 9.26% of the total operating income.

Stock underwriting

In 2017, the CSRC gradually sped up its approval for issuance of new shares, while slowing down the approval for merger and restructuring. New requirements also slowed down the progress of refinancing. The debt underwriting market was in times of weakness due to the trends of deleveraging and increased interest rate in the financial market. During the Reporting Period, 438 IPO projects were issued in the whole market, with total proceeds of RMB230.1 billion raised, representing a year-on-year increase of 54%. Total proceeds raised from secondary offering was RMB1.50 trillion, representing a year-on-year decrease of 23%. Underwriting debt declined year-on-year by 17% to RMB8.97 trillion.



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During the Reporting Period, Citi Orient completed 16 equity financing projects with total lead underwriting amount of RMB23.467 billion. The Company ranked 14th in the financial industry and 9th in the refinancing industry in terms of the amount of lead underwriting transactions (according to the statistics of Wind). Citi Orient commenced strict quality control on the quality of its customers and the implementation of projects, with successful ratio for IPO projects ranking the first batch of securities companies for two years in a row. As at the end of the Reporting Period, among Citi Orient's reserve projects, one IPO project was approved and 17 projects were under review; seven refinancing projects were approved and three projects were under review.

The table below sets forth the breakdown of equity financing transactions with the Company acting as a lead underwriter:

(in RMB million)	As at December 31,	
	2016	2017
IPO:		
Number of issuance	7	9
Lead underwriting amount	2,348.64	3,991.13
Secondary offering:		
Number of issuance	15	7
Lead underwriting amount	16,423.59	19,475.63
Total:		
Number of issuance	22	16
Lead underwriting amount	18,772.23	23,466.76

Bond underwriting

During the Reporting Period, the debt underwriting business of the Company recorded a lead underwriting amount of RMB95.711 billion. In particular, Citi Orient ranked 19th in the industry and 1st among joint venture securities companies in terms of lead underwriting amount (according to the statistics of Wind). In addition, the underwriting service quality of Citi Orient also received recognition from market institutions and experts from each business area. According to the assessment results in respect of the credit of lead underwriters of enterprise bonds for the year 2016 released by the General Office of the NDRC, Citi Orient was the top three among 84 leading underwriters. As at the end of the Reporting Period, 32 debt underwriting projects of Citi Orient has been approved, and 11 projects were under review. During the Reporting Period, non-public issuance of social responsibility corporate bonds of Yichang Changle Investment Group Ltd. (poverty alleviation) (宜昌長樂投資集團有限公司非公開發行社會責任公司債券(扶貧)), the first corporate bonds of the poverty alleviation project with Citi Orient acting as the sole underwriter, was an innovative project in poverty alleviation in China's financial industry. The issuance of the bonds took financing advantages in the capital market, utilized market mechanism, catered to the special needs of poverty alleviation, while strengthening the internal momentum behind economic development in poor areas, which was in turn praised by both partners and the industry.

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During the Reporting Period, book-entry treasury bonds recorded an accumulated underwriting amount of RMB109.48 billion, ranking 2nd in the industry; financial bonds issued by China Development Bank recorded an accumulated underwriting amount of RMB111.19 billion and financial bonds issued by Agricultural Development Bank recorded an accumulated underwriting amount of RMB52.01 billion, both ranking 1st in the industry. The Company ranked 9th among securities companies acting as lead underwriters of debt financing instruments issued by non-financial enterprises. In addition, the Company actively participated in innovative business concerning Bond Connect and green financial bonds underwriting, and was awarded the “2017 Excellent Underwriting Institution Award (2017年度優秀承銷機構獎)” and the “ChinaBond Green Bond Index Constituent Excellent Underwriting Institution Award (中債綠色債券指數成分券優秀承銷機構獎)” by CCDG; the “Excellent Underwriter in Inter-bank Market (銀行間市場優秀承銷商)”, the “Excellent Underwriter in Exchange Market (交易所市場優秀承銷商)”, the “Excellent Underwriter of Green Financial Bonds (綠色金融債券優秀承銷商)” and the “Innovation Award for Underwriters of Financial Bonds Issued by China Development Bank (國家開發銀行金融債券承銷商創新獎)” by China Development Bank.

The table below sets forth the breakdown of debt underwriting with the Company acting as a lead underwriter:

(in RMB million)	As at December 31,	
	2016	2017
Corporate debentures:		
Times of lead underwriting	27	28
Amount lead underwritten	34,860.00	30,280.00
Corporate bonds:		
Times of lead underwriting	15	19
Amount lead underwritten	18,920.00	15,765.00
Financial bonds:		
Times of lead underwriting	2	28
Amount lead underwritten	12,130.00	26,624.00
Asset backed securities:		
Times of lead underwriting	14	8
Amount lead underwritten	20,082.00	11,612.00
Debt financing instruments for non-financial enterprises:		
Times of lead underwriting	9	19
Amount lead underwritten	3,797.00	11,430.33
Total:		
Times of lead underwriting	67	102
Amount lead underwritten	89,789.00	95,711.33

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Financial advisory services

During the Reporting Period, Citi Orient's financial advisory services achieved steady progress and Citi Orient completed six merger and restructuring projects during the year, with a total transaction amount of RMB19.228 billion. Citi Orient acted as an independent financial advisor for three major assets restructuring projects of listing companies (according to the statistics of merger and restructuring committee of CSRC). Citi Orient was listed among the 11 securities companies which were rated by the Securities Association of China for three consecutive year as Class A financial advisory services for merger and restructuring of listed companies. As at the end of Reporting Period, one project was under review for financial advisory services.

During the Reporting Period, Citi Orient completed nine NEEQ listing recommendation projects, which involved 940 million shares. It accomplished private placement of shares for 19 listed companies with an accumulated amount of RMB2.007 billion.

As at the end of the Reporting Period, Citi Orient supervised 61 listing companies accumulatively. During the Reporting Period, Citi Orient was honored four awards including "Jun Ding Award for Equity Refinancing in Investment Banking in China Region (中國區股權再融資投行君鼎獎)" by Securities Times, four awards including "Vanguard Investment Banks for Mergers and Acquisition (併購重組先鋒投行)" by International Finance News and three "Best" honors by the 10th New Fortune Best Investment Bank.

5. *Headquarters and Others*

Headquarters and others business of the Company mainly include the headquarters' treasury business and overseas business. During the Reporting Period, the headquarters and others business realized operating income of RMB2.107 billion, accounting for 12.47% of the total.

Treasury business and others

Treasury business is aimed to enhance the comprehensive capital coordination and management of the Company, mainly including liquidity risk management, liabilities management and liquidity reserve investment management. During the Reporting Period, the Company continuously enhanced its liquidity risk management, expanded financing channels, optimized liability allocation between long term and short term, persistently improved liquidity risk index and carried out reasonable allocation of liquidity asset reserves, thereby achieving the goal of the integration of capital safety, liquidity and profitability.

As at the end of the Reporting Period, the Company had sufficient liquidity, and liquidity coverage ratio and net stable funding ratio of the Parent Company stood at 247.63% and 147.55%, respectively, in line with regulatory requirements.

Overseas business

The Company conducts overseas business through Orient Hong Kong, a wholly-owned subsidiary of the Company and its subsidiaries, with their place of business located in Hong Kong.



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In 2017, the capital market in Hong Kong achieved remarkable performance, and Hang Seng Index was one of the top performer among the world's major stock indices. After the implementation of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", the "Bond Connect" was officially activated. The capital market of Hong Kong possessed irreplaceable advantages in terms of connectivity due to the internationalization of Renminbi, the "Belt and Road" policy, the "integration of industry and finance" and the "Greater Bay Area of Guangdong, Hong Kong and Macao" strategy. In addition, the reform of the listing regime in Hong Kong will generate more opportunities for innovative companies to apply for the listing on the Hong Kong Main Board, thereby attracting more new economy enterprises to bring new room for development for the financial market in Hong Kong.

Orient Hong Kong, through its wholly-owned subsidiaries, holds business licenses for dealing in securities, advising on securities, dealing in futures contracts, asset management, advising on corporate finance and lending. It has set up a comprehensive overseas business platform. During the Reporting Period, Orient Hong Kong took advantage of resources and strengths of the Parent Company, seized opportunities brought about by Hong Kong's unique development, reinforced its business operation capabilities, expanded customer base and business scope as well as improved business platform so as to enhance its comprehensive financial service capabilities.

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

1. Revenue and other income

During the Reporting Period, the Group realized RMB16.679 billion of revenue and other income, up by RMB4.437 billion or 36.24% over the same period of last year, which was mainly because under the policy background of strict supervision and deleverage, the Company responded to the market development, maintained sound operation, enhanced compliance and risk management practices and promoted the transformation of various businesses in an all-round manner, achieving relatively satisfactory operating results from securities investment business and assets management business and a significant increase in the revenue. Details were as follows:

Commission and fee income amounted to RMB5.378 billion, accounting for 32.24% of the total and representing an increase of 16.39%, which was primarily attributable to the increased Company's entrusted assets under management and outstanding results of products investment resulting in a significant increase in the revenue of asset management business.

Interest income declined 7.98% to RMB3.931 billion, accounting for 23.57% of the total, which was mainly attributable to the decrease in interest income from clients' bank deposits, interest income from stock pledge business and interest income on loans to fellow subsidiaries as compared with the corresponding period of last year.

Net investment gains amounted to RMB6.738 billion, accounting for 40.40% of the total and representing an increase of 139.50%, which was mainly attributable to the increase in investment gains from securities proprietary business and the impact of changes in fair value of proprietary securities held by the Company as compared with the corresponding period of last year.

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Other income and gains or losses grew 17.76% to RMB0.632 billion, accounting for 3.79% of the total, which was mainly attributable to increased government grant received and sales revenue of bulk commodities of fellow subsidiaries.

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

Unit: '000 Currency: RMB

Item	From January to December 2017		From January to December 2016		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Commission and fee income	5,377,803	32.24%	4,620,340	37.74%	757,463	16.39%
Interest income	3,930,852	23.57%	4,271,636	34.89%	(340,784)	-7.98%
Net investment gains	6,738,575	40.40%	2,813,575	22.98%	3,925,000	139.50%
Other income and gains or losses	632,155	3.79%	536,831	4.39%	95,324	17.76%
Total revenue and other income	16,679,385	100.00%	12,242,382	100.00%	4,437,003	36.24%

2. Total expenses

During the Reporting Period, total expenses of the Group reached RMB12.768 billion, up by RMB2.940 billion or 29.92% year on year, which was mainly attributable to increase in employee cost, interest expenses and impairment losses expenses. Details were as follows:

Depreciation and amortization grew 4.53% to RMB0.181 billion, which was mainly attributable to increased amortisation of intangible assets as compared with the corresponding period of last year.

Staff costs were RMB3.598 billion, up by 49.53% for the reason of increased provisions for remuneration payment due to increased revenue from businesses of the Company.

Commission and fee expenses dropped 12.97% to RMB0.371 billion, which was mainly attributable to decreased securities brokerage service charge expenditure because of contraction in stock fund transaction volume.

Interest expenses grew 16.08% to RMB5.942 billion. The increase was caused by enlarged bonds repurchase and new issue of bonds such as subordinated bonds and overseas USD bonds of the Company.

Other operating expenses, including operation expense, and tax and surcharges, grew 58.41% to RMB2.242 billion. The increase was caused by the incremental related operation expenses due to the expanded business volume.

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Impairment losses amounted to RMB0.434 billion, representing an increase of 50.62%, which was mainly attributable to provision for bad debts of receivables, provision for bad debts of financing business and provision for bad debts of collateralized stock repurchase.

The components of total expenses of the Group for 2017 are set out as follows:

Unit: '000 Currency: RMB

Item	From January	From January	Changes	
	to December 2017	to December 2016	Amount	Percentage
Depreciation and amortization	180,611	172,790	7,821	4.53%
Staff costs	3,598,494	2,406,474	1,192,020	49.53%
Commission and fee expenses	371,323	426,638	(55,315)	-12.97%
Interest expenses	5,941,311	5,118,370	822,941	16.08%
Other operating expenses	2,241,740	1,415,113	826,627	58.41%
Provision for impairment losses	434,176	288,257	145,919	50.62%
Total	12,767,655	9,827,642	2,940,013	29.92%

3. Research and Development Investment

Research and Development Investment

Unit: '000 Currency: RMB

Expenses of Research and Development Investment of current period	105,185
Capitalized of Research and Development Investment of current period	59,778
Total Research and Development Investment	164,963
Percentage of Research and Development Investment of Operating Income (%)	1.57
Number of Research and Development Staff	118
Percentage of staff of Research and Development of total number of staff of the Company (%)	2.51
Percentage of capitalized Research and Development Investment (%)	36.24

4. Contribution to social welfare

In 2017, the Group contributed a total of RMB27.39 million to charitable donations and other public welfare events.

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5. Cash flow

During the Reporting Period, the Company recorded RMB5.170 billion of net increase in cash and cash equivalents, including:

- (1) Net cash used in operating activities amounted to RMB6.813 billion, which includes:
 - 1) RMB7.748 billion of net cash inflow was attributable to decrease in cash restricted or held on behalf of customers and clearing settlement funds;
 - 2) RMB22.918 billion of net cash outflow was attributable to increase in financial instruments and derivatives at fair value through profit or loss;
 - 3) RMB2.353 billion of net cash outflow was attributable to increase in advance to financing customers;
 - 4) RMB7.432 billion of net cash outflow was attributable to decrease in amount payable to brokerage customers;
 - 5) RMB6.100 billion of net cash inflow was caused by increase in amounts due to banks and other financial institutions;
 - 6) RMB9.721 billion of net cash inflow was attributable to increase in financial assets sold under repurchase.
- (2) Net cash from investment activities was RMB6.467 billion, which was primarily attributable to:
 - 1) RMB3.977 billion of net cash inflow caused by decrease in available-for-sale financial assets and held-to-maturity investments;
 - 2) RMB3.120 billion of net cash inflow caused by dividends and interests received from investments;
- (3) Net cash from financing activities amounted to RMB5.515 billion, which was mainly attributable to:
 - 1) RMB11.028 billion of net cash inflow from funds raising via the private placement of A Shares;
 - 2) RMB3.349 billion of net cash outflow from bonds payment, short term payables and interest of borrowings;

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- 3) RMB1.219 billion of net cash outflow from net repayment of bonds, short-term financing bills payables and borrowings;
- 4) RMB0.946 billion of net cash outflow from payment of dividends of shareholders.

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

1. Analysis on principal components of consolidated statement of financial position

During the Reporting Period, the total assets of the Group amounted to RMB231.860 billion, representing an increase of RMB19.449 billion, or 9.16%, as compared with the beginning of the year; the total liabilities amounted to RMB178.359 billion, representing an increase of RMB6.885 billion, or 4.02%, as compared with the beginning of the year. Among the current assets of the Group, available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity investments and derivative financial assets represented 47.68% of its total assets; advances to customers, financial assets held under resale agreements and receivables and prepayments represented 18.26% of its total assets; clearing settlement funds, deposits, cash and bank balance represented 22.73% of its total assets; among non-current assets, property and equipment represented 0.88% of its total assets. The assets of the Company were under reasonable structure with strong liquidity.

As at the end of the Reporting Period, the self-owned gearing ratio of the Group was 73.69%, representing a decrease of 3.07 percentage points as compared with the corresponding period of last year.

Analysis on items of consolidated statement of financial position of the Group:

Unit: '000 Currency: RMB

	December 31,		December 31,		Changes	
	2017	Percentage	2016	Percentage	Amount	Percentage
Non-current assets	26,261,069		32,288,003		(6,026,934)	-18.67%
Property and equipment	2,033,609	0.88%	1,844,486	0.88%	189,123	10.25%
Goodwill	32,135	0.01%	32,135	0.02%	-	0.00%
Other intangible assets	127,939	0.06%	114,884	0.05%	13,055	11.36%
Investments in associates	4,005,604	1.73%	3,514,660	1.65%	490,944	13.97%
Available-for-sale financial assets	9,940,762	4.29%	10,712,807	5.04%	(772,045)	-7.21%
Held-to-maturity Investments	37,500	0.02%	140,500	0.07%	(103,000)	-73.31%
Financial assets held under resale agreements	9,932,998	4.28%	15,456,170	7.28%	(5,523,172)	-35.73%
Deferred tax assets	150,522	0.06%	253,903	0.12%	(103,381)	-40.72%
Other receivables and prepayments	-	0.00%	218,458	0.10%	(218,458)	-100.00%

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	December 31, 2017		December 31, 2016		Changes	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Current assets	205,598,919		180,123,084		25,475,835	14.14%
Advances to customers	12,940,064	5.58%	10,651,586	5.01%	2,288,478	21.48%
Account receivables	962,844	0.42%	737,500	0.35%	225,344	30.56%
Other receivables and prepayments	3,725,463	1.61%	3,837,759	1.81%	(112,296)	-2.93%
Available-for-sale financial assets	62,293,616	26.87%	66,549,121	31.33%	(4,255,505)	-6.39%
Held-to-maturity investments	73,000	0.03%	71,560	0.03%	1,440	2.01%
Financial assets held under resale agreements	24,685,493	10.65%	19,102,771	8.99%	5,582,722	29.22%
Financial assets at fair value through profit or loss	48,029,447	20.71%	23,329,193	10.98%	24,700,254	105.88%
Derivative financial assets	168,719	0.07%	70,509	0.03%	98,210	139.29%
Deposits with exchanges and financial institutions	1,025,096	0.44%	1,099,849	0.52%	(74,753)	-6.80%
Clearing settlement funds	9,349,322	4.03%	10,504,501	4.95%	(1,155,179)	-11.00%
Cash and bank balances	41,895,955	18.07%	43,718,835	20.58%	(1,822,880)	-4.17%
Restricted bank deposit	449,900	0.19%	449,900	0.21%	-	0.00%
Total assets	231,859,988		212,411,087		19,448,901	9.16%
Current liabilities	121,666,197		123,973,035		(2,306,838)	-1.86%
Borrowings	2,327,670	1.30%	480,727	0.28%	1,846,943	384.20%
Due to banks and other financial institutions	11,200,000	6.28%	5,100,000	2.97%	6,100,000	119.61%
Account payables to brokerage clients	28,219,521	15.82%	35,651,787	20.80%	(7,432,266)	-20.85%
Accrued staff costs	1,852,383	1.04%	1,377,921	0.80%	474,462	34.43%
Other account payables, other payables and accruals	4,315,525	2.42%	3,591,833	2.09%	723,692	20.15%
Current tax liabilities	433,308	0.24%	237,925	0.14%	195,383	82.12%
Bond payables	11,639,397	6.53%	24,020,769	14.01%	(12,381,372)	-51.54%
Short-term financing bills payables	1,810,486	1.01%	4,942,779	2.88%	(3,132,293)	-63.37%
Financial liabilities at fair value through profit or loss	6,059,727	3.40%	7,471,177	4.36%	(1,411,450)	-18.89%
Derivative financial liabilities	628,176	0.35%	419,177	0.24%	208,999	49.86%
Financial assets sold under repurchase agreements	53,180,004	29.82%	40,678,940	23.72%	12,501,064	30.73%
Net current assets	83,932,722		56,150,049		27,782,673	49.48%

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	December 31, 2017		December 31, 2016		Changes	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Non-current liabilities	56,692,316		47,500,227		9,192,089	19.35%
Borrowings	-	0.00%	859,034	0.50%	(859,034)	-100.00%
Financial assets sold under repurchase agreements	2,940,000	1.65%	5,720,000	3.34%	(2,780,000)	-48.60%
Derivative tax liabilities	82,026	0.05%	357,851	0.21%	(275,825)	-77.08%
Bond payables	53,670,290	30.09%	40,563,342	23.66%	13,106,948	32.31%
Total liabilities	178,358,513		171,473,262		6,885,251	4.02%
Total equity	53,501,475		40,937,825		12,563,650	30.69%

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

2. Non-current assets

As at the end of the Reporting Period, the Company's non-current assets were RMB26.261 billion, representing a decrease of RMB6.027 billion, or 18.67%, as compared with the beginning of the year, mainly due to the decrease in funds from collateralized stock repurchase with a term of over a year.

3. Current assets and liabilities

As at the end of the Reporting Period, the Company's net current assets were RMB83.933 billion, representing an increase of RMB27.783 billion, or 49.48%, as compared with the beginning of the year, mainly due to the increase in current assets and the decrease in current liabilities. Details were as follows:

The increase in current assets was mainly due to: the increase in financial assets at fair value through profit or loss, advances to customers and funds from collateralized stock repurchase with a term within a year.

As at the end of the Reporting Period, restricted assets were monetary capital of RMB449.9 million deposited by fellow subsidiaries as the collateral for borrowings.

The decrease in current liabilities was mainly attributable to: the decrease in accounts payable to brokerage clients due to expiration of a portion of bonds issued by the Company.

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4. *Non-current liabilities*

As at the end of the Reporting Period, the Company's non-current liabilities were RMB56.692 billion, representing an increase of RMB9.192 billion, or 19.35%, as compared with the beginning of the year, mainly due to the issuance of long-term bonds of the Company.

5. *Borrowings and bond financing*

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB80.648 billion. Set out below is the breakdown of borrowings and bond financing of the Company at the end of the Reporting Period:

Unit: '000 Currency: RMB

	December 31, 2017	December 31, 2016
Bond payables	65,309,687	64,584,111
Borrowings	2,327,670	1,339,761
Short-term financing bills payables	1,810,486	4,942,779
Due to banks and other financial institutions	11,200,000	5,100,000
Total	80,647,843	75,966,651

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 37, 38, 42 and 43 to the independent auditor's report herein.

As at the end of the Reporting Period, the Company's borrowings, amounts due to banks and other financial institutions, short-term financing bills payables and bond payables due within one year amounted to RMB26.978 billion, and the Company's net current assets amounted to RMB83.933 billion. There is no liquidity risk in bond payables, borrowings, due to banks and other financial institutions and other interest-bearing liabilities due after one year.

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

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(IV) Explanations on change in the scope of consolidation of the statements

1. The Group added four entities into its scope of consolidation, which included one subsidiary newly consolidated by Orient Securities Capital Investment, as well as one subsidiary and two structured entities newly consolidated by Orient Hong Kong.
2. The Group excluded ten entities from its scope of consolidation, which included closure of eight structured entities by Orient Securities Asset Management; closure of one structured entity by Orient Securities Futures; and closure of one structured entity by Orient Hong Kong.

(V) Analysis on industrial operations

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

(1) *Capital increase into subsidiaries*

- 1) In March 2017, the Company increased capital in the amount of RMB0.6 billion to Orient Securities Innovation Investment and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Securities Innovation Investment to RMB1.7 billion. This capital increase has been considered and approved at the president working meeting of the Company.
- 2) In June 2017, the Company increased capital in the amount of RMB0.3 billion to Orient Securities Innovation Investment and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Securities Innovation Investment to RMB2.0 billion. This capital increase has been considered and approved at the president working meeting of the Company.
- 3) In November 2017, the Company increased capital in the amount of RMB1.0 billion (which can be made in installments) to Orient Securities Innovation Investment and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Securities Innovation Investment to RMB3.0 billion. This capital increase has been considered and approved at the president working meeting of the Company.
- 4) In November 2017, the Company increased capital in the amount of RMB0.5 billion to Orient Securities Futures and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Securities Futures to RMB1.5 billion. This capital increase has been considered and approved at the president working meeting of the Company.



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(2) *Newly-established securities branches by the Company*

The Company received the Reply on Approving Establishment of 33 Securities Branches by 東方證券股份有限公司 (Hu Zheng Jian Xu Ke [2016] No. 74) from Shanghai Bureau of the CSRC, pursuant to which the Company was authorized to establish one securities branch in each of the 33 cities including Beijing and Shanghai, etc. The branches would engage in securities brokerage; margin financing and securities lending; securities investment advisory; financial consultancy in relation to securities transactions and securities investment activities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products. The establishment model of the information system is B-type.

On January 12, 2017, the Company received the Letter on Approving Extension of the Establishment Duration of 27 Securities Branches for 東方證券股份有限公司 (Hu Zheng Jian Ji Gou Zi [2017] No. 21) from Shanghai Bureau of the CSRC, which approved the extension of the establishment duration of 27 securities branches but required the Company to complete the establishment of such securities branches within six months with immediate effect.

During the Reporting Period, the Company completed the establishment of total 31 securities branches, as a result of which the total number of the Company's securities branches amounted to 153. Details of the newly-established branches are as follows:

No.	Name of branch	Address	Date on which the license was obtained
1	Yangzhou Wenhui East Road Securities Branch of 東方證券股份有限公司	No. 231 Wenhui East Road, Economic Development Zone, Yangzhou, Jiangsu, the PRC	January 5, 2017
2	Changshu Lizha Road Securities Branch of 東方證券股份有限公司	No. 65-21, 22 & 23 Lizha Road, Changshu, Jiangsu, the PRC	January 5, 2017
3	Jinhua Bayi North Street Securities Branch of 東方證券股份有限公司	No. 190 Bayi North Street, Wucheng District, Jinhua, Zhejiang, the PRC	January 6, 2017
4	Zhangjiagang Donghuan Road Securities Branch of 東方證券股份有限公司	Chengnan Building, No. 68 Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu, the PRC	January 6, 2017

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No.	Name of branch	Address	Date on which the license was obtained
5	Shaoxing Shengli East Road Securities Branch of 東方證券股份有限公司	No. 402 Shengli East Road & Room 705, 706-1, No. 68 Didanghu Road, Yuecheng District, Shaoxing, Zhejiang, the PRC	March 13, 2017
6	Xi'an Weiyang Road Securities Branch of 東方證券股份有限公司	Store No. 1F-04, Building 1, Datang Xinghe Garden, No. 109-1 Weiyang Road, Xi'an, Shaanxi, the PRC	March 30, 2017
7	Shenzhen Shennan East Road Securities Branch of 東方證券股份有限公司	Room 02, 03 & 05, Main Building 19, Xinxing Plaza, No. 5002 Shennan East Road, Guiyuan Street, Luohu District, Shenzhen, Guangdong, the PRC	April 24, 2017
8	Zhuhai Jida Road Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 202, 2/F, Petroleum Building, No. 103 Jida Road, Xiangzhou District, Zhuhai, Guangdong, the PRC	May 5, 2017
9	Shanghai Jing'an District Yanping Road Securities Branch of 東方證券股份有限公司	1-2/F, No. 167 Yanping Road, Jing'an District, Shanghai, the PRC	May 12, 2017
10	Zibo Liuquan Road Securities Branch of 東方證券股份有限公司	Business Room No.16 &17, Huaxin Garden, No. 258 Liuquan Road, High-Tech Zone, Zibo, Shandong, the PRC	May 17, 2017
11	Hefei Meishan Road Securities Branch of 東方證券股份有限公司	No. 19 Meishan Road, Shushan District, Hefei, Anhui, the PRC	May 17, 2017
12	Wuhu Beijing Centre Road Securities Branch of 東方證券股份有限公司	No. 104 & 501 Jinghu Star, No.1 Beijing Centre Road, Jinghu District, Wuhu, Anhui, the PRC	July 5, 2017
13	Changchun Ziyou Road Securities Branch of 東方證券股份有限公司	Suite 110 Block B, First International Centre, No. 3999 Ziyou Road, Er'dao District, Changchun, Jilin, the PRC	July 5, 2017

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No.	Name of branch	Address	Date on which the license was obtained
14	Tianjin Nanma Road Securities Branch of 東方證券股份有限公司	No. 1201 Nanma Road, Nankai District, Tianjin, the PRC	July 5, 2017
15	Xuchang Xudu Road Securities Branch of 東方證券股份有限公司	1-2/F, Block A, Huitong Commercial Garden, Xudu Road South & Wisdom Building West, Dongcheng District, Xuchang, Henan, the PRC	July 5, 2017
16	Changzhou Longjin Road Securities Branch of 東方證券股份有限公司	Suite 102,1103 & 1104 Building 3, Modern Media Centre, No. 1590 Longjin Road, Xinbei District, Changzhou, Jiangsu, the PRC	July 6, 2017
17	Qingdao Miaoling Road Securities Branch of 東方證券股份有限公司	No. 36-1, 101-A, Miaoling Road, Laoshan District, Qingdao, Shandong, the PRC	July 6, 2017
18	Tangshan Beixin West Road Securities Branch of 東方證券股份有限公司	No. 36-13 Beixin West Road, Zhangdali Scenic Garden, Lubei District, Tangshan, Hebei, the PRC	July 6, 2017
19	Jiangmen Yingbin Middle Avenue Securities Branch of 東方證券股份有限公司	Suite 109 & 2208-2209 Block 1, No. 118 Yingbin Middle Avenue, Pengjiang District, Jiangmen, Guangdong, the PRC	July 6, 2017
20	Dalian Taiyuan Street Securities Branch of 東方證券股份有限公司	No. 177-13 Taiyuan Street, Shahekou District, Dalian, Liaoning, the PRC	July 12, 2017
21	Dongguan Hongfu Road Securities Branch of 東方證券股份有限公司	No. 104 Huicheng Building, No. 102 Hongfu Road, Nancheng Street, Dongguan, Guangdong, the PRC	July 12, 2017
22	Beijing Dajiaoting South Street Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 2017, 2/F, Building 1, Garden 5, Dajiaoting South Street, Chaoyang District, Beijing, the PRC	July 13, 2017
23	Chengdu Yizhou Avenue Securities Branch of 東方證券股份有限公司	No. 104, 1/F, Unit 2, Block 1, No. 777 Yizhou Avenue North, High-Tech District, Chengdu, Sichuan, the PRC	July 13, 2017

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No.	Name of branch	Address	Date on which the license was obtained
24	Chongqing Honghu West Road Securities Branch of 東方證券股份有限公司	No. 41 & 43, Honghu West Road, Yubei District, Chongqing, the PRC	July 13, 2017
25	Xuzhou Heping Road Securities Branch of 東方證券股份有限公司	No. 101-1, Wenyuan Building, Jiangsu Normal University Science & Technology Park, No. 59 Heping Road, Yunlong District, Xuzhou, Jiangsu, the PRC	July 13, 2017
26	Guangzhou Middle Avenue Securities Branch of 東方證券股份有限公司	No. 301 Self-compiled Room 2, No. 129-133 Guangzhou Middle Avenue, Yuexiu District, Guangzhou, Guangdong, the PRC	July 18, 2017
27	Luoyang Nanchang Road Securities Branch of 東方證券股份有限公司	No. 107 Block 4, Garden 14, Nanchang Road, Jianxi District, Luoyang, Henan, the PRC	July 18, 2017
28	Zhongshan Fifth Road Securities Branch of 東方證券股份有限公司	Unit 01, 12/F, Block 3, Zimabenteng Plaza, No. 2 Zhongshan Fifth Road, Eastern District, Zhongshan, Guangdong, the PRC	July 18, 2017
29	Yichang First Xiling Road Securities Branch of 東方證券股份有限公司	No. 15 First Xiling Road, Xiling District, Yichang, Hubei, the PRC (Jin'andongcheng Store 117 & 217)	July 19, 2017
30	Foshan Nanhai Avenue North Securities Branch of 東方證券股份有限公司	Office 03-08, 17/F, Block E, Yuexiu Xinghuiyunjin Plaza First Area, No. 84 Nanhai Avenue North, Guicheng Street, Nanhai District, Foshan, Guangdong, the PRC	July 19, 2017
31	Yueyang Jin'e Middle Road Securities Branch of 東方證券股份有限公司	Block 1, Shengxincheng Caizhi Mansion, No. 408 Jin'e Middle Road, Yueyanglou District, Yueyang, Hunan, the PRC	July 19, 2017



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(3) Relocation of the Company's securities branches

- 1) Shangyu Fortune Plaza Securities Branch in Shaoxing of 東方證券股份有限公司 was relocated within the city, from 1/F, Building 8, Fortune Plaza, Baiguan Street, Shangyu District, Shaoxing, Zhejiang, the PRC to 1/F, Xintianlong Building, No. 2389 Northern of Liangzhu Avenue, Baiguan Street, Shangyu District, Shaoxing, Zhejiang, the PRC. The name of the branch was changed to Shaoxing Shangyu Liangzhu Avenue Securities Branch of 東方證券股份有限公司.
- 2) Fuzhou Wusi Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from 6/F, Golden Lily Hotel, No. 252 Wusi Road, Fuzhou, Fujian, the PRC to 1 & 5/F, Sanmu Building, No. 93 Qunzhong East Road, Xingang Street, Taijiang District, Fuzhou, Fujian, the PRC. The name of the branch was changed to Fuzhou Qunzhong East Road Securities Branch of 東方證券股份有限公司.
- 3) Xiangtan Hedong Avenue Securities Branch of 東方證券股份有限公司 was relocated within the city, from 4/F, Tanshui Building, No. 3 Changtan Road, Yuetang District, Xiangtan, Hunan, the PRC to 0101002-0101003 D1-2 Building, Lot D, Xiangyinxicheng, No. 3 Huxiang North Road, Baota Street, Yuetang District, Xiangtan, Hunan, the PRC. The name of the branch was changed to Xiangtan Huxiang North Road Securities Branch of 東方證券股份有限公司.
- 4) Chengdu Tianxiang Temple Street Securities Branch of 東方證券股份有限公司 was relocated within the city, from 2/F, Tianxiang Building, No. 118 Wangping Street, Chenghua District, Chengdu, Sichuan, the PRC to Suite 2102 & 2103, 21/F, Block 1, No. 9 Jianshe Road, Chenghua District, Chengdu, Sichuan, the PRC. The name of the branch was changed to Chengdu Jianshe Road Securities Branch of 東方證券股份有限公司.
- 5) Yiwu Binwang Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from Building 11 East, No. 68 Binwang Road, Choucheng Street, Yiwu, Zhejiang, the PRC to No. 113 Gongren West Road, Yiwu, Zhejiang, the PRC. The name of the branch was changed to Yiwu Gongren West Road Securities Branch of 東方證券股份有限公司.
- 6) Shenzhen Zhongshan Avenue Securities Branch of 東方證券股份有限公司 was relocated within the city, from Room 109, Commercial Annex Building, Building 8, Dongsheng Times Garden, Pingshan Office, Pingshan New District, Shenzhen, Guangdong, the PRC to 9/F, Block A, Tiley Central Plaza, No. 199 Haide 3rd Road, Nanshan District, Shenzhen, Guangdong, the PRC. The name of the branch was changed to Shenzhen Haide 3rd Road Securities Branch of 東方證券股份有限公司.



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- 7) Huzhou Renmin Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from Room 4-07, Building 20, Aishan Plaza, No. 133 Renmin Road, Huzhou, Jiangsu, the PRC to Rooms 18-1-06, 18-2-05, 18-2-06, 18-2-07 and 18-2-08, Building 18 (No. 112 Zhicheng Road), Aishan Plaza, Huzhou, Jiangsu, the PRC. The name of the branch was changed to Huzhou Zhicheng Road Securities Branch of 東方證券股份有限公司 .
- 8) Nanjing Jinxiang River Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from No.22-5, 6 Jinxiang River Road, Xuanwu District, Nanjing, Jiangsu, the PRC to Nanjing Arts and Crafts Building, No. 31 Beijing East Road, Xuanwu District, Nanjing, Jiangsu, the PRC. The name of the branch was changed to Nanjing Beijing East Road Securities Branch of 東方證券股份有限公司.
- 9) Putian Lihudong Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from Rooms 502, 503 & 504, No. 1 Building, Qidi Wenquan Community, No. 598 Lihudong Road, Xialin Street, Chengxiang District, Putian, Fujian, the PRC, to Floors 1-3, No. 2299 Licheng Central Road, Longqiao Street, Chengxiang District, Putian, Fujian, the PRC. The name of the branch was changed to Putian Licheng Central Road Securities Branch of 東方證券股份有限公司.
- 10) Taiyuan South Inner Ring Street Securities Branch of 東方證券股份有限公司 was relocated within the city, from Room 919, Fortune Building, No. 98-2 South Inner Ring Street, Xiaodian District, Taiyuan, Shanxi, the PRC to Rooms 1001, 1002 & 1003, Floors 1-2, Block 171, No. 186 Pingyang Road, Xiaodian District, Taiyuan, Shanxi, the PRC. The name of the branch was changed to Taiyuan Pingyang Road Securities Branch of 東方證券股份有限公司.
- 11) Fuzhou Aojiang Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from Rooms 10, 11 & 12, 19/F, No. C2 Office Building, Wanda Plaza Second Phase, Fuzhou Financial Street, No. 8 Aojiang Road (North of Jiangbin Middle Avenue and East of Shuguang Road), Aofeng Street, Taijiang District, Fuzhou, Fujian, the PRC to Units 01-02, 19/F, Rongdu International Building, No. 82 Wusi Road, Gulou District, Fuzhou, Fujian, the PRC. The name of the branch was changed to Fuzhou Wusi Road Securities Branch of 東方證券股份有限公司.



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2. *Specific explanation on account standardization*

In strict compliance with the relevant requirements on account management by the CSRC and the China Securities Depository and Clearing Corporation Limited, the Company advanced its account management and further improved its enduring account management mechanism, and made further clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which had been reserved separately. During the Reporting Period, the Company has totally cleaned up 42 unqualified capital accounts, 22 unqualified securities accounts; 636 activated small-amount-dormant capital accounts, 1,077 small-amount-dormant securities accounts; 28 activated dormant capital accounts without risk management, and 24 dormant securities accounts without risk management.

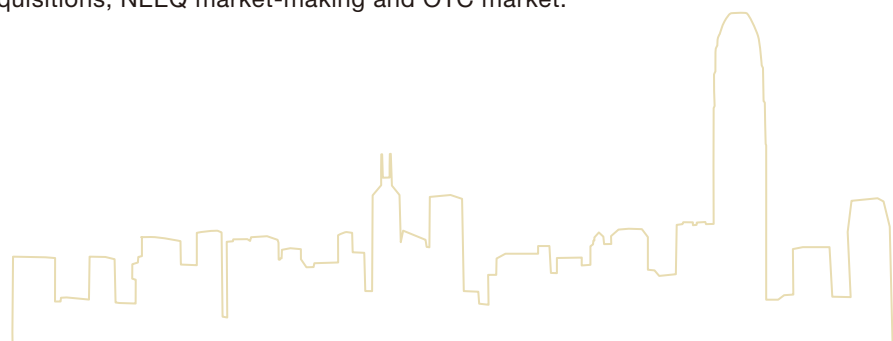
As at the end of the Reporting Period, the Company had 1,707,125 capital accounts and 2,768,870 securities accounts, with 1,379,793 and 2,462,350 of which were qualified capital accounts and qualified securities accounts. The Company still had 10,381 unqualified capital accounts, 1,261 unqualified securities accounts, 283,238 small-amount-dormant capital accounts (including 27,874 newly added small-amount-dormant capital accounts as per the requirements of China Securities Depository and Clearing Corporation Limited in June and November 2017), 290,803 small-amount-dormant securities accounts (including 54,694 newly added small-amount-dormant capital accounts as per the requirements of China Securities Depository and Clearing Corporation Limited in June and November 2017), 33,713 dormant capital accounts without risk management and 14,456 dormant securities accounts without risk management.

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

(1) *Analysis on development of innovative business*

The Company has consistently devoted in the development of innovative business, with an aim to promote business transformation and development riding on innovative business. With years of efforts, innovation capability has become an important part of the Company's core competitiveness and made progressive achievement, bringing a new profit growth driver to the Company. Its major innovative efforts made in 2017 are as follows:

- 1) The income from the Company's innovative business has accounted for a significant part of the total operating income. In 2017, innovative business made great contribution to the Company's operating income, reaching 34.9% of the total operating income.
- 2) Partial innovative business of the Company has established its branding and enjoyed first-mover advantages. The Company has also established its branding and enjoyed first-mover advantages in internet financing, assets securitization, cross-border investment and mergers & acquisitions, NEEQ market-making and OTC market.



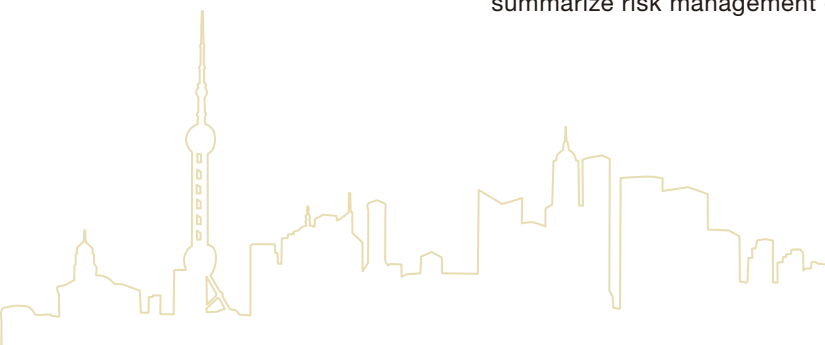
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- 3) The Company's innovation capability has gained recognition gradually from the market. The "Shanghai State-owned Enterprises ETF (上海國企ETF)" project of China Universal won the first place of the Shanghai Financial Innovation Award (上海金融創新成果獎). The Company was awarded the "2017 Junding Award for NEEQ Market Maker in China (2017年中國區新三板做市商君鼎獎)" by Securities Times and the Company was among the first four securities firms that obtained the qualifications to quote in the "Bond Connect".

(2) Risk control for innovative business

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

- 1) In terms of organizational structure, the risk management department strengthened the communications with the business department, kept track of and monitored innovative business, and also actively conducted risk identification and assessment. To prevent business risk jointly with various departments, the Company had its business department, branches and subsidiaries together served as the first line of defense line, while the risk management function departments and the risk regulatory and management department served as the second and third lines of defense respectively.
- 2) In terms of management procedures, the Company further improved the synchronous risk management system for innovative business, and closely kept up with the compliance and risk management of its innovative business. The Company also established a new assessment and verification mechanism of innovative business to keep track of the entire process of framework design, innovation declaration and business development of innovative business.
- 3) In terms of risk identification and assessment, the Company earnestly performed its duties for risk verification of innovative products, and formulated independent professional risk verification opinions on the option pricing for products including income receipts of OTC options and embedded options, hedging strategies and testing results. The Company also constantly improved the stress testing mechanism so as to firmly guarantee the successful carrying out of complicated financial derivatives business.
- 4) In terms of risk report, the Company integrated the risk measurement and the progress of innovative business into the overall risk management report system to earnestly summarize risk management experience in innovative business.



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- 5) In terms of system building, the Company considered innovative business in building an overall risk management report system. The Company steadily conducted its innovative business under controllable, measurable and endurable risks.

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

(1) Establishment of dynamic monitoring mechanism for risk control indicators

During the Reporting Period, pursuant to the requirements under the Administrative Measures for the Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) and related rules revised and issued by the CSRC, the Company earnestly carried out various work including system revision, system building and staff training in a timely manner.

In order to strengthen risk monitoring, and carry out business under measurable, controllable and endurable risks, the Company established a dynamic monitoring mechanism for risk control indicators and built supplementary organizational system and internal management system based on the requirements from regulators and its own risk management demands. The monitoring system could realize an accurate measurement, dynamic monitoring and automated pre-warning on risk control indicators. Based on changes in market, business development, technology and regulatory environment, the Company constantly made adjustment to and improvement on the system with a view to cover various business activities conducted by the Company.

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

(2) Capital replenishment mechanism

Based on the changes in risk control indicators and its own risk tolerance, the Company has made dynamic adjustments to its business scope, its scale and structure of various business sectors, and also replenished or increased net capital according to its business development.

The Company formulates allocation of assets and liabilities as well as risk limit indicators at the beginning of each year, and the risk management department is responsible for the dynamic monitoring on risk control indicators. Upon discovery of any risk control indicators triggering the Company's self-set pre-warning limit or the regulatory standard, the Company will replenish its net capital in a timely manner by reducing investment products with relatively high risk exposures or its business scale, adjusting investment structure of financial assets, hedging against risk exposures and through various financing channels including borrowing long-term subordinated bonds, capital increase and rights issue.

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(3) *Establishment of stress testing mechanism*

The Company has established the stress testing mechanism to ensure its risks are predictable, controllable and enduring under pressure, guaranteeing the sustainable operation of the Company. The Company has specified in the system that a special or comprehensive stress test would be applied upon the possibilities of obvious adverse changes in or approaching triggering level for risk control indicators of net capital, liquidity and etc., securing the scale of material business, commencement of material innovative business and etc. Suggestions on adjustment to business scale based on the testing result would be put forward, which would become an important reference for the Company's management to make decisions.

During the Reporting Period, according to the requirements under the Guideline on Stress Testing of Securities Companies (《證券公司壓力測試指引》) issued by the Securities Association of China, the Company constantly optimized the comprehensive stress testing mechanism in terms of organizational guarantee, system establishment and system support. The Company carried out comprehensive and special stress tests including annual stress test throughout the year. The comprehensive stress test was targeted at, not limited to, risk control indicators of net capital and liquidity and overall financial indicators while the targets of the special stress test varied depending on the purposes of the test.

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

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

5. *Explanations on financing*

(1) *Financing channels of the Company*

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

(2) *Analysis on financing capability*

The Company operated properly within the authorized scope with high reputation, strong financing capability and solvency, together with sound partnerships with various financial institutions, which enabled the Company to conduct financing by various ways as approved or filed by various competent authorities.



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During the Reporting Period, the Company has tried many forms of debt financing, including credit lending, bonds repurchase, income receipts, subordinated bonds, bonds of securities companies and short-term bonds of securities companies. Please refer to “Section VI, II Issue and Listing of Securities” for details on the issue of various debt financial instruments by the Company.

(3) *The Company’s liabilities structure*

Please refer to “Section IV, II, (III) Analysis on assets and liabilities”.

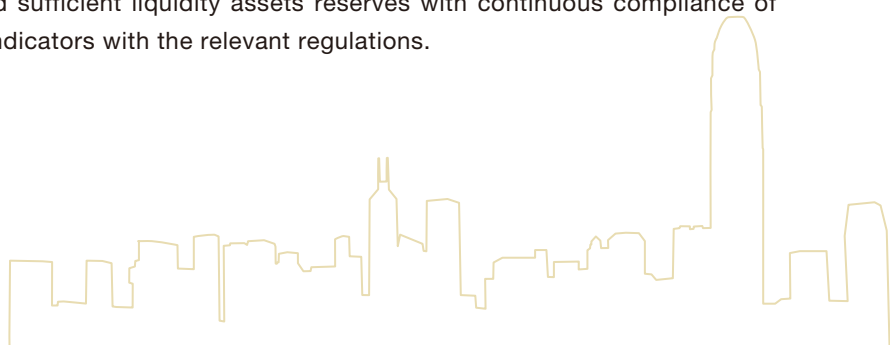
(4) *Measures adopted by the Company for liquidity and the relevant management policies*

The Company always sticks to a consistent capital management and operation, and continues to strengthen the establishment of capital management system and an overall management on allocation of its capital. In the meantime, it conducts a layer allocation of liquidity assets based on its realization capability to constantly improve its capability to withstand various liquidity impacts.

The Company strictly implements a centralized capital management and collective decision-making procedures. As a functional department for liquidity risk management, the capital management department is responsible for planning, financing, adjustment, investment and pricing for its own capital to, conditional upon preventing liquidity risk, optimize the efficiency and gains of the Company’s capital use.

During the Reporting Period, the Company actively broadened short-term and long-term financing channels, strengthened liabilities management, and enhanced the centralization of internal and external liabilities types, terms, financing market, counterparty and financing collaterals. Through issuing corporate bonds, subordinated bonds, income receipts, offshore USD bonds and other debt instruments, the Group constantly optimized its debt structure and term to meet the capital needs of the Company for ordinary operations and to facilitate the development of business. The Company maintained sound partnerships with all its financing counterparties including various commercial banks, and conducted bank lending, bonds repurchase and other financing methods to satisfy its short-term capital needs.

The Company further strengthened monitoring liquidity risk, and improved liquidity indicator system in terms of risk exposure, leverage ratio, capital and scale so as to increase the effectiveness of daily monitoring. The Company emphasized on strengthening daytime liquidity risk management to guarantee sufficient daytime liquidity position and meet the payment and settlement requirements under normal and stressed conditions. During the Reporting Period, the Company maintained sufficient liquidity assets reserves with continuous compliance of liquidity risk regulatory indicators with the relevant regulations.



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(VI) Analysis on investments

1. Overall analysis on external equity investments

As at the end of the Reporting Period, the long-term equity investment of the Group amounted to RMB4,006 million, representing an increase of RMB491 million, or 13.97%, as compared with the beginning of the year. The increase was mainly due to net new investment of RMB243 million made by Orient Securities Capital Investment during the Reporting Period, the investment income of RMB477 million recognized under the equity method, and cash dividend of RMB302 million distributed by China Universal during the Reporting Period. For details of investment in subsidiaries, please refer to Note 21 of the independent auditor's report herein.

(1) Material equity investments

Unit: '000 Currency: RMB

Name of targets to be held	Percentage of the equity of the company	Carrying value as at the end of the period	Profit or loss during the Reporting Period	Changes in owners' equity interest during the Reporting Period
China Universal Asset Management Company Limited	35.412%	1,680,601	433,793	1,017

Notes: Profit or loss for the year refers to effects of that investment to net profit of the Company during the Reporting Period.

Changes in owners' equity interest for the year exclude effects to profit or loss during the Reporting Period.

(2) Significant non-equity investments

During the Reporting Period, the Company had no significant non-equity investments.



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(3) Financial assets at fair value

Unit: '000 Currency: RMB

Items	Investment cost as at the end of the year	Book value as at the end of the year	Net amount		
			purchased or sold during the year	Changes of fair value during the year	Investment income during the year
1. Financial assets at fair value through profit or loss	46,094,092	48,029,447	23,163,577	1,390,787	1,698,497
2. Available-for-sale financial assets	73,088,097	72,234,378	(3,610,313)	(1,505,469)	3,410,482
3. Derivative financial instruments	(504,915)	(459,457)	(462,444)	489,725	(219,899)

(VII) Material assets and equity disposal

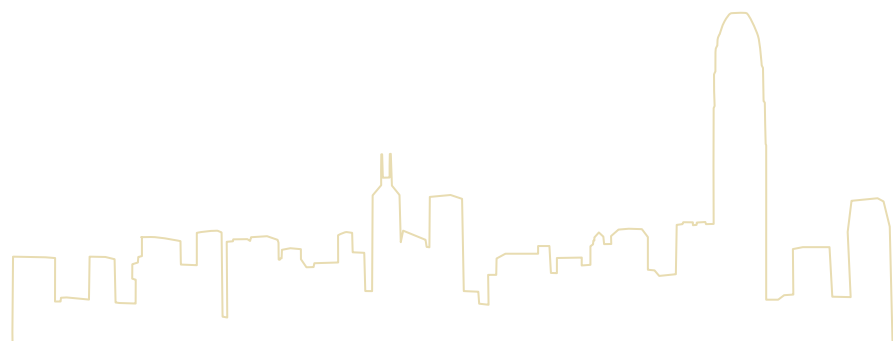
During the Reporting Period, the Company had no material disposal of assets and equity.

(VIII) Analysis on major controlling/investee companies

1. The registered capital of Shanghai Orient Securities Futures Co., Ltd. was RMB1.5 billion and it was 100% owned by the Company. As at December 31, 2017, total assets of Shanghai Orient Securities Futures Co., Ltd. amounted to RMB15,387,348.9 thousand, and its net assets amounted to RMB2,138,941.7 thousand. In 2017, its operating income and net profit amounted to RMB912,004.1 thousand and RMB126,549.3 thousand respectively.

Principal businesses: commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sales.

2. The registered capital of Shanghai Orient Securities Capital Investment Co., Ltd. was RMB4.0 billion and it was 100% owned by the Company. As at December 31, 2017, total assets of Shanghai Orient Securities Capital Investment Co., Ltd. amounted to RMB4,781,478.7 thousand, and its net assets amounted to RMB3,876,190.8 thousand. In 2017, its operating income and net profit amounted to RMB291,012.8 thousand and RMB91,435.2 thousand respectively.



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Principal businesses: equity investments or debt investments of enterprises, or investment of other funds related to equity investment and debt investment by self-owned capital or establishment of direct investment funds; providing clients with financial consultancy services related to equity investment and debt investment and other businesses permitted by the CSRC.

3. The registered capital of Shanghai Orient Securities Asset Management Co., Ltd. was RMB0.3 billion and it was 100% owned by the Company. As at December 31, 2017, total assets of Shanghai Orient Securities Asset Management Co., Ltd. amounted to RMB2,889,882.3 thousand, and its net assets amounted to RMB1,661,105.8 thousand. In 2017, its operating income and net profit (income from principal operations) amounted to RMB2,100,187.3 thousand and RMB600,858.3 thousand respectively.

Principal businesses: securities asset management business and publicly raised securities investment funds management business.

4. The registered capital of Citi Orient Securities Co., Ltd. was RMB0.8 billion and it was 66.67% owned by the Company. As at December 31, 2017, total assets of Citi Orient Securities Co., Ltd. amounted to RMB2,176,080.6 thousand, and its net assets amounted to RMB1,294,946.5 thousand. In 2017, its operating income and net profit amounted to RMB1,039,389.2 thousand and RMB188,235.9 thousand respectively.

Principal businesses: securities (excluding treasury bonds, financial bonds of policy banks, short-term financing bills and medium-term notes) underwriting and sponsorship; other businesses permitted by the CSRC.

5. The registered capital of Shanghai Orient Securities Innovation Investment Co., Ltd. was RMB3.0 billion and it was 100% owned by the Company. As at December 31, 2017, total assets of Shanghai Orient Securities Innovation Investment Co., Ltd. amounted to RMB3,137,365.0 thousand, and its net assets amounted to RMB3,057,368.0 thousand. In 2017, its operating income and net profit amounted to RMB289,661.4 thousand and RMB120,252.6 thousand respectively.

Principal businesses: financial products investment, securities investment, investment management and investment consultancy.

6. The registered capital of Orient Finance Holdings (Hong Kong) Limited was HKD2.1 billion and it was 100% owned by the Company. As at December 31, 2017, total assets of Orient Finance Holdings (Hong Kong) Limited amounted to HKD18,444,103.6 thousand, and its net assets amounted to HKD1,916,091.7 thousand. In 2017, its operating income and net profit amounted to HKD367,488.1 thousand and HKD98,965.7 thousand respectively.

Principal businesses: Investment holding, in particular, operation of brokerage business, corporate financing and asset management business as permitted by SFO in Hong Kong through establishment of various subsidiaries.

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7. The registered capital of China Universal Asset Management Company Limited was RMB132,724.224 thousand, and it is 35.412% owned by the Company. As at December 31, 2017 total assets of China Universal Asset Management Company Limited amounted to RMB8,989,483.4 thousand, and its net assets amounted to RMB4,881,475.8 thousand. In 2017, its operating income and net profit amounted to RMB3,344,038.7 thousand and RMB1,225,919.2 thousand respectively.

Principal businesses: fund raising, fund sales, asset management and other businesses permitted by CSRC.

The accounting statistics of the abovementioned controlling/investee companies are based on CASBE.

(IX) Structured Entities Controlled by the Company

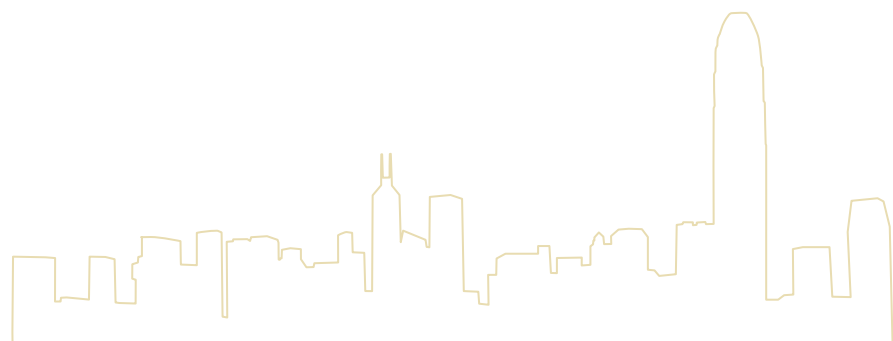
For the structured entities with subsidiaries acting as managers, the Company has considered in overall that companies within the scope of our consolidated statements are entitled to variable returns from those structured entities and are subject to the risks. Thus, the Group has included 18 structured entities into its consolidated statements.

During the year, two structured entities were newly included in consolidation and ten structured entities were excluded due to loss of controlling rights or liquidation caused by changes in shareholding or other reasons.

Details of structured entities included in consolidation during the period:

Unit: '000 Currency: RMB

Structured entities included in consolidation	December 31, 2017 or the year of 2017
Total assets	5,629,410
Total liabilities	773,051
Total equity interests of owners	4,856,359
Revenue income	184,453
Net profit	141,533



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(X) Capital raising

1. Use of proceeds from the non-public issuance of A Shares

As approved by the “Reply on Approval for the Non-public Issuance of Shares by Orient Securities Company Limited (Zheng Jian Xu Ke [2017] No. 1940)” (《關於核准東方證券股份有限公司非公開發行股票的批覆》(證監許可[2017]1940號)) issued by the China Securities Regulatory Commission, the Company completed the non-public issuance of A Shares, which were RMB denominated ordinary shares, in December, 2017, under which the Company actually issued 778,203,792 A Shares, which were RMB denominated ordinary shares, with the issuance price of RMB14.21 per share. The total proceeds raised from the said issuance amounted to RMB11,058,275,884.32, and the proceeds from the same was RMB10,988,790,614.35 after deducting the underwriting expense relating to the non-public issuance of RMB69,485,269.97. The aforesaid proceeds from such non-public issuance of A Shares were all deposited with the special proceeds account opened by the Company on December 27, 2017, for which, Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) has reviewed and verified with issuance of the capital verification report numbered as De Shi Bao (Yan) Zi (17) No. 00593. After deducting the issuance expenses of RMB101,095,545.51 from the said total proceeds, the actual net proceeds was RMB10,957,180,338.81.

As undertaken in the reply with respect to the feedback on the review of application documents for the non-public issuance of A Shares by the Company, the proceeds raised will primarily be utilized in the following aspects:

- (1) No more than RMB2.5 billion will be utilized for supporting brokerage and securities financing business development;
- (2) No more than RMB3.0 billion will be utilized for investing in securities sales and trading business development;
- (3) No more than RMB2.0 billion will be utilized for improving investment management service capacity;
- (4) No more than RMB2.0 billion will be utilized for expanding innovative business investment;
- (5) No more than RMB2.3 billion will be utilized for advancing collectivized development strategy of the Company;
- (6) No more than RMB0.2 billion will be utilized for working capital and other general corporate purposes.



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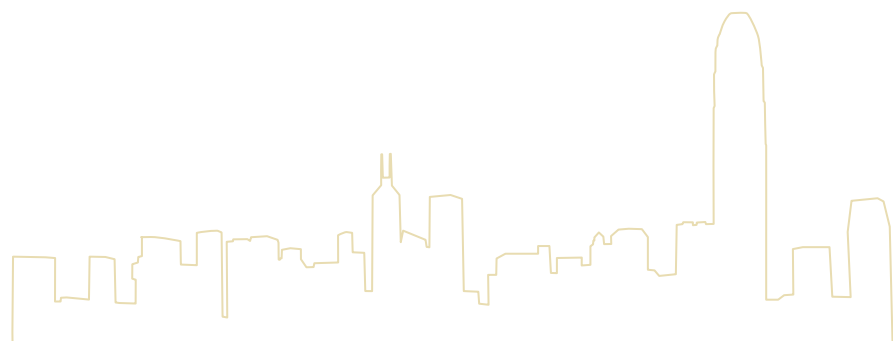
As at the disclosure date of this report, RMB1,067,560,114.16 was utilized by the Company for brokerage and securities financing business development; RMB3,000,000,000.00 for investing in securities sales and trading business development; RMB420,000,000.00 for improving investment management service capacity; RMB1,500,000,000.00 for expanding innovative business investment; RMB1,000,000,000.00 for advancing collectivized development strategy of the Company; RMB200,000,000.00 for working capital and other general corporate purposes and the proceeds from the non-public issuance of A Shares cumulatively utilized by the Company amounted to RMB7,187,560,114.16.

2. *Use of proceeds from the offering of H Shares*

As approved by the CSRC, the Company issued the overseas listed foreign shares (H Shares) in the Hong Kong Stock Exchange on July 8, 2016, and exercised the over-allotment option on August 3, 2016. Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) has verified the proceeds from this offering of H Shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (16) No. 1082). Based on this capital verification report, it was noted that the Company made a public offering of 933,709,090 overseas listed foreign shares (H Shares) and the selling shareholders sold 93,370,910 H Shares, representing a total listing of 1,027,080,000 H Shares. Since the issue price of H Shares was HKD8.15 per share with a nominal value of RMB1.0 each, the total proceeds from this offering amounted to HKD8,370,702,000.00 which shall be paid in cash in Hong Kong dollars. After deduction of the transaction expense and other related expenses of HKD145,045,025.30 in aggregate, the remaining HKD8,225,656,974.70 has been deposited with the H Share proceeds account and converted into RMB7,083,154,510.65 (including the interest income received) based on the median exchange rate for conversion from HKD into RMB as published by the People's Bank of China on the date when the proceeds were actually remitted into the aforesaid account. The net proceeds from this offering of H Shares by the Company was HKD7,417,133,357.56 after deduction of such proceeds as transferred to the National Council for Social Security Fund and other expenses related to the issuance.

As at the disclosure date of this report, the details relating to utilization of the proceeds from the offering of H Shares by the Company are set out below: HKD2,560,341,264.00 was used to further develop our brokerage and securities financing business, HKD2,225,000,000.00 for developing our foreign operation, HKD1,097,250,000.00 for expansion of our investment management business, HKD731,500,000.00 for developing our securities sales and trading business, HKD115,606,181.29 for capital expenditure, and HKD401,451,100.00 for working capital and others.

As at the disclosure date of this report, there was no change in the planned use of the proceeds as compared to that as disclosed in the Company's prospectus. The Company will arrange utilization of such proceeds in due course based on its actual operation needs to maximize the shareholders' interests.



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

(I) Industrial layout and trend

In recent years, the development trend of the securities industry was obvious, forging ahead towards comprehensive business, large-scale operation, differentiated competitive advantages, technological operations and globalization of layout.

Providing comprehensive financial services has driven the securities companies turning into syndicates and having comprehensive development. With the growth of China economy and direct financing business, clients requested diversified and high quality financial services. The securities companies propelled business integration in terms of operations, products, channels, service supporting systems and etc., aiming to transform into comprehensive financial services providers with complete operation lines and service lines. Sticking to the goal of satisfying client's demand for comprehensive financial services, each of the Group's business systems and subsidiaries was responsible for the professional operation, while the Group facilitated its strategic resources allocation, achieving obvious progress in the "collective management" of the parent company and its subsidiaries and the business collaboration.

Scale of operation has become the key driving power of the development of the securities companies. By transforming the profit model of single-channel, commission, to capital-based approach through capital intermediary business, the securities companies have explored the main sources of income from capital-intensive business, including margin financing and securities lending, collateralization of stocks, proprietary investment business and others. Meanwhile, capital strength has become a key factor facilitating the growth of core business of the securities companies to achieve scale of economy and enhance profitability. The securities companies have strove to supplement their net capital through multi channels, while they kept securing competitive advantages and accelerating expansion. The industry has embarked on merger and reorganization and further strengthened centralization.

Striving for differentiated competitive advantages has become a key development path of the securities companies. Based on various resources and their strategies of developing differentiated competitive advantages, the securities companies have built brands with their own features. Leveraging on comprehensive financial platforms, considerable scale of economy and stronger ability of resources integration, the leading securities companies enjoyed privileges in satisfying clients' diversified demands, securing high-end clients and implementing M&A of the industry. Small and medium securities companies targeted certain categories of clients and focused on the development of professional privileged business, or they further developed certain regions by utilizing their advantages of locations and attained competitive advantages in segmented business.

Financial technology facilitated the intensive operation of the securities industry. Financial technology has led to the evolution of business model of the securities industry, from traditional revenue model transforming to diversified operating model targeting professional services, consolidating customer relationship and utilizing internet services. By applying financial technology, the securities companies have propelled the innovation of financial products and services, so as to provide investors with personalized and discriminative products and services. Based on analysis of clients' demands through big data, the securities companies enhanced the satisfaction of clients. Also, by developing data governance with the assistance of information technology, the securities companies have strengthened the standardization and accuracy of risk management.

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Economic globalization has driven the impetus of globalization of the securities industry. Domestic investors have increasing demand for cross-border asset allocation and global wide wealth management while overseas investors have participated more in the capital market of the PRC. The securities companies have fully utilized the advantages of network and customer resources, realizing the collaborative development between the domestic and international business. Being the springboard to the international securities market, Chinese investment banks in Hong Kong have emerged and would gain great development potential in their overseas layout, with a wider and deeper two-way expansion in the aspects of mutual investment, such as stocks, bonds, funds and etc. of the PRC and Hong Kong markets.

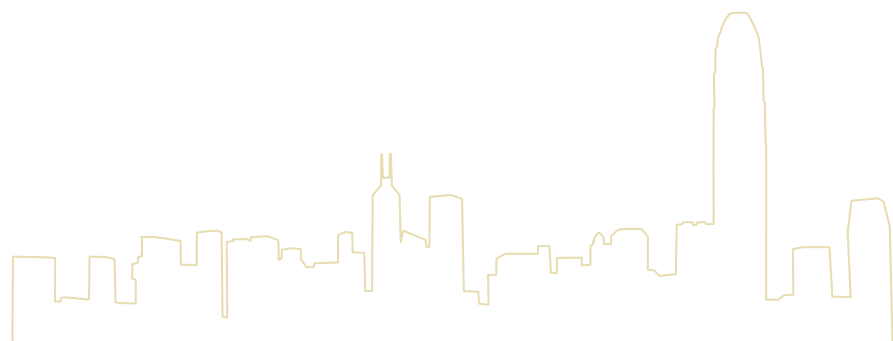
(II) The Company's development strategy

Three-year strategic plan (2015-2017) specifies our vision of “building as a first class modern investment bank with core competitive advantages, providing integrated financial services to the clients” and establish our strategic objectives of “continuous expanding in scale and innovative transformation, completing the fundamental functions, operating system and management system of modern investment bank, striving for ranking top ten in the industry by enhancing our overall strengthens, and becoming a significant financial institution in Shanghai's system of international financial center”.

During the Reporting Period, the Company formulated its new three-year (2018-2020) strategic plan, which specified the strategic goals of the Company's development: to strive for fully ranking top ten in the industry in terms of major operating indicators and top five in terms of some leading businesses and innovative businesses on an ongoing basis through insisting upon the general direction of progress amid stability and improvement in both quality and efficiency, with a view to becoming a leader in the market-oriented system innovation conducted by Shenergy Group as well as a pioneer in the construction of Shanghai International Financial Center.

(III) Business plan

The overall thought of the Company in operation and management in 2018 is as follows: taking “promote progress while maintaining stability, enhance quality and efficiency” as its keynote, the Company will lower its operating leverage and safeguard the baseline of preventing financial risks. Meanwhile, the Company will make assets allocation more rational and save capital costs to boost return on assets. With focus on building a new wealth management mode, the Company will capitalize on its advantages in assets to develop customized products suitable to the self-owned channels of the Company, thus transforming product advantages into client advantages. In addition, it will boost the implementation of financial technology to promote the integration of science and technology with operation and management. With an aim to improve the operational efficiency, it will enhance the coordination and cooperation within the Group and push forward the resources consolidation.



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The Company will focus on the following work: exert strict control over compliance and risk management to ensure no occurrence of material non-compliance events; make proper strategic assets allocation to effectively control cost; effectively capitalize on the assets advantages to create a new wealth management mode; continue to consolidate the leading industrial position of the overall investment segment; boost internal coordination to promote the resources sharing of research business; make better play of the role of the platform to highlight the synergic effects of OTC custody business; continue to strength collectivized development to promote the results of subsidiaries further to a new stage; actively carry forward the industry-finance combination to better serve the real economy; expedite the integration of finance and technology to strive for concrete breakthroughs; promote lean management to enhance the management efficiency; and deeply study the spirit of the 19th National Congress of the Communist Party of China to make appropriate efforts in Party-building and corporate culture work in a new environment.

(IV) Potential risks and prevention measures

The Company is exposed to risks in respect of its operations mainly associated to market risk, credit risk, liquidity risk and operational risk. Specifically, such risks and respective countermeasures are represented in the following aspects:

1. Market risk

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

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

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



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

(1) *Securities assets price risk*

The Company has a large investment scale of equity proprietary business with traditional advantages, whose profitability and risks are highly associated with market sentiment, which therefore constitutes the major market risks of the Company.

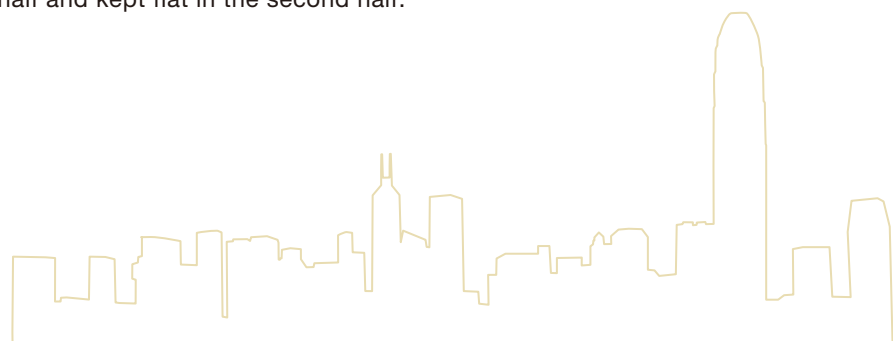
To monitor the impact of market changes on the value of equity securities, the Company kept a daily track of changes in trading positions held, and made appropriate adjustment to trading positions through implementing diversified investment strategies, as well as participated in stock index futures with the purpose of hedging, which reduced the market risk exposure to some extent; in the meantime, the Company strengthened control over investment concentration risk through diversified investment in the industry and single note.

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

(2) *Interest rate risk*

The Company's assets relating to interest rate risk mainly include business with relatively low risk such as bond investments and monetary deposits.

In 2017, the monetary policy remained steady and the overall liquidity of the market was rather tense while the yield curve moved upwards, maintaining a stagnant movement in debt market of 2016. The Company had a moderate increase in position holding of debt and the debts accounting for 73% of the market value of the total position held by the Company are related to those with a term of 0 to 5 years. The weighted average term of debt portfolio saw a slight increase in the first half of the year and then a drop to 3.6 years while the basic point of value saw increase in the first half and kept flat in the second half.



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

(3) *VaR*

Value-at-Risk (“VaR”) refers to the potential loss of the investment portfolio arising from future movement in market price under a certain confidence level. The Company adopts a VaR with a confidence level of 95% and 99% and an observation period of one day to measure the market risk condition of its financial products investment portfolio. In 2017, the VaR of the Company’s equity assets fluctuated, to certain extent, due to market environment and allocation of trading positions. At the end of the Reporting Period, the overall VaR of the Company’s market risk of 95% and 99% were RMB149 million and RMB234 million respectively.

2. *Credit risk*

Credit risk mainly refers to the probability that the debtor or the counterparty fails to perform the contractual obligations, or the deterioration of the party’s credit quality thus bringing loss to the Company. The first is direct credit risk, i.e. the risk arising from failure of debtor to perform contractual obligations; the second is counterparty risk, i.e. the risk arising from a breach of contract by the counterparty in a derivatives transaction or securities financing transaction; the third is settlement risk, which is the risk arising from a breach of contract during the settlement and acceptance of a transaction, in short, the Company performs its delivery obligation, however the party breaches the contract.

Centering on net capital management and risk tolerance, the Company, by level and by module, made overall management on risk control indicators including scale, counterparty and risk exposure, and made refining management on credit risk exposure from the perspective of product type, model and hedging to effectively control credit risk.

From the perspective of business practices, the Company has established its respective credit risk management system targeted at clients, bonds issuing entities and counterparties respectively. The Company has enhanced its evaluation of qualities and risk and realized its credit risk management through contract audit and transaction monitoring. The Company has attached great attention to possible non-compliance mistakes in the transaction and developed contingency plans for risks. In securities financial business, the Company has established mechanisms including a clients’ credit rating assessment, credit facilities management, collateral management and supervisory reporting, and disposed potential risks through dynamic exit mechanism. In bond investment, the Company has enhanced fundamental analysis on holding a single bond, and established the corporate internal bond scoring system, and realized internal rating, credit management, collective management of investment, default clients management, stress tests, early warning, risk reporting and other functions, to strengthen its credit risk management. In derivative transactions, the Company has set the deposit ratio for margin and restrictions on the transaction size, controlled the credit risk exposure through daily mark-to-market, margin calls, forced closure of positions and other means.

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3. *Liquidity risk*

Liquidity risk mainly refers to the risk that the Company cannot obtain the sufficient funds with reasonable cost in a timely manner to pay the due debts, satisfy other payment obligations and meet the capital requirements for carrying our normal business.

In respect of liquidity risk management, during the Reporting Period, according to the Guideline on Liquidity Risk Management of Securities Companies (revised) and the new rules on the administrative measures for risk control indicators, the Company has established a liquidity management system and improved the liquidity risk management system so as to make analysis on and keep track of liquidity risk in a timely manner. The Company always values the liquidity risk management, and conducts management on allocation of assets and liabilities, net capital, risk limits and financing, and carries out liquidity stress testing; meanwhile, it monitors and submits the indicators including liquidity coverage and net stable capital rate pursuant to the regulatory requirements with a view to making sure that the Company is able to meet its liquidity requirements with reasonable cost in a timely manner, and control the liquidity risk within an acceptable range, as well as guarantee the implementation of each requirement under the Guideline on Liquidity Risk Management of Securities Companies (revised).

4. *Operational risk*

Operational risk refers to risk of losses caused by incompleteness or problematic internal procedure, staff and information technology systems and external events.

In respect of operational risk management, during the Reporting Period, the Company has optimized the operational procedure based on its internal control procedure, identified operational risk in the procedure and categorized and managed risk according to its management needs. Based on the impacts from and the possibilities of risks, the Company has established a risk assessment model, and then analyzed, measured and ranked the identified operational risk to ensure full attention to and optimized control of risk were made. By establishing key risk indicators monitoring system, the Company has realized quantified monitoring management of key operational risks. By establishing operational risk losses reporting mechanism, the Company has realized internal operational risk reporting and industry operational risk events collection and management. In addition, during the Reporting Period, the Company has finished the development of operational risk management system and realized the identification, evaluation, monitoring, measurement and reporting of operational risk.

(V) OTHERS

1. *Directors, Supervisors and senior management of the Company*

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

2. *Pre-emptive rights*

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

Section IV Report of the Board

3. *Sufficient public float*

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

4. *Directors' interest in the business competing with the Company*

Mr. Chen Bin, a non-executive Director of the Company, has been a non-executive director of Haitong Securities Co., Ltd. since December 2014. Mr. Xu Jianguo, a non-executive Director of the Company, has been a non-executive director of Haitong Securities Co., Ltd. since October 2016. As Haitong Securities Co., Ltd. is engaged in, among others, securities brokerage, securities investment consultancy, financial advisory service relating to securities trading and securities investment activities, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency and share options market making, Haitong Securities Co., Ltd. has competed or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Save as disclosed above, none of the Company's Directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company's business.

5. *Service contracts of Directors and Supervisors*

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

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

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

7. *Share option scheme*

The Company did not set any share option scheme.

8. *Major clients and suppliers*

The Company serves a diverse base of institutional and retail clients across a spectrum of industrial sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high net worth individuals and retail clients. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide overseas services and expand its clients' source. In 2017, revenue attributable to the five largest clients of the Company accounted for not exceeding 5% of the Group's revenue and other income.

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



Section IV Report of the Board

9. *Relationship with employees, customers and suppliers and persons who are materially related*
For the details of the remuneration and training plans of employees of the Company, please refer to “Section VIII, Directors, Supervisors, Senior Management and Staff” of this report. For the relationships between the Company and its major customers and suppliers, please refer to “Section IV, III, (V), 8. Major clients and suppliers” of this report.
10. *Proposal on profit distribution*
For the proposal on profit distribution, please refer to “Section V, I. Proposal on Profit Distribution for Ordinary Shares or on Transfer of Capital Reserve Fund into Share Capital” of this report.
11. *Tax relief*
(1) *Holders of A Shares*
Pursuant to the provisions under the Circular on Relevant Issues Concerning Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2015] No. 101) and the Circular on Relevant Issues Concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2012] No. 85) issued by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC, for individual shareholders of the Company who hold shares for a period (from the date of an individual’s acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends and bonus incomes are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends and bonus incomes are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, their dividends and bonus incomes are temporarily exempt from income tax. When distributing dividends and bonuses, the listed company temporarily withholds no individual income tax for its individual holders who hold shares for a period of within one year (including one year). When an individual transfers his/her shares, the Securities Depository and Clearing Company calculates the actual taxable income according to his/her period for holding shares, and the Company withholds tax otherwise through the Securities Depository and Clearing Company. For the dividends and bonus incomes obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements of Cai Shui [2012] No. 85.

For QFII, listed companies are required to uniformly withhold and pay enterprise income tax at a rate of 10% pursuant to the provisions under the Notice on the Relevant Issues Concerning the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) issued by the State Administration of Taxation. Shareholders who are QFII and who wish to enjoy tax concessions shall apply to the competent tax authority for tax rebates according to the relevant regulations after they receive their dividends and bonus incomes.

Section IV Report of the Board

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

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

(2) *Holders of H Shares*

Pursuant to the provisions under the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation, the dividends and bonus incomes received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong are subject to the individual income tax according to the items of “interests, dividends and bonus incomes”, which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions under the tax treaties signed between the countries where they are residents and China as well as the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax treaties and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing stocks in Hong Kong may, when distributing dividends and bonuses, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under treaties to be entitled to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the competent tax authority, over-withheld tax amounts will be refunded; (2) for citizens from countries under treaties to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate

Section IV Report of the Board

when distributing dividends and bonuses, and are not obligated to file an application; (3) for citizens from countries without tax treaties or under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends and bonuses.

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

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

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

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

Section IV Report of the Board

12. *Contract of significance*

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

13. *Management contract*

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

14. *Permitted indemnity provision*

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

15. *Equity-linked agreement*

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

16. *Issuance of equity, stock and bond*

For the issuance of equity, stock and bond by the Company as of December 31, 2017, please refer to “Section VI, I. Changes in Share Capital of Ordinary Shares” and “II. Issue and Listing of Securities”, “Section VII, Preferred Shares” and “Section X, Corporate Bonds” of this report.

17. *Environmental policies and performance of the Company*

For the Company’s environmental policies and performance, please refer to “Section V XVII. Active Fulfilling of Social Responsibilities” of this report.

18. *Compliance with relevant laws and regulations*

For the Company’s compliance with relevant laws and regulations which have great impact on the Company, please refer to “Section IX, Corporate Governance” of this report.

19. *Subsequent events*

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



Section IV Report of the Board

IV. FAILURE TO MAKE DISCLOSURES BY THE COMPANY DUE TO NON-APPLICABLE OR STATE SECRETS, AND TRADE SECRETS OR OTHER SPECIAL REASONS AND THE RELEVANT REASON DESCRIPTION

During the Reporting Period, there was no non-disclosure by the Company due to inapplicability of rules or special reasons.

V. ANALYSIS OF IMPACTS OF NEW STANDARDS FOR FINANCIAL INSTRUMENTS ON THE COMPANY

In 2017, the Ministry of Finance continuously published amendments to “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument”; “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets”; “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument” (collectively “New Standards for Financial Instruments”).

Major changes of New Standards for Financial Instruments include:

1. Using the “business model” and “contractual cash flow characteristics” as the basis of determination, financial assets shall be classified into three types, namely, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.
2. Accounting policy for provision for impairment losses on financial assets shall be changed to “expected loss” (considering the future expected credit loss of financial assets), and the scope of impairment provision shall also be enlarged.
3. In respect of hedge accounting, the scope of qualified hedged items and hedging instruments shall be enlarged, and effectiveness assessment requirement shall be improved. The “re-balanced” mechanism on hedging relationship via adjustment of hedging tools and quantity of hedged items shall be introduced, which enables our hedge accounting to better reflect the risk management activities of the enterprises.

According to the requirements of the Ministry of Finance, the Company has commenced the application of New Standards for Financial Instruments since January 1, 2018. According to the provisions for the transitional period, companies should retrospectively adjust the retained earnings or other comprehensive income at the beginning of the period instead of restating the comparative figures of the prior period. As such, the Company will change its accounting policies from the beginning of 2018 and the accounting statements will be disclosed in accordance with the New Standards since the first quarterly report of 2018. The Company will adjust the figures of retained earnings and other comprehensive income at the beginning of 2018 in respect of the effects of the new standards without restating the comparative figures for 2017. The implementation of the abovementioned new standards is expected to have impacts on various aspects of the Company’s financial statements.

Section V Significant Events

I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES OR ON TRANSFER OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

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

In strict compliance with the Article 245 of the Articles of Association, and adhering to the principle of “the same shares entitled to the same rights and dividends”, the Company allocates its profit as per the shareholders’ proportions of shareholding in the Company. The Company implements a sustainable and stable profit distribution policy, and places a great emphasis on the reasonable investment returns of its investors as well as the long-term development of the Company.

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

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



Section V Significant Events

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

The implementation of the Company's profit distribution plan for the year 2016 was accomplished on August 2, 2017. On the basis of the total share capital of 6,215,452,011 shares of the Company, cash dividends of RMB1.50 (tax inclusive) per ten shares were distributed, and the cash dividends distributed amounted to RMB932,317,801.65.

(II) Plan or proposal on dividends distribution for ordinary shares or on transfer of capital reserve fund into share capital of the Company for the recent three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of distribution	Amount of bonus shares per ten shares (share)	Amount of dividends per ten shares (RMB) (tax inclusive)	Number of shares transferred per ten shares (share)	Amount of cash dividends (tax inclusive)	Net profit for the year	Percentage of net profit
					attributable to the shareholders of ordinary shares of the listed company in the consolidated statements during the year of distribution	for the year attributable to the shareholders of ordinary shares of the listed company in the consolidated statements (%)
2017	-	2.00	-	1,398,731,160.60	3,553,626,384.73	39.36
2016	-	1.50	-	932,317,801.65	2,313,974,857.75	40.29
2015	-	3.50	-	1,848,610,022.35	7,325,224,517.53	25.24
2015 Interim	-	1.00	-	528,174,292.10	5,877,605,505.21	8.99

As audited, the net profit attributable to the owners of the parent company in 2017 consolidated statements of the Group was RMB3,553,626,384.73 and the net profit of the parent company in 2017 was RMB2,442,708,717.76.

Section V Significant Events

In accordance with the Company Law of the People's Republic of China, the Law of Securities of the People's Republic of China, the Financial Rules for Financial Enterprises and the Articles of Association and other relevant rules, 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 2017, which amounted to RMB1,001,510,574.28, and the distributable profit of the year was RMB1,441,198,143.48. Together with the undistributed profit outstanding in the previous year of RMB5,871,486,147.80 and deducting the dividends distributed of RMB932,317,801.65 according to the profit distribution scheme of 2016 implemented, the accumulated distributable profit in cash of the year amounted to RMB6,380,366,489.63.

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 the 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:

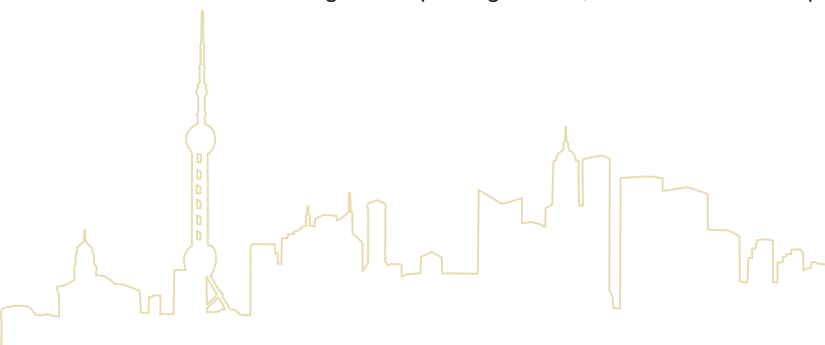
1. Ways of cash dividend distribution for 2017 profit of the Company: based on the total share capital of 6,993,655,803 shares as at the end of 2017, a cash dividend of RMB2.00 (tax inclusive) for every 10 shares will be distributed to A shareholders and H shareholders who are registered on the date of cash distribution in 2017, with a total cash dividend of RMB1,398,731,160.60 while the outstanding distributable profit of RMB4,981,635,329.03 being carried forward to next year.
2. Cash dividend will be denominated and distributed in RMB and paid in RMB to A shareholders but paid in HK dollars to H shareholders. The actual amount of distribution in HK dollars will be converted into HK dollars based on the average benchmark exchange rate published by the People's Bank of China five working days prior to the date of 2017 annual general meeting.

Cash dividends will be distributed within two months after the date of the annual general meeting, following the approval of the profit distribution proposal for 2017 by the 2017 annual general meeting.

The Company will announce, in due course, the date of convening the 2017 annual general meeting, and for the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed. The Company will give further notice on the record date and book closure date for the dividend of H Shares.

(III) Cash repurchase offer which is credited to cash dividends

During the Reporting Period, there is no cash repurchase offer which is credited to cash dividends.



Section V Significant Events

- (IV) If the Company records profits and the Parent Company records positive retained profits for distribution to shareholders of ordinary shares during the Reporting Period but there is no proposal for profit distribution for ordinary shares in cash, the Company shall disclose the reasons and the use of the retained profits and the usage plan in detail**

During the Reporting Period, there was no such case that the Company recorded profit and the Parent Company recorded positive retained profits for distribution to shareholders of ordinary shares but no proposal for profit distribution for ordinary shares in cash was proposed.

II. PERFORMANCE OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	To solve the problem of business competition	Shenergy Group	Shenergy Group has issued the Commitment Letter of Avoiding Business Competition to the Company and undertook that it and the companies and enterprises under its direct or indirect control would not participate in any form of business or operation that compete or might compete with the Company and its subsidiaries.	After the public offering and listing of shares of the Company	Yes	Yes		
Undertakings in relation to initial public offering	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the 36 months from the listing and trading of such shares on the stock exchange, it would not transfer or entrust other parties to manage the shares of the Company held by it directly and indirectly.	Within 36 months from the public offering and listing of shares of the Company	Yes	Yes		
Undertakings in relation to initial public offering	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the two years from the expiry of the lockup period, its disposal of shares in the issuer every year shall not exceed 5% of the total shares of the issuer, and the disposal shall not be conducted at a price lower than the offering price.	Within 24 months from the expiry of the lock-up period	Yes	Yes		

Section V Significant Events

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	Shares subject to lock-up	Shanghai Haiyan Investment	Shanghai Haiyan Investment undertook that it had no intention to dispose of shares during the two years from the expiry of lock-up period, save for disposal due to material changes in national policy and external environment.	Within 24 months from the expiry of the lock-up period	Yes	Yes		
Undertakings in relation to initial public offering	Others	Listed company	The Company undertook that, during the three years from the listing of A Shares, in the event that the closing price of shares falls below the latest audited net assets per share for 20 consecutive trading days, the Company would stabilize the price of share through share repurchase	Within 36 months from the public offering and listing of shares of the Company	Yes	Yes		
Undertakings in relation to secondary offering	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the 48 months from the listing and trading of such increased shares on the stock exchange, it would not transfer or entrust other parties to manage the shares of the Company held by it directly and indirectly or cause the Company to repurchase such shares.	Within 48 months from the non-public issuance and listing of A Shares of the Company	Yes	Yes		
Undertakings in relation to secondary offering	Shares subject to lock-up	Shanghai Haiyan Investment	Shanghai Haiyan Investment undertook that, during the 36 months from the listing and trading of such increased shares on the stock exchange, it would not transfer or entrust other parties to manage the shares of the Company held by it directly and indirectly or cause the Company to repurchase such shares.	Within 36 months from the non-public issuance and listing of A Shares of the Company	Yes	Yes		

(II) Where profit predictions were made on the assets or projects of the Company and the Reporting Period fell in the prediction period of profit, the Company gave an explanation on whether the original profit predictions on its assets or projects were met and the reasons

During the Reporting Period, no profit predictions were made on the assets or projects of the Company.

Section V Significant Events

III. APPROPRIATION OF FUND AND PROGRESS OF DEBT CLEARANCE DURING THE REPORTING PERIOD

During the Reporting Period, no appropriation of fund was noted by the Company.

IV. THE COMPANY'S EXPLANATIONS ON "NON-STANDARD AUDIT REPORT" OF ACCOUNTING FIRM

During the Reporting Period, there was no explanations on "non-standard audit report" of accounting firm of the Company.

V. ANALYSIS AND EXPLANATION FROM THE COMPANY ON REASONS FOR AND IMPACTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

(I) Analysis and explanation from the Company on reasons for and impacts of changes in accounting policies and accounting estimates

1. *Reasons of changes of accounting policies*

The changes in accounting policies are implemented by the Company pursuant to the Notice on Issuing the Revised "Accounting Standard for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Group and Termination of Operation" (Cai Kuai [2017] No. 13), the Notice on Issuing the Revised "Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15) and the Notice on Revised Format of General Financial Statements of Enterprises (Cai Kuai [2017] No. 30) promulgated by the Ministry of Finance to change the accounting policies of the Company.

According to the requirements of the Ministry of Finance, the Company has commenced to prepare its financial statements according to the revised format for general financial statements of enterprises in 2017; has applied Standard No. 42 from May 28, 2017 and Standard No. 16 from June 12, 2017.

2. *Analysis on impacts of changes in accounting policies*

(1) *Changes and impacts of general enterprise financial statement formats*

A statement item "gains on disposal of assets" is added into the income statement, which divides the sale into non-current assets held for sale (except for financial instruments, long-term equity investments and investment real estate) or disposal gains or losses recognized at the time of disposition of the group, and disposal of gains or losses arising from the disposal of non-classified fixed assets held for sale, construction in progress and intangible assets, and will be presented as "assets disposal income". For the changes of aforementioned items, the Company uses the retrospective adjustment method to conduct accounting treatment and re-represent the comparative data in the previous year.

Section V Significant Events

(2) *Changes and impacts in relation to non-current assets held for sale, disposal groups and discontinued operations*

The conditions for the classification of held-for-sale categories, measurement of held-for-sale categories, and presentation of discontinuing operation is clarified. Non-current assets held for sale, disposal groups, and Discontinued Operations existing on the date of the implementation of the standard are treated with prospective application methods. The changes of accounting policies in relation to non-current assets held for sale, disposal groups, and discontinued operations have no significant impact on the Company's current and previous net profits/losses, total assets, and net assets.

(3) *Changes and impacts of accounting policies in relation to government grants*

The description of the characteristics of Government Grants is increased; it stipulates that Government Grants related to assets shall offset the book value of related assets or be recognized as deferred income; of the relevant Government Grants, Government Grants related to daily activities of enterprises shall be included in other income or used to offset relevant costs and expenses in accordance with the nature of economic business; Government Grants that are not related to the daily activities of enterprises shall be included in non-operating income and expenditure. Pursuant to the standard requirements, the government grants that existed on January 1, 2017 will be treated with prospective application method. The new government grants from January 1, 2017 to the date of the implementation of the standards will be adjusted according to the revised guidelines. Changes in government grant accounting policies do not have significant impact on the Company's current and previous net profits/losses, total assets and net assets.

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

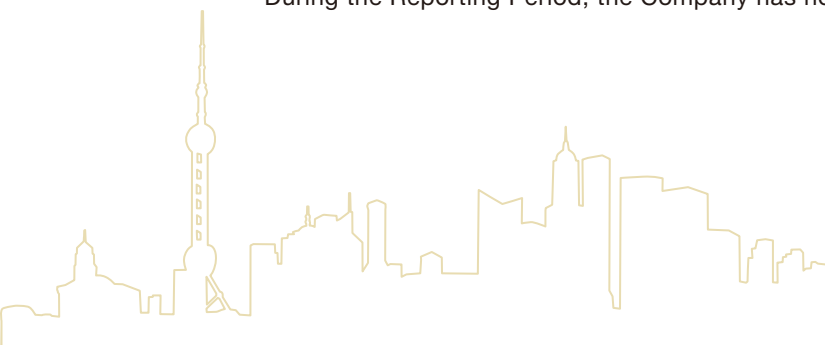
During the Reporting Period, the Company was not aware of any material accounting error.

(III) Communication with the previous accounting firm

During the Reporting Period, the Company has changed and engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic auditor for 2017. Deloitte Touche Tohmatsu Certified Public Accountants LLP has communicated with the precedent regarding relevant issues according to the requirements of relevant auditing standards.

(IV) Other explanations

During the Reporting Period, the Company has no other explanations.



Section V Significant Events

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: '0000 Currency: RMB

Currently engaged

Name of the domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of the domestic accounting firm	119
Term of the audit services provided by the domestic accounting firm	1
Name of the overseas accounting firm	Deloitte Touche Tohmatsu
Remuneration of the overseas accounting firm	119
Term of the audit services provided by the overseas accounting firm	2

Unit: '0000 Currency: RMB

	Name	Remuneration
Accounting firm engaged for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	30

Explanations on appointment and dismissal of accounting firms

During the Reporting Period, the Company paid the actual auditing fees and internal control audit fees (including travel expenses) totaling RMB2.05 million for domestic audit services of annual financial statements in 2016, the auditing fees of RMB1.18 million for foreign audit services of annual financial statements in 2016, and the reviewing fees of RMB0.4 million for foreign review services of interim financial statements in 2017.

During the Reporting Period, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its domestic auditor for 2017, due to the expiry of the term of office of its former domestic auditor, BDO China Shu Lun Pan Certified Public Accountants LLP. As considered and approved by the Board of the Company and considered and approved by the Company's general meeting, the Company agreed to appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its domestic auditor for 2017 for a term of one year by bidding, who was responsible for provision of relevant domestic audit services in accordance with the China Accounting Standards for Business Enterprises, with annual auditing fees of RMB1.19 million.

Section V Significant Events

During the Reporting Period, the Company also appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its internal control auditor, with auditing fees of RMB0.3 million. The Company has engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP to provide auditing services to subsidiaries of the Group, and the auditing fees in total amounted to RMB0.7922 million.

During the Reporting Period, the Company appointed Deloitte Touche Tohmatsu as the Company's offshore auditor for 2017 for a term of one year, who was responsible for provision of relevant audit and review services in accordance with the International Financial Reporting Standards, with annual auditing fees of RMB1.19 million and interim reviewing fees of RMB0.4 million.

During the Reporting Period, the Board was not found to disagree with the opinion issued by the Audit Committee in relation to appointment and dismissal of accounting firm.

VII. RISK OF SUSPENSION OF LISTING

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

VIII. DELISTING AND REASONS

During the Reporting Period, the Company was not subject to delisting.

IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

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



Section V Significant Events

X. MATERIAL LITIGATION AND ARBITRATION

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

The major litigation and arbitration (representing more than 90% of the total litigation and arbitration of the Company) in which the Company is involved are as follows:

Unit: Yuan Currency: RMB

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
DFZQ	大連長富瑞華集團有限公司	No	Litigation	Note 1	RMB800,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights	No	Note 1	Note 1	Note 1
DFZQ	Li Jianguo	No	Litigation	Note 2	RMB405,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights	No	Note 2	Note 2	Note 2
DFZQ	Jia Yueting Jia Yuemin	No	Litigation	Note 3	RMB400,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights	No	Note 3	Note 3	Note 3
DFZQ	Shanghai InfoTM Microelectronics Co., Ltd.	No	Litigation	Note 4	RMB324,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights	No	Note 4	Note 4	Note 4

Section V Significant Events

Note 1: 大連長富瑞華集團有限公司（“長富瑞華”） and the Company entered into four collateralized stock repurchase transactions in June 2014, pursuant to which 長富瑞華 pledged the restricted shares held by it under *ST大控 (600747) to the Company at an initial transaction amount of RMB800 million. The repurchase date was agreed on June 23, 2017. The certificates for the transaction agreement whereof were issued by the notary office of Shanghai Huangpu. In view of 長富瑞華 was in judicial moratorium and did not pay interest on schedule, the Company issued a formal early repurchase application to 長富瑞華 on September 21, 2016 according to the requirements under the agreement. 長富瑞華 did not repurchase duly constitutes a breach of contract. Subsequently, the Company applied for the issuance of a compulsory certificate to the notary office of Shanghai Huangpu and obtained the same on February 16, 2017. On March 21, 2017, the Company applied to Shanghai High People’s Court for enforcement and was executed by the court. Due to changes in the relevant rules of jurisdiction, the Company withdrew the enforcement application from the Shanghai High People’s Court in May 2017. On June 7, 2017, the Company applied to Liaoning People’s High Court for filing the case. On July 6, 2017, Liaoning High People’s Court ruled that the case should be delegated to Dalian Intermediate People’s Court. On August 1, 2017, Dalian Intermediate People’s Court filed the case in accordance with the law, subsequently, Dalian Intermediate People’s Court froze all the *ST大控 (600747) shares held by 長富瑞華 and petitioned to transfer the executive powers for the pledged shares to Liaoning High People’s Court and Shenyang Intermediate People’s Court, the two first place seizure courts. Currently, Dalian Intermediate People’s Court has obtained the executive powers for all the pledged shares and will take enforcement measures on the major assets (namely, pledged shares) of the case.

Note 2: By virtue of the shares subject to selling restrictions under 皇氏集團 (002329), Li Jianguo, a natural person and the Company entered into five collateralized stock repurchase transactions in February, March, September and December 2015 successively. The repurchase date was agreed on February 1, 2018, March 23, 2018, September 7, 2018 and January 31, 2018, respectively. The certificates for the transaction agreement whereof were issued by the notary office of Shanghai Huangpu. In view of the pledged shares was in judicial moratorium and Li Jianguo did not pay interest on schedule, the Company issued a formal early repurchase application to Li Jianguo on April 24, 2017. Li Jianguo did not repurchase duly constitutes a breach of contract. Currently, the outstanding principal of financing is RMB405 million. The Company applied for the issuance of a compulsory certificate to the notary office of Shanghai Huangpu and obtained the same on July 31, 2017. On August 2, 2017, the Company applied to Beijing High People’s Court for enforcement and was executed by the court. The case was then delegated to the Second Intermediate People’s Court of Beijing. Subsequently, the Second Intermediate People’s Court of Beijing froze the shares pledged to the Company by Li Jianguo and petitioned to transfer the executive powers for the pledged shares of the first place seizure court. Currently, the Second Intermediate People’s Court of Beijing has obtained the executive powers for all the pledged shares and will take enforcement measures on the major assets (namely, pledged shares) of the case.

Note 3: By virtue of the shares subject to selling restrictions attributable to executives under 樂視網 (300104), Jia Yueting, a natural person and the Company entered into a collateralized stock repurchase transactions in July 2014. The repurchase date was agreed on June 30, 2017. The certificates for the transaction agreement whereof were issued by Beijing Fangzheng Notary Public Office. After the bonus issue, the partial return of principal, the partial release of pledge and the replenishment of the pledged shares, the outstanding principal of the financing has not yet been repurchased was RMB200 million. In view of Jia Yueting did not pay full interest on schedule or repurchase duly as required under the agreement, which constituted a breach of contract. The Company applied for the issuance of a compulsory certificate to Beijing Fangzheng Notary Public Office and obtained the same on August 2, 2017. The Company applied to the Third Intermediate People’s Court of Beijing for enforcement the next day and was executed by the court. Subsequently, the Third Intermediate People’s Court of Beijing froze the shares pledged to the Company by Jia Yueting, certain bank accounts, unlisted shares and real estates, and is currently petitioning to transfer the executive powers for the pledged shares of the first place seizure court.

Section V Significant Events

By virtue of the circulating shares under 樂視網 (300104), Jia Yuemin, a natural person and the Company entered into a collateralized stock repurchase transactions in May 2016. The repurchase date was agreed on May 4, 2017. After the bonus issue and the replenishment of the pledged shares, the outstanding principal of the financing has not yet been repurchased was RMB200 million. The Company started a sue to the Second Intermediate People's Court of Shanghai on June 27, 2017. On July 6, 2017, the Second Intermediate People's Court of Shanghai froze the pledged shares of Jia Yuemin and obtained the first right of seizure. On August 14, 2017, Jia Yuemin filed a jurisdiction objection to the Second Intermediate People's Court of Shanghai. On August 30, 2017, the court ruled to dismiss jurisdiction objection filed by Jia Yuemin. As a result, Jia Yuemin appealed to the Shanghai High People's Court and the latter made a final judgment on November 27, 2017 to dismiss its appeal. On February 28, 2018, Shanghai Second Intermediate People's Court made the judgement of first instance that Jia Yuemin, the respondent, shall pay the Company the principal of the loans amounting to RMB200 million together with the interest amounting to RMB1.8 million as well as the deferment interest as calculated according to the agreement and the penalty, and where Jia Yuemin fails to perform the aforesaid payment obligations, the Company shall be entitled to preferential rights to receive payments with the price from the discounting, or auction or sale of the pledged shares, and Jia Yuemin, the respondent, shall cover the shortfall in the event that the price received above is insufficient.

Note 4: Shanghai InfoTM Microelectronics Co., Ltd. ("InfoTM") and the Company entered into 3 collateralized stock repurchase transactions in September, December 2014 and March 2015 respectively, pursuant to which InfoTM pledged the restricted shares held by it under 盈方微 (000670) to the Company. The repurchase date was agreed on September 8, 2017, December 22, 2017 and March 9, 2018, respectively. The certificates for the transaction agreement whereof were issued by the notary office of Shanghai Huangpu. The current outstanding principal of the financing has not yet been repurchased by InfoTM was RMB324 million. In view of the pledged shares was in judicial moratorium and InfoTM did not pay interest on schedule, the Company issued a formal early repurchase application to InfoTM on April 14, 2017. InfoTM did not repurchase duly constitutes a breach of contract. Subsequently, the Company applied for the issuance of a compulsory certificate to the notary office of Shanghai Huangpu with respect to the above three transactions and obtained the same on May 16, 2017.

On May 23, 2017, the Company applied to the First Intermediate People's Court of Shanghai for enforcement based on the implementation certificate for two transactions (corresponding to a financing principal of RMB305 million) and was executed by the court. In June of the same year, InfoTM filed an implementation objection to the First Intermediate People's Court of Shanghai. By the end of July, the First Intermediate People's Court of Shanghai ruled to dismiss objection filed by InfoTM. In August of the same year, InfoTM submitted a reconsideration to the Shanghai Supreme People's Court and a dismiss verdict was rendered on September 15. In November 2017, the First Intermediate People's Court of Shanghai obtained the right of execution corresponding to the pledged shares. On February 9, 2018, Shanghai First Intermediate People's Court has made an official announcement on the judicial auction to conduct an open online judicial auction for the targeted 69 million shares of pledged shares on Taobao.com from 10 a.m., March 14, 2018 to 10 a.m., March 15, 2018 and the auction flowed. According to relevant arrangements of the Shanghai First Intermediate People's Court, it is planned to conduct a second online judicial auction in April.

On December 11, 2017, the Company sued and filed a case against InfoTM Microelectronics in the People's Court of Huangpu District of Shanghai for another transaction (corresponding to a financing principal of RMB19 million). On January 8, 2018, the People's Court of Huangpu District of Shanghai hold a hearing to the case. On February 23, 2018, People's Court of Huangpu District of Shanghai made the judgement of first instance that the Company was supported according to the law to demand InfoTM Microelectronics to repay the principal of the loans and pay the interest, deferment interest, and penalty according to the agreement, and compensate the losses of notary fees, legal fees, and demand to enforce the right of pledge according to the law.

Section V Significant Events

XI. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRER

- (I) On May 5, 2017, the Hubei Bureau of the CSRC issued Decision on Issuing a Warning Letter ([2017] No. 6) to Citi Orient Securities Co., Ltd., a controlling subsidiary of the Company, to its applicant, Citi Orient. It was because Citi Orient had not complied with the auditing procedures for related parties and related party transactions, had not adopted effective investigation measures for abnormal gross profit margin, had not verified with abnormal clients, had not disclosed incompliances in time and other issues when performing its duties as the host broker of listing on NEEQ by way of introduction of 武漢銀都文化傳媒股份有限公司 (“銀都傳媒”). Citi Orient was contrary to the Administrative Measures of Supervising Unlisted Companies and other related laws and regulations. The Hubei Bureau issued warning letter and requested Citi Orient to take it as a warning, to perform due diligence when carrying out business, and to submit a written report before June 5, 2017.

Regarding to issues proposed by the regulatory authority, Citi Orient held personnel in charge accountable for the issues. In addition, Citi Orient has commenced a comprehensive self-investigation and rectification of listing on NEEQ by way of introduction business, to further inspect and identify the problems and potential risks of listing on NEEQ by way of introduction business. Regarding to insufficient audit and irregular documents found in certain projects of 銀都傳媒, the quality control department of Citi Orient has requested all project groups to rectify and all related project groups have completed rectification.

Meanwhile, for projects that are recommended to list on NEEQ, Citi Orient requires relevant parties to adopt more comprehensive methods of due diligence as possible as they can and recommend listing companies more carefully. For continuous supervision on the NEEQ projects, relevant parties are required by Citi Orient to communicate with and report to the local bureaus of the CSRC where listed companies operate as required and adopt more ways to identify and check the potential risks of listed companies and conduct more on-site checks as appropriate based on their actual operations and risk factors. A risk alert announcement should be issued for risks identified in a timely manner.

- (II) On May 10, 2017, Orient Securities Asset Management, a wholly-owned subsidiary of the Company, received the Decision on Imposing the Order of Rectification on Shanghai Orient Securities Asset Management Co., Ltd. (Hu Zheng Jian Jue [2017] No. 44) from the Shanghai Bureau of the CSRC. As Orient Securities Asset Management faces weak internal control in investment research management, trading positions management control lax, poor personnel behavior management in operations and other issues, which was against the Management Rules for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) and other laws and regulations. Orient Securities Asset Management was ordered by the Shanghai Bureau of the CSRC to rectify the above issues, further streamline relevant processes, strengthen the compliance consciousness of relevant personnel and submit a written report before May 22, 2017. The management of Orient Securities Asset Management paid close attention, requiring all departments to concentrate efforts on the implementation of rectification and sort out specific issues identified during inspection and implement rectification by item. Orient Securities Asset Management submitted a rectification report to the Shanghai Bureau of the CSRC in accordance with the requirements on May 19, 2017.

Section V Significant Events

Regarding to issues proposed by the regulatory authority, Orient Securities Asset Management has rectified the issues identified in areas such as related party transaction management, unusual transaction management, investor management and bond price inquiry management and implemented the rectifications on a case-by-case basis. The overall risk prevention and control was strengthened and internal control mechanism and compliance and risk management systems were improved through streamlining the process of relevant business. The main rectification measures adopted by Orient Securities Asset Management are as follows:

1. For corporate governance, the compliance and risk management committee system was improved, more efforts were put on related party transaction management and Orient Securities Asset Management started to amend the Articles of Association to better adapt to the Norm for the Comprehensive Risk Management of Securities Firms (《證券公司全面風險管理規範》).
 2. For investment research, the requirements of the Management System for the Research Work of the Research Department of Shanghai Orient Securities Asset Management Co., Ltd. (《上海東方證券資產管理有限公司研究部研究工作管理制度》) and the Administrative Measures for the Research Equity Securities of Shanghai Orient Securities Asset Management Co., Ltd. (《上海東方證券資產管理有限公司權益類證券研究庫管理辦法》) were strictly complied with, the protection of research files was strengthened and the management of equity pool was improved.
 3. For investment management, Orient Securities Asset Management optimized the staff structure of fixed income research departments and put more human resources into credit analysis to strengthen the supervision and management of credit risk.
- (III) Due to Citi Orient's staff actually exercised their authority for senior management personnel of securities firms without obtaining the relevant qualifications, which was against the Measures on Supervision of Qualifications for Directors, Supervisors and Senior Management Personnel of Securities Firms (《證券公司董事、監事和高級管理人員任職資格監管辦法》) and other laws and regulations, Citi Orient, a controlling subsidiary of the Company received the Decision on Imposing the Order of Rectification on Citi Orient Securities Co., Ltd. (Hu Zheng Jian Jue [2017] No. 102) from the Shanghai Bureau of the CSRC on December 4, 2017, pursuant to which Citi Orient was required to prohibit those staff without obtaining the relevant qualifications from exercising their authority, strengthen and enhance the mechanisms for internal control, effectively improve compliance management and report, and submit a written report before December 30, 2017.

Regarding to issues proposed by the regulatory authority, Oriental Citi attached great importance and informed to shareholders as soon as possible, the shareholders subsequently required the Company to make effective rectification. Meanwhile, Oriental Citi has organized responsible department and staff to conduct in-depth research and look for root causes. The internal control mechanisms were strengthened and improved through streamlining the process of relevant business, amplifying systems, standardizing management and investigating relevant responsible personnel. Oriental Citi has submitted a written report to the Shanghai Bureau of the CSRC on December 26, 2017 as required. In order to further standardize and improve the internal authorization system, Orient Citi has formulated the Administrative Measures on Authorization of Citi Orient Securities Co., Ltd., clarifying the forms and restrictions of authorization between senior management personnel to ensure that the authorization of senior management in the future is well regulated. Orient Citi included the authorization management into the daily compliance inspection, focusing on strengthening the compliance inspection on authorization management.

Section V Significant Events

- (IV) The Company had no controlling shareholder nor de facto controller. Save as disclosed above, during the Reporting Period, none of the Company and its Directors, Supervisors and senior management was investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative departments, or publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any regulations with regard to trading of the shares of the Company.

XII. EXPLANATIONS ON CREDITWORTHINESS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

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

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

During the Reporting Period, the Company did not implement any share incentive scheme, employee incentive scheme and other employee incentive measures.

XIV. MATERIAL CONNECTED TRANSACTIONS/NON-EXEMPT CONNECTED TRANSACTIONS

During the Reporting Period, the Company had following connected transactions which were required to be disclosed under the Hong Kong Listing Rules:

On February 13, 2017, the Company held the 25th meeting of the third session of the Board and the Proposed Non-public Issuance of A Shares of the Company and the Related Matters were approved in the meeting. On February 28, 2017, the Company held the 26th meeting of the third session of the Board and the Proposal on Amendments to the Pricing Benchmark Date of Non-public Issuance of Shares of the Company and the Related Matters were approved in the meeting. Accordingly, the Company proposed to issue a maximum of 800 million A Shares to not more than 10 target subscribers (inclusive), which is expected to raise a gross proceeds up to RMB12 billion (including issuing expenses) (the "Proposed Non-public Issuance of A Shares"). As part of the Proposed Non-public Issuance of A Shares, the Company entered into the subscription agreement with Shenergy Group on February 28, 2017 (the "Shenergy Subscription Agreement"), pursuant which Shenergy Group has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue not less than 200,000,000 A Shares and a maximum of 230,000,000 A Shares under the Proposed Non-public Issuance of A Shares (the "Shenergy Subscription"). Shenergy Group is a substantial shareholder of the Company and therefore a connected person of the Company. The Shenergy Subscription constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Section V Significant Events

On December 28, 2017, Shenergy Group subscribed 230,000,000 A Shares of the Company with an amount of RMB3,268,300,000.00 in total.

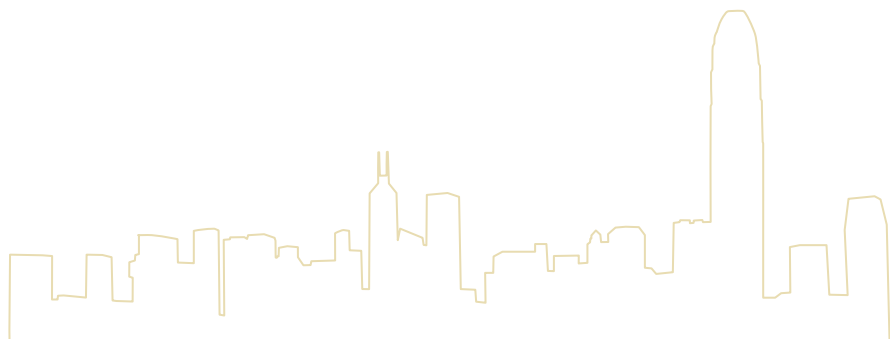
For further details of the abovementioned transactions, please refer to the following announcements of the Company: (1) the announcement dated February 28, 2017 in relation to, among other things, the Proposed Non-public Issuance of A Shares, connected transaction – proposed subscription of A Shares by substantial shareholder, and the proposed subscription of A Shares by existing shareholders; (2) the announcement dated March 30, 2017 in relation to the circular of the extraordinary general meeting and the H Shares class meeting; (3) the announcement dated April 14, 2017 in relation to the poll results of the extraordinary general meeting, the A Shares class meeting and the H Shares class meeting; and (4) the announcement dated December 29, 2017 in relation to the Issuance Results of the Non-Public Issuance of A Shares and Changes in Share Capital.

The Company confirmed that the abovementioned transactions complies with the requirements under the Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, during the Reporting Period, the Company had no other connected transaction which was required to be disclosed under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, details relating to the related party transactions under the relevant accounting standards were set out in note 55 to the consolidated financial statement, and these related transactions did not constitute the connected transactions required to be disclosed under the Chapter 14A of the Hong Kong Listing Rules.

XV. MATERIAL CONTRACTS AND PERFORMANCE

(I) Custody, contracting and leasing matters

During the Reporting Period, the Company had no material custody, contracting or leasing matters.



Section V Significant Events

(II) Guarantees

Unit: 100 million Currency: RMB

Total amount of guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)	
Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	
Guarantees provided by the Company and its subsidiaries for subsidiaries	
Total amount of guarantees provided for subsidiaries during the Reporting Period	47.19
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	72.91
Total amount of guarantees provided by the Company (including those provided for subsidiaries)	
Total amount of guarantees (A+B)	72.91
Percentage of total guarantees over net assets of the Company (%)	13.76
Including:	
Amount of guarantees provided for shareholders, de facto controllers and their related parties (C)	
Amount of debt guarantees directly or indirectly provided for parties with gearing ratio exceeding 70% (D)	68.62
Amount of total guarantees exceeding 50% of net assets (E)	
Total amount of above three types of guarantees (C+D+E)	68.62
Explanations on outstanding guarantees subject to joint liabilities	
Explanations on guarantees	<p>(1) During the Reporting Period, the Company and its wholly-owned subsidiary, have provided guarantee for its subsidiaries, relating to the issue of US bonds. As at December 31, 2017, the guarantee was amounted to approximately RMB6,431 million.</p> <p>(2) During the Reporting Period, wholly-owned subsidiary of the Company, has provided guarantee for its wholly-owned subsidiaries, mainly relating to a guarantee for granting loans for its subsidiaries. As at December 31, 2017, the guarantee was amounted to approximately RMB860 million.</p>

Section V Significant Events

Note: The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB1:6.5342 as at the end of December 2017; the amount of guarantees denominated in RMB was converted at the spot exchange rate of HKD/RMB1:0.8359 as at the end of December 2017.

(III) Other material contracts

During the Reporting Period, the Company had no other material contract.

XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Non-public Issuance of A Shares

On February 13, 2017, DFZQ held the 25th meeting of the third session of the Board and considered and approved the Proposal on Non-public Issuance of A Shares of the Company and the Related Matters.

On February 28, 2017, DFZQ held the 26th meeting of the third session of the Board and considered and approved the Proposal on Amendments to the Pricing Benchmark Date of Non-public Issue of Shares of the Company and the Related Matters.

On April 14, 2017, DFZQ held the 2017 first extraordinary general meeting, the 2017 first class meeting of A shareholders (the "A Shares Class Meeting") and the 2017 first class meeting of H shareholders (the "H Shares Class Meeting") and considered and approved the Proposal on Non-public Issuance of A Shares of the Company and the Related Matters.

On May 15, 2017, DFZQ held the 30th meeting of the third session of the Board and considered and approved the Proposal on Change of Target Subscribers and the Related Matters.

On August 7, 2017, DFZQ held the 32nd meeting of the third session of the Board and considered and approved the Proposal on Modification of Issuance Proposal and the Related Matters.

On September 19, 2017, the application for the Company's Non-public Issuance of Shares was approved by the Issuance Examination Commission of the CSRC.

On November 6, 2017, the Company received the Reply of Approval on the Non-public Issuance of Shares by 東方證券股份有限公司 (Zheng Jian Xu Ke [2017] No. 1940) issued by the CSRC, pursuant to which the Company was approved to issue a maximum of 800 million New Shares that is valid for a period of six months commencing from the date of reply of approval.

On December 28, 2017, the registration of shares under the Non-public Issuance of A Shares has been completed with Shanghai branch of China Securities Depository and Clearing Co., Ltd.

Section V Significant Events

For further details of the abovementioned transactions, please refer to the following announcements of the Company: (1) the announcement dated February 28, 2017 in relation to, among other things, the Proposed Non-public Issuance of A Shares, connected transaction – proposed subscription of A Shares by substantial shareholder, and the proposed subscription of A Shares by existing shareholders; (2) the announcement dated March 30, 2017 in relation to the circular of the Extraordinary General Meeting and the H Shares Class Meeting; (3) the announcement dated April 14, 2017 in relation to the poll results of the Extraordinary General Meeting, the A Shares Class Meeting and the H Shares Class Meeting; (4) the announcement dated May 15, 2017 and August 7, 2017 in relation to the Proposed Non-public Issuance of A Shares and proposed subscription of A Shares by existing shareholders; (5) the announcement dated June 8, 2017 in relation to the receipt of acceptance notice of the application for administrative permission from the CSRC; (6) the announcement dated September 19, 2017 in relation to the approval by the issuance approval committee of the CSRC on application for Non-Public Issuance of A Shares; (7) the announcement dated November 6, 2017 regarding the receipt of approval by the CSRC in relation to the Non-Public Issuance of A Shares; and (8) the announcement dated December 29, 2017 in relation to the Issuance Results of the Non-Public Issuance of A Shares and Changes in Share Capital.

(II) General election of the Board and the Supervisory Committee of the Company

On October 27, 2017, the Company made the Indicative Announcement Regarding the Postponed Election of the Board and the Supervisory Committee. The terms of the third session of the Board, the Supervisory Committee and senior management of Company expired on October 28, 2017. As the election process of the Board and the Supervisory Committee was still in preparation, in order to ensure the continuity of the relevant work of the Company, the election of the Board and the Supervisory Committee was postponed, and the terms of each special committee and senior management was correspondingly extended. The Company conducted the election of the fourth session of the Board and the Supervisory Committee and senior management in accordance with relevant laws, regulations and the Articles of Association of the Company.

The Company held the second general meeting of the third session of the employee representatives on December 11, 2017, at which Mr. Du Weihua was elected as the employee representative Director of the fourth session of the Board of the Company, and Mr. Li Bin, Mr. Zhou Wenwu and Mr. Yao Yuan were elected as the employee representative Supervisors of the fourth session of the Supervisory Committee of the Company.

The Company held the first extraordinary general meeting for 2018 on March 6, 2018, at which Mr. Pan Xinjun and Mr. Jin Wenzhong were elected as executive Directors of the fourth session of the Board of the Company; Mr. Liu Wei, Mr. Wu Junhao, Mr. Chen Bin, Mr. Li Xiang, Ms. Xia Jinghan and Mr. Xu Jianguo were elected as non-executive Directors of the fourth session of the Board of the Company; and Mr. Xu Guoxiang, Mr. Tao Xiuming, Mr. Wei Anning, Mr. Xu Zhiming and Mr. Jin Qinglu were elected as independent non-executive Directors of the fourth session of the Board of the Company; while Mr. Zhang Qian, Ms. Huang Laifang, Ms. Tong Jie, Mr. Liu Wenbin, Mr. Yin Keding and Mr. Wu Zhengkui were elected as Supervisors who were not employee representatives of the fourth session of the Supervisory Committee of the Company.

So far, all the members of the fourth session of the Board of the Company (two executive Directors, six non-executive Directors, five independent non-executive Directors and one employee representative Director) were elected, they will compose the fourth session of the Board of the Company together. All the members of the fourth session of the Supervisory Committee of the Company (six Supervisors who are not employee representatives and three employee representative Supervisors) were elected, they will compose the fourth session of the Supervisory Committee of the Company together.

Section V Significant Events

The Company held the first meeting of the fourth session of the Board on March 9, 2018, at which Mr. Pan Xinjun was elected as the chairman of the fourth session of the Board, and the members and chairmen of the special committees under the fourth session of the Board were elected.

The Company held the first meeting of the fourth session of the Supervisory Committee on March 9, 2018, at which Mr. Zhang Qian was selected as the chairman of the Supervisory Committee while Mr. Li Bin as the deputy chairman of the Supervisory Committee and Ms. Ruan Fei as the secretary of the Supervisory Committee.

The Company held the second meeting of the fourth session of the Supervisory Committee on March 29, 2018, at which Mr. Jin Wenzhong was appointed as the president, Mr. Yang Yucheng, Mr. Shu Hong, Mr. Zhang Jianhui and Mr. Du Weihua as the deputy presidents of the Company, Mr. Zhang Jianhui as the financial director of the Company, Mr. Yang Bin as the chief risk officer and chief compliance officer, Mr. Wang Rufu as the secretary of the Board, and Ms. Li Tingting as the representative of securities affairs, and they shall hold their terms of office from the date of approval by the Board to the expiry of the terms of the fourth session of the Board.

XVII. ACTIVE FULFILLING OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation works of the listed company

1. *Precise poverty alleviation plan*

(1) *Basic Policy*

To actively response to the country's call and the industry guideline, and to implement the spirit of related documents, in 2017, the Company continued to participate in the "One Company to One County" pair-up assistance initiative proactively, making efforts in precise poverty alleviation. The Company fulfilled its social responsibility in fighting poverty in different aspects including industry, education, financing, welfare, consumption and others. In the future, the Company will continue to get well prepared for various poverty alleviation programs, to ensure giving practical help to fight poverty and helping those really living in poverty. The Company will provide strong protection and backup in the tough war of fighting poverty and contribute in making innovation and creativity work for the mechanism of "precise poverty alleviation and precise poverty removal".

(2) *Main Strategies*

1) Carrying out poverty alleviation in way of fanning out from point to area. For the existing six pairs of pair-up counties of the assistance initiative, the Company linked local resources with characteristics to its poverty alleviation work. In the foreseeable period, the Company has planned to focus on Wufeng, Hubei and Morin Dawa Daur Autonomous Banner, Inner Mongolia, putting much efforts to these regions to develop projects with local characteristics and establish long-term effective poverty removal mechanism. By fanning out from point to area, the Company promoted the pair-up assistance initiative steadily and leveraged key opportunities to link efforts.

Section V Significant Events

- 2) Insisting on promoting industrial poverty alleviation as the core and utilizing consumption to strengthen local wealth-generating capacity in poverty counties. Based on its successful experiences of promoting industrial poverty alleviation projects, the Company will continue to mainly lean on industrial poverty, and integrate resources of the Group and from the Internet, including the joint propel of industrial development projects with local characteristics together with well-known e-commerce platform, with an aim to strengthen local wealth-generating capacity as a long-lasting power.
- 3) Promoting the “One Company to One County” initiative, and intensifying efforts in precise poverty alleviation. The Company will leverage the leading and synergic power of capital. Through adjusting measures suiting local circumstances and establishing policies suiting enterprise, the Company assisted the enterprises in the county participating the pair-up initiative in enhancing corporate governance, improving financing conditions and strengthening driving force in the poverty counties, to accomplish its goal of removing regional poverty by supporting the industrial development.
- 4) Providing talent protection for poverty regions. The Company has adhered to the concept of “alleviating poverty through enlightening people” when launching poverty relief work through various measures such as arranging temporary posts, organizing financial knowledge lectures and occupational skill training courses, and poverty alleviation through education. The Company has provided those poverty counties with consultancy support and talents, to ensure a sustainable and healthy development of the counties after the realization of poverty alleviation.
- 5) Fully leveraging the advantages of financial enterprises to bring innovative poverty relief measures. In 2017, based on the first issuance of corporate debts for poverty relief purpose in the PRC, the Company will continue to leverage the competitiveness of financial enterprise and fully integrate and utilize related resources. With innovative precise poverty alleviation pattern, more meaningful and repeatable cases for pushing forward poverty relief work.
- 6) Strengthening the management of poverty alleviation programs and successfully implementing precise poverty alleviation initiatives. By setting up an internal leading team in charge of poverty alleviation work, the Company can ensure the implementation of key tasks of precise poverty alleviation work every year. Together with the assistances from the daily communication mechanism and on-site visits and staged feedback mechanism in the counties participating the pair-up assistance initiative, the Company shall manage the progress of poverty projects properly and ensure the Implementation of poverty relief programs was smooth and practical.



Section V Significant Events

2. *Highlights of annual precise poverty alleviation*

Under the guidance and advocacy by the CSRC and Securities Association of China, DFZQ, proactively responding to the state's call and the industry's guidelines, has signed contracts with six state-level poverty counties, committing itself to precise poverty alleviation, and has been highly recognized by the community. In 2017, the Company received "Financial Poverty Alleviation Award" by the Listed Companies Association of Shanghai and ranked the first among all listed securities companies. "Orient Guniang" industry poverty alleviation project was honored as "2017 Innovative Financial Poverty Alleviation Award" by Sina (新浪). In "2017 Introduction of Pioneers of Poverty Alleviation in China Capital Market" held by International Finance News under People's Daily, the Company received "Pioneer in Poverty Relief Award" while Orient Securities Futures, its wholly-owned subsidiary, was honored as "Innovative Institution in Poverty Alleviation" "Orient Guniang" Industry was granted the "Best Industrial Poverty Alleviation Award". Apple industrial poverty relief project of Yanchang county, Shaanxi, the first issuance of corporate debts for poverty relief purpose in the PRC, was awarded as "Best Sample of Innovative Poverty Alleviation".

As at the end of the Reporting Period, the Company has signed agreements of the "One Company to One County" pair-up assistance initiative with six state-level poverty counties such as Daur Autonomous Banner of Morin Dawa, Hulun Buir, Inner Mongolia, Jingle County, Shanxi, Tongyu County, Jilin, Muchuan County, Sichuan, Wufeng County, Hubei, Yanchi County, Ningxia Hui Autonomous Region, to implement pair-up assistance work. In addition, the Company has also carried out non-pair-up assistance to 12 state-level poverty counties, namely Makita County, Xinjiang, Yanchang County, Shaanxi, Fenxi County Shanxi and etc. The Company also carried out pair-up poverty assistance to 12 weak villages namely Fengjing Township, Jinshan District, Shanghai.

In 2017, the Company has donated a total of RMB14.3950 million (including public welfare foundation) in poverty alleviation and initiated a total of 20 poverty fighting projects. Seven of which were industrial poverty alleviation programs, with RMB6.1596 million. The Company has successfully established the brand "Orient Guniang" and been exploring a long-term effective mechanism for poverty removal. The Company has initiated seven education poverty alleviation programs with RMB1.9340 million; four welfare poverty alleviation programs with RMB5.2810 million, and two consumption poverty alleviation program with RMB1.0200 million.

Moreover, the Company fully leveraged its advantage of financial profession, to proactively assist poverty regions in financing and implement the state's green development strategy. In 2017, the Company has input RMB4.265 billion to poverty region financing through various financing measures. Citi Orient, a subsidiary of the Company, exclusively underwrote the first issuance of corporate bonds for precise poverty alleviation, to support the poverty regions with financial resources. The issuance of green bonds of RMB3.190 billion helped to increase the public awareness of green investment and expand the social influence of green finance.

Section V Significant Events

Successful issuance of the first corporate bonds for precise poverty alleviation

On November 3, 2017, the corporate bonds for precise poverty alleviation exclusively underwrote by Citi Orient, a subsidiary of the Company, were listed on SSE. The success issuance of poverty bonds was an innovation in poverty financing in domestic market, by utilizing the advantages of financing in capital market and the function of market mechanism, to satisfy the specific demands of poverty regions towards precise poverty alleviation and pushing forward the transform from donating to wealth-generating.

The principal amount of the bond amounted to RMB500 million, with a term of seven years and a coupon rate of 7.00%. The proceeds of the issuance will be applied to the precise poverty alleviation in Wufeng Tujia Autonomous County, mainly for relocation and settlement of housing, accessory facilities and construction of industrial poverty alleviation base. Such project will directly benefit 4,125 families and 12,132 citizens recorded in poverty, safeguarding them to have safe houses and improved basic living conditions. In addition to providing them with facilitated basic public welfare services such as education and medical, the project will also support the development of agriculture and husbandry industry with features, industrial park and countryside tourism industries with features, with an aim to accomplish the goal of “not just relocating but also improving”.

Such project won wide recognition from the community and was reported by Xin Wen Lian Bo, Morning News, Live News of CCTV, recognizing its operating model.

Fruitful results from “Orient Guniang”

In 2017, the Company chose a special local crop named “Guniang” as its key task for poverty alleviation project in Morin Banner, Inner Mongolia. “DFZQ Industrial Poverty Alleviation Base” was established at Morin Banner. After three months’ effort in the Base, a variety of Guniang featured with DFZQ’s spirit of being unadorned, named “Orient Guniang” was introduced to the market across the country in September 2017 and was very popular in the market, recording sales of nearly RMB4 million within two weeks.

Such project has benefited more than a thousand farmers and received favorable response from the market and made considerable social influence. Shanghai Securities News had half of its front page reporting the stories behind Orient Guniang. Sina made a column for “Orient Guniang” while many other mainstream media, namely Securities Times, International Finance News, 21st Century Business Herald and etc. made official reports as well.

When developing the Guniang industry, the Company has adhered to the concept of transforming the model of poverty alleviation from donating to wealth-generating by running a business and operating as an industry. We clearly understand the importance of quality in running a sustainable operation. During the plantation, we have engaged experts from Chinese Academy of Agricultural Sciences to lead us in the fields. When harvesting, the Company paid farmers at purchase price with 30% to 50% higher than the market price and taught them to sort out disqualified fruits and then engaged local farmers to go the second sorting. From planting to sorting of the project, farmers’ incomes were increased substantially increased and the quality of the products was safeguard as well.

Section V Significant Events

In 2017, Morin Banner encountered bad weather conditions such as frost, hail and continuous rainy days once in years. The Company set up a disaster relief fund at the Beishichang Village. Farmers were granted with subsidy according to their planting area and amount of harvest, with an average of RMB2,000 for every family and the highest over RMB5,000. The establishment of such fund helps the farmers to overcome natural disasters and bad weather and gives them confidence and lower their risk.

3. Results of precise poverty alleviation

Unit: '0000 Currency: RMB

Indicator	Amount and Progress
I. Overall condition	
Among which:	
1. Capital	1,439.50
2. Discount of materials	
3. Number of beneficiaries in recorded poor family (person)	419
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including:	
1.1 Type of industrial poverty alleviation project	<input checked="" type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input checked="" type="checkbox"/> E-commerce <input type="checkbox"/> Assets income <input type="checkbox"/> Science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (unit)	9
1.3 Contribution to industrial poverty alleviation projects	717.96
1.4 Number of beneficiaries in recorded poor family (person)	419
2. Poverty alleviation through transferring employment	
Including:	
2.1 Contribution to trainings on vocational skills	
2.2 Number of people attended trainings on vocational skills (person/time)	980
2.3 Number of poverty-stricken people in recorded poor family who achieved employment (person)	43

Section V Significant Events

Indicator	Amount and Progress
3. Poverty alleviation by relocation Including:	
3.1 Number of beneficiaries under employment from relocated families (person)	70,750
4. Poverty alleviation by education Including:	
4.1 Contribution to subsidize students in poverty	74.44
4.2 Number of students in poverty being subsidized (person)	282
4.3 Contribution to improve education resources in poverty areas	119
5. Poverty alleviation by healthcare Including:	
5.1 Contribution to medical and healthcare resources in poverty areas	
6. Poverty alleviation by ecological conservation Including:	
6.1 Project name	<input type="checkbox"/> Development of ecological conservation and construction <input type="checkbox"/> Establishment of compensation method for ecological <input type="checkbox"/> Setting up a position for ecological public welfare <input type="checkbox"/> Others
6.2 Amount of contribution	
7. Protection for the most impoverished people Including:	
7.1 Amount contributed to help the three left-behind groups	
7.2 Number of people of the three left-behind groups helped (person)	
7.3 Amount contributed to help poor people with disabilities	
7.4 Number of poor people with disabilities helped (person)	
8. Poverty alleviation in the society Including:	
8.1 Amount contributed to poverty alleviation in the east and west parts of the country	
8.2 Amount contributed to fixed-point poverty alleviation work	
8.3 Poverty alleviation fund	520.10

Section V Significant Events

Indicator	Amount and Progress
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9. Other projects	
Including:	
9.1 Number of projects (unit)	1
9.2 Amount of contribution	8
9.3 Number of beneficiaries in recorded poor family (person)	
9.4 Description for other projects	Morin Banner “Lurigele dancing (魯日格勒)” Inherent Plan

III. Awards obtained (details and class)

In 2017, the Company was honored by the Listed Companies Association of Shanghai with “Financial Poverty Alleviation Award” and by International Finance News with “Pioneer in Poverty Relief Award”. Orient Guniang Industrial Poverty Alleviation Project was granted as “2017 Innovative Financial Poverty Alleviation Award” by Sina and “Best Sample of Innovative Poverty Alleviation” by International Finance News; Orient Securities Futures, our wholly-owned subsidiary, was awarded as “2017 Pioneer in Poverty Relief Award” by International Finance News; The first corporate bonds issuance for precise poverty alleviation in the PRC market in charge by Citi Orient, our controlling subsidiary, was granted “Best Case of Innovative Poverty Alleviation Award” by International Finance News; Shaanxi apples industrial poverty alleviation project in charge by Orient Securities Futures, our wholly-owned subsidiary, was granted “Best Case of Innovative Poverty Alleviation Award” by International Finance News.

4. Subsequent precise poverty alleviation plan

(1) Practical implementation of Wufeng, Hubei industrial poverty alleviation with characteristics

In September 2017, the Company signed a precise poverty alleviation pair-up agreement with the People’s Government of Wufeng Tujia Autonomous County. After doing researches, the Company learnt that Wufeng County has industries with characteristics and decided to take Yi black tea leaves as a starting point. The Company attempted to collaborate with e-commerce operator. By consolidating tea leaves process resources and integrating with the advantages of “Dong Fang Hong”, a brand managed by the Company, the Company developed a characterized tea leaves industrial project with competitive advantages for Wufeng County and established the brand influences through marketization and business operation, to create a long-lasting poverty alleviation mechanism for Wufeng County. In addition, the Company sought to leverage the advantages of natural resources of Wufeng County to develop a tourism poverty alleviation project with local characteristics, with an aim to drive positive interactions between different industries of Wufeng County to realize the capability of local wealth-generation.

Section V Significant Events

(2) *Proactively propel the practical implementation of first issuance of corporate bonds for precise poverty alleviation in the PRC*

In November 2017, the corporate bonds for precise poverty alleviation, the first case in the PRC market, exclusively underwrote by Citi Orient of the Company were listed on SSE. This is an innovative project in the aspect of financial poverty alleviation. The proceeds of the issuance will be applied to the relocation and settlement of housing, accessory facilities and construction of industrial poverty alleviation base, setting a relatively strong example for precise poverty alleviation project. In the future, the Company will maintain active communication with the local government through project procedure management, to ensure the project will be implemented practically and successfully to accomplish its established goal of precise poverty alleviation.

(3) *Further investment in the project “Orient Guniang” of Morin Banner, Inner Mongolia*

Based on a relatively well social influence gained in 2017, the Company will continue to expand its resources investment in the industrial project “Orient Guniang” in Morin Banner, Inner Mongolia, with specific measures including: 1, expanding the construction scale of its base and expanding the trading venue for fresh fruits and areas for sorting fruits and etc.; 2, taking into consideration of the geographical conditions to select suitable variety of plants, to ensure the quality of the products from the source; 3, applying strict quality controls thorough its industrial chain, including planting, harvesting, transportation, sorting and etc.; 4, improving the cooperation mechanism with Benlai.com and leveraging the competitive advantages of the Group and e-commerce operators’ channels, to strengthen the promotion and sale efforts of Guniang products, benefiting more poor farmers and realizing the normalization of “Orient Guniang” project.

(4) *Continuous promoting education of poverty alleviation*

The Company will continue to confirm the number of students need pairing-up assistance in the county through collecting application forms and continue to subsidize the students in poverty. The Company will also allocate its capital precisely on recorded poor families, to support students in high school from recorded poor family to complete their studies. Moreover, the Company will continue to invest capital in primary schools across the county for upgrading and in donations, and also promote the welfare scholarship program “Love breakfast”.

(5) *Strengthening the efforts in training talents and enhancing supports in concepts building*

To improve the existing conditions of outdated development concept and lack of professional skill in poverty regions, the Company will dispatch its core staff to poverty counties, and will engage experts according to the needs of poverty alleviation work to provide professional skill training and guidance for the farmers. Meanwhile, the Company will continue to strengthen the support in concept building for pairing up counties, including but not limited to IPO, bonds underwriting and issuance, financing through NEEQ, issuing financial tools after listing, market-makers and etc. According to the needs of poverty counties, the Company will provide popular education of financial knowledge to the locals, and provide training for government, enterprise financial consultation and capital market.

Section V Significant Events

The Company grows the poverty alleviation initiatives with love and persistence and finally obtains fruitful results in poverty area. Looking ahead, the Company will, as usual, promote the poverty alleviation program in a solid manner and firmly commit to taking responsibilities of the society, and to deliver a corporate image with love, vision, responsibilities and commitment.

(II) Performance of social responsibilities

For details relating to the Company's environmental policies and performance, its compliance with such laws and regulations which may materially affect the Company and the important relationship between the Company and its employees, customers and suppliers, please refer to the DFZQ 2017 Environment, Social and Governance Report disclosed on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>), the website of SSE (<http://www.sse.com.cn>) and the website of the Company (<http://www.dfzq.com.cn>) on March 29, 2018.

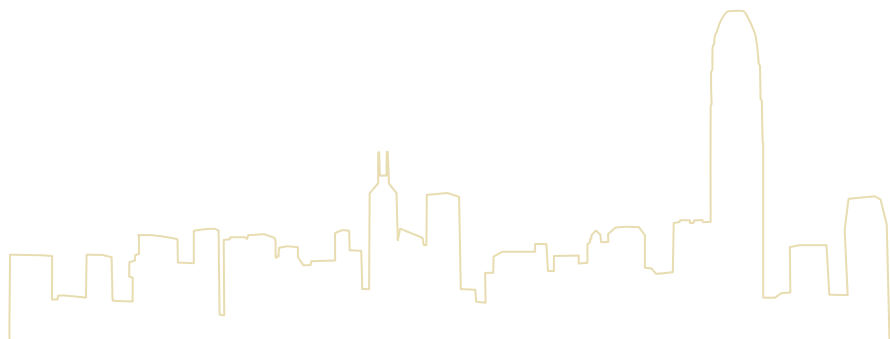
(III) Explanations on the environmental protection

The industry that the Company engages in is financial securities industry, with its main business scope covering: securities brokerage; margin financing and securities lending; securities investment advisory; financial consultancy in relation to securities transactions and securities investment activities; proprietary of securities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products; security underwriting; stock and options market making business. The Company attaches great attendance in taking up social responsibilities, especially valuing the importance of saving energy and protecting the environment. The Company advocates running of green office and paperless office, establishing and using OA office system, doing business approval through electronic means, encouraging the recycle use of papers and reducing waste and enhancing efficiency through scientific measures.

During the Reporting Period, no punishment caused by the violation of laws and regulations related to environmental protection by the Company.

XVIII. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, neither the Company nor its subsidiaries had issued convertible corporate bonds.



Section VI Changes in Ordinary Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

(I) Changes in ordinary shares

1. Changes in ordinary shares

Unit: share

	Before the change		Changes (+,-)					After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Share conversion from capital reserve fund	Others	Sub-total	Number of shares	Percentage (%)
I. Restricted shares	2,062,217,163	33.18	778,203,792	-	-	-	778,203,792	2,840,420,955	40.61
1. Shares held by state	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	2,030,217,163	32.66	568,288,240	-	-	-	568,288,240	2,598,505,403	37.15
3. Shares held by other domestic investors	32,000,000	0.52	209,915,552	-	-	-	209,915,552	241,915,552	3.46
Including: Shares held by domestic non-state-owned legal persons	32,000,000	0.52	209,915,552	-	-	-	209,915,552	241,915,552	3.46
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by foreign legal persons	-	-	-	-	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-	-	-	-	-
II. Circulating non-restricted shares	4,153,234,848	66.82	-	-	-	-	-	4,153,234,848	59.39
1. RMB denominated ordinary shares	3,126,154,848	50.30	-	-	-	-	-	3,126,154,848	44.70
2. Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,027,080,000	16.52	-	-	-	-	-	1,027,080,000	14.69
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of ordinary shares	6,215,452,011	100.00	778,203,792	-	-	-	778,203,792	6,993,655,803	100.00

Section VI Changes in Ordinary Shares and Information on Shareholders

2. Explanations on changes in ordinary shares

In accordance with the “Approval in Relation to the Non-public Issuance of Shares by 東方證券股份有限公司” (Zheng Jian Xu Ke [2017] No. 1940) issued by the CSRC, the Company completed the share registration with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on December 28, 2017, under which 778,203,792 A Shares were issued. As at the end of the Reporting Period, ordinary shares of the Company has been increased from 6,215,452,011 shares to 6,993,655,803 shares, of which 5,966,575,803 shares were A Shares and 1,027,080,000 shares were H Shares, accounting for 85.31% and 14.69% of the total share capital respectively.

3. Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and the most recent period

As the registration of the non-public issuance of A Shares of the Company was completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on December 28, 2017, total assets, net assets and net capital of the Company increased accordingly. The proceeds from this issue has been received at the end of 2017, therefore there was almost no impact on financial indicators such as earnings per share and net assets per share for the most recent year and the most recent period of the Company.

4. Other disclosures deemed necessary by the Company or required by securities regulatory authorities

During the Reporting Period, there was no other disclosures deemed necessary by the Company or required by securities regulatory authorities.

(II) Changes in restricted shares

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Shenergy (Group) Company Limited	1,537,522,422	-	-	1,537,522,422	Lock-up under initial public offering of shares	March 23, 2018
Shenergy (Group) Company Limited	-	-	230,000,000	230,000,000	Lock-up under non-public issuance of shares	December 28, 2021
Shanghai Electric (Group) Corporation	194,073,938	-	-	194,073,938	Lock-up under initial public offering of shares	March 23, 2018

Section VI Changes in Ordinary Shares and Information on Shareholders

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Shanghai Construction Group Co., Ltd.	133,523,008	-	-	133,523,008	Lock-up under initial public offering of shares	March 23, 2018
National Council for Social Security Fund (Transfer Account No.2) (全國社會保障基金理事會轉持二戶)	65,288,341	-	-	65,288,341	Lock-up under initial public offering of shares	March 23, 2018
Shanghai Binfen Trade Development Co., Ltd. (上海繽紛商貿發展有限公司)	66,539,635	-	-	66,539,635	Lock-up under initial public offering of shares	March 23, 2018
Shanghai International Trade & Investment Developing Co., Ltd. (上海市外經貿投資開發有限公司)	33,269,819	-	-	33,269,819	Lock-up under initial public offering of shares	March 23, 2018
Shanxi Zhuorong Investment Co., Ltd. (山西卓融投資有限公司)	20,000,000	-	-	20,000,000	Lock-up under initial public offering of shares	May 19, 2018
Weida Hi-Tech Holding Co., Ltd. (威達高科技控股有限公司)	12,000,000	-	-	12,000,000	Lock-up under initial public offering of shares	February 14, 2018
Shanghai Haiyan Investment Management Company Limited	-	-	59,215,263	59,215,263	Lock-up under non-public issuance of shares	December 28, 2020
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	-	-	208,700,000	208,700,000	Lock-up under non-public issuance of shares	December 28, 2018
Shanxi Taigang Investment Co., Ltd. (山西太鋼投資有限公司)	-	-	70,372,977	70,372,977	Lock-up under non-public issuance of shares	December 28, 2018
Guohua Life Insurance Co., Ltd. - Traditional No. 1 (傳統一號)	-	-	70,372,976	70,372,976	Lock-up under non-public issuance of shares	December 28, 2018
Zhongyuan Equity Investment Management Co., Ltd. (中原股權投資管理有限公司)	-	-	35,186,489	35,186,489	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund - SPD Bank - Xi'an Shanmei Zhuohe Investment Fund Partnership (L.P.) (財通基金 - 浦發銀行 - 西安善美卓和投資基金合夥企業(有限合夥))	-	-	42,223,786	42,223,786	Lock-up under non-public issuance of shares	December 28, 2018

Section VI Changes in Ordinary Shares and Information on Shareholders

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Caitong Fund – Bank of Ningbo – Shanghai Industrial Investment (Group) Co., Ltd. (財通基金 – 寧波銀行 – 上海工業投資(集團)有限公司)	-	-	21,111,893	21,111,893	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – CCB – Yinhua Wealth and Capital Management (Beijing) Co., Ltd. (財通基金 – 建設銀行 – 銀華財富資本管理(北京)有限公司)	-	-	14,074,595	14,074,595	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – BOC – Caitong Fund – Fuchun Income – Earning Private Placement Asset Management program No. 3 (財通基金 – 中國銀行 – 財通基金 – 富春創益定增3號資產管理計劃)	-	-	7,037,298	7,037,298	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – Bank of Nanjing – China North Industries Corporation (財通基金 – 南京銀行 – 中國北方工業公司)	-	-	7,037,298	7,037,298	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – Bank of Ningbo – Shanghai Chemical Industry Park Investment Company Limited (財通基金 – 寧波銀行 – 上海化學工業區投資實業有限公司)	-	-	3,518,649	3,518,649	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – Bank of Ningbo – Sichuan Puxin Chanrong Investment Limited Liability Company (財通基金 – 寧波銀行 – 四川璞信產融投資有限責任公司)	-	-	2,111,189	2,111,189	Lock-up under non-public issuance of shares	December 28, 2018

Section VI Changes in Ordinary Shares and Information on Shareholders

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Caitong Fund – China Merchants Bank – Foreign Trade Trust – Foreign Trade Trust • Huazi No.1 Single Fund Trust (財通基金 – 招商銀行 – 外貿信託 – 外貿信託 • 華資1號單一資金信託)	-	-	2,111,189	2,111,189	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – Bank of Ningbo – Xiamen C&D Corporation Limited (財通基金 – 寧波銀行 – 廈門建發集團有限公司)	-	-	2,111,189	2,111,189	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – Industrial Bank – Huaibei Wanhui Investment Limited Company (財通基金 – 興業銀行 – 淮北皖淮投資有限公司)	-	-	2,104,152	2,104,152	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – China Merchants Bank – Caitong Fund – Xianghe No.2 Asset Management Scheme (財通基金 – 招商銀行 – 財通基金 – 祥和2號資產管理計劃)	-	-	703,730	703,730	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – China Everbright Bank – Guangzhou Lianxin Fund Management Limited Company – Lianxin No. 6 Private Equity Fund (財通基金 – 光大銀行 – 廣州聯鑫基金管理有限公司 – 聯鑫六號私募基金)	-	-	211,119	211,119	Lock-up under non-public issuance of shares	December 28, 2018
Total	2,062,217,163	-	778,203,792	2,840,420,955	/	/

Section VI Changes in Ordinary Shares and Information on Shareholders

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities as at the end of the Reporting Period

Currency: RMB (unless otherwise specified)

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares (or amount) issued	Date of listing	Number of shares (or amount) permitted to be listed for trading	Date of termination of the trading
Ordinary shares						
A Shares	March 11, 2015	10.03	1 billion shares	March 23, 2015	1 billion shares	
H Shares	June 22, 2016	HKD8.15	0.957 billion shares	July 8, 2016	0.957 billion shares	
H Shares (over-allotment)	July 28, 2016	HKD8.15	0.070 billion shares	August 3, 2016	0.070 billion shares	
A Shares (non-public issuance)	December 28, 2017	14.21	0.778 billion shares	December 29, 2017	0.778 billion shares	
Convertible corporate bonds, detachable convertible bonds, corporate bonds						
Short-term corporate bonds of securities companies	May 19, 2016	3.40%	9 billion	June 7, 2016	9 billion	May 19, 2017
Short-term corporate bonds of securities companies	December 16, 2016	4.00%	4 billion	December 22, 2016	4 billion	December 16, 2017
Bonds of securities companies	August 26, 2014	6.00%	6 billion	September 23, 2014	6 billion	August 26, 2019
Bonds of securities companies	November 26, 2015	3.90%	12 billion	December 18, 2015	12 billion	November 26, 2020
Bonds of securities companies	June 9, 2017	5.30%	4 billion	July 19, 2017	4 billion	June 9, 2020
Bonds of securities companies	June 9, 2017	5.50%	1 billion	July 19, 2017	1 billion	June 9, 2022
Bonds of securities companies	August 3, 2017	4.98%	4 billion	August 15, 2017	4 billion	August 3, 2027
Subordinated bonds	November 15, 2013	6.70%	3.6 billion	November 29, 2013	3.6 billion	November 15, 2017
Subordinated bonds	November 17, 2014	5.50%	1.4 billion	December 9, 2014	1.4 billion	November 17, 2018
Subordinated bonds	May 29, 2015	5.60%	6 billion	July 2, 2015	6 billion	May 29, 2020
Subordinated bonds	June 18, 2015	6.82%	0.6 billion	August 27, 2015	0.6 billion	June 17, 2018

Section VI Changes in Ordinary Shares and Information on Shareholders

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares (or amount) issued	Date of listing	Number of shares (or amount) permitted to be listed for trading	Date of termination of the trading
Subordinated bonds	November 14, 2016	3.45%	4 billion	November 25, 2016	4 billion	November 14, 2021
Subordinated bonds	April 26, 2017	4.90%	1.5 billion	May 11, 2017	1.5 billion	April 26, 2020
Subordinated bonds	April 26, 2017	5.10%	1.5 billion	May 11, 2017	1.5 billion	April 26, 2022
Subordinated bonds	May 15, 2017	5.15%	1.5 billion	May 31, 2017	1.5 billion	May 15, 2020
Subordinated bonds	May 15, 2017	5.35%	1.5 billion	May 31, 2017	1.5 billion	May 15, 2022
RMB bonds	November 26, 2014	6.50%	0.9 billion	November 27, 2014	0.9 billion	November 26, 2017
RMB bonds	August 5, 2015	6.50%	0.62 billion	August 6, 2015	0.62 billion	November 26, 2017
RMB bonds	April 15, 2016	5.00%	0.5 billion	Unlisted	Unlisted	April 10, 2017
USD bonds	May 8, 2015	4.20%	USD0.2 billion	Unlisted	Unlisted	May 8, 2018
USD bonds	August 25, 2015	4.09%	USD0.15 billion	Unlisted	Unlisted	August 25, 2018
USD bonds	November 30, 2017	3.63%	USD0.5 billion	December 1, 2017	USD0.5 billion	November 30, 2022

Explanations on issue of securities as at the Reporting Period:

- In accordance with the Approval in Relation to the Non-public Issuance of Shares by 東方證券股份有限公司 (Zheng Jian Xu Ke [2017] No. 1940) issued by the CSRC, the Company non-publicly issued 778,203,792 A Shares at a price of RMB14.21 per share. The registration of the non-public issuance of A Shares of the Company was completed with Shanghai Branch of China Securities Depository and Clearing Corporation Limited on December 28, 2017.
- On April 23, 2015, the Proposal on Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 7th meeting of the third session of the Board of the Company, and at the 2014 annual general meeting of the Company, pursuant to which, the Company was authorized to issue subordinated bonds, short-term commercial papers, short-term bonds of securities companies, corporate bonds, income receipts and other instruments approved by the regulatory authorities within the cap for total new outstanding debt financing instruments not exceeding 200% of the audited net assets of last year.



Section VI Changes in Ordinary Shares and Information on Shareholders

On March 11, 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company was considered and approved at the 17th meeting of the third session of the Board of the Company, and at the 2015 annual general meeting of the Company convened on May 25, 2016, pursuant to which, the Company was authorized to issue a scale of up to RMB10 billion subordinated bonds (including perpetual subordinated bonds). On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by 東方證券股份有限公司 (Shang Zheng Han [2016] No. 2057) issued by the SSE, pursuant to which, the Company was approved to issue subordinated bonds with an amount of RMB10 billion, which can be listed and transferred on the SSE in installments within 12 months.

The Company completed the issuance of the 2017 first tranche subordinated bonds on April 26, 2017. The 2017 first tranche subordinated bond includes two types, of which Type 1 was with a term of three years, issue size of RMB1.5 billion and coupon rate of 4.90% while Type 2 was with a term of five years, issue size of RMB1.5 billion and coupon rate of 5.10%.

The Company completed the issuance of the 2017 second tranche subordinated bonds on May 15, 2017. The 2017 second tranche subordinated bond includes two types, of which Type 1 was with a term of three years, issue size of RMB1.5 billion and coupon rate of 5.15% while Type 2 was with a term of five years, issue size of RMB1.5 billion and coupon rate of 5.35%.

3. On February 13, 2017, the Proposal on General Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 25th meeting of the third session of the Board of the Company, and at the first extraordinary general meeting for 2017 of the Company convened on April 14, 2017, pursuant to which, the Company was authorized to issue domestic debt financing instruments within the cap for total balance of outstanding debt financing instruments not exceeding 200% of the audited net assets (of the parent company) of last year.

On May 12, 2017, the Company received Letter of No Objection on Listing and Transfer of Non-public Issue of Corporate Bonds by 東方證券股份有限公司 (Shang Zheng Han [2017] No. 491) issued by the SSE, pursuant to which, the Company was approved to issue corporate bonds with an amount not exceeding RMB16 billion, which can be listed and transferred on the SSE in installments within 12 months.

The Company finished the non-public issuance of the 2017 first tranche corporate bonds on June 9, 2017. The non-public issuance of the 2017 first tranche corporate bond includes two types, of which Type 1 was with a term of three years, issue size of RMB4.0 billion and coupon rate of 5.30% while Type 2 was with a term of five years, issue size of RMB1.0 billion and coupon rate of 5.50%.

4. On June 6, 2017, the Company received the Letter of Issuing Listing Pre-review Opinion on the Public Issue of Corporate Bonds to Qualified Investor by 東方證券股份有限公司 (Shang Zheng Zhai (Shen) [2017] No. 101) from the SSE, pursuant to which, the Company was approved to issue corporate bonds with a nominal value up to RMB4.0 billion (including) to qualified investors.

Section VI Changes in Ordinary Shares and Information on Shareholders

On July 3, 2017, the Company received the Reply on Approving the Public Issue of Corporate Bonds to Qualified Investors by 東方證券股份有限公司 (Zheng Jian Xu Ke [2017] No. 974), pursuant to which, the Company was approved to publicly issue corporate bonds with a nominal value up to RMB4.0 billion (including) to qualified investors.

The Company finished the public issuance of 2017 corporate bonds on August 3, 2017. The bonds was with a term of ten years, issue size of RMB4.0 billion and coupon rate of 4.98%.

5. The Proposal on General Mandate to Issue Offshore Debt Financing Instruments by the Company was considered and approved at the 27th meeting of the second session of the Board on July 30, 2014, and at the second extraordinary general meeting for 2014 of the Company convened on August 14, 2014, pursuant to which, the Company was authorized to issue, including without limitation to, USD bonds, offshore RMB or other foreign currencies denominated bonds or subordinated bonds, foreign currency notes (including without limitation to commercial papers) and establish medium-term notes schemes, with a cap for outstanding balance of not more than RMB7.0 billion.

The Proposal on Increase in the Size of the Issued Offshore Debt Financing Instruments of the Company was considered and approved at the 17th meeting of the third session of the Board on March 11, 2016, and at the 2015 annual general meeting of the Company convened on May 25, 2016, pursuant to which, the Company or its wholly-owned offshore subsidiaries or the directly or indirectly wholly-owned offshore subsidiaries set by the Company overseas were authorized to act as the issuing entity of offshore debt financing instruments to issue offshore debt financing instruments overseas on an one-off or multiple issuances or multi-tranche issuances basis with the total size of the cap for outstanding balance after the issue (including RMB7.0 billion, the cap for outstanding balance after the issue determined at the second extraordinary general meeting for 2014 of the Company) not exceeding RMB10.0 billion. Prior to this expiration, the authorization has been superseded by a new authorization approved by the Proposal on the Issue of Offshore Debt Financing Instruments of the Company which was considered and approved at the 32nd meeting of the third session of the Board of the Company on August 7, 2017 and at the second extraordinary general meeting for 2017 of the Company convened on September 27, 2017. The new authorization kept the size of the original authorization, i.e. the cap for outstanding balance after the issue of offshore debt financing instruments of the Company not exceeding RMB10.0 billion in total, with an effective term ending on September 27, 2020.

On November 30, 2017, Orient HuiZhi Limited, an offshore indirect wholly-owned subsidiary of the Company, completed the public-issue of five-year USD bonds, with a total issue size of USD500 million and a coupon rate of 3.625%. The Company provided a guarantee for the principal and interests in full as a guarantor.



Section VI Changes in Ordinary Shares and Information on Shareholders

(II) Changes in total number of ordinary shares and shareholding structure of the Company and the Company's assets and liabilities structure

As at the end of the Reporting Period, the Company has successfully completed the non-public issuance of A Shares. Upon the completion of the issuance, the total number of ordinary shares of the Company increased from 6,215,452,011 shares to 6,993,655,803 shares, of which 5,966,575,803 shares were A Shares and 1,027,080,000 shares were H Shares.

As at the end of the Reporting Period, the shareholding of Shenergy Group, the Company's largest shareholder, increased from 24.74% to 25.27%. Among holders of H Shares of the Company, HKSCC Nominees Limited held the shares of non-registered shareholders on their behalf, representing 14.68% of the total share capital of the Company.

For details of changes in the Company's assets and liabilities structure, please refer to "Section IV, II, (III) Analysis on assets and liabilities" in this report.

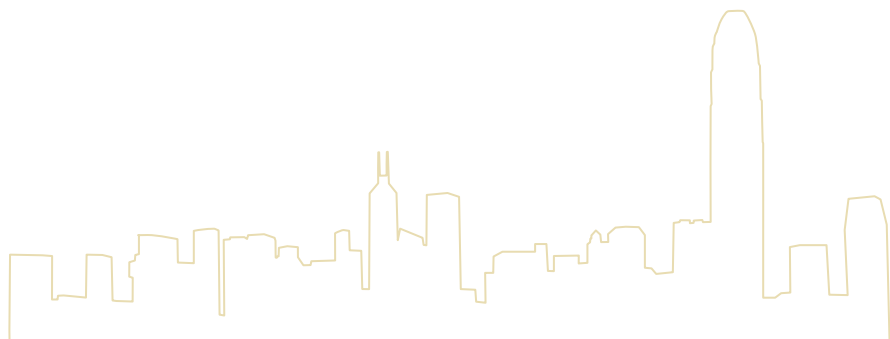
(III) Information on shares held by existing internal employees

During the Reporting Period, there was no share held by the existing internal employees.

III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period (accounts)	150,529
Total number of holders of ordinary shares as at the end of the month preceding the month when the annual report was disclosed (accounts)	144,610



Section VI Changes in Ordinary Shares and Information on Shareholders

(II) The table below sets out the shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders not subject to restriction on sales) as at the end of the Reporting Period

Unit: share

Name of shareholders (Full name)	Changes in number of shares during the Reporting Period	Shareholdings of the top ten shareholders			Number of restricted shares held	Pledged or frozen		Nature of shareholders
		Number of shares held as at the end of the Reporting Period	Percentage (%)	Status of shares		Number of shares		
Shenergy (Group) Company Limited	230,000,000	1,767,522,422	25.27	1,767,522,422	Nil	-	State-owned legal person	
HKSCC Nominees Limited	-4,400	1,026,964,000	14.68	-	Nil	-	Offshore legal person	
Shanghai Haiyan Investment Management Company Limited	59,215,263	345,486,596	4.94	59,215,263	Nil	-	State-owned legal person	
China Securities Finance Corporation Limited	69,033,564	272,265,592	3.89	-	Nil	-	State-owned legal person	
Shanghai United Media Group	-3,610,900	243,267,306	3.48	-	Nil	-	State-owned legal person	
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	208,700,000	208,700,000	2.98	208,700,000	Nil	-	State-owned legal person	
Shanghai Electric (Group) Corporation	-	194,073,938	2.77	194,073,938	Nil	-	State-owned legal person	
China Post Group Corporation	-9,123,343	178,743,236	2.56	-	Nil	-	State-owned legal person	
Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	-5,300,000	160,653,687	2.30	-	Nil	-	Domestic non-state-owned legal person	
Shanghai Construction Group Co., Ltd.	-	133,523,008	1.91	133,523,008	Nil	-	State-owned legal person	

Section VI Changes in Ordinary Shares and Information on Shareholders

Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholders	Number of circulating non-restricted shares held	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,026,964,000	Overseas listed foreign shares	1,026,964,000
Shanghai Haiyan Investment Management Company Limited	286,271,333	RMB ordinary shares	286,271,333
China Securities Finance Corporation Limited	272,265,592	RMB ordinary shares	272,265,592
Shanghai United Media Group	243,267,306	RMB ordinary shares	243,267,306
China Post Group Corporation	178,743,236	RMB ordinary shares	178,743,236
Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	160,653,687	RMB ordinary shares	160,653,687
Greatwall Information Industry Co., Ltd.	121,980,000	RMB ordinary shares	121,980,000
Shanghai Educational Development Co., Ltd. (上海市教育發展有限公司)	92,188,251	RMB ordinary shares	92,188,251
Greenland Holding Group Company Limited (綠地控股集團有限公司)	91,962,080	RMB ordinary shares	91,962,080
Central Huijin Assets Management Co., Ltd.	53,919,400	RMB ordinary shares	53,919,400
Related party relationship or parties acting in concert among above shareholders		Shenergy (Group) Company Limited, Shanghai Electric (Group) Corporation and Shanghai Construction Group Co., Ltd. are subsidiaries of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.	

Shareholdings of the top ten shareholders of restricted shares and restrictions

Unit: share

No.	Name of restricted shareholders	Number of restricted shares held	Time for listing and trading	Listing and trading of restricted shares	
				Number of shares newly added for listing and trading	Restriction
1	Shenergy (Group) Company Limited	1,537,522,422	March 23, 2018	-	Lock-up period of 36 months
2	Shenergy (Group) Company Limited	230,000,000	December 28, 2021	-	Lock-up period of 48 months
3	Zheneng Capital Holdings Limited (浙能資本控股有限公司)	208,700,000	December 28, 2018	-	Lock-up period of 12 months
4	Shanghai Electric (Group) Corporation	194,073,938	March 23, 2018	-	Lock-up period of 36 months
5	Shanghai Construction Group Co., Ltd.	133,523,008	March 23, 2018	-	Lock-up period of 36 months

Section VI Changes in Ordinary Shares and Information on Shareholders

No.	Name of restricted shareholders	Number of restricted shares held	Listing and trading of restricted shares		Restriction
			Time for listing and trading	Number of shares newly added for listing and trading	
6	Shanxi Taigang Investment Co., Ltd. (山西太鋼投資有限公司)	70,372,977	December 28, 2018	-	Lock-up period of 12 months
7	Guohua Life Insurance Co., Ltd. – Traditional No. 1 (傳統一號)	70,372,976	December 28, 2018	-	Lock-up period of 12 months
8	Shanghai Binfen Trade Development Co., Ltd. (上海濱紛商貿發展有限公司)	66,539,635	December 28, 2018	-	Lock-up period of 12 months
9	National Council for Social Security Fund (Transfer Account No.2) (全國社會保障基金理事會轉持二戶)	65,288,341	December 28, 2018	-	Lock-up period of 12 months
10	Shanghai Haiyan Investment Management Company Limited	59,215,263	December 28, 2018	-	Lock-up period of 12 months
11	Caitong Fund – SPD Bank – Xi'an Shanmei Zhuohe Investment Fund Partnership (L.P.) (西安善美卓和 投資基金合夥企業(有限合夥))	42,223,786	December 28, 2018	-	Lock-up period of 12 months
Related party relationship or parties acting in concert among above shareholders		Shenergy (Group) Company Limited, Shanghai Electric (Group) Corporation, Shanghai Construction Group Co., Ltd. and Shanghai Binfen Trade Development Co., Ltd. (上海濱紛商貿發展有限公司) are subsidiaries of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.			

Notes:

- Among the shareholders of H Shares of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.
- In the above table, the shares held by HKSCC Nominees Limited are foreign shares listed overseas (H Shares) and the shares held by other shareholders are RMB denominated ordinary A Shares.
- The nature of shareholders of A Shares represents that of accounts registered by such shareholders in Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

(III) Strategic investors or general legal persons became the top ten shareholders due to placement of new shares

During the Reporting Period, no strategic investors or general legal persons became the top ten shareholders of the Company due to placement of new shares.

Section VI Changes in Ordinary Shares and Information on Shareholders

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

As at December 31, 2017, to the best knowledge of the Company and its Directors, having made all reasonable enquiries, the following substantial shareholders and other parties (excluding the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name of shareholders	Type of share	Nature of interests	Number of shares ^(Note 1)	Approximate percentage of total share capital of relevant class in issue of the Company (%) ^(Note 2)	Approximate percentage of total share capital in issue of the Company (%) ^(Note 2)
Shenergy (Group) Company Limited	A Share	Beneficial owners	1,767,522,422(L)	29.62	25.27
China National Tobacco Corporation ^(Note 3)	A Share	Interests in controlled corporation	345,486,596(L)	5.79	4.94
Shanghai Tobacco (Group) Company ^(Note 3)	A Share	Interests in controlled corporation	345,486,596(L)	5.79	4.94
Shanghai Haiyan Investment Management Company Limited ^(Note 3)	A Share	Beneficial owners	345,486,596(L)	5.79	4.94
Zhu Lijia ^(Note 4)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.36
Sun Hongyan ^(Note 4)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.36
Hung Jia Finance Limited ^(Note 4)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.36
Kaiser Century Investments Limited ^(Note 4)	H Share	Beneficial owners	94,940,800(L)	9.24	1.36
Raise Sino Investments Limited ^(Note 5)	H Share	Beneficial owners	113,737,200(L)	11.07	1.63
Bank of Communications Co., Ltd. ^(Note 6)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.34
Bank of Communications (Nominee) Company Limited ^(Note 6)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.34
BOCOM International Asset Management Limited ^(Note 6)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.34
BOCOM International Holdings Company Limited ^(Note 6)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.34
BOCOM International Global Investment Limited ^(Note 6)	H Share	Beneficial owners	93,991,600(L)	9.15	1.34

Notes:

- (L) represents the long position.

Section VI Changes in Ordinary Shares and Information on Shareholders

2. As at December 31, 2017, the Company has issued 6,993,655,803 shares in total, including 5,966,575,803 A Shares and 1,027,080,000 H Shares.
3. Shanghai Haiyan Investment Management Company Limited is wholly owned by Shanghai Tobacco (Group) Co., Ltd., which in turn is wholly owned by China National Tobacco Corporation. Therefore, each of China National Tobacco Corporation and Shanghai Tobacco (Group) Co., Ltd. is deemed to be interested in the shares of the Company held by Shanghai Haiyan Investment Management Company Limited under the SFO.
4. Kaiser Century Investments Limited is owned as to 100% by Hung Jia Finance Limited. Hung Jia Finance Limited is owned as to 50% by each of Mr. Zhu Lijia and his spouse Ms. Sun Hongyan. Therefore, each of Mr. Zhu Lijia, Ms. Sun Hongyan and Hung Jia Finance Limited is deemed to be interested in the shares of the Company held by Kaiser Century Investments Limited under the SFO.
5. Raise Sino Investments Limited is owned as to 100% by Chu Lam Yiu.
6. BOCOM International Global Investment Limited is wholly owned by BOCOM International Asset Management Limited. BOCOM International Asset Management Limited is wholly owned by BOCOM International Holdings Company Limited, which in turn is wholly owned by Bank of Communications (Nominee) Company Limited. Bank of Communications (Nominee) Company Limited is wholly owned by Bank of Communications Co., Ltd. Therefore, each of Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited, BOCOM International Holdings Company Limited and BOCOM International Asset Management Limited is deemed to be interested in the shares of the Company held by BOCOM International Global Investment Limited under the SFO.

Save as disclosed above, as at December 31, 2017, none of the other substantial shareholders or parties have any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

(V) Directors', Supervisors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations

As at December 31, 2017, according to the information available to the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

As at the end of the Reporting Period, Shenergy Group, the Company's largest shareholder, had a shareholding of 25.27%. H Shares held by HKSCC Nominees Limited are H Shares owned by non-registered shareholders.

(II) De facto controller

As at the end of the Reporting Period, Shenergy Group, the Company's largest shareholder, had a shareholding of 25.27%. The Company had no de facto controller.

Section VI Changes in Ordinary Shares and Information on Shareholders

(III) Other information of controlling shareholder and de factor controller

As at the end of the Reporting Period, the Company has no controlling shareholder or de facto controller.

V. OTHER LEGAL-PERSON SHAREHOLDERS WITH A SHAREHOLDING OF MORE THAN 10%

Unit: 100 million Currency: RMB

Name of legal-person shareholder	Person-in-charge of the unit or legal representative	Date of incorporation	Organization code	Registered capital	Principal businesses or management events
Shenergy Group	Huang Dinan	November 18, 1996	913100001322718147	100	It primarily engages in investment, development, management in power and energy-based industries, investment in natural gas resources and urban gas network, investment and management in real estate and hi-tech industries, industrial investment, as well as operation of its assets and domestic trade (excluding specially regulated ones) 【For items subject to approval pursuant to laws, its operations could only be commenced upon approval by relevant authorities】

- Explanations
1. As at the end the Reporting Period, Shenergy Group held 25.27% of shares of the Company.
 2. The shares held by HKSCC Nominees Limited were owned by non-registered holders of H Shares.

VI. EXPLANATION ON THE RESTRICTION OF SHAREHOLDING REDUCTION

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

VII. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the securities of the Company, other than trading as an agent on behalf of customers of the Company or its subsidiaries.

Section VII Preference Shares

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



Section VIII Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: share

Name	Position (Note)	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period	Whether received remuneration from any related party of the Company or not
										(RMB '0000)	Company or not
Pan Xinjun	CPC Party committee secretary, executive Director, chairman	Male	1961	October 29, 2014	October 28, 2017	0	0	0	Nil	199.25	No
Jin Wenzhong	Deputy CPC party committee secretary, executive Director, president	Male	1964	October 29, 2014	October 28, 2017	0	0	0	Nil	199.25	No
Wu Jianxiong	Vice chairman, non-executive Director	Male	1965	October 29, 2014	October 28, 2017	0	0	0	Nil	0.00	Yes
Zhang Qian	Non-executive Director	Male	1974	October 29, 2014	October 28, 2017	0	0	0	Nil	0.00	Yes
Wu Junhao	Non-executive Director	Male	1965	October 29, 2014	October 28, 2017	0	0	0	Nil	0.00	Yes
Chen Bin	Non-executive Director	Male	1981	October 29, 2014	October 28, 2017	0	0	0	Nil	0.00	No
Li Xiang	Non-executive Director	Male	1971	October 29, 2014	October 28, 2017	0	0	0	Nil	0.00	Yes
Xu Jianguo	Non-executive Director	Male	1964	November 8, 2016	October 28, 2017	0	0	0	Nil	0.00	No
Huang Laifang	Non-executive Director	Female	1969	June 27, 2016	October 28, 2017	0	0	0	Nil	0.00	No
Xu Guoxiang	Independent non-executive Director	Male	1960	October 29, 2014	October 28, 2017	0	0	0	Nil	16.00	No
Tao Xiuming	Independent non-executive Director	Male	1964	October 29, 2014	October 28, 2017	0	0	0	Nil	16.00	No
Wei Anning	Independent non-executive Director	Male	1963	October 29, 2014	October 28, 2017	0	0	0	Nil	16.00	No
Xu Zhiming	Independent non-executive Director	Male	1961	July 8, 2016	October 28, 2017	0	0	0	Nil	16.00	No
Jin Qinglu	Independent non-executive Director	Male	1972	October 16, 2017	October 28, 2017	0	0	0	Nil	4.75	No
Song Xuefeng	Chairman of Supervisory Committee	Male	1970	October 31, 2014	October 28, 2017	0	0	0	Nil	0.00	Yes
Li Bin	Deputy party committee secretary, vice chairman of Supervisory Committee, employee representative Supervisor	Male	1959	October 29, 2014	October 28, 2017	0	0	0	Nil	171.46	No
Liu Wenbin	Supervisor	Male	1975	October 29, 2014	October 28, 2017	0	0	0	Nil	0.00	Yes
Yin Keding	Supervisor	Male	1964	October 30, 2014	October 28, 2017	0	0	0	Nil	0.00	Yes
Wu Zhengkui	Supervisor	Male	1974	October 29, 2014	October 28, 2017	0	0	0	Nil	0.00	No
Zhou Wenwu	Employee representative Supervisor	Male	1961	August 11, 2015	October 28, 2017	0	0	0	Nil	220.10	No
Yao Yuan	Employee representative Supervisor	Male	1973	October 29, 2014	October 28, 2017	0	0	0	Nil	223.85	No
Yang Yucheng	Vice president	Male	1965	October 29, 2014	October 28, 2017	0	0	0	Nil	171.46	No

Section VIII Directors, Supervisors, Senior Management and Staff

Unit: share

Name	Position (Note)	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB '0000)	Whether remuneration received from any related party of the Company or not
Shu Hong	Vice president	Male	1967	October 29, 2014	October 28, 2017	0	0	0	Nil	171.46	No
Zhang Jianhui	Vice president	Male	1968	July 24, 2015	October 28, 2017	0	0	0	Nil	171.46	No
	Financial controller			October 29, 2014	October 28, 2017						No
Du Weihua	Vice president	Male	1964	August 11, 2015	October 28, 2017	0	0	0	Nil	171.46	No
Yang Bin	Chief risk officer	Male	1972	June 19, 2015	October 28, 2017	0	0	0	Nil	535.00	No
	Chief compliance officer			July 1, 2015	October 28, 2017						No
Wang Rufu	Secretary to the Board	Male	1973	November 28, 2016	October 28, 2017	0	0	0	Nil	212.60	No
Zhou Yao	Non-executive Director (resigned)	Male	1967	October 29, 2014	December 5, 2017	0	0	0	Nil	0.00	No
Pan Fei	Independent non-executive Director (resigned)	Male	1956	June 1, 2015	July 6, 2017	0	0	0	Nil	12.67	No
Li Zhiqiang	Independent non-executive Director (resigned)	Male	1967	October 29, 2014	October 16, 2017	0	0	0	Nil	15.83	No
Total	/	/	/	/	/				/	2,544.60	/

Note: the terms of the third session of the Board, the Supervisory Committee and senior management of the Company were expired on October 28, 2017. As the Company might require a longer time period to prepare for the elections of the Board and the Supervisory Committee, relevant elections of the Board and the Supervisory Committee were postponed, and the terms of each special committee of the Board and senior management were correspondingly extended for the purpose of ensuring the continuity of relevant work of the Company.

The Company held the second general meeting of the third session of the employee representatives on December 11, 2017, at which Mr. Du Weihua was elected as the employee representative Director of the fourth session of the Board of the Company, and Mr. Li Bin, Mr. Zhou Wenwu and Mr. Yao Yuan were elected as the employee representative Supervisors of the fourth session of the Supervisory Committee of the Company. The Company held the 2018 first extraordinary general meeting on March 6, 2018, at which the members of the fourth session of the Board and the Supervisory Committee were elected, and will compose the fourth session of the Board and the Supervisory Committee together with employee representative Director and employee representative Supervisors elected at the meeting of employee representatives. Please refer to "XVI. Description of Other Significant Events of Section V" in this report for details.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Pan Xinjun	<p>Executive Directors (2)</p> <p>Mr. Pan Xinjun, born in 1961, a member of CPC, holds a master's degree in business administration and is a senior economist. Currently, he is the secretary of CPC party committee, executive Director and chairman of the Company, the chairman of Citi Orient Securities Co., Ltd. and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Pan served as the acting secretary and then the secretary of the CPC party branch of Yuyuan Road corporate sub-office of Changning district office of Industrial and Commercial Bank of China, Shanghai branch from June 1984 to January 1986, the liaison of the party rectification office, the secretary of the CPC party branch of Yuyuan Road corporate sub-office of Changning district office and a senior staff member of the organization division of the Industrial and Commercial Bank of China, Shanghai branch from March 1985 to October 1988, the secretary of CPC party committee, the chairman of the trade union, deputy director and president of the sub-branch in the Industrial and Commercial Bank of China, Shanghai branch, Changning district office from November 1988 to January 2003, the deputy secretary of CPC party committee and the general manager of the Company from January 2003 to January 2010, the secretary of CPC party committee, chairman and general manager of the Company from January 2010 to September 2010, the chairman of the board of China Universal Asset Management Company Limited from June 2012 to April 2015, a director of Orient Finance Holdings (Hong Kong) Limited from November 2014 to August 2015, and the chairman of the board and a director of Shanghai Orient Securities Capital Investment Co., Ltd. from March 2013 to August 2015. Mr. Pan was appointed as the secretary of CPC party committee and the chairman of the Board of the Company in September 2010.</p>
Jin Wenzhong	<p>Mr. Jin Wenzhong, born in 1964, a member of CPC, holds a master's degree in economics and is an economist. Currently, he is the deputy secretary of CPC party committee, executive Director and president of the Company, the chairman of Shanghai Orient Securities Capital Investment Co., Ltd., the chairman of Shanghai Orient Securities Futures Co., Ltd., a director of Shanghai Orient Securities Innovation Investment Co., Ltd., and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Jin served as the deputy manager of the distribution department, the deputy director of the research institute and the assistant to the president of Wanguo Securities from January 1992 to September 1995, the deputy director of the office for enterprise modernization committee of Nomura Securities from October 1995 to December 1997, and a member of the CPC party committee and the deputy general manager of the Company from December 1997 to September 2010. Mr. Jin has been serving as the deputy CPC party committee secretary, executive director, and president of the Company since September 2010.</p>

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Wu Jianxiong	<p>Non-executive Directors (7)</p> <p>Mr. Wu Jianxiong, born in 1965, a member of CPC, holds a master's degree in engineering and is a professorate senior engineer. Currently, he is the non-executive Director and vice chairman of the Company, the deputy party committee secretary and general manager of Shenergy (Group) Company Limited and the chairman of Shenergy Company Limited. Mr. Wu served as an assistant engineer and an engineer in the engineering department of Shenergy Electric Power Company from March 1989 to September 1993, an assistant to the manager of the planning department of Shenergy Company Limited from September 1993 to January 1994, an assistant to the general manager, the secretary of CPC party branch, deputy general manager, director and general manager of Shanghai Shenergy Real Estate Co., Ltd. from January 1994 to June 1999, an assistant to the general manager, director and deputy general manager of Shenergy Company Limited from June 1999 to December 2003, the executive vice president and chairman of Shanghai LNG Co., Ltd. from December 2004 to April 2010, the chairman of Shanghai Gas (Group) Co., Ltd. from May 2008 to June 2011, as well as an assistant to the general manager and the deputy general manager of Shenergy (Group) Company Limited from December 2003 to April 2008. Mr. Wu has been serving as the deputy party committee secretary of Shenergy (Group) Company Limited since March 2008, the general manager of Shenergy (Group) Company Limited since April 2008, as well as the chairman of Shenergy Company Limited since May 2011.</p>
Zhang Qian	<p>Mr. Zhang Qian, born in 1974, a member of CPC, holds a bachelor's degree, a master's degree in business administration, and is an economist. Currently, he is a non-executive Director of the Company, the deputy general manager of Shenergy (Group) Company Limited, the chairman of Shanghai Jiulian Group Co., Ltd., the chairman of Shanghai Shenergy ICY Equity Investment Co., Ltd. and a director of Chengdu Xinshen Venture Capital Co., Ltd., Mr. Zhang joined Shenergy (Group) Company Limited in July 1996, he served as the deputy director and the director of the comprehensive management department of Shenergy (Group) Company Limited from January 2001 to October 2004, the deputy manager and the manager of the financial asset department of Shanghai Shenergy Asset Management Co., Ltd. from October 2004 to January 2006, the deputy head of the preparatory team of Shenergy Group Finance Co., Ltd. from January 2006 to February 2007, league secretary of Shenergy (Group) Company Limited from August 2000 to March 2007, the deputy general manager and the chairman of labor union of Shenergy Group Finance Co., Ltd. from February 2007 to August 2009, as well as the secretary of the CPC party branch and the general manager of Shenergy Group Finance Co., Ltd. from August 2009 to July 2016, during which period, Mr. Zhang has been serving as deputy general manager of Shenergy (Group) Company Limited since September 2015.</p>

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Wu Junhao	<p>Mr. Wu Junhao, born in 1965, a member of CPC, holds a master's degree of management and is an economist. Currently, he is a non-executive director of the Company, the manager of the financial management department of Shenergy (Group) Company Limited, a director of China Pacific Insurance (Group) Co., Ltd., a director of China Pacific Life Insurance Co., Ltd., a director of China Pacific Property Insurance Co., Ltd., a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., a director of Chengdu Xinshen Venture Capital Co., Ltd., a supervisor of China Everbright Bank Company Limited, a supervisor of Shanghai ICY Capital Co., Ltd., the chairman of the supervisory committee of Shanghai Shenergy Financial Lease Co., Ltd., and the chairman of the supervisory committee of Shanghai Shenergy ICY Equity Investment Co., Ltd. Mr. Wu served as the executive deputy general manager of Shanghai New Resource Investment Consulting Co., Ltd. and the deputy general manager of Shanghai Pericom Investment Company. He also served as the deputy director of Shanghai Shenergy Asset Management Co., Ltd. from September 2003 to January 2006, and the deputy director, director and senior manager of the asset management department, and the deputy manager (in charge of affairs) of the financial management department in Shenergy (Group) Company Limited from January 2006 to April 2011. Mr. Wu has been serving as the manager of financial management department in Shenergy (Group) Company Limited since April 2011.</p>
Chen Bin	<p>Mr. Chen Bin, born in 1981, a member of CPC, holds a master's degree. Currently, he is a non-executive director of the Company and the deputy general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) and a director of Haitong Securities Co., Ltd. Mr. Chen served as an officer of investment management department of Shanghai Tobacco (Group) Company from July 2003 to January 2010, an assistant to section chief, section chief, and the assistant to director of investment management department of Shanghai Tobacco (Group) Company (now renamed as Shanghai Tobacco Group Co, Ltd.) from January 2010 to October 2016, and the assistant to general manager of Shanghai Haiyan Investment Management Company Limited from April 2014 to February 2017. Mr. Chen has been a non-executive director of Haitong Securities Co., Ltd. since December 2014 and the deputy general manager of Shanghai Haiyan Investment Management Company Limited since February 2017.</p>



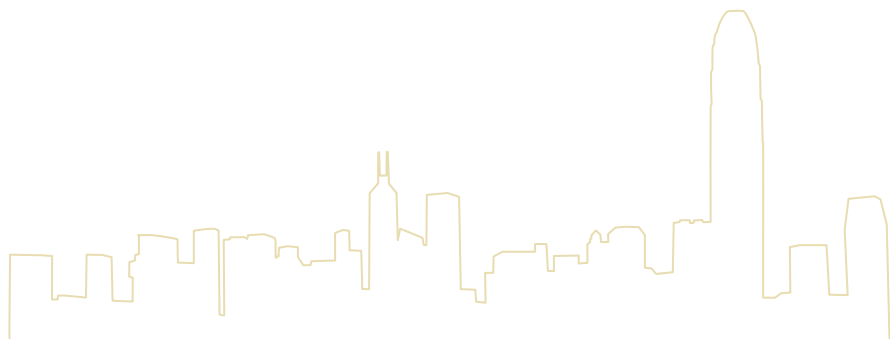
Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Li Xiang	<p>Mr. Li Xiang, born in 1971, a member of CPC, holds a bachelor's degree. Currently, he is a non-executive Director of the Company, a member of CPC party committee and the deputy general manager of Shanghai United Media Group, the secretary of CPC party committee and a director of Shanghai Xinhua Publishing Group Limited, the secretary of CPC party committee and a director of Shanghai XinHua Media Co., Ltd., the executive director of Shanghai Wenxin Economic Development Co., Ltd., a director of Shanghai Call Center Co., Ltd., a director of Shanghai Oriental Pearl Real Estate Co., Ltd., a director of Shanghai Shangbao Asset Management Co., Ltd., a director of Shanghai Morning Post Culture Media Co., Ltd., a director of Shanghai Read Information Technology Co., Ltd., a director of Shanghai Oriental Press Co., Ltd., a director of Shanghai Post Full-time Logistics Distribution Co., Ltd. (上海郵政全日送物流配送有限公司), and a director of Shanghai Dong Jie Advertising Media Co., Ltd., the chairman of the board of directors and legal representative of Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司), the executive director and legal representative of Shanghai Xinrong Asset Management Co., Ltd. (上海新融資產管理有限公司), the executive director and legal representative of Shanghai Xinhua Finance Investment Co., Ltd. (上海新華金融投資管理有限公司), the executive director and legal representative of Shanghai Xinhua Media Communication Center Co., Ltd. (上海新華傳媒交流中心有限公司), the executive director and legal representative of Shanghai Xinrong Cultural & Industrial Service Co., Ltd. (上海新融文化產業服務有限公司), the executive director and legal representative of Shanghai Yicheng Property Co., Ltd. (上海怡成房產有限公司) and the chairman of the board of directors and legal representative of Shanghai Jiefang Real Estate Co., Ltd. (上海解放置業有限公司). Mr. Li served as a journalist, a deputy director, and the director of the Column Division of the Economy Department of Shanghai Wen Hui Daily from July 1995 to January 2008, the deputy director and director of the economic management department of Wenhui-Xinmin United Press Group from January 2008 to October 2013, a director of Shanghai Wenxin Investment Co., Ltd. from May 2010 to January 2016, a director of Shanghai Xinmin Media Co., Ltd. from February 2010 to January 2016, a director of Shanghai Wenhui-Xinmin Industrial Co., Ltd. from November 2010 to September 2016, a director of China Universal Asset Management Company Limited from April 2015 to November 2016, the director of the operation management office of Shanghai United Media Group from October 2013 to May 2017, and the secretary of CPC party committee and president of Shanghai XinHua Media Co., Ltd. from June 2017 to October 2017 and has been a director of JieMian (Shanghai) Internet Technology Co., Ltd. from July 2014 to December 2017. Mr. Li has been a member of CPC party committee and the deputy general manager of Shanghai United Media Group since November 2017.</p>



Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Xu Jianguo	<p>Mr. Xu Jianguo, born in 1964, a member of CPC, holds a master's degree in accountancy. Currently, he is a non-executive Director of the Company, the head of financial budget department of Shanghai Electric (Group) Corporation, Ltd., a head of supervisory committee of Shanghai Highly (Group) Co., Ltd., a director of Shanghai Life Insurance Co., Ltd., a director of Shanghai Electric Group Finance LLC, a director of Haitong Securities Co., Ltd., a director of Shanghai Micro Electronics Equipment Group Co., Ltd. and a head of supervisory committee of Shanghai Prime Machinery Co., Ltd. Mr. Xu served in Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, served in Shanghai Electric (Group) Corporation from January 2002 to March 2004, and served as senior supervisor of the assets and finance department of Shanghai Electric Asset Management Co., Ltd. from April 2004 to September 2005, an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008, the chief financial officer of Shanghai Lida Heavy Industrial Manufacturing Co., Ltd. from March 2006 to August 2008, the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited from August 2008 to December 2009, as well as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation from December 2009 to April 2013. Mr. Xu has been serving as the head of the financial budget department of Shanghai Electric (Group) Corporation since April 2013.</p>

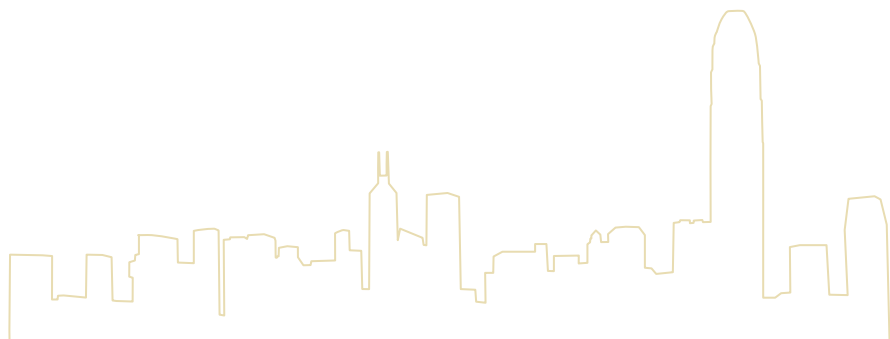


Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Huang Laifang	<p>Ms. Huang Laifang, born in 1969, holds a master's degree in business administration and is an economist. Currently, she is a non-executive Director of the Company, the deputy general manager, the chairman of the labour union, and the curator of the Shanghai Post Office Museum of the Shanghai Branch of China Post Group Corporation. Ms. Huang served as the chief of the accounting section of Baoshan District Post Bureau of Shanghai Post (Bureau) Company from July 2006 to January 2009, deputy director of Baoshan District Post Bureau of Shanghai Post Company from January 2009 to November 2010, director of Baoshan District Post Bureau of Shanghai Post Company from November 2010 to March 2012, director and the party committee secretary of Baoshan District Post Bureau of Shanghai Post Company from March 2012 to April 2013, the manager of sales department, and the director and party committee secretary of Baoshan District Post Bureau of Shanghai Post Company from April 2013 to September 2013, the manager of sales department, and the director (general manager) of Baoshan District Post Bureau (Branch) of Shanghai Post Company from September 2013 to July 2014, the general manager of marketing department of Shanghai Post Company from July 2014 to May 2015, general manager of marketing department of Shanghai Branch of China Post Group Corporation from May 2015 to February 2016 (participated in the Autumn Young Cadres Training Class for 2015 of China Post Party School of CPC from October 2015 to January 2016), the vice general manager of the Shanghai Branch of China Post Group from February 2016 to June 2016, the vice general manager and the chairman of labour union of the Shanghai Branch of China Post Group from June 2016 to September 2016. Ms. Huang Laifang has been serving as the vice general manager and the chairman of the labour union and the curator of the Shanghai Post Office Museum of the Shanghai Branch of China Post Group since September 2016.</p>
Xu Guoxiang	<p>Independent non-executive Directors (5)</p> <p>Mr. Xu Guoxiang, born in 1960, is a member of CPC, a doctor and a professor. Currently, he is an independent non-executive Director of the Company, a director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics, a chair professor of the School of Statistics and Management of Shanghai University of Finance and Economics, an independent director of China Enterprise Company Limited, an independent director of Luzhou Laojiao Co., Ltd., a supervisor of Dazhong Transportation (Group) Co., Ltd., and a supervisor of Shanghai Xintonglian Packaging Co., Ltd. Mr. Xu served as a lecturer of the Department of Management of Shanghai Maritime University, and a lecturer, associate professor, professor and the department head of the Department of Statistics of Shanghai University of Finance and Economics from January 1986 to May 2003. Mr. Xu has been the director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics since June 2003.</p>

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Tao Xiuming	<p>Mr. Tao Xiuming, born in 1964, is a member of CPC, holds a doctorate in law and is a CPC party member. Currently, he is an independent non-executive Director of the Company, a founding partner and the management committee director of Beijing JunZeJun Law Offices, an executive director of Beijing Houjian Investment Co., Ltd., and an independent director of Taikang Asset Management Co., Ltd. Mr. Tao served in the China Law Counsel Center from July 1989 to April 1992, and in the Institute of International Law of Chinese Academy of Social Sciences from April 1992 to December 1994. Mr. Tao has been a founding partner and the management committee director of Beijing JunZeJun Law Offices since July 1995.</p>
Wei Anning	<p>Mr. Wei Anning, born in 1963, holds a doctorate. Currently, he is an independent non-executive Director of the Company, the executive director and the general manager of Shanghai Guwang Investment Management Limited, an independent director of Hwabao WP Fund Management Co., Ltd., a director of Hangzhou United Rural Commercial Bank Co. Ltd., an independent director of DaChan Food (Asia) Limited, the 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., a director of Yantai Changyu Pioneer Wine Company Limited and a director of Jiangsu Financial Leasing Co., Ltd. Mr. Wei 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)), a director and assistant researcher of the Economic Development Office of the Economic Research Institute of Chinese Academy of Social Science, an agricultural economist of Agriculture and Natural Resources Bureau of World Bank. Mr. Wei served as a director and a director of agriculture, food, industry and commerce of Rabo bank in Northeastern Asia from February 1998 to January 2003, the executive vice president of New Hope Group from February 2003 to June 2006, the director of Chinese Business Development, CEO in China and president of Shanghai Branch of Fortis Bank Belgium from January 2007 to July 2010, and the chairman of Shandong Pacific Zhonghui Group from August 2010 to August 2012. Mr. Wei has been the executive director and the general manager of Shanghai Guwang Investment Management Limited since September 2010, and a director of Jiangsu Financial Leasing Co., Ltd since November 2017.</p>



Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Xu Zhiming	<p>Mr. Xu Zhiming, born in 1961, holds a doctorate in economics. Currently, he is an independent non-executive Director of the Company, a founding partner of China Broadband Capital. Mr. Xu served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation, and the co-director of corporate finance department and co-director of capital market department of Nomura International (Hong Kong) Limited, a director and the director of investment banking division in the Great China Region of National Westminster Bank of Britain, a director and the director of corporate financing division in the Great China Region of Bank of Boston of the US from December 1986 to August 1999, an executive director of China Resources Enterprise, Limited, an executive director of China Resources (Beijing) Land Limited, the managing director and chief operating officer of China Resources Logic Limited from August 1999 to December 2001, as well as a senior consultant of TOM Group Limited, and an executive director and chief operating officer of TOM Online Inc from January 2002 to May 2005. Mr. Xu has been a founding partner of China Broadband Capital since March 2006.</p>
Jin Qinglu	<p>Mr. Jin Qinglu, born in 1972, a member of CPC, holds a doctorate and is a professor. Currently, he is an independent non-executive Director of the Company, the vice dean of the School of Accountancy, a vice dean of the Institute of Accounting and Finance, a doctoral supervisor and the director of the Collaborative Innovation Center for Accounting Reform and Development of Shanghai University of Finance and Economics, and an independent director of Shanghai Emperor Of Cleaning Hi-tech Co., Ltd. Mr. Jin served as an assistant professor in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to June 2011, then a vice professor in the School of Accountancy of Shanghai University of Finance and Economics from July 2011 to June 2012. Mr. Jin has been a professor in the School of Accountancy of Shanghai University of Finance and Economics since July 2012, the vice dean of the School of Accountancy and the Institute of Accounting and Finance of Shanghai University of Finance and Economics since February 2014, the vice dean of the School of Accountancy of Shanghai University of Finance and Economics since April 2015, and the director of the Collaborative Innovation Center for Accounting Reform and Development of Shanghai University of Finance and Economics since January 2016.</p>



Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Song Xuefeng	<p>Supervisor (7)</p> <p>Mr. Song Xuefeng, born in 1970, a member of CPC, a Ph. D., a senior Economist, an engineer and a Certified Public Accountant. Currently, he is the chairman of the Supervisory Committee of the Company, a member of the party committee and deputy general manager of Shenergy (Group) Company Limited, the chairman of the supervisory committee of Shenergy Co., Ltd. and an executive director of Shanghai ICY Capital Co., Ltd., the chairman of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., the chairman of Shanghai ICY Venture Capital Management Ltd. Mr. Song served as the manager of the financial department of Shenergy Co., Ltd., a deputy manager and manager of Shenergy Company Limited from March 2001 to May 2008, an assistant to the general manager and finance manager, chief accountant and financial manager, deputy general manager and chief accountant at Shenergy Company Limited from April 2005 to May 2011, a temporary assistant mayor of Zigong, Sichuan from October 2010 to October 2011, and the assistant to general manager of Shenergy (Group) Company Limited from January 2012 to August 2014. Mr. Song has been serving as a deputy general manager of Shenergy (Group) Company Limited since August 2014, the chairman of the supervisory committee of Shenergy Company Limited since May 2011, as well as a member of the party committee of Shenergy (Group) Company Limited since December 2016.</p>
Li Bin	<p>Mr. Li Bin, born in 1959, a member of CPC, is a holder of a bachelor's degree, he is an intermediate economist and an intermediate administrative engineer. Currently, he is the deputy party committee secretary, secretary of discipline inspection committee, the vice chairman of the Supervisory Committee of the Company and director-general of Xindeyizhang Foundation (心得益彰基金會). Mr. Li served as a mechanic in Beijing Air Force Unit 39583 from February 1978 to January 1981, the league officer, deputy secretary, secretary, human resources manager, party branch secretary of assembly shop of Shanghai Construction Machinery Plant from July 1981 to September 1988, the director of general manager office and director of party committee office of Shanghai Petrochemical Equipment Company from September 1988 to August 1996, the senior staff of the human resources department of Shanghai Pricing Bureau from August 1996 to July 2000, the office senior staff, deputy director, deputy party committee secretary, secretary of discipline inspection commission and director of CPC Shanghai financial working committee from July 2000 to April 2011, and the director of human resources offices (human resources department, veteran services office) of CPC Shanghai financial working committee from April 2011 to March 2014. Mr. Li has been serving as the deputy party committee secretary and secretary of discipline inspection committee since March 2014, as the vice chairman of the Supervisory Committee since November 2014 of the Company, and as the director-general of Xindeyizhang Foundation (心得益彰基金會) since April 2015.</p>

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Liu Wenbin	Mr. Liu Wenbin, born in 1975, a member of CPC, holds a master's degree and is a senior accountant. Currently, he is a Supervisor of the Company and the financial controller of China Great Wall Technology Group Co., Ltd. Mr. Liu served as the accountant, financial manager, financial department director, deputy chief accountant and the chief financial officer of the subsidiaries of Great Wall Information Industry Co., Ltd. from June 2000 to February 2017. Mr. Liu has been the chief financial officer of China Great Wall Technology Group Co., Ltd. since February 2017.
Yin Keding	Mr. Yin Keding, born in 1964, a member of CPC, holds a bachelor's degree and is a senior accountant. Currently, he is a Supervisor of the Company, the chief accountant of Shanghai Construction Group Co., Ltd., and a director of Shanghai Pudong CCB Rural Bank Company Limited. Mr. Yin served as the financial director of the overseas business department of Shanghai Construction (Group) General Co., Ltd. from July 1987 to July 2001, the financial controller of HKC (Holdings) Limited from July 2001 to June 2004, the deputy director of the financial department of Shanghai Construction (Group) General from June 2004 to January 2005, the chief accountant of Shanghai Construction (Group) General south branch from January 2005 to January 2009, the chief accountant of Shanghai No.2 Construction Company Limited from January 2010 to October 2011, as well as the deputy chief accountant of Shanghai Construction Group Co., Ltd. from October 2011 to December 2012. Mr. Yin has been the chief accountant of Shanghai Construction Group Co., Ltd. since December 2012, and a director of Shanghai Pudong CCB Rural Bank Company Limited since January 2014.
Wu Zhengkui	Mr. Wu Zhengkui, born in 1974, a member of CPC, holds a master's degree and is an accountant. Currently, he is a Supervisor of the Company, the deputy general manager of the financial department of Greenland Holding Group Company Limited, the executive deputy general manager of the auditing centre of Greenland Holding Group, a director of Shanghai Greenland Construction (Group) Co., Ltd., a director of Shanghai Yunfeng (Group) Co., Ltd., a supervisor of Greenland Financial Investment Holding Group Co., Ltd., the financial controller of Shanghai Xinhua Publishing Group Limited, a director of the Bank of Jinzhou Co., Ltd., and an executive director of Greenland Hong Kong Holdings Limited. Mr. Wu served as a staff of Jiangsu Tianneng Group from September 1998 to December 1999, an accountant of Kunshan Southern Chemical Plant from January 2000 to February 2001, and the manager of financial department of Shanghai Greenland Construction Engineering Co., Ltd. from January 2002 to December 2003. Mr. Wu has been the manager of financial department, the assistant to general manager, the deputy general manager of the financial department, and the executive deputy general manager of the auditing centre of Greenland Holding Group Company Limited since January 2004. He also has been a director of Shanghai Yunfeng (Group) Co., Ltd. since January 2008, a supervisor of Greenland Financial Investment Holding Group Co., Ltd. since June 2011, the financial controller of Shanghai Xinhua Publishing Group Limited since January 2007, and a director of the Bank of Jinzhou Co., Ltd. since October 2011.

Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Zhou Wenwu	<p>Mr. Zhou Wenwu, born in 1961, a member of CPC, is a holder of a bachelor's degree. Currently, he is an employee representative Supervisor, the director of union office, the vice chairman of the trade union, the deputy director of retirement management committee of the Company, and the vice chairman of Huangpu District Federation of Trade Unions (黃浦區總工會). Mr. Zhou served as the deputy manager and manager of the financial department of Shanghai Merchants International Travel Company from June 1988 to September 1992. He served as the sub-manager of the financial department of Shanghai Jinqiao Export Processing Zone Joint Development Co., Ltd. from October 1992 to January 1997, the chief accountant of CLP Shanghai Industrial Co., Ltd. from February 1997 to October 1998, the manager of the financial department of Shanghai Pharmaceutical Biotechnology Industrial Park Medicine Sales Co., Ltd. from November 1998 to October 2000, as well as the commissioner for Liaoning administrative department, assistant to the general manager and deputy general manager for the fund management department of 東方證券股份有限公司 from November 2000 to December 2014. Mr. Zhou has been serving as the vice chairman of the trade union of the Company since November 2014, as the deputy director of retirement management committee since February 2015 and as the vice chairman of Huangpu District Federation of Trade Unions (黃浦區總工會) since April 2016.</p>
Yao Yuan	<p>Mr. Yao Yuan, born in 1973, a member of CPC, the general manager of the compliance and legal management department and the risk management department of the Company, is a holder of a bachelor's degree and a Certified Public Accountant. Currently, he is an employee representative Supervisor, a supervisor of Shanghai Orient Securities Futures Co., Ltd. and a supervisor of Shanghai Orient Securities Capital Investment Co., Ltd. Mr. Yao served as an accountant of Yangpu Securities Branch of Shanghai Pudong Development Bank from September 1993 to March 1998, as well as the auditing clerk, supervisor, senior supervisor, senior executive, assistant to the general manager and deputy general manager of audit department of the Company from March 1998 to December 2014. Mr. Yao has been serving as the deputy general manager of the Legal and Compliance Management Department (in charge of affairs) of the Company from December 2014 to March 2017, and the general manager of the compliance and legal management department and the risk management department of the Company since March 2017.</p>



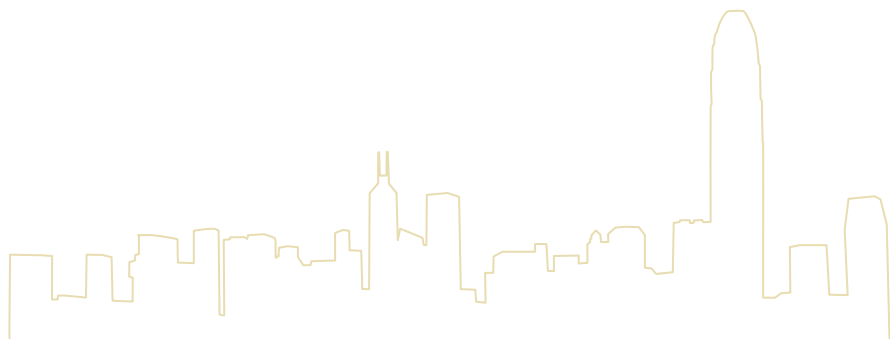
Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Yang Yucheng	<p>Other Senior Management Members (6)</p> <p>Mr. Yang Yucheng, born in 1965, a member of CPC, is a holder of a master's degree in economics and a senior economist. Currently, he is a vice president of the Company, the chairman of Orient Finance Holdings (Hong Kong) Limited, the chairman of the supervisory committee of Citi Orient Securities Co., Ltd., as well as a director of Great Wall Fund Management Co., Ltd. Mr. Yang was a teacher in the Finance Department of Shanghai University of Finance and Economics from August 1987 to July 1993, an assistant to the general manager of securities investment department of Guotai Junan Securities Co., Ltd. from August 1993 to January 1999, a director, board secretary and deputy general manager of Shanghai Dazhong Enterprises of Science and Technology Ltd. from February 1999 to July 2001, a director and the deputy general manager of Shanghai Shenergy Asset Management Co., Ltd. from October 2001 to August 2004, the financial controller and deputy general manager of the Company from May 2004 to March 2007, a director and general manager of Shenergy Group Finance Co., Ltd. from February 2007 to July 2009, and the secretary of the Board from January 2012 to November 2016. Mr. Yang has been serving as the vice president of the Company since July 2009.</p>
Shu Hong	<p>Mr. Shu Hong, born in 1967, a member of CPC, is a holder of a master's degree in business administration and an engineer. Currently, he is a vice president of the Company and a director of Shanghai Qizhong Golf Club Company Limited. Mr. Shu Hong served as the manager for the computer network center system development department of Shenyin & Wanguo Securities Co., Ltd. from March 1993 to November 1998, and the head of the Information Technology Center and general manager of the Company from November 1998 to March 2004. He also served as the assistant to the general manager and general manager of the Information Technology Center, the assistant to the general manager and general manager of the brokerage business department, the director of IT technology and assistant to the general manager, operating controller and assistant to general manager, and operating controller (now renamed as "chief operating officer") of the Company from December 2001 to April 2014. Mr. Shu has been serving as vice president of the Company since April 2014.</p>



Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Zhang Jianhui	<p>Mr. Zhang Jianhui, born in 1968, a member of CPC, is a holder of a master's degree in economics and business administration, and he is an intermediate accountant. Currently, he is a vice president of the Company, financial controller and general manager of the planning and financial management department of the Company, the chairman of Shanghai Orient Securities Innovation Investment Co., Ltd., a director of Shanghai Orient Securities Capital Investment Co., Ltd., a supervisor of China Securities Credit Investment Co., Ltd., a supervisor of Orient Finance Holdings (Hong Kong) Limited, a supervisor of Shanghai ICY Capital Co., Ltd., a supervisor of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., as well as a supervisor of Orient Ruide (Shanghai) Investment Management Co., Ltd. Mr. Zhang served as a clerk of Shanghai Pudong Development Bank from March 1994 to March 1998, the assistant to the general manager of the fund and financial management department of Orient Securities Company Limited from March 1998 to July 2003, the deputy general manager and general manager for Liaoning administrative department, the deputy general manager (in charge of affairs) and general manager of the fund and financial management department of the Company from July 2003 to June 2015. Mr. Zhang has been serving as the chief financial officer of the Company since May 2014 and has been serving as general manager of the general office of financial planning of the Company since June 2015. Mr. Zhang has been serving as the vice president of the Company since July 2015.</p>
Du Weihua	<p>Mr. Du Weihua, born in 1964, a member of CPC, is a holder of a master's degree, and he is an associate professor. Currently, he is a vice president of the Company, the chairman of the trade union and a member of the discipline inspection commission of the Company, a director of Shanghai Orient Securities Capital Investment Co., Ltd., a director of Shanghai Orient Securities Innovation Investment Co., Ltd., and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Du served as a teacher in the School of Finance at Shanghai University of Finance and Economics from July 1984 to June 1998, and the manager of sales department, assistant to the general manager and deputy general manager of the brokerage business department, general manager of the operation and management department and the general manager of human resources management department of the Company from June 1998 to May 2017 respectively, an assistant to the president and employee representative supervisor of the Company from January 2012 to August 2015. Mr. Du has been the vice president of the Company since August 2015.</p>



Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Yang Bin	<p>Mr. Yang Bin, born in 1972, a member of CPC, is a holder of a master's degree in economics. Currently, he is the chief risk officer and chief compliance officer of the Company, the general manager of audit department, a director of Shanghai Orient Securities Futures Co., Ltd., a director of Orient Finance Holdings (Hong Kong) Limited, a director of Citi Orient Securities Co., Ltd. Mr. Yang served as the clerk of the non-banking financial institute administrative office of the People's Bank of China Shanghai Branch from July 1997 to July 1998, a deputy senior staff and senior staff of the inspection bureau and case proceedings of inspection bureau of Shanghai Bureau of the CSRC from July 1998 to March 2004, the senior staff of the No.1 inspection office and the No.2 institute supervision office of Shanghai Bureau of the CSRC from March 2004 to February 2007, and the deputy director of the No.1 institute supervision office, futures regulatory office director, and legal affairs office director of Shanghai Bureau of the CSRC from February 2007 to May 2015. Mr. Yang has been serving as the chief risk officer of the Company since June 2015, as chief compliance officer of the Company since July 2015 and as the general manager of audit department since August 2017.</p>
Wang Rufu	<p>Mr. Wang Rufu, born in 1973, a member of CPC, is a holder of master's degree in engineering and a Certified Public Accountant. Currently, he is the secretary to the Board, and the Director of the Board office of the Company, a supervisor of China Universal Asset Management Company Limited, a director of Shanghai ICY Capital Co., Ltd., and a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd. Mr. Wang served as the comprehensive planner of Planning Head Office and the strategic manager of Development and Coordination Office of Shenyin Wanguo Securities from August 2002 to April 2004, the assistant to general manager of planning and development department and the deputy chief (in charge of affairs) of secretariat of Kinghing Securities from May 2004 to October 2005, as well as the senior strategic researcher of securities market of 東方證券股份有限公司 Institute from October 2005 to March 2008. Mr. Wang has been serving as the senior head, assistant to the chief, deputy chief, chief and the representative of securities affairs (concurrent) from March 2008 to November 2016 and as the secretary to the Board of the Company since November 2016.</p>



Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Zhou Yao	<p>Resigned Directors (3)</p> <p>Mr. Zhou Yao, born in 1967, a member of CPC, a holder of a master's degree in management and business administration. He has been serving as a non-executive Director of the Company from October 2014 to December 2017. Currently, he is the committee member of the party and vice president of Shanghai Jinqiao (Group) Co., Ltd., the general manager and a director of Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. (上海金橋土控聯合投資開發有限公司). Mr. Zhou served as an engineer in the analysis office of Shanghai Municipal Drainage Monitoring Center, the director of the Secretariat of the Party Working Committee and Management Committee Office of CPC Shanghai Pudong New Area, the director of the Secretariat of the District Committee Office of CPC Shanghai Pudong New Area, the deputy director of the environmental protection department of the Environmental Protection, City Appearance and Sanitation of Pudong New Area of Shanghai City from October 2003 to March 2005, the assistant to general manager and the manager of house and public utility construction department of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. from March 2005 to June 2007, a vice general manager of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. from June 2007 to August 2014, the general manager of the Project Management Center of Shanghai Jinqiao (Group) Co., Ltd. from August 2014 to September 2016. Mr. Zhou has been serving as the general manager and a director of Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. since September 2016. He has been the committee member of the party and vice president of Shanghai Jinqiao (Group) Co., Ltd., since November 2017.</p>
Pan Fei	<p>Mr. Pan Fei, born in 1956, a member of CPC, is a holder of a doctorate in management. He has been serving as an independent non-executive Director of the Company from June 2015 to July 2017. Currently, he is a professor and a doctoral supervisor of the School of Accountancy of Shanghai University of Finance and Economics. Mr. Pan served as a teaching assistant, lecturer, associate professor, and assistant dean of the School of Accountancy of Shanghai University of Finance and Economics. Mr. Pan has been serving as a professor and a doctoral supervisor of the school of accountancy of Shanghai University of Finance and Economics since July 2000.</p>
Li Zhiqiang	<p>Mr. Li Zhiqiang, born in 1967, a member of CPC, is a holder of a master's degree in law and a lawyer. He has been serving as an independent non-executive Director of the Company from October 2014 to October 2017. Currently, he is the founding partner of Jin Mao Kai De Partners., and an independent director of Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd. and an independent director of 上海新世界股份有限公司. Mr. Li served as a head and senior partner of Jin Mao Partners, a Chinese legal counsel of Graham & James LLP, as well as the vice chairman of the legal practice committee of Inter-Pacific Bar Association from July 1990 to July 2008. Mr. Li has been a founding partner of JinMao Kai De Partners since June 2008.</p>

Section VIII Directors, Supervisors, Senior Management and Staff

(II) Equity incentives granted to directors, supervisors and senior management during the Reporting Period

During the Reporting Period, no directors or senior management of the Company was granted with equity incentives.

II. EMPLOYMENT OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Employment at the shareholder entities

Name of employee	Name of the shareholder entities	Position at the shareholder entities	Commencement date of the term of office	Expiry date of the term of office
Wu Jianxiong	Shenergy (Group) Company Limited	Deputy CPC Party committee secretary	March 2008	Up to now
Wu Jianxiong	Shenergy (Group) Company Limited	General manager	April 2008	Up to now
Zhang Qian	Shenergy (Group) Company Limited	Deputy general manager	September 2015	Up to now
Wu Junhao	Shenergy (Group) Company Limited	Manager of the financial management department	April 2011	Up to now
Chen Bin	Shanghai Haiyan Investment Management Company Limited	Deputy general manager	February 2017	Up to now
Li Xiang	Shanghai United Media Group	Member of the CPC Party committee and deputy general manager	November 2017	Up to now
Xu Jianguo	Shanghai Electric (Group) Corporation	Chief of financial budget department	April 2013	Up to now
Song Xuefeng	Shenergy (Group) Company Limited	Member of the party committee	December 2016	Up to now
Song Xuefeng	Shenergy (Group) Company Limited	Deputy general manager	August 2014	Up to now
Yin Keding	Shanghai Construction Group Co., Ltd.	Chief accountant	December 2012	Up to now
Wu Zhengkui	Greenland Holding Group Company Limited	Deputy general manager of the financial department	January 2012	Up to now

Section VIII Directors, Supervisors, Senior Management and Staff

(II) Employment at other entities

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Pan Xinjun	Citi Orient Securities Co., Ltd.	Chairman	June 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	July 2010	Up to now
Wu Jianxiong	Shenergy Company Limited	Chairman	April 2011	Up to now
Jin Wenzhong	Shanghai Orient Securities Capital Investment Co., Ltd.	Chairman	March 2012	Up to now
	Shanghai Orient Securities Futures Co., Ltd.	Chairman	December 2014	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	November 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	July 2010	Up to now
Zhang Qian	Chengdu Xinshen Venture Capital Co., Ltd.	Director	April 2011	Up to now
	Shanghai Jiulian Group Co., Ltd.	Chairman	October 2015	Up to now
	Shanghai Shenergy ICY Equity Investment Co., Ltd.	Chairman	December 2016	Up to now
Wu Junhao	China Pacific Insurance (Group) Co., Ltd.	Director	July 2012	Up to now
	China Pacific Life Insurance Co., Ltd.	Director	July 2012	Up to now
	China Pacific Property Insurance Co., Ltd.	Director	July 2012	Up to now
	Shanghai Jiulian Group Co., Ltd.	Director	April 2012	December 2017
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	October 2010	Up to now
	Chengdu Xinshen Venture Capital Co., Ltd.	Director	April 2011	Up to now
	China Everbright Bank Company Limited	Supervisor	November 2009	Up to now
	Shanghai ICY Capital Co., Ltd.	Supervisor	October 2010	Up to now
	Shanghai Shenergy Financial Lease Co., Ltd.	Chairman of the supervisory committee	December 2016	Up to now
	Shanghai Shenergy ICY Equity Investment Co., Ltd.	Chairman of the supervisory committee	December 2016	Up to now

Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Chen Bin	Haitong Securities Co., Ltd.	Director	December 2014	Up to now
	Jing'an Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團靜安煙草糖酒有限公司)	Director	September 2016	Up to now
	Zhabei Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團閘北煙草糖酒有限公司)	Director	September 2016	January 2018
	Luwan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團盧灣煙草糖酒有限公司)	Director	September 2016	Up to now
	Railway Tobacco Co., Ltd. of Shanghai Tobacco Group (上海煙草集團鐵路煙草有限公司)	Director	November 2016	Up to now
	Jiading Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團嘉定煙草糖酒有限公司)	Director	September 2016	Up to now
	Putuo Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團普陀煙草糖酒有限公司)	Director	September 2016	Up to now
	Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃浦煙草糖酒有限公司)	Director	September 2016	Up to now
	Fengxian Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團奉賢煙草糖酒有限公司)	Director	September 2016	Up to now
	Jinshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團金山煙草糖酒有限公司)	Director	September 2016	Up to now
	Changning Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團長寧煙草糖酒有限公司)	Director	September 2016	Up to now
	Shanghai Magnolia Tobacco Materials Co., Ltd. (上海白玉蘭煙草材料有限公司)	Director	November 2016	Up to now
	Shanghai Jinding Printing Co., Ltd. (上海金鼎印務有限公司)	Director	October 2016	Up to now

Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Li Xiang	Shanghai Haiyan Tobacco Industry Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司)	Director	August 2016	Up to now
	Shanghai Tobacco Auctioneers Co., Ltd. (上海煙草拍賣行有限責任公司)	Director	April 2017	Up to now
	Huahuan International Tobacco Co., Ltd. (華環國際煙草有限公司)	Director	July 2017	Up to now
	Shanghai Tobacco. Package Printing Co., Ltd. (上海煙草包裝印刷有限公司)	Director	August 2017	Up to now
	Shanghai Peony Perfumery Co., Ltd. (上海牡丹香精香料有限公司)	Director	December 2017	Up to now
	Shanghai Xinhua Media Co., Ltd.	Director	September 2017	Up to now
	Shanghai Xinhua Media Co., Ltd.	CPC Party committee secretary	June 2017	Up to now
	Shanghai XinHua Media Co., Ltd.	President	June 2017	October 2017
	Shanghai Wenxin Economic Development Co., Ltd.	Executive director	April 2010	Up to now
	Shanghai Call Center Co., Ltd.	Director	July 2009	Up to now
	Shanghai Xinhua Publishing Group Limited	CPC Party committee secretary, Director	May 2014	Up to now
	JieMian (Shanghai) Internet Technology Co., Ltd.	Director	July 2014	December 2017
	Shanghai Oriental Pearl Real Estate Co., Ltd.	Director	July 2015	Up to now
	Shanghai Shangbao Asset Management Co., Ltd.	Director	September 2015	Up to now
	Shanghai Morning Post Culture Media Co., Ltd.	Director	January 2016	Up to now
	Shanghai Read Information Technology Co., Ltd.	Director	May 2016	Up to now
	Shanghai Post Full-time Logistics Distribution Co., Ltd. (上海郵政全日送物流配送有限公司)	Director	June 2016	Up to now
	Shanghai DonJie Advertising Media Co., Ltd.	Director	June 2016	Up to now
	Shanghai Oriental Press Co., Ltd.	Director	July 2016	Up to now
Shanghai Evening News Media Co., Ltd.	Chairman	November 2017	Up to now	
Shanghai Xinrong Asset Management Co., Ltd.	Executive director	January 2018	Up to now	

Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Xu Jianguo	Shanghai Xinhua Finance Investment Co., Ltd.	Executive director	January 2018	Up to now
	Shanghai Xinhua Media Communication Center Co., Ltd.	Executive director	January 2018	Up to now
	Shanghai Xinrong Cultural & Industrial Service Co., Ltd.	Executive director	January 2018	Up to now
	Shanghai Yicheng Property Co., Ltd.	Executive director	January 2018	Up to now
	Shanghai Jiefang Real Estate Co., Ltd.	Chairman	January 2018	Up to now
	Shanghai Prime Machinery Co., Ltd.	Chairman of the supervisory committee	May 2016	Up to now
	Shanghai Highly (Group) Co., Ltd.	Director	June 2016	December 2017
	Shanghai Life Insurance Co., Ltd.	Director	March 2015	Up to now
	Shanghai Electric Group Finance LLC	Director	April 2013	Up to now
	Haitong Securities Co., Ltd.	Director	October 2016	Up to now
Huang Laifang	Shanghai Micro Electronics Equipment Group Co., Ltd.	Director	June 2016	Up to now
	Shanghai Highly (Group) Co., Ltd.	Head of Supervisor	December 2017	Up to now
	Shanghai Branch of China Post Group Corporation	Deputy general manager	February 2016	Up to now
	Shanghai Branch of China Post Group Corporation	President of the labour union, Curator of the Post Office Museum	June 2016	Up to now
Xu Guoxiang	Research Center for Applied Statistics of Shanghai University of Finance and Economics	Director	June 2003	Up to now
Tao Xiuming	Baoding Tianwei Baobian Electric Co., Ltd.	Independent director	October 2011	February 2018
	China Enterprise Company Limited	Independent director	April 2012	Up to now
	Dazhong Transportation (Group) Co., Ltd.	Supervisor	April 2006	Up to now
	Shanghai Xintonglian Packaging Co., Ltd.	Supervisor	November 2011	Up to now
	Luzhou Laojiao Co., Ltd.	Independent director	June 2015	Up to now
	Beijing JunZeJun Law Offices	Founding partner and the management committee director	July 1995	Up to now
	Gao Lin Capital Management Co., Ltd.	Director	April 2014	September 2017
	Beijing Houjian Investment Co., Ltd.	Executive director	March 2014	Up to now
Taikang Asset Management Co., Ltd.	Independent director	August 2014	Up to now	

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Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Wei Anning	Shanghai Guwang Investment Management Limited	Executive director, general manager	September 2010	Up to now
	Ningbo Tech-Bank Co., Ltd.	Independent director	August 2013	May 2017
	Fortune SG Fund Management Co., Ltd.	Independent director	September 2015	Up to now
	Hangzhou United Rural Commercial Bank Co., Ltd.	Director	January 2011	Up to now
	DaChan Food (Asia) Limited	Independent director	October 2014	Up to now
	Ningxia Guwang Investment Management Limited	Executive director	May 2014	Up to now
	Xinjiang Tycoon Group Co., Ltd.	Director	February 2016	Up to now
	Yantai Changyu Pioneer Wine Company Limited	Director	June 2017	Up to now
	Ningbo Guwang Investment Management Limited	Executive director	April 2015	Up to now
	Jiangsu Financial Leasing Co., Ltd.	Director	November 2017	Up to now
Xu Zhiming	China Broadband Capital	Founding partner	March 2006	Up to now
Jin Qinglu	School of Accountancy of Shanghai University of Finance and Economics	Vice dean	April 2015	Up to now
	Shanghai Emperor Of Cleaning Hi-tech Co., Ltd.	Independent director	October 2017	Up to now
Song Xuefeng	Shenergy (Group) Company Limited	Chairman of supervisory committee	May 2011	Up to now
	Shanghai ICY Capital Co., Ltd.	Chairman	July 2013	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Chairman	July 2013	Up to now
	Shanghai ICY Capital Management Ltd.	Executive director	July 2013	Up to now
Li Bin	Shanghai DFZQ Xindeyizhang Public Welfare Foundation (上海東方證券心得益彰公益基金會)	Director-general	April 2015	Up to now
Yin Keding	Shanghai Pudong CCB Rural Bank Company Limited	Director	January 2014	Up to now

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Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Wu Zhengkui	Shanghai Greenland Construction (Group) Co., Ltd.	Director	January 2007	Up to now
	Shanghai Yunfeng (Group) Co., Ltd.	Director	January 2008	Up to now
	Greenland Financial Investment Holding Co., Ltd.	Supervisor	June 2011	Up to now
	Shanghai Xinhua Publishing Group Limited	Financial controller	January 2007	Up to now
	Bank of Jinzhou Co., Ltd.	Director	October 2011	Up to now
	Greenland Hong Kong Holdings Limited	Executive director	August 2013	Up to now
Zhou Wenwu	Huangpu District Federation of Trade Unions (黃浦區總工會)	Part-time deputy party secretary	April 2016	Up to now
Yao Yuan	Shanghai Orient Securities Capital Investment Co., Ltd.	Supervisor	March 2016	Up to now
	上海東證資本投資有限公司	Supervisor	August 2015	Up to now
Yang Yucheng	Orient Finance Holdings (Hong Kong) Limited	Chairman	August 2010	Up to now
	Citi Orient Securities Co., Ltd.	Chairman of supervisory committee	February 2015	Up to now
	Great Wall Fund Management Co., Ltd.	Director	February 2015	Up to now
Shu Hong	Shanghai Qizhong Golf Club Company Limited	Director	January 2009	Up to now
Zhang Jianhui	Shanghai Orient Securities Innovation Investment Co., Ltd.	Chairman	July 2016	Up to now
	Orient Finance Holdings (Hong Kong) Limited	Director	August 2015	Up to now
	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	August 2015	Up to now
	Shanghai ICY Capital Co., Ltd.	Supervisor	March 2010	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Supervisor	October 2010	Up to now
	Orient Ruide (Shanghai) Investment Management Co., Ltd.	Supervisor	August 2014	Up to now
	China Securities Credit Investment Co., Ltd.	Supervisor	May 2015	Up to now
Du Weihua	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	September 2011	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	November 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	April 2016	Up to now

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Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Yang Bin	Orient Finance Holdings (Hong Kong) Limited	Director	August 2015	Up to now
	Citi Orient Securities Co., Ltd.	Director	October 2015	Up to now
Wang Rufu	Shanghai Orient Securities Futures Co., Ltd.	Director	August 2015	Up to now
	China Universal Asset Management Company Limited	Supervisor	September 2015	Up to now
	Shanghai ICY Capital Co., Ltd.	Director	March 2015	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	March 2015	Up to now
Zhou Yao (resigned)	Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. (上海金橋土控聯合投資開發有限公司)	General manager	September 2016	Up to now
	Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. (上海金橋土控聯合投資開發有限公司)	Director	September 2016	Up to now
	Shanghai Jinqiao (Group) Co., Ltd.	Member of the CPC Party committee and vice president	November 2017	Up to now
Pan Fei (resigned)	School of Accountancy of Shanghai University of Finance and Economics	Professor	July 2000	Up to now
	Universal Scientific Industrial (Shanghai) Co., Ltd.	Independent director	April 2014	July 2017
	Chongqing New Century Cruises Co., Ltd. (重慶新世紀遊輪股份有限公司)	Independent director	August 2016	July 2017
Li Zhiqiang (resigned)	BOCI Securities Limited	Independent director	October 2015	July 2017
	Shanghai Jin Mao Kai De Partners	Founding partner	June 2008	Up to now
	Shanghai M&G Stationery Inc.	Independent director	June 2014	May 2017
	China Haisum Engineering Co., Ltd.	Independent director	December 2012	August 2017
	Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd.	Independent director	May 2014	Up to now
	Shanghai New World Co., Ltd.	Independent director	June 2017	Up to now

Section VIII Directors, Supervisors, Senior Management and Staff

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The Company's non-executive Directors (except for employee representative Directors) and Supervisors who are not employee representatives do not receive any remunerations from the Company. The allowances of the Company's independent non-executive Directors are determined by the Board and proposed to the general meeting for consideration and approval. The basic salary of the Company's executive Directors and the senior management above director level is determined by the Remuneration and Nomination Committee to the Board and submitted to the Board for approval; the annual salary of other senior management member is determined according to the remuneration policies of the Company. The aggregate annual performance bonuses are determined by the Remuneration and Nomination Committee to the Board based on the results of performance appraisal for the current year, and proposed to the Board for approval; the performance remuneration and discretion incentive of the management members are linked with the results of their annual performance appraisal and appraisal results. Upon confirmed by the Remuneration and Nomination Committee to the Board, the chairman will be responsible for executing the distribution results.

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

Remunerations of the Company's independent non-executive Directors are determined with reference to that of the listed peers in the same industry; remunerations of the Company's executive Directors, employee representative Supervisors and senior management are based on the remuneration and assessment system of the Company. In order to accelerate the implementation of the market-oriented system, the Company introduces pilot distribution system for remuneration of professional managers. The remuneration structure and standard of the chairman, president, vice president and management members holding positions of vice president are determined in accordance with relevant regulations stipulated in the Company's Implementation Scheme for the Remuneration Distribution System Reform of Professional Managers.

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

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

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

RMB25.446 million

Section VIII Directors, Supervisors, Senior Management and Staff

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Particulars of changes	Reasons for changes
Zhou Yao	Non-executive Director	Resignation	On December 5, 2017, Mr. Zhou Yao tendered his resignation of the positions of a non-executive Director of the third session of the Board and the member of the Compliance and Risk Management Committee of the Board due to work redeployment.
Pan Fei	Independent non-executive Director	Resignation	On July 5, 2017, Mr. Pan Fei resigned from the positions of the independent non-executive Director of the third session of the Board and the chairman of the Audit committee due to personal reasons.
Li Zhiqiang	Independent non-executive Director	Resignation	On August 29, 2017, Mr. Li Zhiqiang tendered his resignation of the independent non-executive Director of the third session of the Board, the chairman of the Remuneration and Nomination Committee to the Board and the member of the Compliance and Risk Management Committee since the tenure of being an independent non-executive Director expired. As the resignation of Mr. Li Zhiqiang would cause the number of independent non-executive Directors of the Company to be less than one-third of the Board, in accordance with the relevant laws and regulations, the resignation will take effect upon the appointment of a new independent non-executive Director to satisfy the requirement that the independent non-executive Directors should be not less than one-third of the Board. The resignation of Mr. Li Zhiqiang has taken effect since the appointment of Mr. Jin Qinglu as the new independent non-executive Director on October 16, 2017.
Jin Qinglu	Independent non-executive Director	Election	Mr. Jin Qinglu has been appointed as the independent non-executive Director of the third session of the Board at the second extraordinary general meeting of 2017 convened on September 27, 2017. The Company has received the Reply of Approval on Qualification of Jin Qinglu as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 80) from the Shanghai Securities Regulatory Bureau of the CSRC on October 16, 2017, pursuant to which, Mr. Jin Qinglu has commenced to duly perform his duties as an independent non-executive Director and the chairman of the Audit Committee.

Section VIII Directors, Supervisors, Senior Management and Staff

V. PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS

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

On July 6, 2017, Mr. Pan Fei, an independent non-executive Director, tendered his written resignation report to the Company to resign from the positions as independent non-executive Director of the third session of the Board and the chairman of the Audit Committee of the Board. Upon resignation, Mr. Pan Fei ceased to hold any positions in the Company. On December 15, 2017, Mr. Pan Fei received the Administrative Penalty Decision (No: [2017] No. 102) from the CSRC due the breach of information disclosure requirements by Jiangsu Yabaite Technology Co., Ltd (herein referred to as “Yabaite”) during his service as an independent director of Yabaite. The CSRC decided to issue a warning and impose a fine of RMB40,000 on Mr. Pan Fei.



Section VIII Directors, Supervisors, Senior Management and Staff

VI. INFORMATION ON THE STAFF OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Staff

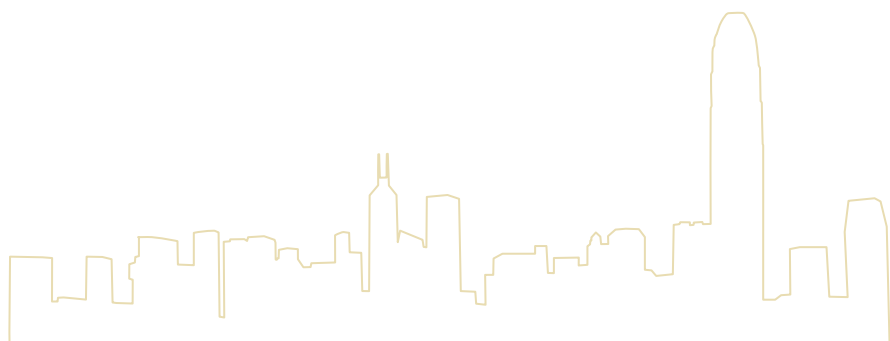
Number of staff employed by the Parent Company	3,399
Number of staff employed by the major subsidiaries	1,311
Total number of staff employed	4,710
Number of retired workers the Company and its major subsidiaries should bear costs for	0

Professional composition

Category of profession	Number of profession composition
Managers	386
Researchers	211
Investment banking professionals	377
Brokers	2,544
Asset management professionals	168
Investment business professionals	246
Financial professionals	240
Info-tech professionals	302
Other	236
Total	4,710

Education

Level of education	Educational level
Doctor	70
Master	1,423
Bachelor	2,707
Junior college graduate and below	510
Total	4,710



Section VIII Directors, Supervisors, Senior Management and Staff

(II) Remuneration policies

The Company emphasizes the recruitment, motivation, training and use of talents, and adopted a salary system based on position salary and performance bonus. The remuneration level is linked to the value of the position, local market rates and performance evaluation results, so as to ensure “give priority to efficiency with due consideration to fairness”. Pursuant to the applicable laws and regulations of the PRC, the Company entered into a labor contract with each of its employees to establish an employment relationship. The labor contract contains the provisions relating to a contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing provident fund for its employees. It made contributions to the above social insurance and housing provident fund on time and in full. Meanwhile, the Company, in accordance with the applicable PRC regulations, also established a corporate annuity system and supplementary medical insurance system in 2006, which provided supplementary pension and medical protection to employees.

(III) Training plans

In 2017, centered on its strategic objectives for the training works, the Company increased the investment in fostering all kinds of talents, focused on the training of the core talents team, such as middle and senior management, backbone professionals and new staff, and finished several of key training programs and both the number of training and the number of trainees reached a new high. During the year of 2017, the Company has organized 305 face to face internal trainings, with 9,002 participants, 397 external trainings, with 1,664 participants, and more than 60 online trainings, which covered over 10,000 employees.

In 2018, the Company will continue to improve its talents fostering mechanism to promote the growth of its staff, and will upgrade the staff training system into a multi-level, diversified and multi-form system effectively, to help the employees enhancing their comprehensive quality. Meanwhile, the Company will increase the investment in fostering all kinds of talents and innovate the diversified fostering mechanism. In addition, the Company will provide customized training courses to all kinds of talents echelon to ensure the knowledge supply for the outstanding talents.

(IV) Labor outsourcing

Unit: Yuan Currency: RMB

Total working hours involved in labor outsourcing	1,148,374 hours
Total remuneration paid for labor outsourcing	28,394,191.92



Section VIII Directors, Supervisors, Senior Management and Staff

VII. OTHERS

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

The Company adopts an entrusted agency management mode for the management of brokers. As at December 31, 2017, there were 911 brokers in service.

1. By integrating the resources, the Company has established a securities brokers' management platform and built a securities brokers team under the brokers' management system. At the same time, by cultivating the brokers' abilities of marketing services and improving the service to the investors, the Company has achieved effective risk control, which in turn will promote a health and steady development for the Company's brokerage business.
2. The brokers who engage in the activities such as customer solicitations and customer service authorized by the Company shall enter into an agency contract with the Company, for the natural person (other than a corporation), the term of the agency contract is one year.
3. Securities brokers are subject to the management of the Company. Based on compliance management, the securities brokers' management will fully respect the reasonable career development demands and legal interests of the securities brokers.
4. In the course of engaging customer solicitation and customer service, the securities brokers should not only process within the Company's authority, but also should strictly abide by the laws, administrative regulations, the regulations of regulatory agencies and administrative departments, self-discipline rules and professional ethics, and comply with the relevant rules and regulations of the Company.
5. The training for securities brokers: The securities brokers of the Company should carry out the training and study work in accordance with the requirements of the Securities Industry Association. Before carrying out business practice, the brokers should attend training for not less than 60 hours, of which compliance training not less than 20 hours. Furthermore, the brokers should complete the annual follow-up practice training and study work conscientiously, and pass the annual inspection of the association. After completing the learning and examinations of corporate compliance, anti-money laundering and employee practice and information security, the brokers should summarize and file the relevant training records and evaluation results and then report as required. Moreover, the Company should carry out related online function training courses irregularly, involving professional qualifications, marketing management knowledge, product categories and risk control, etc.

Section IX Corporate Governance

I. RELEVANT DESCRIPTION ON CORPORATE GOVERNANCE

(I) Corporate governance

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

During the Reporting Period, the Company further amended and optimized its Articles of Association and other internal rules and procedures in compliance with the relevant regulatory requirements, which had been considered and approved by the Board and at general meetings of the Company. By formulation of and continuous improvement in the above systems, the Company has witnessed a continuously standardized corporate governance structure, and an increasingly improved corporate governance level. In addition, during the Reporting Period, the Company conducted research and formulated the election proposal of the Board, the Supervisory Committee and the management of the Company based on actual conditions in order to prepare for the elections in an orderly manner, ensuring successful completion of the elections in respect of the fourth session of the Board, the Supervisory Committee and the management of the Company.

During the Reporting Period, the Company strictly observed all provisions of the Corporate Governance Code and met the requirements of the most recommended best practices set out in the Corporate Governance Code.

During the Reporting Period, the Company convened forty meetings in total, including three general meetings, twelve meetings of the Board, six meetings of the Supervisory Committee, one communication meeting of the Strategic Development Committee, seven meetings of the Compliance and Risk Management Committee, and four meetings of the Remuneration and Nomination Committee and seven meetings of the Audit Committee.



Section IX Corporate Governance

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

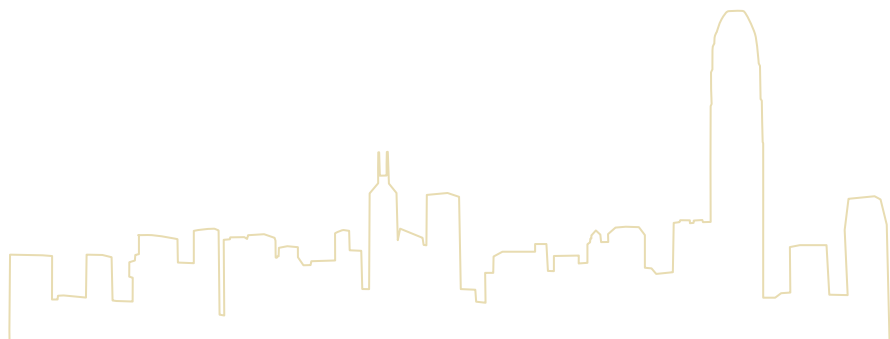
During the Reporting Period, the Company made more efforts to maintain the confidentiality of insider information, performed its obligation of insider registration, management and confidentiality diligently, kept records of the names of insiders who had accessed to the insider information at the stage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

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

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

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

No significant discrepancies exist between corporate governance and the requirements of relevant regulations of the CSRC. During the Reporting Period, the Directors have performed the abovementioned corporate governance duties.



Section IX Corporate Governance

II. BRIEF INTRODUCTIONS TO GENERAL MEETINGS

Session of the meeting	Date of convening	Reference of the website specified for resolutions disclosure	Disclosure date of resolutions
2017 first extraordinary general meeting, 2017 first A Shares class meeting and 2017 first H Shares class meeting	April 14, 2017	http://www.sse.com.cn http://www.hkexnews.hk	April 14, 2017
2016 annual general meeting	June 5, 2017	http://www.sse.com.cn http://www.hkexnews.hk	June 5, 2017
2017 second extraordinary general meeting	September 27, 2017	http://www.sse.com.cn http://www.hkexnews.hk	September 27, 2017

Explanations on general meetings

During the Reporting Period, the Company convened the 2017 first extraordinary general meeting, 2017 first A Shares Class Meeting and 2017 first H Shares Class Meeting at Pine City Hotel, No. 777 Zhaojiabang Road, Xuhui District, Shanghai, the PRC on April 14, 2017. At the 2017 first extraordinary general meeting of the Company, 2 special resolutions, the “Resolution in Relation to the Non-public Issuance of A Shares by the Company” and the “Resolution in Relation to the Proposal in Respect of the Non-public Issuance of A Shares (Revised)” and 9 ordinary resolutions the “Resolution in Relation to the Satisfaction of the Criteria for Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares”, the “Resolution in Relation to the Utilisation of Proceeds from Previous Fund Raising”, the “Resolution in Relation to the Related-party’s Transactions/Connected Transaction Involved in the Non-public Issuance of A Shares”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers”, the “Resolution in Relation to the Authorization by the Extraordinary General Meeting, the A Shares Class Meeting and H Shares Class Meeting to the Board of Directors to Deal With Relevant Matters of the Company Involved in the Non-public Issuance of A Shares”, the “Resolution in Relation to the Dilution by the Non-public Issuance of A Shares on Current Returns and the Remedial Measures”, the “Resolution in Relation to the Shareholders’ Returns in the Next Three Years (2017-2019)” and the “Proposal Regarding the Mandate to Issue Onshore Debt Financing Instruments of the Company” were considered and passed. At the 2017 first A Shares Class Meeting of the Company, the “Resolution in Relation to the Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Proposal in respect of the Non-public Issuance of A Shares

Section IX Corporate Governance

(Revised)”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers” and the “Resolution in Relation to the Authorization by the Extraordinary General Meeting, the A Shares Class Meeting and H Shares Class Meeting to the Board of Directors to Deal With Relevant Matters of the Company Involved in the Non-public Issuance of A Shares” were considered and approved. At the 2017 first H Shares Class Meeting of the Company, the “Resolution in Relation to the Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Proposal in respect of the Non-public Issuance of A Shares (Revised)”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers” and the “Resolution in Relation to the Authorization by the Extraordinary General Meeting, the A Shares Class Meeting and H Shares Class Meeting to the Board of Directors to Deal With Relevant Matters of the Company Involved in the Non-public Issuance of A Shares” were considered and approved. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meetings and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on April 15, 2017.

The Company convened the 2016 annual general meeting at Pine City Hotel, No. 777 Zhaojiabang Road, Xuhui District, Shanghai, the PRC on June 5, 2017, at which 9 ordinary resolutions were considered and approved, including the “Report of the Board of Directors of the Company for the Year 2016”, the “Report of the Supervisory Committee of the Company for the Year 2016”, the “Final Accounts Report of the Company for the Year 2016”, the “Profit Distribution Proposal of the Company for the Year 2016”, the “Annual Report of the Company for the Year 2016”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2017”, the “Proposal Regarding the Engagement of Auditing Firms for the year 2017”, the “Proposal Regarding the Projected Daily Related Party Transactions/Connected Transactions of the Company in 2017” and the “Proposal Regarding the Provision of Guarantees by the Company in 2017”. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on June 6, 2017.

The Company convened the 2017 second extraordinary general meeting at Pine City Hotel, No. 777 Zhaojiabang Road, Xuhui District, Shanghai, the PRC on September 27, 2017, at which 1 special resolution the “Resolution in Relation to the Amendments to Certain Articles in the Articles of Association of the Company” and 3 ordinary resolutions the “Resolution in Relation to the Mandate to Issue Offshore Debt Financing Instruments of the Company (Voting Item by Item)”, the “Resolution in Relation to the Business Delineation of the Company and Citi Orient Securities Co., Ltd.” and the “Election of Independent Non-Executive Director of the Company” were considered and approved. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on September 28, 2017.

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

Section IX Corporate Governance

III. PERFORMANCE OF DUTIES BY DIRECTORS

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

The biographical details of the Directors as at the date of this report are set out in “Section VIII, Directors, Supervisors, Senior management and Staff” in this report. None of the directors or the senior management has any relations with each other (including financial, business, kinship or other material or connected relations). The Board is scientifically structured, and each director has adequate knowledge, experience and expertise relating to the business operation and development of the Group. All directors are fully aware of their responsibilities to the shareholders jointly and severally.

Since the listing of the Company, the Board has always complied with the requirement of the Hong Kong Listing Rules on appointment of at least three independent non-executive directors, who shall jointly account for at least one third in number of members of the board; other than disclosed in “4. Audit Committee” under subparagraph (II) of paragraph IV in section IX of this report, five independent non-executive Directors of the Company are fully qualified as specified in Rules 3.10(1) and (2), and Rule 3.10(A) of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each independent non-executive Directors in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Hong Kong Listing Rules.



Section IX Corporate Governance

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

Name of Director	Independent Director or not	Number of Board meetings requiring attendance during the year	Attendance at the Board meetings				Attendance at general meetings	
			Attendance in person	Attendance		Absent from two consecutive meetings (in person)	Number of attendance at general meetings	
				via correspondence	Attendance by proxy			
								Absence
Pan Xinjun	No	12	12	9	0	0	No	3
Wu Jianxiang	No	12	12	9	0	0	No	2
Jin Wenzhong	No	12	11	9	1	0	No	3
Zhang Qian	No	12	12	9	0	0	No	1
Wu Junhao	No	12	11	9	1	0	No	2
Chen Bin	No	12	11	9	1	0	No	3
Li Xiang	No	12	12	9	0	0	No	0
Xu Jianguo	No	12	12	9	0	0	No	2
Huang Laifang	No	12	10	9	2	0	No	0
Xu Guoxiang	Yes	12	12	9	0	0	No	2
Tao Xiuming	Yes	12	12	9	0	0	No	0
Wei Anning	Yes	12	11	9	1	0	No	2
Xu Zhiming	Yes	12	12	9	0	0	No	1
Jin Qinglu ^(note 1)	Yes	2	2	2	0	0	No	0
Zhou Yao ^(note 2)	No	11	9	8	2	0	No	0
Pan Fei ^(note 3)	Yes	7	7	5	0	0	No	2
Li Zhiqiang ^(note 4)	Yes	10	10	7	0	0	No	3

Section IX Corporate Governance

Notes:

1. On September 27, 2017, Mr. Jin Qinglu was elected as an independent non-executive Director of the third session of the Board of the Company at the 2017 second extraordinary general meeting of the Company. At the 32nd meeting of the third session of the Board, Mr. Jin Qinglu was elected as the chairman of the Audit Committee of the third session of the Board. On October 16, 2017, the Company received the Reply on Approving Qualification of Jin Qinglu as an Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 80) issued by the Shanghai Bureau of the CSRC, pursuant to which, Mr. Jin Qinglu duly performed his duties as an independent non-executive Director and the chairman of the Audit Committee of the Company.
2. On December 5, 2017, the Company received the resignation report tendered by Mr. Zhou Yao, a non-executive Director of the Company. Due to work reallocation, Mr. Zhou Yao resigned from the positions of the non-executive Director of the third session of the Board and the member of the Compliance and Risk Management Committee of the Company, with effective from the submission of his resignation letter to the Board.
3. On July 6, 2017, the Company received the resignation tendered by Mr. Pan Fei, an independent non-executive Director of the Company. Due to personal affairs (career arrangement), Mr. Pan Fei resigned from the positions of an independent non-executive Director of the third session of the Board and the chairman of the Audit Committee, with effective from the submission of his resignation letter to the Board.
4. On August 29, 2017, the Company received the resignation tendered by Mr. Li Zhiqiang, an independent non-executive Director of the Company. Due to the expiry of tenure of being an independent non-executive Director, Mr. Li Zhiqiang resigned from the positions of an independent non-executive Director of the third session of the Board, the chairman of the Remuneration and Nomination Committee and a member of the Compliance and Risk Management Committee. As the resignation of Mr. Li Zhiqiang would cause the number of independent non-executive Directors of the Company to be less than one-third in number of members of the Board, according to relevant laws and regulations, the resignation shall take effect upon the appointment of a new independent non-executive Director to fill the vacancy, and to satisfy the requirement that the independent non-executive Directors should be not less than one-third in number of members of the Board. On October 16, 2017, the resignation of Mr. Li Zhiqiang took effect after Mr. Jin Qinglu duly performed his duties as an independent non-executive Director.

Explanation on absence from two consecutive Board meetings (in person)

Number of Board meetings convened during the year	12
Of which: Number of meetings held on-site	3
Number of meetings via correspondence	9
Number of meetings held both on-site and via correspondence	0

All the Directors agreed on the voting results of resolutions considered by the Board, with no waiver and opposition.



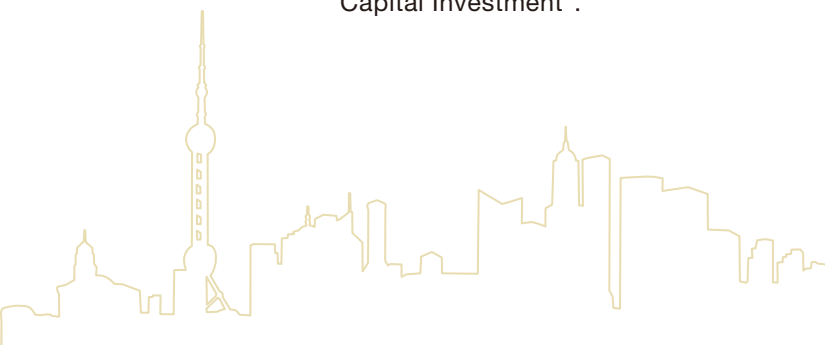
Section IX Corporate Governance

During the Reporting Period, the Board convened twelve meetings in total, details of which are as follows:

1. On February 13, 2017, the 25th meeting of the third session of the Board was held on-site, at which the following resolutions were considered and approved: the “Resolution in Relation to the Satisfaction of the Criteria for Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Proposal in Respect of the Non-public Issuance of A Shares”, the “Resolution in Relation to the Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares”, the “Resolution in Relation to the Utilisation of Proceeds from Previous Fund Raising”, the “Resolution in Relation to the Related-party’s Transactions/Connected Transaction Involved in the Non-public Issuance of A Shares”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers”, the “Resolution in Relation to the Authorization by the Extraordinary General Meeting, the A Shares Class Meeting and H Shares Class Meeting to the Board of Directors to Deal With Relevant Matters of the Company Involved in the Non-public Issuance of A Shares”, the “Resolution in Relation to the Dilution by the Non-public Issuance of A Shares on Current Returns and the Remedial Measures”, the “Resolution in Relation to the Shareholders’ Returns in the Next Three Years (2017-2019)” and the “Proposal Regarding the General Mandate to Issue Onshore Debt Financing Instruments of the Company”, the “Resolution in Relation to the Formulation of Management System of Suspension and Exemption of Information Disclosure of the Company”, the “Resolution in relation to Donation from Orient Securities Futures to the Company’s Xindeyizhang Public Welfare Foundation”, the “Resolution in relation to the Company’s Application to the Membership of the Beijing Financial Assets Exchange” and the “Resolution in Relation to the Convening of the 2017 First Extraordinary General Meeting, 2017 First A Shares Class Meeting and 2017 First H Shares Class Meeting”.
2. On February 28, 2017, the 26th meeting of the third session of the Board was convened via correspondence, at which the following resolutions were considered and approved: the “Resolution in Relation to the Satisfaction of the Criteria for Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Proposal in Respect of the Non-public Issuance of A Shares (Revised)”, the “Resolution in Relation to the Related-party’s Transactions/Connected Transaction Involved in the Non-public Issuance of A Shares”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers”, the “Resolution in Relation to the Cancellation of the Convening of 2017 First Extraordinary General Meeting, 2017 First A Shares Class Meeting and 2017 First H Shares Class Meeting Considered and Approved at the 25th Meeting of the Third Session of the Board” and the “Resolution in Relation to the Convening of the 2017 First Extraordinary General Meeting, 2017 First A Shares Class Meeting and 2017 First H Shares Class Meeting”.
3. On March 17, 2017, the 27th meeting of the third session of the Board was convened via correspondence, at which the “Resolution in relation to the Plan for the Overall Risk Management” was considered and approved.

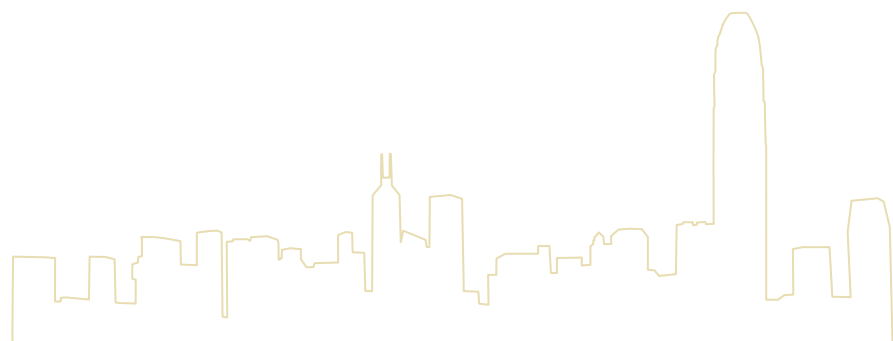
Section IX Corporate Governance

4. On March 30, 2017, the 28th meeting of the third session of the Board was held on-site, at which the following resolutions were considered and approved: the “the Company’s 2016 Annual Work Report of the Board”, the “Company’s 2016 Annual Operational Work Report”, the “Company’s 2016 Annual Financial Report”, the “Company’s Profit Distribution Plan for 2016”, the “2016 Annual Report of the Company”, the “Report on Execution of Risk Control Indicators by the Company in 2016”, the “Proposal on the Company’s Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2017”, the “Proposal on the Company’s Proprietary Scale in 2017”, the “Company’s 2016 Annual Risk Management Work Report”, the “Company’s 2016 Annual Compliance Report”, the “Company’s 2016 Annual Internal Control Assessment Report”, the “Proposal on Determination of Auditing Fee of Accounting Firm in 2016”, the “Proposal on Appointment of Accounting Firm for 2017”, the “Proposal on the Company’s 2016 Annual Social Responsibility Report”, the “Proposal Regarding the Projected Daily Related Party Transactions/Connected Transactions of the Company in 2017”, the “Proposal on Provision of Performance Bonus of Operational Management Team of the Company for the Year 2016”, the “Proposal Regarding the Provision of Guarantees by the Company in 2017”, the “Proposal in Relation to the Structure Adjustment of Orient Finance Holdings (Hong Kong) Limited”, the “Resolution of Appointment of Representative of Securities Affairs of the Company” and the “Proposal on Convening 2016 Annual General Meeting of the Company”. The “Company’s 2016 Annual Work Report of the Independent Directors” and the “2016 Report on Performance of Duties of the Audit Committee of the Board of the Company” were presented at the meeting.
5. On April 25, 2017, the 29th meeting of the third session of the Board was convened via correspondence, at which the “First Quarterly Report of the Company for the Year 2017” was considered and approved.
6. On May 15, 2017, the 30th meeting of the third session of the Board was convened via correspondence, at which the following resolutions were considered and approved: the “Resolution of Adjusting the Proposal of Non-public Issue of A Share of the Company”, the “Resolution of the Amendments to the Proposal in Respect of the Non-public Issue of A Share of the Company (Revised)” and the “Resolution in relation to the Signing of the Termination Agreement for the Share Subscription Agreement with Shanghai United Media Group”.
7. On June 22, 2017, the 31st meeting of the third session of the Board was convened via correspondence, at which the following resolutions were considered and approved: the “Resolution in relation to the Amendments to the Administrative Measures of Liquidity Risk Management of Orient Securities Company Limited”, the “Resolution in relation to the Amendments to the Basic System for Comprehensive Risk Management of Orient Securities Company Limited”, the “Resolution in relation to the Formulation of the Provisional Administrative Measures of Internal Control and Management of Orient Securities Company Limited” and the “Resolution in relation to the Structure Adjustment of Orient Securities Capital Investment”.



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8. On August 7, 2017, the 32nd meeting of the third session of the Board was convened via correspondence, at which the following resolutions were considered and approved: the “Resolution of Adjusting the Proposal of Non-public Issue of A Share of the Company”, the “Resolution of the Amendments to the Proposal of Non-public Issue of A Share of the Company (Second Revision)”, the “Resolution in relation to the Signing of the Supplemental Agreement for the Share Subscription Agreement by the Company, Shenergy Group, Shanghai Haiyan Investment”, the “Resolution in Relation to the Amendment to Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares”, the “Resolution in relation to the Amendments to Certain Articles in the Articles of Association”, the “Resolution in relation to the Mandate to Issue Offshore Debt Financing Instruments of the Company”, the “Proposal in relation to the Business Delineation of the Company and Citi Orient Securities Co., Ltd.”, the “Resolution in relation to the Election of Independent Non-Executive Director of the Company”, and the “Resolution in Relation to the Election of Mr. Jin Qinglu as the Chairman of the Audit Committee of the Board” and the “Resolution in relation to Convening the 2017 Second Extraordinary General Meeting”.
9. On August 25, 2017, the 33rd meeting of the third session of the Board was held on-site, at which the following resolutions were considered and approved: the “Interim Report of the Company for the year 2017”, “the Report on Execution of Risk Control Indicators of Net Capital by the Company for the First Half of 2017”, the “Company’s 2017 Interim Compliance Report”, “the Company’s 2017 Interim Risk Management Work Report” and the “Resolution in relation to the Adjustment of the Amount of Donation from the Company to DFZQ Xindeyizhang Public Welfare Foundation”. The meeting listened to the “Company’s 2017 Half-year Operational Work Report”.
10. On September 29, 2017, the 34th meeting of the third session of the Board was convened via correspondence, at which the “Resolution in relation to the Amendment to The Company’s Basic Compliance Management System” was considered and approved.
11. On October 27, 2017, the 35th meeting of the third session of the Board was convened via correspondence, at which the “Third Quarterly Report of the Company for the Year 2017” was considered and approved.
12. On December 5, 2017, the 36th meeting of the third session of the Board was convened via correspondence, at which the following resolutions were considered and approved: the “Resolution in relation to the Election of the Board of Directors of the Company”, the “Resolution in relation to the Amendments to Certain Articles in the Articles of Association”, the “Resolution in relation to the Amendments to Work Rules for the Chief Risk Officer of the Company”, the “Resolution in relation to the Amendments to Work Rules for the Chief Compliance Officer of the Company” and the “Resolution in relation to the Convening of the 2018 First Extraordinary General Meeting”.



Section IX Corporate Governance

(II) Independent Directors' objections to relevant matters of the Company

During the Reporting Period, the independent Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to “Attendances of Directors at Board Meetings and General Meetings” in this section and “Duties of various special committees and their meetings” for attendances of independent Directors at general meetings, Board meetings and meetings of special committees. The 2017 Annual Work Report of Independent Directors of Orient Securities Company Limited to be disclosed by the Company on the website of the SSE on March 30, 2018 sets out the details of the performance of duties by the independent Directors.

(III) Board and management

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

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

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

1. Chairman and president

Positions of the chairman and president (i.e. chief executive officer under Hong Kong Listing Rules) of the Company are served by different individuals to secure independence of their duties, accountabilities and balanced distribution of rights and authorizations. Mr. Pan Xinjun serves as the chairman and Mr. Jin Wenzhong serves as the president. The Rules of Procedure for Board Meetings and Work Rules for the President considered and passed by the Board clearly define duties of the chairman and the president respectively.

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



Section IX Corporate Governance

2. *Directors' appointment and re-election*

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

3. *Terms of Office of Non-executive Directors*

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

4. *Directors' remunerations*

Please refer to "Section VIII, III. Remunerations of Directors, Supervisors and Senior Management" in this report for details.

5. *Directors' trainings*

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

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

Name of Director	Date	Period of lasting	Organizer	Content	Place of training
All Directors	April 5, 2017	/	Hong Kong Stock Exchange	Duties of directors and the role and functions of board committees	/
All Directors	June 14, 2017	/	the Company	Interpretation of the Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies	/
All Directors	July 10, 2017	/	Hong Kong Stock Exchange	Risk Management and Internal Control; Environment, Social and Governance Report	/
All Directors	October 16, 2017	/	Hong Kong Stock Exchange	Corporate Governance – Roles of Directors and Company Secretaries	/



Section IX Corporate Governance

IV. MATERIAL ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES TO THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD AND DISCLOSURE OF DISSENTING EVENTS

(I) Special committees of the Board and their members

The third session of the Board of the Company sets up four special committees, with members set out as follows:

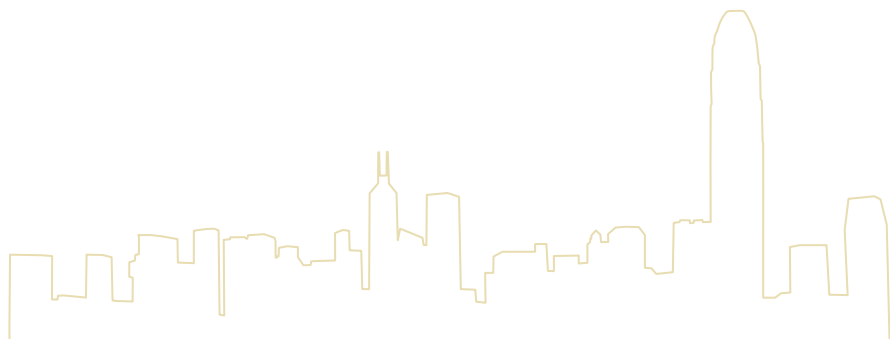
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|--|--|
| 1. Strategic Development Committee: | Non-executive Director Wu Jianxiong (chairman), executive Director Pan Xinjun, executive Director Jin Wenzhong, non-executive Director Huang Laifang, Independent non-executive Director Tao Xiuming |
| 2. Compliance and Risk Management Committee: | Executive Director Pan Xinjun (chairman), executive Director Jin Wenzhong, non-executive Director Li Xiang |
| 3. Remuneration and Nomination Committee: | Non-executive Director Zhang Qian, non-executive Director Chen Bin, independent non-executive Director Xu Guoxiang, independent non-executive Director Wei Anning |
| 4. Audit committee: | Independent non-executive Director Jin Qinglu (chairman), non-executive Director Wu Junhao, non-executive Director Xu Jianguo, independent non-executive Director Xu Guoxiang, independent non-executive Director Wei Anning |

Note: On August 7, 2017, the 32nd meeting of the third session of the Board considered and approved the “Resolution in Relation to the Election of Mr. Jin Qinglu as the Chairman of the Audit Committee of the Board”, and Mr. Jin Qinglu was elected as the Chairman of the Audit Committee of third session of the Board.

(II) Duties of various special committees and their meetings

1. *Strategic Development Committee*

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



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During the Reporting Period, the Strategic Development Committee convened one strategic communication meeting, the details of which are as follows:

On December 8, 2017, the 2017 1st meeting of the Strategic Development Committee of the third session of the Board was convened. The committee listened to the “Review on DFZQ’s 2015-2017 Strategic Implementation and Analysis Report on the Industry in Next Three Years”, the “Special Report on Financial Technology” and the “Work Report on the Strategic Planning of DFZQ in Next Three Years”.

2. *Compliance and Risk Management Committee*

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



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During the Reporting Period, the Compliance and Risk Management Committee convened seven meetings in total, the details of which are as follows:

On February 13, 2017, the 1st meeting of Compliance and Risk Management Committee of the third session of the Board in 2017 was convened, at which the “Work Proposal on Effectiveness Assessment of Compliance Management of the Company for the Year 2016” was considered and approved.

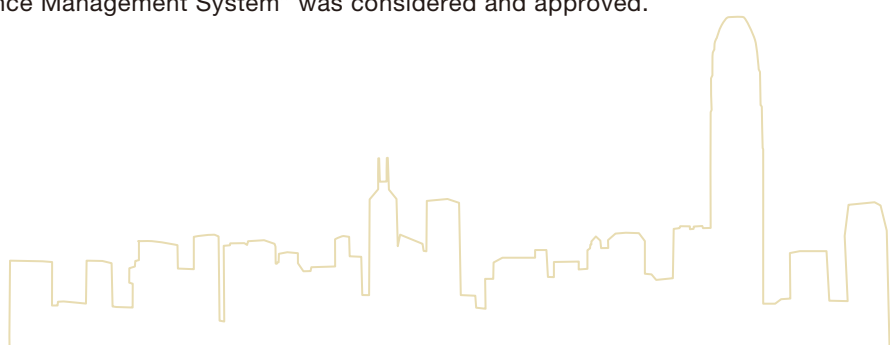
On March 17, 2017, the 2nd meeting of Compliance and Risk Management Committee of the third session of the Board in 2017 was convened, at which the “Resolution in relation to Plan for the Overall Risk Management of the Company” was considered and approved.

On March 29, 2017, the 3rd meeting of Compliance and Risk Management Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the “Report on Execution of Risk Control Indicators by the Company for the Year 2016”, the “Proposal on the Company’s Allocation of Assets and Liabilities, Business Scale and Risk Control Plan for 2017”, the “Proposal on the Company’s Proprietary Scale for 2017”, the “Risk Management Work Report of the Company for the Year 2016”, the “Company’s 2016 Annual Compliance Report” and the “Report on Effectiveness Assessment of Compliance Management of the Company for the Year 2016” to conduct performance evaluation of the Chief Compliance Officer for the year 2016.

On June 22, 2017, the 4th meeting of Compliance and Risk Management Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the “Resolution in relation to the Amendments to the Basic System for Comprehensive Risk Management of the Company”, the “Resolution in relation to the Amendments to the Administrative Measures of Liquidity Risk Management of Orient Securities Company Limited” and the “Resolution in relation to the Formulation of the Provisional Administrative Measures of Internal Control and Management of Orient Securities Company Limited”.

On August 25, 2017, the 5th meeting of Compliance and Risk Management Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the “Report on Execution of Interim Risk Control Indicators of Net Capital Report by the Company for the First Half of 2017”, the “Company’s 2017 Interim Compliance Report” and the “Company’s 2017 Interim Risk Management Work Report”.

On September 29, 2017, the 6th meeting of Compliance and Risk Management Committee of the third session of the Board in 2017 was convened, at which the “Resolution in relation to the Amendment to The Company’s Basic Compliance Management System” was considered and approved.



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On December 5, 2017, the 7th meeting of Compliance and Risk Management Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the “Work Proposal on Effectiveness Assessment of Compliance Management of the Company for the Year 2017”, the “Work Proposal on Assessment of Overall Risk Management of the Company for the Year 2017”, the “Resolution in relation to the Amendments to Work Rules for the Chief Risk Officer of the Company” and the “Resolution in relation to the Amendments to Work Rules for the Chief Compliance Officer of the Company”.

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

Name	Number of actual attendances/ number of attendances as required
Pan Xinjun	7/7
Jin Wenzhong	7/7
Li Xiang	7/7
Zhou Yao (resigned)	6/6
Li Zhiqiang (resigned)	6/6

3. *Remuneration and Nomination Committee*

The main duties of the Remuneration and Nomination Committee include: evaluating the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year and make recommendations regarding any proposed changes to the Board to complement the corporate strategy. The Company has established a policy regarding the diversified composition of the Board. When considering the composition of the Board, the Company considers necessary to ensure the balance between executive Directors and non-executive Directors (including independent non-executive Directors) and consider from multiple aspects the diversity of the members of the Board, including but not limited to their gender, age, cultural and educational background and professional experience; review and advise on the selection criteria and procedures for Directors and senior management, identify qualified individuals as candidates for Directors and senior management, review their qualifications and making recommendations; make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular, the chairman and the president); assess the independence of independent Directors; study and review the

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

During the Reporting Period, the Remuneration and Nomination Committee convened four meetings in total, the details of which are as follows:

On February 13, 2017, the 1st meeting of Remuneration and Nomination Committee of the third session of the Board in 2017 was convened, at which the "Proposal on the Facilitation of the Company's Pilot Implementation Scheme for the Remuneration Distribution Policy Reform of Professional Managers" was considered and approved.

On March 30, 2017, the 2nd meeting of Remuneration and Nomination Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the "Resolution in relation to the Performance Evaluation of the President, Vice President and Management Team Members of the Company for the Year 2016" and the "Proposal on Provision of Performance Bonus of Operational Management Team of the Company for the Year 2016".

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On August 7, 2017, the 3rd meeting of Remuneration and Nomination Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved: the “Proposal on Election of Independent Non-executive Directors of the Company”, the “Resolution in Relation to the Election of Mr. Jin Qinglu as the Chairman of the Audit Committee of the Board” and the “Resolution in relation to the Performance Evaluation of the Operating Results of the Operational Management Team of the Company for the Year 2017”.

On December 5, 2017, the 4th meeting of Remuneration and Nomination Committee of the third session of the Board in 2017 was convened, at which the “Proposal on the Elections of Directors to the Board of the Company was considered and approved.

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

<u>Name</u>	<u>Number of actual attendances/ number of attendances as required</u>
Zhang Qian	4/4
Chen Bin	4/4
Xu Guoxiang	4/4
Wei Anning	4/4
Li Zhiqiang (resigned)	3/3

On October 16, 2017, Mr. Li Zhiqiang, the original chairman of the Remuneration and Nomination Committee ceased to perform duties as an independent non-executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Compliance and Risk Management Committee of the Board. Following the resignation of Mr. Li Zhiqiang, the Company failed to meet the composition requirements of the Remuneration and Nomination Committee under Rule 3.25 and code provision A.5.1 in Appendix 14 of the Hong Kong Listing Rules, and the chairman of the Remuneration and Nomination Committee was vacant. The Board convened the meeting on December 5, 2017 and agreed to nominate candidates of the fourth session of the Board and submit the list of Director candidates for consideration and approval at the extraordinary general meeting. Election of the fourth session of the Board of the Company was passed at the extraordinary general meeting on March 6, 2018. Since then, the Company was in compliance with the composition requirements of the Remuneration and Nomination Committee under Rule 3.25 and code provision A.5.1 of Appendix 14 of the Hong Kong Listing Rules.

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4. *Audit Committee*

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

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During the Reporting Period, the Audit Committee convened seven meetings in total, the details of which are as follows:

On February 13, 2017, the 1st meeting of Audit Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the “Resolution in relation to the Related Party’s Transactions Involved in the Non-Public Issuance of Shares”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers” and the “Work Proposal on Internal Control Assessment of the Company for the Year 2016”.

On February 28, 2017, the 2nd meeting of Audit Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the “Resolution in relation to the Related Party’s Transactions Involved in the Non-Public Issuance of Shares” and the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers”.

On March 30, 2017, the 3rd meeting of Audit Committee of the third session of the Board in 2017 was convened, at which the following resolutions were considered and approved, including: the “Report on Auditing and Its Results of the Company for the Year 2016”, the “2016 Annual Report of the Company”, the “2016 Report on Performance of Duties of the Audit Committee of the Board of the Company (Non-Voting)”, the “Proposal on Internal Control Assessment of the Company for the Year 2016”, the “Audit Report of the Company for the Year 2016 (Non-Voting)”, the “Proposal on the Company’s Estimated Ordinary Related Transactions in 2017”, the “Proposal on Determination of Auditing Fee of Accounting Firm for 2016” and the “Proposal on the Appointment of Accounting Firms for 2017”.

On April 25, 2017, the 4th meeting of Audit Committee of the third session of the Board in 2017 was convened, at which the “First Quarterly Report of the Company for the Year 2017” was considered and approved.

On August 25, 2017, the 5th meeting of Audit Committee of the third session of the Board in 2017 was convened, at which the “2017 Interim Report of the Company” was considered and approved.

On October 27, 2017, the 6th meeting of Audit Committee of the third session of the Board in 2017 was convened, at which the “Third Quarterly Report of the Company for the Year 2017” and was considered and approved.

On December 4, 2017, the 7th meeting of Audit Committee of the third session of the Board in 2017 was convened, at which the “Report on Communication Before Audit of the Company for the Year 2017” and the “Work Proposal on Internal Control Assessment of the Company for the Year 2017” were considered and approved.



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

<u>Name</u>	<u>Number of actual attendances/ number of attendances as required</u>
Jin Qinglu	2/2
Wu Junhao	6/7
Xu Jianguo	7/7
Xu Guoxiang	7/7
Wei Anning	6/7
Pan Fei (resigned)	4/4

Mr. Pan Fei, the original chairman of the Audit Committee, ceased to perform duties as an independent non-executive Director and the chairman of the Audit Committee of the Company on July 6, 2017. Following the resignation of Mr. Pan Fei, the requirements that at least one of the independent non-executive Directors of the Company and at least one member of the Audit Committee must have appropriate professional qualifications or accounting or related financial management expertise under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules were not met by the Company and the position of chairman of the Audit Committee was vacant. On October 16, 2017, Mr. Jin Qinglu duly performed his duty as an independent non-executive Director and the chairman of the Audit Committee of the Company. Since then, the Company was in compliance with the Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

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

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

During the Reporting Period, the Supervisory Committee had no objections to the matters under supervision.

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

Name of Supervisor	Number of attendance as required during the year	Attendance			Absence	Absence from two consecutive meeting (in person)
		Attendance in person	Attendance via correspondence	Attendance by proxy		
Song Xuefeng	6	6	3	0	0	No
Li Bin	6	6	3	0	0	No
Liu Wenbin	6	5	3	1	0	No
Yin Keding	6	6	3	0	0	No
Wu Zhengkui	6	5	3	1	0	No
Zhou Wenwu	6	6	3	0	0	No
Yao Yuan	6	6	3	0	0	No

(II) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened six meetings in total. All the Supervisors agreed on the voting results of resolutions considered by the Supervisory Committee, with no waiver and opposition. The details are as follows:

On February 13, 2017, the 10th meeting of the third session of the Supervisory Committee was convened on-site, at which the “Resolution in Relation to the Utilisation of Proceeds from Previous Fund Raising” was considered and approved.

On March 30, 2017, the 11th meeting of the third session of the Supervisory Committee was convened on-site, at which the following resolutions were considered and approved, including: the “Work Report of Supervisory Committee of the Company for the Year 2016”, the “Company’s 2016 Annual Financial Report”, the “Company’s 2016 Annual Compliance Report”, the “Company’s 2016 Annual Risk Management Work Report”, the “Company’s 2016 Annual Internal Control Assessment Report”, the “Evaluation Report on Performance of Duties by Directors of the Company for the Year 2016”, the “Evaluation Report on Performance of Duties by Supervisors of the Company for the Year 2016”, the “Evaluation Report on Performance of Duties by Senior Management of the Company for the Year 2016”, the “Company’s 2016 Annual Report”.

On April 25, 2017, the 12th meeting of the third session of the Supervisory Committee was convened via correspondence, at which the “First Quarterly Report of the Company for the Year 2017” was considered and approved.

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On August 25, 2017, the 13th meeting of the third session of the Supervisory Committee was convened on-site, at which the “Interim Report of the Company for the year 2017” was considered and approved. The committee also listened to “the Company’s 2017 Interim Work Report of the Supervisory Committee”, “the Company’s 2017 Interim Financial Report”, “the Company’s 2017 Interim Compliance Report” and “the Company’s 2017 Interim Risk Management Work Report”.

On October 27, 2017, the 14th meeting of the third session of the Supervisory Committee was convened via correspondence, at which the “Third Quarterly Report of the Company for the year 2017” was considered and approved.

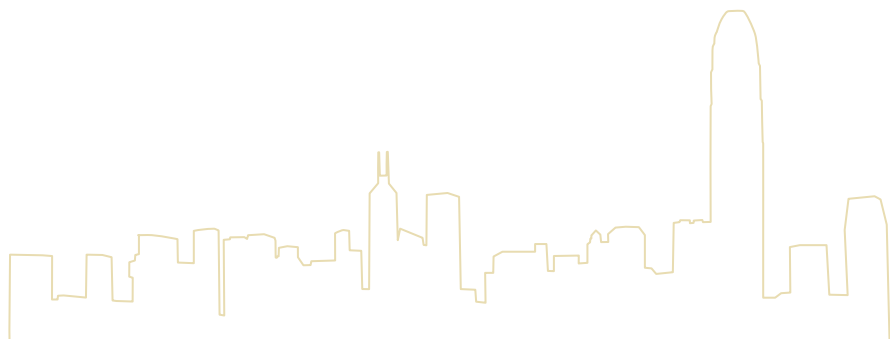
On December 5, 2017, the 15th meeting of the third session of the Supervisory Committee was convened via correspondence, at which the “Resolution in relation to the Election of the Supervisory Committee of the Company” was considered and approved.

VI. EXPLANATIONS ON THE COMPANY’S INABILITY TO ENSURE INDEPENDENCE AND OPERATING INDEPENDENTLY FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF BUSINESS, STAFF, ASSETS, INSTITUTION AND FINANCE

The Company has no controlling shareholder. As at the end of the Reporting Period, Shenergy Group, the largest shareholder of the Company, held 25.27% of its shares. The Company is completely independent from its shareholders in business, staff, assets, institutions, finance, etc. The Board, the Supervisory Committee and various functional departments all function independently with independent and complete business and self-standing operating capability.

(I) Business independence

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



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(II) Staff independence

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

(III) Assets independence

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

(IV) Institutional independence

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

(V) Financial independence

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

The Company's corresponding solutions, progress and follow-up plans for horizontal competition

During the Reporting Period, the Company has no horizontal competition resulting from shareholding system transformation, industrial characteristics, national policies, or acquisition and merger, etc.

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VII. ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the Reporting Period, adhering to the general idea of “innovation, transformation and development”, the senior management of the Company responded to the new trend of development of the industry and led cadres and staff to work hard and improve hand in hand. In addition, the Company further sped up the progress of capital supplement and talents development, completed the establishment of system and mechanism, accelerated the progress of business transformation and strengthened compliance risk tasks, which contributed to the remarkable achievements in the business development and assessment indicators made by the Company. During the Reporting Period, the Company further introduced, cultivated, promoted and utilized young cadres to optimize team structure of cadres. The Company also reviewed the cadres terms of office in order to strictly supervise their duty performance. The enhancement of training and cultivation of cadres also enhanced leadership of mid-to-high level cadres.

The Company has set clear performance objectives for its senior management within their work scope. At the end of each fiscal year, the Company will conduct annual performance evaluation on its senior management.

VIII. WHETHER OR NOT TO DISCLOSE SELF-EVALUATION REPORT ON INTERNAL CONTROL

For details of the Company’s assessment report on internal control, please refer to the Internal Control Assessment Report of Orient Securities Company Limited for the Year 2017 disclosed on the website of the SSE (<http://www.sse.com.cn>) on March 30, 2018.

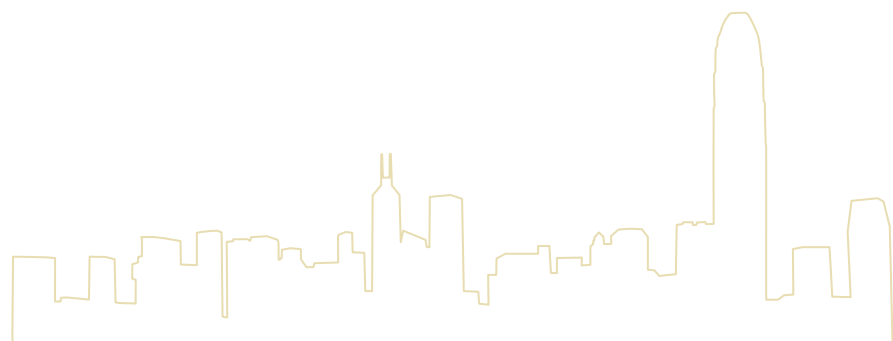
Explanations on material defects in internal control during the Reporting Period

During the Reporting Period, there was no material defect in the internal control.

IX. EXPLANATIONS ON THE AUDIT REPORT ON INTERNAL CONTROL

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

For details of the Company’s audit report on internal control, please refer to the Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE on March 30, 2018.



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X. RESPONSIBILITY STATEMENT ON INTERNAL CONTROL AND ESTABLISHMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

(I) Board's representation

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

The objectives of the Company's internal control are to reasonably guarantee the compliance of its operations and management with the laws, assets security, and the truthfulness and completeness of financial reports and relevant information so as to enhance its operational efficiency and results as well as facilitate in realizing its development strategies. Due to the inherent limitations in internal control, only reasonable guarantees can be provided for achieving the above mentioned objectives. In addition, projections on effectiveness of internal control in the future based on internal control appraisal results are subject to the certain risk that internal control may become inadequate due to changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. The risk management and internal control systems of the Company may only prevent the material misstatement or loss on a reasonable basis instead of an absolute basis, since the target thereof is focusing on management rather than eliminating the risk arising from failure of achieving business target.

(II) Establishment of risk management and internal control institutions

The Company has established a scientific and efficient internal control structural system, to identify, evaluate and manage the Group's major risks. The institution consists of the Board, Supervisory Committee, management, functional management departments and business operations departments, each with its definite scope of work and duties.

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

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

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

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

The Company has adopted various policies and procedures to assess and improve prudently the effect of our risk management and internal control system of the Group. During the Reporting Period, the Company issued 98 policies or rules in total, of which 64 are at corporate level and above, and 34 are at department level. Such policies or rules mainly included the Articles of Association of Orient Securities Company Limited, the Basic System of Compliance Management of Orient Securities Company Limited, the Basic System of Comprehensive Risk Management of Orient Securities Company Limited, the Working Rules for Chief Compliance Officer of Orient Securities Company Limited, the Working Rules for Chief Risk Officer of Orient Securities Company Limited, the Risk Management Measures for Subsidiaries of Orient Securities Company Limited, the Management Measures on Market Risk of Orient Securities Company Limited, the Management Measures on Credit Risk of Orient Securities Company Limited, the Management Measures on Eligibility of Investors of Orient Securities Company Limited, the Management Measures on Funds Sales Business of Orient Securities Company Limited, the Measures on Data Management of Orient Securities Company Limited, the Management Measures on Stress Testing of Orient Securities Company Limited and the Management Measures on Operational Risk of Orient Securities Company Limited.

(IV) Basis of building internal control over financial reports

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

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During the Reporting Period, considering industrial features and actual conditions of the Company, the Company sorted out and improved its financial accounting management system in strict accordance with the Company Law, Accounting Law, Accounting Standards for Business Enterprises, Standardization of Basic Work of Accounting, Financial Rules for Financial Enterprises, Basic Norms for Enterprise Internal Control and other relevant laws and regulations in the PRC.

The financial reports prepared by the Company comply with accounting standards, and give a true, accurate and complete view of its financial positions, operating results, cash flow and other relevant information. According to the Articles of Association and relevant provisions, the Company's Supervisory Committee and external auditor effectively inspected and supervised the Company's financial positions and issued professional audit opinions on its financial reports.

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

(V) Operations of risk management and internal control system

As at the end of 2017, the Company has established an internal control system which fully covered its departments, branches and wholly-owned and controlling subsidiaries. In accordance with the requirements of the Basic Norms for Enterprise Internal Control, the Guidelines for the Evaluation of Enterprise Internal Control, the Guidelines for Internal Control of Securities Companies and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies and other relevant laws and regulations, the Company comprehensively sorted out the business procedures of its departments, branches, wholly-owned and controlling subsidiaries, updated regularly in accordance with external laws and regulations, company systems and business updates, performed risk identification, prepared risk lists, evaluated effectiveness of internal control measures as well as prepared internal control manual. The Company also identified internal control defects, formulated a rectification proposal, pushed all units to make analysis and carry out rectification in relation to internal control defects as well as organized and implemented evaluation works on internal control operation through checking existing policies, systems and risk lists.

(VI) Conclusion of risk management and internal control evaluation

Pursuant to the requirements of the Basic Norms for Enterprise Internal Control, the Guidelines for the Evaluation of Enterprise Internal Control, the Guidelines for Internal Control of Securities Companies and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies and other relevant laws and regulations, the Company evaluated the effectiveness of the design and implementation of its internal control as at December 31, 2017, and issued the 2017 Annual Internal Control Evaluation Report. The Compliance and Risk Management Committee of the Board makes analysis and independent assessment on the adequacy and effectiveness of the Group's risk management and internal control system. During the Reporting Period, according to the identification of significant defects in internal control over its financial reports, there were no significant defects in internal control over financial reports as at the base date of internal control evaluation report. The Board considered that the Company had maintained effective internal control over financial reports in all material aspects pursuant to the enterprise internal control standard system and relevant regulations.

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

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

(VII) Work plan on internal control for 2018 by the Board

In order to guarantee the Company's internal control being appropriate to its operational scale, business scope, competition situation and risk level, based on its own development needs and in accordance with the requirements under the Basic Norms for Enterprise Internal Control and the guidelines thereof, the Company will make continuous adjustment to and improvement in internal control management and further enhance the promotion and training of internal control standards so as to constantly improve the Company's internal control and risk management level in 2018.

XI. ESTABLISHMENT OF THE COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY

In 2017, the Company strictly adhered to the bottom line of lawful operation and compliance operation under the regulatory state of "legitimate, strict and comprehensive supervision" in the securities industry, following up closely the amendments of external laws and regulations and fulfilling requirements to sort out and optimize compliance management systems of the Company and facilitate the corporatisation compliance management of the Group. In addition, the Company also focused on compliance-related matters including customer management and unusual transaction's supervision, securities advisory businesses, execution conducts of employees, anti-money laundering, product management, information firewall supported by management and control measures to ensure compliance of the Company. Effectively carrying out legal review, judicial assistance, legal support and other legal management responsibilities, the Company was committed to prevention and proper management of compliance risks. Additionally, the Company also facilitated compliance assessment, compliance training and promotion, compliance checks and other basic tasks of compliance management so as to strengthen the effectiveness and efficiency of compliance management. In light of the detailed work results, the Company has successfully promoted various compliance management, and maintained effective operations of its compliance management system through the above measures, without any material violations of laws or regulations throughout the year, which contributed to a remarkable improvement in the effectiveness of compliance management.

(I) Compliance management philosophy of the Company

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

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(II) Compliance management principle of the Company

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

(III) Organizational structure and duties of compliance management

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

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

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

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

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

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

The person-in-charge of each department, branch and subsidiary of the Company shall be responsible for carrying out the compliance management objective and shall strengthen the supervisory management for practice conduct of its staff, and bears the leading responsibilities for compliance operation in such unit, whose duties include: organizing implementation of the internal rules and procedures of and drafting up and formulating the rules in relation to the duties of the unit and supervising the implementation thereof; establishing and improving the unit's compliance management rules and mechanism, and embedding compliance requirements of all business activities in business management rules and operating procedures; actively advocating the concept of compliance operation in the unit and actively cultivating the company's compliance culture; actively assisting in the work of the chief compliance officer and the compliance and legal department, and diligently soliciting and implementing the compliance management opinions of the chief compliance officer and the compliance and legal management department; assigning qualified compliance

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managers to the unit, and avoiding the distribution of work in conflict with the performance of compliance functions; supporting the work of compliance managers of the unit, providing performance guarantee for compliance managers of the unit, including but not limited to participating in the unit's important meetings, consulting the unit's various types of business and management documents, and fully respecting their rights to offer professional compliance opinions in an independent manner; sufficiently demonstrating the compliance with laws and regulations of the business before conducting the business, sufficiently soliciting the compliance examination opinion of compliance managers of the unit, effectively assessing the compliance risks of the business, and actively avoiding the implementation of any business with compliance risks; reporting to the Company, proposing rectification measures and supervising the implementation thereof in accordance with the Company's rules in a timely manner when issue in relation to compliance risks relevant to the businesses of the unit are identified.

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

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

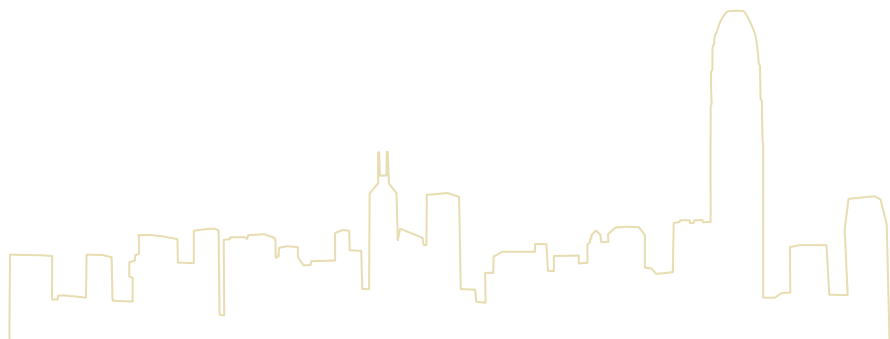
To ensure the independence of chief compliance officer, the Company has provided that the chief compliance officer shall not concurrently take charge of the business department and branches with business functions and shall not be in charge of the business department and branches with business functions as well as shall not concurrently take charge of business operations in subsidiaries of which the duties are in conflict with that of the compliance management.



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The main duties of chief compliance officer include:

1. organizing the formulation of the fundamental system for compliance management and other compliance management systems, supervising the implementation of such systems by all subordinate entities; promptly making recommendations to the Board or senior management and monitoring the relevant departments to evaluate the impact on compliance management, making corresponding amendments and improvements to relevant systems and workflows where there are changes in any external laws, regulation and rules.
2. proceeding with the compliance examination concerning the internal rules and procedures, material decision making, new products and new business schemes of the Company and presenting the opinion of the compliance examination in writing; conducting a compliance review on application documents or reports submitted by the Company at the request of the CSRC and its agencies or self-regulatory organization and signing the relevant documents of the opinion of the compliance examination; other relevant members of senior management shall be responsible for the truthfulness, accuracy and completeness of the basic facts and business data set out in application documents or reports; and in the event that the Company does not accept the compliance review opinion of the chief compliance officer, relevant matters shall be submitted to the Board for decision-making.
3. conducting supervision concerning the compliance of operation, management and practice conduct of the Company and its personnel, proceeding with regular and irregular inspection according to the requirements of the CSRC and its agencies or self-regulatory organization.
4. assisting the Board and the senior management members in establishing and implementing the information firewall, conflict of interest management and anti-money laundering policy.
5. providing compliance consultation for the senior management members and each subordinate entity of the Company.
6. organizing compliance training for the senior management members, each subordinate entity and staff of the Company.
7. guiding and supervising the Company and relevant departments to deal with the complaints and reports on the conduct of the Company and the personnel of the Company violating the laws and regulations.



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8. reporting to the Board and the chief operating officer on the compliance issue about operating management of the Company and the progress of implementation of compliance management works pursuant to the rules of the Company; reporting promptly to both the Board and chief operating officer upon discovery of the conduct of the Company violating the laws and regulations or of hidden risks of compliance pursuant to the requirement set out in the Articles of Association, proposing opinion to handle such conduct or hidden risks and supervising the rectification; supervising the Company to promptly report to relevant agencies of the CSRC; in the event that the Company fails to report in time, directly reporting to relevant agencies of the CSRC; in the case of involving violation of the normative and self-regulatory rules of the industry, reporting to the relevant self-regulatory organizations.
9. handling matters subject to investigation as required by the CSRC, its agencies and self-regulatory organization in a timely manner, cooperating with the CSRC, its agencies and self-regulatory organization in respect of the inspection and investigation carried out on the Company, as well as supervising and evaluating the implementation of regulatory opinions and regulatory requirements.
10. maintaining record for inspection of the documents and information in relation to the duties performed, such as the issue of compliance examination opinion, provision of compliance consultancy advice, the execution of Company's documents, and the original copy of compliance examination, and to record the details of performance of duties.
11. performing other duties which are not contrary to the compliance management duties.

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

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

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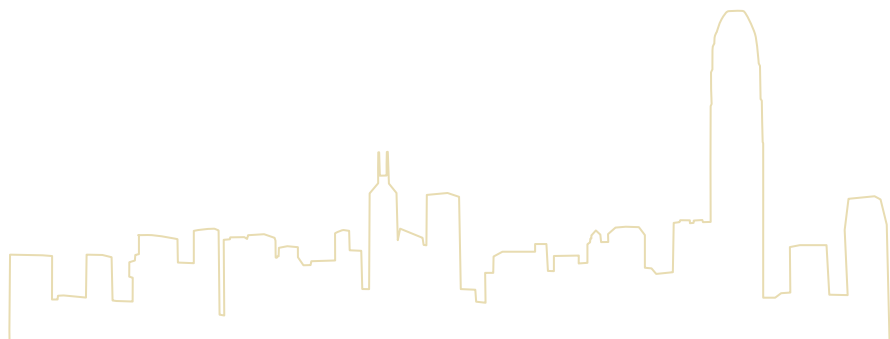
The audit department incorporates the effectiveness of compliance management into the scope of internal audit, conducts independent audit and review of compliance management of the Company and each of its departments, branches, wholly-owned and controlling subsidiaries, advising on reasonable auditing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

(IV) The Company's compliance management system

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

In 2017, the Company entered the stage of the construction of a normalized internal control based on the standardization of internal control of the Parent Company and six subsidiaries two years ago, and completed the printing of Internal Control Manual, organized each department, branch, wholly-owned and controlling subsidiary to commence self-inspection and updates of internal control for the year 2017 and accomplished permission settings and function optimization of the electronic internal control platform, facilitated standardized operation of the Company through normalized management of internal control to ensure effective implementation and execution of the Company's systems.

In addition, the Company integrated various requirements on compliance management into various business procedures in formulating a variety of systems. According to the relevant requirements, the Company's formulation of an amendment to various systems shall be subject to the approval by the compliance department, which guarantees the normalization of such systems. In 2017, the Company reviewed 135 newly-established or revised systems at the level of the Company and department, positioning such systems to advance with the times.



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(V) Compliance and risk management report system

In respect of the compliance and risk management report, the Company established a whole set of report systems including daily reports, monthly reports, annual reports, interim reports and special reports. The chief compliance officer shall report promptly to the Board, the Supervisory Committee, management, regulators and industrial self-regulatory organizations upon discovery of the violation of laws and regulations by the Company or potential compliance risks according to the relevant requirements. The Company's basic compliance management system and the basic risk management system provide the reporting methods of compliance and risk management for various levels of the Company. Currently, the Company's compliance and risk management report system mainly includes:

In respect of annual reports and interim reports, the Company shall submit its interim compliance reports prior to August 31 each year and annual compliance reports of the preceding year prior to April 30 each year to the regulators according to the relevant requirements. Compliance reports shall be written in forms and merits as required, and subject to the consideration and approval by the Board and signing by the Directors with their opinions. Meanwhile, compliance reports shall also be submitted to the Supervisory Committee for the purpose of enabling the Supervisors to be better informed of the implementation of compliance management of the Company.

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

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

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



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

(I) Compliance check

In 2017, the Company strengthened compliance checks on each business segment, each department, branch and subsidiary, including daily checks and various special checks with the orientation of risk.

Among all the checks, daily checks mainly refer to the compliance checks carried out by the compliance and risk management functional department on a monthly basis (once a month) on the Company's various business segments including securities investment business, fixed income business, financial derivatives business, research and consultancy business, securities financing business, fund management business and brokerage business, as well as on special compliance management matters including anti-money laundering management, compliance management on employees practice conduct, information technical limitations and system safety management.

In respect of special checks, a total of eleven special compliance checks were carried out by the Company in 2017, details of which are as follows:

First of all, in respect of management on employees practice conduct, six special checks were carried out, including first, closely follow-ups of intensive examination concerning compliance management measures carried out in each dealing room of business departments of the Company in 2016 and the relevant random checks on rectification measures; second, commencement of annual checks on compliance management of employees' practice conduct for the year 2017 and special compliance checks on compliance management of employees' practice conduct from 16 departments of the Company; third, organization of special checks on employee technology and prevention monitoring measures on a quarterly basis to perform special checks on e-mails, office phone recordings and dealing rooms based on technology and prevention monitoring measures.

Secondly, one compliance check was conducted regarding entrusted/custodian and outsourcing businesses of the Company, which covered relevant businesses of the financial management services headquarters and custodian services headquarters.

Thirdly, in terms of information technology permission management, one special check was conducted in respect of computer application system permissions of the operation and management headquarters.

The fourth, check was primarily about information firewall. Compliance checks relating to the execution of information firewall system within major business departments of the Company and its subsidiaries from July 1, 2016 to June 30, 2017 were conducted.

Fifth, in respect of the management on internal control, self-inspection and updates of internal control for the year 2017 were organized in each department, branch, wholly-owned and controlling subsidiaries of the Company.

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The sixth, check covered three major risks, including operational risks, compliance risks and legal risk, to cooperate with inspection team of Shanghai Bureau of the CSRC to complete the on-site check on the Company's comprehensive risk management.

(II) Audit

During the Reporting Period, the Company's audit department completed one hundred and eight auditing projects in total, including thirteen regular headquarter-level audit projects (operational management, planning and financial management, fund management, information technology management, wealth management business, OTC business, securities investment business, securities research business, fixed income business, securities financing business, entrusted business, equity investment and transaction business and financial derivatives business); six regular subsidiary-level audit projects (Orient Securities Futures, Orient Securities Asset Management, Orient Securities Capital Investment, Orient Hong Kong, Citi Orient and Orient Securities Innovation Investment); forty-five regular branch-level audit projects; seventeen resignation audit projects; twenty-five audit projects concerning the term of office and the economic liability of leaders members; two special audit projects (i.e. a special audit on information firewall and a special audit on anti-money laundering). Meanwhile, the audit department led in arranging and completing the Company's annual internal control appraisal and assessment on effectiveness of compliance management.

XIII. OTHERS

(I) Company secretaries

Mr. Yang Yucheng and Ms. Leung Wing Han Sharon are the Company's joint company secretaries. Ms. Leung Wing Han Sharon is currently the vice president of SW Corporate Services Group Limited. The Company's main contact person with Ms. Leung Wing Han Sharon is Mr. Yang Yucheng, the joint company secretary of the Company. During the Reporting Period, Mr. Yang Yucheng and Ms. Leung Wing Han Sharon both received no less than fifteen hours of relevant professional trainings as required by the Rule 3.29 of the Hong Kong Listing Rules.

(II) Compliance with code for securities transactions

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

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

Section IX Corporate Governance

(III) Internal control

For details of the Company's audit report on internal control, please refer to the 2017 Annual Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE by the Company on March 30, 2018.

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

The Board has acknowledged its responsibility for preparing the annual report for the year ended December 31, 2017 of the Group.

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

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

(V) Communications with shareholders

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

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

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

Section IX Corporate Governance

Shareholders may convene an extraordinary general meeting and make proposals at the general meeting in accordance with the procedures provided in the Articles of Association, which has been published on the websites of the SSE, the Hong Kong Stock Exchange and the Company.

The Board will be arranged to attend the Company's 2017 annual general meeting to answer shareholders' enquiries.

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

(VI) Investors relationship activities

A standardized and professional investors relationship management is not only a listed company's obligation, but also an effective means to build a brand image and live corporate values. The Company attaches great importance to investors relationship management and regards investors relationship as an important step for the Company to implement capital strategy in the years to come. The Company continuously optimized a long-term effective mechanism for our investors relationship management, established IR system, work system, workflow and built various platforms, including hotlines set up specially for investors, E-mail, Company's website, WeChat official account, teleconferences, on-site reception, online interaction, meeting-and-greeting of investors, performance press conferences, road shows, e-interactive platform launched by the Shanghai Stock Exchange, thereby strengthening communication services with investors.

In 2017, the Company received nine on-site researches and investigations from domestic and foreign institutions and analysts, attended seven investor activities including exchange sessions with the China Association for Public Companies (CAPCO) or securities firms, arranged two on-site performance press conferences, received around 400 investors and hosted interactive question and answer sessions with investors to increase recognition by investors and facilitate synergies between investors and the Company.



Section IX Corporate Governance

In 2017, reception of research of the Company are as follows:

No.	Date	Place	Manner	Visiting parties	Topics
1	January 24, 2017	the Company	On-site research	HSBC (2 persons)	The Company's operation status and development strategy
2	April 12, 2017	the Company	On-site research	Zhongtai Securities, Bank of Communications Schroder Fund (3 persons)	The Company's operation status and development strategy
3	May 17, 2017	the Company	On-site research	Pacific Securities, China Investment Securities (3 persons)	The Company's operation status and development strategy
4	May 17, 2017	the Company	On-site research	Chongyang Investment, Huatai Securities (12 persons)	The Company's operation status and development strategy
5	June 19, 2017	the Company	On-site research	Essence Securities, Chang Xin Asset Management (長信基金) (6 persons)	The Company's operation status and development strategy
6	July 11, 2017	the Company	On-site research	GF Securities (廣發證券), China International Capital Corporation (4 persons)	The Company's operation status and development strategy
7	July 14, 2017	the Company	On-site research	Great Wall Securities (長城證券) (2 persons)	The Company's operation status and development strategy
8	September 6, 2017	the Company	On-site research	Essence Securities, China International Capital Corporation Fund (7 persons)	The Company's operation status and development strategy
9	September 18, 2017	the Company	Phone call	Ping An Securities (平安證券), Franklin Huamei Investment Trust (富蘭克林華美投資信託) (3 persons)	The Company's operation status and development strategy

Section IX Corporate Governance

(VII) Amendments to the Articles of Association

During the Reporting Period, a total of two amendments were made by the Company to the Articles of Association.

As considered and approved at the 32nd meeting of the third session of the Board and the 2017 second extraordinary general meeting and pursuant to the latest requirements of the government policy of “including the overall requirements for party building work in the articles of association of state-owned enterprises” and the latest requirements of the regulatory authorities on comprehensive risk management of securities companies and on private investment fund subsidiaries and alternative investment subsidiaries of securities companies, and considering the actual needs of the Company’s operations and management, the Company amended certain articles in the Articles of Association. Please refer to relevant announcements published by the Company on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on August 7 and December 27, 2017 for further details.

As considered and approved at the 36th meeting of the third session of the Board and the 2018 first extraordinary general meeting and pursuant to the latest requirements governing compliance management of securities company, including the latest amendments to the Administrative Measures on Compliance Management of Securities Companies and Securities Investment Fund Management Companies promulgated by the CSRC and the Guideline for the Implementation of the Compliance Management of Securities Companies promulgated by the Securities Association of China as well as the elections of the fourth session of the Board and the Supervisory Committee, and considering the actual needs of the Company’s operations and management, the Company amended certain articles in the Articles of Association. Please refer to relevant announcements published by the Company on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on December 5, 2017, January 19, 2018 and March 6, 2018 for further details.



Section X Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue
2014 Bonds issued by 東方證券股份有限公司	14 Orient Securities Bonds	123021	August 26, 2014	August 26, 2019	60	6.00	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2015 Corporate Bonds publicly issued by 東方證券股份有限公司	15 Orient Securities Bonds	136061	November 26, 2015	November 26, 2020	120	3.90	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2017 Corporate Bonds non-publicly issued by 東方證券股份有限公司 (first tranche) Type 1	17 Orient Securities 01	145576	June 9, 2017	June 9, 2020	40	5.30	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2017 Corporate Bonds non-publicly issued by 東方證券股份有限公司 (first tranche) Type 2	17 Orient Securities 02	145577	June 9, 2017	June 9, 2022	10	5.50	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2017 Corporate Bonds publicly issued by 東方證券股份有限公司	17 Orient Bonds	143233	August 3, 2017	August 3, 2027	40	4.98	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE

Interest payment and repayment of corporate bonds

During the Reporting Period, the Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus, and did not repay any corporate bonds.

Other information on corporate bonds

(I) Short-term corporate bonds of securities companies

On April 23, 2015, the Proposal on Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 7th meeting of the third session of the Board of the Company, and at the 2014 annual general meeting of the Company, pursuant to which, the Company was authorized to issue subordinated bonds, short-term commercial papers, short-term bonds of securities companies, corporate bonds, income receipts and other instruments approved by the regulatory authorities within the cap for total new outstanding debt financing instruments not exceeding 200% of the audited net assets of last year.

Section X Corporate Bonds

On August 26, 2015, the Company received the Letter of No Objection on Listing and Transfer of 2015 Short-term Corporate Bonds of Securities Companies by 東方證券股份有限公司 (Shang Zheng Han [2015] No. 1508) issued by the SSE, pursuant to which, the Company was approved to issue short-term corporate bonds with an amount of RMB12 billion, which can be listed and transferred on the SSE in installments within 12 months. The Company completed the issue of the 2016 first tranche short-term corporate bonds of securities companies on May 19, 2016, the issue size of which was RMB9 billion with a term of one year and coupon rate of 3.40%, and also completed the repayment of principal with dividends and delisting during the Reporting Period.

On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of Non-public Issue of 2016 Short-term Corporate Bonds of Securities Companies by 東方證券股份有限公司 (Shang Zheng Han [2016] No. 2061) issued by the SSE, pursuant to which, the Company was approved to issue short-term corporate bonds with an amount of RMB17 billion, which can be listed and transferred on the SSE in installments within 12 months. The Company completed the issue of the 2016 second tranche short-term corporate bonds of securities companies on December 16, 2016, the issue size of which was RMB4 billion with a term of one year and coupon rate of 4.00%, and also completed the repayment of principal with dividends and delisting during the Reporting Period.

(II) *Subordinated bonds:*

On March 11, 2016, the Proposal on Issuance of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company was considered and approved at the 17th meeting of the third session of the Board of the Company, and at the 2015 annual general meeting of the Company convened on May 25, 2016, pursuant to which, the Company was authorized to issue a scale of up to RMB10 billion subordinated bonds (including perpetual subordinated bonds). On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by 東方證券股份有限公司 (Shang Zheng Han [2016] No. 2057) issued by the SSE, pursuant to which, the Company was approved to issue subordinated bonds with an amount of RMB10 billion, which can be listed and transferred on the SSE in installments within 12 months.

The Company completed the issuance of the 2017 first tranche subordinated bonds on April 26, 2017. The 2017 first tranche subordinated bond includes two types, of which Type 1 was with a term of three years, issue size of RMB1.5 billion and coupon rate of 4.90% while Type 2 was with a term of five years, issue size of RMB1.5 billion and coupon rate of 5.10%.

The Company completed the issuance of the 2017 second tranche subordinated bonds on May 15, 2017. The 2017 second tranche subordinated bond includes two types, of which Type 1 was with a term of three years, issue size of RMB1.5 billion and coupon rate of 5.15% while Type 2 was with a term of five years, issue size of RMB1.5 billion and coupon rate of 5.35%.

The Company completed the issuance of the 2013 subordinated bonds of 東方證券股份有限公司 on November 15, 2013, the issue size of which was RMB3.6 billion with a term of four years and coupon rate of 6.70%, and also completed the repayment of principal with dividends and delisting during the Reporting Period.

Section X Corporate Bonds

II. CONTACT PERSON AND CONTACT METHOD OF THE CORPORATE BONDS TRUSTEE MANAGER AND CONTACT METHOD OF CREDIT RATING AGENCY

Bonds trustee manager	Name	Everbright Securities Company Limited
	Office address	No. 1508 Xinzha Road, Shanghai, the PRC
	Contact person	Zhou Ping
	Tel	+86-021-22169999
Bonds trustee manager	Name	Dongguan Securities Limited (東莞證券股份有限公司)
	Office address	25F, Pudong Jialicheng, No. 1155, Fangdian Road, Shanghai, the PRC
	Contact person	Wu Kunsheng
	Tel	+86-021-50155120
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司)
	Office address	Room 968, Building 1, No. 599 Xingye Road, Qingpu District, Shanghai, the PRC

Other explanations:

On June 5, 2015, the Securities Association of China published the Code of Conduct for Corporate Bonds Trustee Manager, which introduced the concept of bonds trustee manager, therefore, the Company did not engage any corporate bonds trustee manager for the 2014 corporate bonds.

Everbright Securities Company Limited was the bonds trustee manager for the Company's 2015 corporate bonds, and Dongguan Securities Limited was the bonds trustee manager for the Company's 2017 non-publicly issued corporate bonds and 2017 publicly issued corporate bonds.

III. USE OF PROCEEDS FROM CORPORATE BONDS

(I) 14 Orient Securities Bonds

On August 26, 2014, the Company issued RMB6 billion corporate bonds under private placement. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of issuing expenses) for replenishing its working capital so as to expand the business scope and scale, optimize the business structure and improve the comprehensive competitiveness of the Company.

The Company's actual use of the proceeds was in line with the purposes and other covenants undertaken in the bonds prospectus.

Section X Corporate Bonds

(II) 15 Orient Securities Bonds

As approved by the document (Zheng Jian Xu Ke [2015] No. 2406) issued by the CSRC, the Company publicly issued RMB12 billion corporate bonds on November 26, 2015. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital so as to expand its business scale and improve its market competitiveness and anti-risk capability.

The proceeds from such bonds had been transferred to the designated proceeds account specified by the Company in the prospectus, and were used for replenishing the Company's working capital, which was in line with the purposes and other covenants undertaken in the prospectus. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued a capital verification report (De Shi Bao (Yan) Zi (15) No. 1759) in respect of receipt of the proceeds.

(III) 17 Orient Securities 01, 17 Orient Securities 02

On June 9, 2017, the Company non-publicly issued RMB5 billion corporate bonds. "17 Orient Securities 01" was with a term of three years and issue size of RMB4 billion, and "17 Orient Securities 02" was with a term of five years and issue size of RMB1 billion. The amount (after deduction of expenses related to the issuance) transferred to the designated proceeds account was RMB4.996 billion.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

(IV) 17 Orient Bonds

On August 3, 2017, the Company publicly issued RMB4 billion corporate bonds. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure so as to expand its business scale and improve its market competitiveness and anti-risk capability. The amount (after deduction of expenses related to the issuance) transferred to the designated proceeds account was RMB3.997 billion.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.



Section X Corporate Bonds

IV. RATING OF CORPORATE BONDS

During the Reporting Period, China Chengxin Securities Rating Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company's issued corporate bonds "14 Orient Securities Bonds" and "15 Orient Securities Bonds", and issued the Follow-up Rating Report on the 2014 Corporate Bonds of 東方證券股份有限公司 (2017) (Xin Ping Wei Han Zi [2017] Gen Zong No. 073) and the Follow-up Rating Report on the 2015 Corporate Bonds of 東方證券股份有限公司 (2017) (Xin Ping Wei Han Zi [2017] Gen Zong No. 074), pursuant to which the creditworthiness ratings of the corporate bonds "14 Orient Securities Bonds" and "15 Orient Securities Bonds" were maintained as AAA, the creditworthiness rating of the issuer of such bonds was also maintained as AAA and the rating outlook maintained stable.

During the Reporting Period, China Chengxin Securities Rating Co., Ltd. conducted ratings on the creditworthiness of the 2017 publicly issued corporate bonds of the Company "17 Orient Bonds", and issued the Creditworthiness Rating Report on the 2017 Publicly Issued Corporate Bonds of 東方證券股份有限公司 (Xin Ping Wei Han Zi [2017] No. G234), pursuant to which the creditworthiness rating of the corporate bonds "17 Orient Bonds" was rated as AAA, the creditworthiness rating of the issuer of such bonds was also rated as AAA and the rating outlook maintained stable.

V. CREDIT ENHANCEMENT MECHANISM, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

During the Reporting Period, there was no credit enhancement mechanism.

Repayment plan and other relevant information

(I) *Payment of interest*

1. The interest shall be payable annually within the effective period, and the last tranche of interest shall be paid together with the repayment of the principal. The interest of "17 Orient Bonds" shall be paid on August 3 each year commencing from 2017 to 2027, the interest of "17 Orient Securities 01" shall be paid on June 9 each year commencing from 2017 to 2020, the interest of "17 Orient Securities 02" shall be paid on June 9 each year commencing from 2017 to 2022, the interest of "15 Orient Securities Bonds" shall be paid on November 26 each year commencing from 2016 to 2020 and the interest of "14 Orient Securities Bonds" shall be paid on August 26 each year commencing from 2015 to 2019 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).
2. The payment of the bonds interest is carried out through the registration authority and other relevant institutions. Details of interest payment will be explained by the issuer in the interest payment announcement published on the media designated by the CSRC in compliance with the relevant state regulations.
3. Pursuant to the national taxation laws and regulations, the tax payable by the investors in relation to the bonds investment shall be borne by the investors.

Section X Corporate Bonds

(II) *Repayment of principal*

1. The principal of the bonds will be repaid upon maturity in one lump sum. The principal of “17 Orient Bonds” will be repaid on August 3, 2027, the principal of “17 Orient Securities 01” will be repaid on June 9, 2020, the principal of “17 Orient Securities 02” will be repaid on June 9, 2022, the principal of “15 Orient Securities Bonds” will be repaid on November 26, 2020 and the principal of “14 Orient Securities Bonds” will be repaid on August 26, 2019 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).
2. The repayment of the bonds principal is carried out through the bonds registration authority and other relevant institutions. Details of principal repayment will be explained by the issuer in the repayment announcement published in the media designated by the CSRC in compliance with the relevant state regulations.

VI. MEETINGS OF CORPORATE BONDHOLDERS

During the Reporting Period, the Company did not convene any meetings of corporate bondholders.

VII. DUTY PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

The issuance of “17 Orient Bonds” was completed on August 3, 2017. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and announced the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

The issuance of “17 Orient Securities 01” and “17 Orient Securities 02” were completed on June 9, 2017. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and announced the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

The issuance of “15 Orient Securities Bonds” was completed on November 26, 2015. Everbright Securities Company Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and announced the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.



Section X Corporate Bonds

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE RECENT TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Unit: '000 Currency: RMB

Major indicators	2017	2016	Increase or decrease in this period as compared with the corresponding period of last year(%)	Reason for change
EBITDA ('000)	10,432,731	8,014,443	30.17	Mainly due to the increase in total profits
Current ratio (%)	147.69	132.20	Up by 15.49 percentage points	The increase in current assets outpacing that of current liabilities
Quick ratio (%)	147.69	132.20	Up by 15.49 percentage points	The increase in quick assets outpacing that of current liabilities
Gearing ratio (%)	73.69	76.76	Down by 3.07 percentage points	
EBITDA to total debts ratio (%)	7.30	6.17	Up by 1.13 percentage points	Mainly due to the increase in EBITDA
Interest coverage ratio	1.75	1.56	12.18	Mainly due to the increase in total profits
Cash interest coverage ratio	(1.41)	0.45	-413.33	Mainly due to the increase in operating cash outflow
EBITDA interest coverage ratio	1.78	1.59	11.95	Mainly due to the increase in profits before interest and tax
Loan repayment rate (%)	100.00	100.00	-	
Interest repayment ratio (%)	100.00	100.00	-	

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients – Funds payable to securities issuers – Accounts payable to brokerage clients in credit trading)/(Total assets – Accounts payable to brokerage clients – Funds payable to securities issuers – Accounts payable to brokerage clients in credit trading)

Section X Corporate Bonds

IX. INTEREST PAYMENT AND REPAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENT OF THE COMPANY

During the Reporting Period, the Company's other bonds and debt financing instruments include short-term corporate bonds of securities companies, subordinated bonds, etc. The principal and interest of such debt financing instruments were repaid on time without any defaults.

X. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the Company received aggregate banking facilities of RMB403.8 billion from 107 Banks, in which aggregate facilities of RMB161.7 billion was from state-owned large-scale commercial banks and joint-stock banks, and an aggregate facilities of RMB242.1 billion was from city and rural commercial banks. During the Reporting Period, the Company has maintained a good cooperative relationship with all kinds of banks and the banking facilities has grown rapidly which enables the Company to have a strong short-term and mid-long term financing capability.

XI. PERFORMANCE OF THE RELEVANT UNDERTAKINGS OR COMMITMENTS IN CORPORATE BONDS PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, there were no relevant undertakings or commitments in the corporate bonds prospectus.

XII. IMPACT OF MATERIAL EVENTS OF THE COMPANY ON OPERATIONS AND SOLVENCY OF THE COMPANY

During the Reporting Period, there were no material events which had an impact on the operations and solvency of the Company.

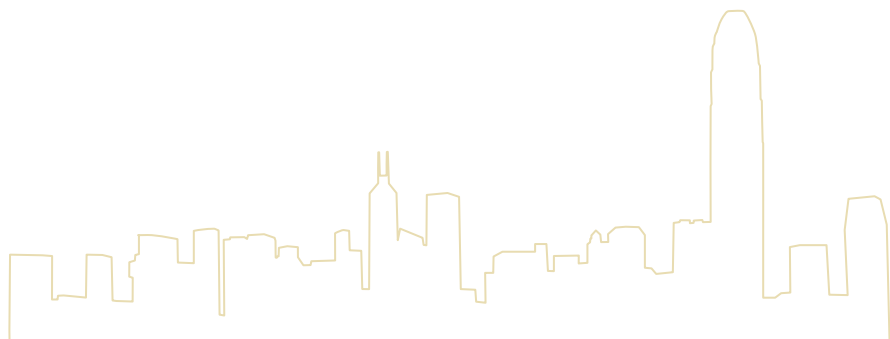


Section XI Documents Available for Inspection

Documents available for inspection	The full text and summary of the annual report signed by the legal representative and sealed with the corporate seal
Documents available for inspection	The 2017 annual financial report signed and sealed by the legal representative, the accounting chief and person-in-charge of the accounting department (head of the accounting department)
Documents available for inspection	Others

Chairman of the Board: Pan Xinjun

Date of approval by the Board: March 29, 2018



Section XII Information Disclosures of Securities Company

I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

No.	Issued by	Title of document	Number of document	Issuing date
1	Shanghai Bureau of the CSRC	Letter of Consent of 東方證券股份有限公司 to Extend the Deadline for Establishment of 27 Securities Branches	Hu Zheng Jian Ji Gou Zi [2017] No. 21	January 12, 2017
2	SSE	Letter of No Objection on Listing and Transfer of Non-public Issuance of Corporate Bonds by 東方證券股份有限公司	Shang Zheng Han [2017] No.491	May 12, 2017
3	CSRC	Regulatory Opinion on the Non-public Issuance of Shares by DFZQ	Ji Gou Bu Han [2017] No. 1340	May 25, 2017
4	SSE	Letter of Issuing Listing Pre-review Opinion on the Public Issuance of Corporate Bonds to Qualified Investor by 東方證券股份有限公司	Shang Zheng Zhai (Shen) [2017] No. 101	June 6, 2017
5	CSRC	Reply on Approving the Public Issuance of Corporate Bonds to Qualified Investor by 東方證券股份有限公司	Zheng Jian Xu Ke [2017] No. 974	June 22, 2017
6	Shanghai Bureau of the CSRC	Reply on Approving the Qualification of Jin Qinglu as Independent Director of Securities Company	Hu Zheng Jian Xu Ke [2017] No. 80	September 30, 2017
7	CSRC	Letter of No Objection on guarantees provided for overseas subsidiaries by 東方證券股份有限公司	Ji Gou Bu Han [2017] No. 2476	October 27, 2017
8	CSRC	Reply on Approving the Non-public Issuance of Shares by 東方證券股份有限公司	Zheng Jian Xu Ke [2017] No. 1940	October 30, 2017
9	Shanghai Bureau of the CSRC	Reply on Approving the Change of Material Articles in Articles of Association by 東方證券股份有限公司	Hu Zheng Jian Xu Ke [2017] No. 113	December 25, 2017

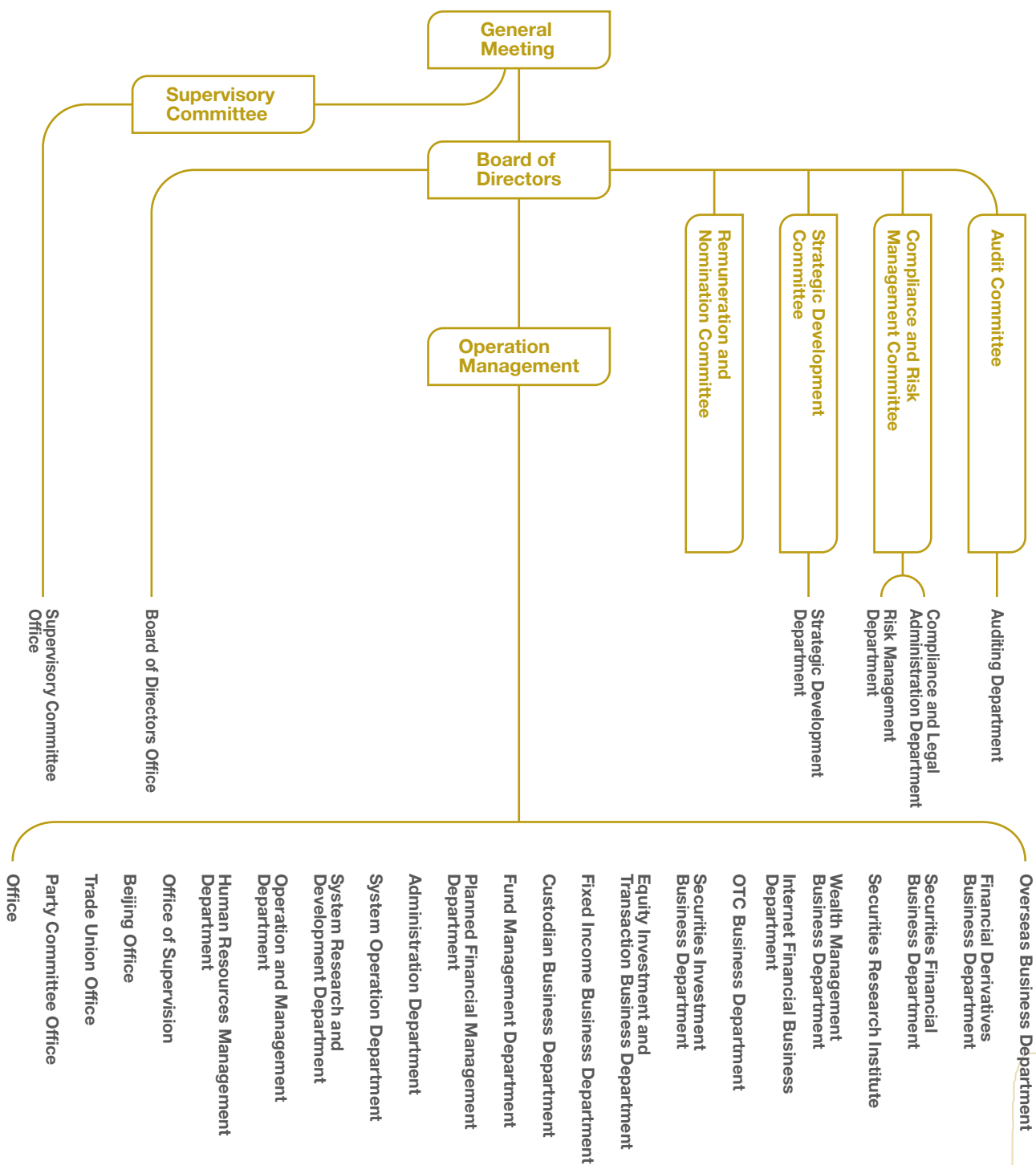
II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2017, the Company was rated as a “Grade A, Category A” company.



Appendix I: Organizational Structure of 東方證券股份有限公司

Organizational Structure of the Company



Appendix II: Information on Securities Branches of the Company

As at the end of the Reporting Period, the Company has 153 securities branches.

Name of securities branches	Registered address (PRC)	Date of establishment
Beihai Beihai Avenue Securities Branch of 東方證券股份有限公司	No. 0301, 3/F, Fengsheng Building, No. 187 Beihai Avenue, Beihai, Guangxi Zhuang Autonomous Region	May 12, 2006
Beihai Chating Road Securities Branch of 東方證券股份有限公司	No.1205-1207, Fuyu Building, No. 31 Chating Road, Beihai, Guangxi Zhuang Autonomous Region	July 28, 2015
Beijing Anyuan Road Securities Branch of 東方證券股份有限公司	No.45 Xiaoguanbeili, Chaoyang District, Beijing	April 4, 2001
Beijing Xueyuan Road Securities Branch of 東方證券股份有限公司	12/F, Block B, Techart Plaza, No. 30 Xueyuan Road, Haidian District, Beijing	July 18, 2006
Changchun Tongzhi Street Securities Branch of 東方證券股份有限公司	4/F & 11/F, Tonghui Building, No. 2222 Tongzhi Street, Chaoyang District, Changchun, Jilin	July 31, 2006
Changsha Laodong West Road Securities Branch of 東方證券股份有限公司	7/F, No. 471 Laodong West Road, Changsha, Hunan	June 7, 2002
Chaoyang Chaoyang Street Securities Branch of 東方證券股份有限公司	No. 60 the Third Section of Chaoyang Street, Shuangta District, Chaoyang, Liaoning	June 4, 2014
Chengdu Tianfu Avenue Securities Branch of 東方證券股份有限公司	No.1601, 1603, 1605, 1607 & 1609, 16/F, Block 1, No. 1399 the South Section of Tianfu Avenue, High-tech Zone, Chengdu, Sichuang	June 24, 2014
Chengdu Jianshe Road Securities Branch of 東方證券股份有限公司	Suite 2102 & 2103, 21/F, Block 1, No. 9 Jianshe Road, Chenghua District, Chengdu, Sichuang	April 11, 2001
Deyang Changjiang West Road Securities Branch of 東方證券股份有限公司	2/F (left to the elevator), No. 88 Changjiang West Road, Jingyang District, Deyang, Sichuan	August 15, 2014
Fuzhou Wusi Road Securities Branch of 東方證券股份有限公司	Unit 01-02, 19/F, the Rongdu International Building, No.82 Wusi Road, Gulou District, Fuzhou, Fujian	June 10, 2014
Qunzhong East Road Securities Branch of 東方證券股份有限公司	1/F & 5/F, Sanmu Building, No. 93 Qunzhong East Road, Xingang Street, Taijiang District, Fuzhou, Fujian	August 24, 2007
Fushun Liaozhong Street Securities Branch of 東方證券股份有限公司	No.25-2 Liaozhong Street, Wanghua District, Fushun, Liaoning	August 18, 1998
Fushun Qingyuan Securities Branch of 東方證券股份有限公司	No. 49 Honghe Road, Qingyuan Town, Qingyuan Manchu Autonomous County, Fushun, Liaoning	December 18, 2001
Fushun Suihua Road Securities Branch of 東方證券股份有限公司	No. 45 West Section of Suihua Road, Dongzhou District, Fushun, Liaoning	April 25, 2014
Fushun Xinhua Street Securities Branch of 東方證券股份有限公司	No. 9, Building 20, Xinhua Street, Shuncheng District, Fushun, Liaoning	March 28, 2002
Fushun Yumin Road Securities Branch of 東方證券股份有限公司	No. 15, Yumin Road, Xinfu District, Fushun, Liaoning (4/F & 5/F, Bldg. No. 6, Zheshang International Trade Center)	August 18, 1998

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Guangzhou Baogang Avenue Securities Branch of 東方證券股份有限公司	5/F, No. 283 Baogang Avenue, Haizhu District, Guangzhou, Guangdong	April 21, 2002
Guangzhou Pingyue Road Securities Branch of 東方證券股份有限公司	No. 161 Pingyue Road, Guangzhou, Guangdong	August 29, 2006
Guiyang Huaguoyuan Securities Branch of 東方證券股份有限公司	Office Building No. 6, 7, 8, 9, 10, 11 & 12, 40/F, Unit 1, Building 6, Zone F, Pengjiawan Huaguoyuan Project, Huaguoyuan, Nanming District, Guiyang, Guizhou	August 7, 2015
Guilin Lingui County Renmin Road Securities Branch of 東方證券股份有限公司	No. 1-2-1 & 1-2-3, Block 1, 2/F, Dashijie Main Building, Renmin Road, Lingui Town, Lingui County, Guilin, Guangxi Zhuang Autonomous Region	July 3, 2014
Guilin Zhongshan Middle Road Securities Branch of 東方證券股份有限公司	4/F, Jintai Building, No. 16 Zhongshan Middle Road, Guilin, Guangxi Zhuang Autonomous Region	May 10, 2006
Harbin Ganshui Road Securities Branch of 東方證券股份有限公司	Shop 14, 1-3/F, Commercial Building, Wanda Commercial Center No. 84 Ganshui Road, Nangang Jizhong District, Harbin Economic-technological Development Zone, Heilongjiang	July 31, 2015
Haikou Jinlong Road Securities Branch of 東方證券股份有限公司	1/F & 2/F, East Coconut Grove International Building, No. 19 Jinlong Road, Longhua District, Haikou, Hainan	August 5, 2015
Hangzhou Longjing Road Securities Branch of 東方證券股份有限公司	No. 53 Longjing Road, Hangzhou, Zhejiang	August 1, 2006
Hangzhou Stadium Road Securities Branch of 東方證券股份有限公司	No. 286 Stadium Road, Hangzhou, Zhejiang	August 7, 2002
Hefei Wangjiang West Road Securities Branch of 東方證券股份有限公司	No. 99 Wangjiang West Road, Shushan District, Hefei, Anhui	January 31, 2012
Hohhot Xinhua East Street Securities Branch of 東方證券股份有限公司	No. 1102, Complex Building, International Finance Building, No.18 Xinhua East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region	May 28, 2014
Huzhou Zhicheng Road Securities Branch of 東方證券股份有限公司	18-1-06, 18-2-05, 18-2-06, 18-2-07, 18-2-08, Building 18 (No.112 Zhicheng Road), Aishan Plaza, Huzhou, Zhejiang	April 21, 2014
Jinan Jingqi Road Securities Branch of 東方證券股份有限公司	No.319, Jingqi Road, Jinan, Shandong	April 9, 2007
Jiaxing Zhongshan West Road Securities Branch of 東方證券股份有限公司	No. 1776 Zhongshan West Road, Gaozhao Sub-district, Xiuzhou District, Jiaxing, Zhejiang	July 30, 2015
Jiangyin Renmin East Road Securities Branch of 東方證券股份有限公司	1/F, No.112 & 2/F, No.108, 110, 112, Renmin East Road, Jiangyin, Jiangsu	July 9, 2015
Kunming Bailong Road Securities Branch of 東方證券股份有限公司	No.1001 & 1008, 10/F, Diangao Commercial Building, No. 19 Bailong Road, Panlong District, Kunming, Yunnan	June 5, 2014

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Name of securities branches	Registered address (PRC)	Date of establishment
Lhasa Chagu Avenue Securities Branch of 東方證券股份有限公司	Room 1306, Liuwu Building, Liuwu New District, Lhasa, Tibet Autonomous Region	July 10, 2014
Lanzhou Nanchang Road Securities Branch of 東方證券股份有限公司	1/F, Shengshi Kaixuan Building, No. 1918 Nanchang Road, Chengguan District, Lanzhou, Gansu	August 5, 2015
Linyi Jiefang East Road Securities Branch of 東方證券股份有限公司	Room 105-108, Block A, Commercial Building, Yinqiao Jinju Community Jiefang East Road, Hedong District, Linyi, Shandong	February 14, 2012
Liuzhou Wenchang Road Securities Branch of 東方證券股份有限公司	No.2-1, 2, 3, Block 21, Dongjun, No. 26 Wenchang Road, Liuzhou, Guangxi Zhuang Autonomous Region	July 16, 2015
Nanchang Lvjin Road Securities Branch of 東方證券股份有限公司	Room 2902, 2903, 29/F, Office Building, Lianfa Plaza, No. 129 Lvjin Road, Nanchang, Jiangxi	April 23, 2014
Nanchong Wenhua Road Securities Branch of 東方證券股份有限公司	Unit 501, 5/F, Universal House Hotel, No. 1 Wenhua Road, Shunqing District, Nanchong, Sichuan	September 29, 2014
Nanjing Beijing East Road Securities Branch of 東方證券股份有限公司	Art & Crafts Building, No. 31 Beijing East Road, Xuanwu District, Nanjing, Jiangsu	May 10, 2006
Nanning Minzhu Road Securities Branch of 東方證券股份有限公司	4/F, Dushi Huating, No. 6-8 Minzhu Road, Nanning, Guangxi Zhuang Autonomous Region	May 15, 2006
Nantong Gongnong Road Securities Branch of 東方證券股份有限公司	No.181, 183, 185 Gongnong Road, Nantong, Jiangsu	June 25, 2015
Ningbo Zhongxing Road Securities Branch of 東方證券股份有限公司	(1-2) (2-2), No. 601 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang	July 30, 2015
Putian Licheng Middle Avenue Securities Branch of 東方證券股份有限公司	1-3/F, No.2299 Licheng Middle Avenue, Longqiao Sub-district, Chengxiang District, Putian, Fujian	May 29, 2014
Quanzhou Jinhuai Street Securities Branch of 東方證券股份有限公司	Room 502, Block A, Gas Building, No. 25 Jinhuai Street, Fengze District, Quanzhou, Fujian	July 30, 2015
Shantou Changping Road Securities Branch of 東方證券股份有限公司	1/F & 9/F-11/F, Yiyuan Building, No. 161 Changping Road, Shantou, Guangdong	May 12, 2006
Shanghai Baoshan District Changjiang West Road Securities Branch of 東方證券股份有限公司	No. 1788 Changjiang West Road, Baoshan District, Shanghai	June 23, 1998
Shanghai Baoshan District Songnan Road Securities Branch of 東方證券股份有限公司	No. 427-1 Songnan Road, Baoshan District, Shanghai (Temporary)	June 12, 2014
Shanghai Baoshan District Yingao West Road Securities Branch of 東方證券股份有限公司	2/F, No. 638 Yingao West Road, Baoshan District, Shanghai	June 23, 1998
Shanghai Changning District Changning Road Securities Branch of 東方證券股份有限公司	Unit 1303, Block 1, No. 546 Changning Road, Changning District, Shanghai	June 23, 1998

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Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Changning District Zunyi Road Securities Branch of 東方證券股份有限公司	No. 567 Zunyi Road, Changning District, Shanghai	June 23, 1998
Shanghai Chongming Dongmen Road Securities Branch of 東方證券股份有限公司	No. 425-427 Dongmen Road, Chongming County, Shanghai	November 19, 2012
Shanghai Fengxian District Nanting Highway Securities Branch of 東方證券股份有限公司	1-2/F, Block 1, No. 269 Nanting Highway, Nanqiao Town, Fengxian District, Shanghai	February 28, 2012
Shanghai Hongkou District Feihong Road Securities Branch of 東方證券股份有限公司	3/F, No.35 & 3/F, No.19 Feihong Road, Shanghai	June 23, 1998
Shanghai Huangpu District Beijing East Road Securities Branch of 東方證券股份有限公司	Main Building, 5/F, No. 270 Beijing East Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Fengyang Road Securities Branch of 東方證券股份有限公司	No. 310 Fengyang Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Zhonghua Road Securities Branch of 東方證券股份有限公司	Room 301-304 & 803, 804, West Side, No. 1600 Zhonghua Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Zhongshan South Road First Securities Branch of 東方證券股份有限公司	Room 402, 4/F, No. 318 Zhongshan South Road, Huangpu District, Shanghai	July 14, 2014
Shanghai Jiading District Cao'an Highway Securities Branch of 東方證券股份有限公司	Room 106, 107, 108, 1/F, No. 1685 Cao'an Highway, Jiading District, Shanghai	June 23, 1998
Shanghai Jiading District Huyi Highway Securities Branch of 東方證券股份有限公司	Room 103, 1/F, No. 1158 Huyi Highway, Jiading District, Shanghai	November 2, 2012
Shanghai Jiading District Jinsha Road Securities Branch of 東方證券股份有限公司	5/F, No. 77 Jinsha Road, Jiading District, Shanghai	February 17, 2012
Shanghai Jinshan District Weiqing West Road Securities Branch of 東方證券股份有限公司	No. 17, Lane 128 & No. 132, 134, Weiqing West Road, Jinshan District, Shanghai	June 30, 2011
Shanghai Jing'an District Urumqi North Road Securities Branch of 東方證券股份有限公司	2/F, No. 480 Urumqi North Road, Shanghai	October 28, 1994
Shanghai Minhang District Dushi Road Securities Branch of 東方證券股份有限公司	1/F & 3/F, No. 3898 Dushi Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Gulong Road Securities Branch of 東方證券股份有限公司	1/G & 2/G, No. 214; 1/G & 2/G, No. 216; 1/G & 1-2/F, No. 218, 220, 222; 1/G & 2/G, No.224 Gulong Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Heqing Road Securities Branch of 東方證券股份有限公司	No. 338 Heqing Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Nanjiangyan Road Securities Branch of 東方證券股份有限公司	No. 121 Nanjiangyan Road, Minhang District, Shanghai	June 26, 2014

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Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Pudong New Area Chunxiao Road Securities Branch of 東方證券股份有限公司	Room 102, No. 350 Chunxiao Road, Zhangjiang High-tech Park, Shanghai	March 31, 2014
Shanghai Pudong New Area Fute West Third Road Securities Branch of 東方證券股份有限公司	Room 936, 9/F, Block 10, No. 77 Fute West Third Road, Shanghai Pilot Free-Trade Zone	September 2, 2014
Shanghai Pudong New Area Mudan Road Securities Branch of 東方證券股份有限公司	6/F, No. 60 Mudan Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Nanmen Street Securities Branch of 東方證券股份有限公司	No. 128 Nanmen Street, Pudong New Area, Shanghai	February 20, 1995
Shanghai Pudong New Area Pingdu Road Securities Branch of 東方證券股份有限公司	Room 247, Block 3, No. 258 Pingdu Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Pudong South Road Securities Branch of 東方證券股份有限公司	No. 1658 Pudong South Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Tang'an Road Securities Branch of 東方證券股份有限公司	No. 782 Tang'an Road, Pudong New Area, Shanghai	October 10, 2014
Shanghai Pudong New Area Xinchuan Road Securities Branch of 東方證券股份有限公司	No. 611 Xinchuan Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Yaohua Road Securities Branch of 東方證券股份有限公司	1/F, 4-6/F, No. 58 Yaohua Road, Shanghai	June 23, 1998
Shanghai Pudong New Area Yincheng Middle Road Securities Branch of 東方證券股份有限公司	Room 2301B, No. 488 Yincheng Middle Road, Shanghai Pilot Free-Trade Zone	May 8, 2015
Shanghai Pudong New Area Zhangyang Road Securities Branch of 東方證券股份有限公司	No. 638 Zhangyang Road, Shanghai	May 17, 2006
Shanghai Pudong New Area Zhoudong Road Securities Branch of 東方證券股份有限公司	No.716 & 718 Zhuodong Road; 1/F & 2/F, No. 4128 Zhuogong Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Putuo District Guangxin Road Securities Branch of 東方證券股份有限公司	Room 401-403, Room 405-406 & Room 2201-2203, No. 88 Guangxin Road, Shanghai	June 23, 1998
Shanghai Putuo District Lanxi Road Securities Branch of 東方證券股份有限公司	Room 301-309, Room 401-404 & Room 409, No. 182 Lanxi Road, Shanghai	June 23, 1998
Shanghai Qingpu District Easten Garden Road Securities Branch of 東方證券股份有限公司	Block D, No.1606 Easten Garden Road, Qingpu District, Shanghai	July 1, 2011
Shanghai Qingpu District Huaxu Highway Securities Branch of 東方證券股份有限公司	Room 102, Block B, No. 999 Huaxu Highway, Xujing Town, Qingpu District, Shanghai	July 15, 2014

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Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Songjiang District Huting North Road Securities Branch	Shop C, Room 303, No. 38, Lane 607 Huting North Road, Songjiang District, Shanghai	June 29, 2010
Shanghai Songjiang District New Songjiang Road Securities Branch of 東方證券股份有限公司	No. 251 New Songjiang Road, Songjiang District, Shanghai	July 5, 2010
Shanghai Xuhui District Guangyuan West Road Securities Branch of 東方證券股份有限公司	Room B & C, 6/F, Block 2, No.315 Guangyuan West Road, Xuhui District, Shanghai	June 23, 1998
Shanghai Xuhui District Zhaojiabang Road Securities Branch of 東方證券股份有限公司	9/F, No. 333 Zhaojiabang Road, Shanghai	June 23, 1998
Shanghai Yangpu District Anbo Road Securities Branch	Room 2, 1/F, 2/F & 3/F, No. 521 Anbo Road, Yangpu District, Shanghai	June 23, 1998
Shanghai Yangpu District Changyang Road Securities Branch of 東方證券股份有限公司	Whole floor of 1B, Room 06-09, 2B/F, Block 72, No. 1080 Changyang Road, Yangpu District, Shanghai	December 9, 1993
Shanghai Yangpu District Siping Road Securities Branch of 東方證券股份有限公司	3/F, 4/F & 5/F, No. 999 Siping Road, Shanghai	May 15, 2006
Shanghai Zhabei District Zhongxing Road Securities Branch of 東方證券股份有限公司	1/F & 2/F, No. 457 Zhongxing Road, Shanghai	June 23, 1998
Shenzhen Jintian Road Securities Branch of 東方證券股份有限公司	5/F & 15/F, Metro Tower, No. 1016 Fuzhong First Road, Futian District, Shenzhen, Guangdong	July 6, 1995
Shenzhen Shennan Avenue Securities Branch of 東方證券股份有限公司	22/F, Block A, East Pacific International Center, No. 7888 Shennan Avenue, Futian District, Shenzhen, Guangdong	May 18, 2006
Shenzhen Haide Third Road Securities Branch of 東方證券股份有限公司	9/F, Block A, Tiley Central Plaza, No 199, Haide Third Road, Nanshan District, Shenzhen, Guangdong	June 17, 2014
Shenyang Changjiang South Street Securities Branch of 東方證券股份有限公司	No. 169 Changjiang South Street, Huanggu District, Shenyang, Liaoning	May 15, 2006
Shenyang Dabeiguan Street Securities Branch of 東方證券股份有限公司	3-4/F, No.79 Dabeiguan Street, Dadong District, Shenyang, Liaoning	May 16, 2006
Shenyang Huigong Street Securities Branch of 東方證券股份有限公司	1-3/F, Block CD, No.167 Huigong Street, Shenhe District, Shenyang, Liaoning	June 14, 2006
Shenyang Nanba Middle Road Securities Branch of 東方證券股份有限公司	No. 25 Nanba Middle Road, Tiexi District, Shenyang, Liaoning	May 15, 2006
Shijiazhuang Tiyu South Street Securities Branch of 東方證券股份有限公司	No. 233 Tiyu South Street, Yuhua District, Shijiazhuang, Hebei	August 7, 2015
Suzhou Xihuan Road Securities Branch of 東方證券股份有限公司	1/F, North Podium, No. 2115 Xihuan Road, Suzhou, Jiangsu	August 12, 2005

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Name of securities branches	Registered address (PRC)	Date of establishment
Taizhou Shuijiang District Zhongshan East Road Securities Branch of 東方證券股份有限公司	No. 368 Zhongshan East Road, Shuijiang District, Taizhou, Zhejiang	July 30, 2015
Taiyuan Pingyang Road Securities Branch of 東方證券股份有限公司	No. 1001, 1002 & 1003, 1-2/F, Block 171, No. 186 Pingyang Road, Xiaodian District, Taiyuan, Shanxi	April 17, 2014
Tianjin Xikang Road Securities Branch of 東方證券股份有限公司	No. 42 Xikang Road, Heping District, Tianjin	May 10, 2006
Wenzhou Xinhe Street Securities Branch of 東方證券股份有限公司	Room 601, Block A, Songtai Building, Xinhe Street, Lucheng District, Wenzhou, Zhejiang	August 7, 2015
Urumqi Nanhu Road Securities Branch of 東方證券股份有限公司	No. 4, 5, 6, 3/F, Building Construction Mansion, No. 133 Nanhu Road, Shuimogou District, Urumqi, Xinjiang Uygur Autonomous Region	August 7, 2015
Wuxi Xinsheng Road Securities Branch of 東方證券股份有限公司	No. 152 Xinsheng Road, Wuxi, Jiangsu	August 7, 2015
Wuhan Sanyang Road Securities Branch of 東方證券股份有限公司	5/F, Block A, Sanyang Golden City, No. 118 Sanyang Road, Jiang'an District, Wuhan, Hubei	May 11, 2006
Xi'an Jinye Road Securities Branch of 東方證券股份有限公司	Room 716, 717, 718, 719, Block C, City Gate, No. 1 Jinye Road, High-tech Zone, Xi'an, Shaanxi	July 14, 2014
Xi'an Taoyuan South Road Securities Branch of 東方證券股份有限公司	No. 38 Taoyuan South Road, Lianhu District, Xi'an, Shaanxi	July 22, 2015
Xining Huanghe Road Securities Branch of 東方證券股份有限公司	Shop 15, Building 3, No. 21 Huanghe Road, Chengxi District, Xining, Qinghai	August 7, 2015
Xiamen Xianyue Road Securities Branch of 東方證券股份有限公司	Shop 105 or Shop 108, No. 555 Xianyue Road, Siming District, Xiamen, Fujian	July 14, 2015
Xiangtan Huxiang North Road Securities Branch of 東方證券股份有限公司	Shop 3, Napaxi Valley IV, Huxiang North Road, Xiangtan, Hunan	April 23, 2014
Yantai Yingchun Street Securities Branch of 東方證券股份有限公司	No. 170 Yingchun Street, Laishan District, Yantai, Shandong	July 22, 2014
Yiwu Gongren West Road Securities Branch of 東方證券股份有限公司	No. 113 Gongren West Road, Yiwu, Zhejiang	May 26, 2014
Yinchuan Minzu North Street Securities Branch of 東方證券股份有限公司	2/F, No. 12 Minzu North Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region	August 7, 2015
Zhenjiang Dongwu Road Securities Branch of 東方證券股份有限公司	Room 110, 1/F, Building 1, No. 38 Dongwu Road, Zhenjiang, Jiangsu	August 7, 2015
Zhengzhou Commercial Central Park Securities Branch of 東方證券股份有限公司	No. 1801, 18/F, Building 1, No. 2 Commercial Central Park, Zhengdong New District, Zhengzhou, Henan	May 27, 2014

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Name of securities branches	Registered address (PRC)	Date of establishment
Chongqing Times Paradise Walk Securities Branch of 東方證券股份有限公司	Unit 18-4 & 18-05, Building 1, No.2 Times Paradise Walk, Yuzhong District, Chongqing	June 3, 2014
Zhuzhou Jianshe South Road Securities Branch of 東方證券股份有限公司	No. 320 Jianshe South Road, Lusong District, Zhuzhou, Hunan	June 18, 2015
Taiyuan High-tech Street Securities Branch of 東方證券股份有限公司	15/F, No. 15 High-tech Street, High-tech Zone, Taiyuan, Shanxi	December 6, 2016
Baotou Qingnian Road Securities Branch of 東方證券股份有限公司	1-A4, Hengyuan Ginza Commercial Building, No. 28 Qingnian Road, Qingshan District, Baotou, Inner Mongolia Autonomous Region	December 19, 2016
Jinhua Bayi North Street Securities Branch of 東方證券股份有限公司	No. 190 Bayi North Street, Wucheng District, Jinhua, Zhejiang	January 6, 2017
Yangzhou Wenhui East Road Securities Branch of 東方證券股份有限公司	No. 231 Wenhui East Road, Economic Development Zone, Yangzhou, Jiangsu	January 5, 2017
Changshu Lizha Road Securities Branch of 東方證券股份有限公司	21 & 23, No. 65 Lizha Road, Changshu, Jiangsu	January 5, 2017
Zhangjiagang Donghuan Road Securities Branch of 東方證券股份有限公司	Chengnan Building, No. 68 Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu	January 6, 2017
Shaoxing Shengli East Road Securities Branch of 東方證券股份有限公司	No. 402 Shengli East Road & Room 705, 706-1, No. 68 Didanghu Road, Yuecheng District, Shaoxing, Zhejiang	March 13, 2017
Xi'an Weiyang Road Securities Branch of 東方證券股份有限公司	Shop 04, 1/F, Building 1, Datang Xinghe Garden, No. 109-1 Weiyang Road, Xi'an, Shaanxi	March 30, 2017
Shenzhen Shennan East Road Securities Branch of 東方證券股份有限公司	Room 02, 03 & 05, 19/F, Main Building, Shun Hing Square, No. 5002 Shennan East Road, Guiyuan Sub-district, Luohu District, Shenzhen, Guangdong	April 24, 2017
Zhuhai Jida Road Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 202, 2/F, Petroleum Building, No. 103 Jida Road, Xiangzhou District, Zhuhai, Guangdong	May 5, 2017
Zibo Liuquan Road Securities Branch of 東方證券股份有限公司	No. 258 Liuquan Road, High-tech Zone, Zibo, Shandong	May 17, 2017
Shanghai Jing'an District Yanping Road Securities Branch of 東方證券股份有限公司	1-2/F, No. 167 Yanping Road, Jing'an District, Shanghai	May 12, 2017
Hefei Meishan Road Securities Branch of 東方證券股份有限公司	1-2/F, Alic Building, No.19 Meishan Road, Hefei, Anhui	May 17, 2017
Wuhu Beijing Middle Road Securities Branch of 東方證券股份有限公司	No. 104 & 501 Jinghu Star, No.1 Beijing Middle Road, Jinghu District, Wuhu, Anhui	July 5, 2017
Yueyang Jin'e Middle Road Securities Branch of 東方證券股份有限公司	1/F, St. Xincheng Caizhi Mansion, No. 408 Jin'e Middle Road, Yueyanglou District, Yueyang, Hunan	July 19, 2017
Luoyang Nanchang Road Securities Branch of 東方證券股份有限公司	No. 107, Block 4, No. 14 Nanchang Road, Jianxi District, Luoyang, Henan	July 18, 2017

Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Changzhou Longjin Road Securities Branch of 東方證券股份有限公司	Room 102, 1103&1104, Building 3, Modern Media Centre, No. 1590 Longjin Road, Xinbei District, Changzhou, Jiangsu	July 6, 2017
Qingdao Miaoling Road Securities Branch of 東方證券股份有限公司	101-A, No. 36-1, Miaoling Road, Laoshan District, Qingdao, Shandong	July 6, 2017
Dalian Taiyuan Street Securities Branch of 東方證券股份有限公司	No. 177-13 Taiyuan Street, Shahekou District, Dalian, Liaoning	July 12, 2017
Tangshan Beixin West Road Securities Branch of 東方證券股份有限公司	No. 36-13 Beixin West Road, Lijingqin Garden, Zhangdali, Lubei District, Tangshan, Hebei	July 6, 2017
Changchun Ziyou Road Securities Branch of 東方證券股份有限公司	Room 110, Block B, The First International Centre, No. 3999 Ziyou Road, Er'dao District, Changchun, Jilin	July 5, 2017
Tianjin Nanma Road Securities Branch of 東方證券股份有限公司	No. 1201 Nanma Road, Nankai District, Tianjin	July 5, 2017
Dongguan Hongfu Road Securities Branch of 東方證券股份有限公司	No. 104 Huicheng Building, No. 102 Hongfu Road, Nancheng Sub-district, Dongguan, Guangdong	July 12, 2017
Beijing Dajiaoting South Street Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 2017, 2/F, Building 1, No. 5, Dajiaoting South Street, Chaoyang District, Beijing	July 13, 2017
Yichang Xiling First Road Securities Branch of 東方證券股份有限公司	No. 15 Xiling First Road, Xiling District, Yichang (Shop 117 & 217, Jin'an Downtown), Hubei	July 19, 2017
Chengdu Yizhou Avenue Securities Branch of 東方證券股份有限公司	No. 104, 1/F, Unit 2, Block 1, No.777 North Section of Yizhou Avenue, High-tech Zone, Chengdu, Sichuan	July 13, 2017
Xuchang Xudu Road Securities Branch of 東方證券股份有限公司	1 & 2/F, Block A, Huitong Commercial Garden, South of Xudu Road & West of Wisdom Building, Dongcheng District, Xuchang, Henan	July 5, 2017
Foshan North Nanhai Avenue Securities Branch of 東方證券股份有限公司	03-08, 17/F, Office building, Block E, Area 1, Yuexiu Starry Winking Plaza, No.84 North Nanhai Avenue, Guicheng Sub-district, Nanhai District, Foshan, Guangdong	July 19, 2017
Guangzhou Guangzhou Middle Avenue Securities Branch of 東方證券股份有限公司	301 Self-built Room 2, No.129-133 Middle section of Guangzhou Avenue, Yuexiu District, Guangzhou, Guangdong	July 18, 2017
Jiangmen Yingbin Middle Avenue Securities Branch of 東方證券股份有限公司	Suite 109 & 2208-2209, Block 1, No. 118 Middle section of Yingbin Avenue, Pengjiang District, Jiangmen, Guangdong	July 6, 2017
Zhongshan Zhongshan Fifth Road Securities Branch of 東方證券股份有限公司	Unit 01, 12/F, Block 3, Zima benteng Square, No. 2 Zhongshan Fifth Road, Eastern District, Zhongshan, Guangdong	July 18, 2017
Chongqing Honghu West Road Securities Branch of 東方證券股份有限公司	No. 41 & 43, Honghu West Road, Yubei District, Chongqing	July 13, 2017
Xuzhou Heping Road Securities Branch of 東方證券股份有限公司	No. 101-1, Wenyuan Building, Jiangsu Normal University Science & Technology Park, No. 59 Heping Road, Yunlong District, Xuzhou, Jiangsu	July 13, 2017

Independent Auditor's Report

Deloitte. 德勤

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

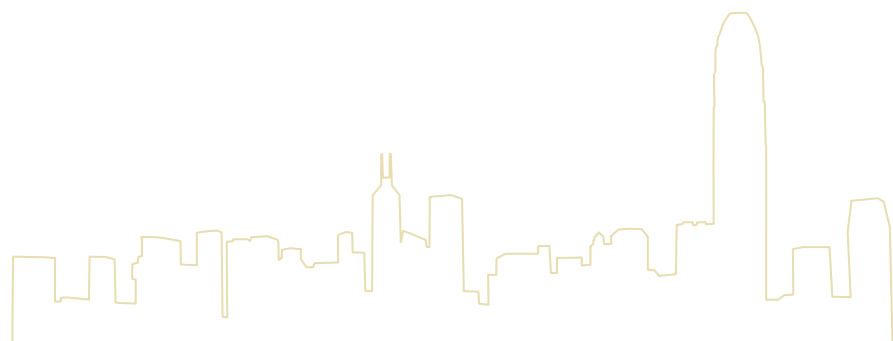
OPINION

We have audited the consolidated financial statements of 東方證券股份有限公司 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 235 to 380, which comprise the consolidated statements of financial position as at 31 December 2017, and the consolidated statement of profit and loss, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent Auditor's Report

KEY AUDIT MATTERS

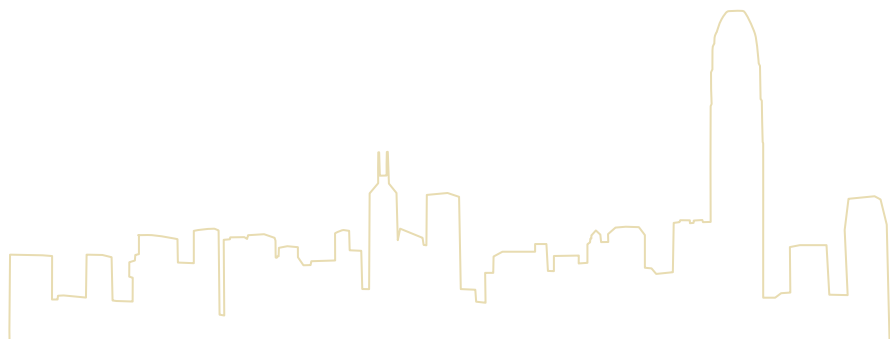
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of available-for-sale equity financial assets	
<p>As at 31 December 2017, the Group held available-for-sale equity instruments of RMB16,838 million, out of which RMB14,150 million were measured at fair value and RMB2,688 million were measured at cost less impairment as disclosed in note 24.</p> <p>For available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in note 4, for listed available-for-sale equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment; when assessing impairment of available-for-sale equity investments measured at cost less impairment, the Group applied significant judgement in assessing objective evidence for impairment and determining the discounted future cash flows.</p> <p>We identified the impairment of available-for-sale equity instruments, which include equity securities, funds and other investments, as a key audit matter as the Group applied significant judgement in determining the impairment of available-for-sale equity instruments.</p>	<p>Our procedures in relation to management's impairment assessment of available-for-sale equity instruments included:</p> <ul style="list-style-type: none"> • Understanding the relevant controls in the identification of available-for-sale equity instruments with indicators of impairment; • Challenging and assessing the management judgement in determining whether the available-for-sale equity instruments are impaired; • Checking management's calculations of the impairment allowance for available-for-sale equity instruments; <p>In addition, regarding available-for-sale equity instruments measured at fair value:</p> <ul style="list-style-type: none"> • Checking, on a sample basis, the data used by management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data; <p>With regards to available-for-sale equity instruments measured at cost less impairment:</p> <ul style="list-style-type: none"> • Assessing, on a sample basis, the appropriateness of the estimation of discounted future cash flows made by the management by checking to latest financial information of those equity investments.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of advances to customers and financial assets held under resale agreements	
<p>As at 31 December 2017, the Group held advances to customers of RMB13,039 million, less impairment allowance of RMB99 million as disclosed in note 28. RMB70 million of impairment loss was charged in 2017 as disclosed in note 15.</p> <p>As at 31 December 2017, the Group held financial assets held under resale agreements of RMB34,806 million, less impairment allowance of RMB187 million as disclosed in note 26. RMB187 million of impairment loss was charged in 2017 as disclosed in note 15.</p> <p>As disclosed in note 4, the Group assesses whether there is any observable data indicating that there is an objective evidence of impairment. Moreover, the Group also reviews the value of securities collateral received from the customers in determining the impairment.</p> <p>We identified the estimation of impairment of advances to customers and financial assets held under resale agreements as a key audit matter due to the significance of them and the significant judgement applied by the management in assessing impairment.</p>	<p>Our procedures in relation to management's impairment assessment of advances to customers and financial assets held under resale agreements included:</p> <ul style="list-style-type: none"> • Understanding the relevant controls of the management over the identification of impairment indicators and measurement of impairment allowances; • Checking the accuracy of the calculation of the shortfall of advances to customers and financial assets held under resale agreements pledged by stock after deduction of the recoverable amounts of securities collateral; • Checking, on a sample basis, the existence of the securities collateral and their recoverable amount to supporting documents and quoted market prices; • Evaluating the appropriateness and reasonableness of impairment model and assumptions used by the management and checking management's calculation of the impairment allowance.



Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
<p>As disclosed in note 4, for collective asset management schemes and investment funds where the Group is involved as investment manager, the Group assessed whether the combination of investments it held, if any, together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.</p> <p>Details of consolidated structured entities are set out in note 21 to the consolidated financial statements.</p> <p>The Group holds interests in certain structured entities including collective asset management products and investment funds, where the Group is involved as investment manager. We identified the consolidation of structured entities as a key audit matter as the Group applied significant judgement in determining whether these structured entities fall within the consolidation scope and the determination of consolidation or not of these structured entities has significant impact on the consolidated financial statements of the Group.</p>	<p>Our procedures in relation to management's determination of consolidation scope included:</p> <ul style="list-style-type: none"> • Understanding the relevant controls of management in determining the consolidation scope of interests in structured entities; • Checking the information used by the management in assessing the consolidation criteria of significant structured entities against the related investment agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year; • Challenging and assessing management judgement in determining the scope of consolidation for each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.



Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

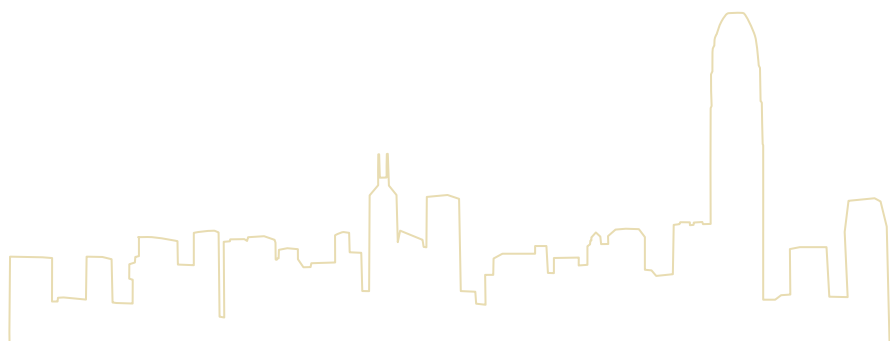
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

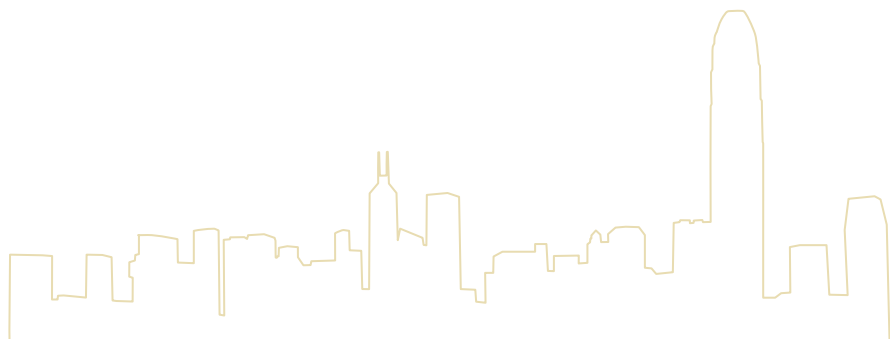
The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 March 2018



Consolidated Statement of Profit or Loss

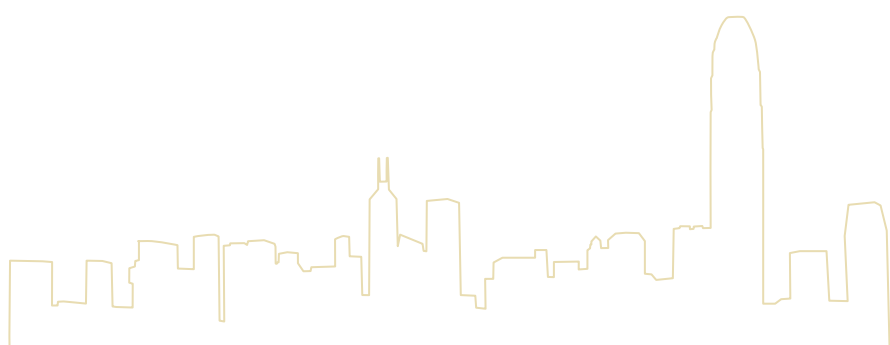
For the year ended December 31, 2017

	NOTES	Year ended December 31,	
		2017 RMB'000	2016 RMB'000
Revenue			
Commission and fee income	6	5,377,803	4,620,340
Interest income	7	3,930,852	4,271,636
Net investment gains	8	6,738,575	2,813,575
		16,047,230	11,705,551
Other income and gains or losses	9	632,155	536,831
		16,679,385	12,242,382
Depreciation and amortisation	10	(180,611)	(172,790)
Staff costs	11	(3,598,494)	(2,406,474)
Commission and fee expenses	12	(371,323)	(426,638)
Interest expenses	13	(5,941,311)	(5,118,370)
Other operating expenses	14	(2,241,740)	(1,415,113)
Provision for impairment losses	15	(434,176)	(288,257)
Total expenses		(12,767,655)	(9,827,642)
Share of results of associates		476,783	398,583
Profit before income tax		4,388,513	2,813,323
Income tax expense	16	(785,495)	(386,672)
Profit for the year		3,603,018	2,426,651
Attributable to:			
Shareholders of the Company		3,553,626	2,313,975
Non-controlling interests		49,392	112,676
		3,603,018	2,426,651
Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	17	0.57	0.41
– Diluted	17	N/A	0.41

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

	NOTE	Year ended December 31,	
		2017 RMB'000	2016 RMB'000
Profit for the year		3,603,018	2,426,651
Other comprehensive expense attributable to owners of the Company, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value losses on available-for-sale financial assets	47(4)	(1,505,469)	(1,904,594)
Income tax impact		376,538	474,220
Share of other comprehensive income of associates		60,409	53,210
Exchange differences arising on translation		(54,536)	43,479
Others		70	(222)
Other comprehensive expense for the year, net of income tax		(1,122,988)	(1,333,907)
Total comprehensive income for the year		2,480,030	1,092,744
Attributable to:			
Shareholders of the Company		2,430,568	980,290
Non-controlling interests		49,462	112,454
		2,480,030	1,092,744



Consolidated Statement of Financial Position

As at December 31, 2017

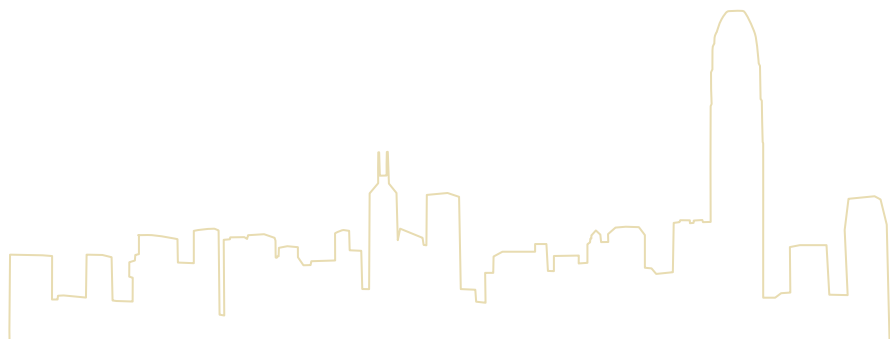
	NOTES	As at December 31,	
		2017 RMB'000	2016 RMB'000
Non-current assets			
Property and equipment	18	2,033,609	1,844,486
Goodwill	19	32,135	32,135
Other intangible assets	20	127,939	114,884
Investments in associates	22	4,005,604	3,514,660
Available-for-sale financial assets	24	9,940,762	10,712,807
Held-to-maturity investments	25	37,500	140,500
Financial assets held under resale agreements	26	9,932,998	15,456,170
Deferred tax assets	27	150,522	253,903
Other receivables and prepayments	30	–	218,458
Total non-current assets		26,261,069	32,288,003
Current assets			
Advances to customers	28	12,940,064	10,651,586
Account receivables	29	962,844	737,500
Other receivables and prepayments	30	3,725,463	3,837,759
Available-for-sale financial assets	24	62,293,616	66,549,121
Held-to-maturity investments	25	73,000	71,560
Financial assets held under resale agreements	26	24,685,493	19,102,771
Financial assets at fair value through profit or loss	31	48,029,447	23,329,193
Derivative financial assets	32	168,719	70,509
Deposits with exchanges and financial institutions	33	1,025,096	1,099,849
Clearing settlement funds	34	9,349,322	10,504,501
Cash and bank balances	35	41,895,955	43,718,835
Restricted bank deposits	35	449,900	449,900
Total current assets		205,598,919	180,123,084
Total assets		231,859,988	212,411,087



Consolidated Statement of Financial Position

As at December 31, 2017

	NOTES	As at December 31,	
		2017 RMB'000	2016 RMB'000
Current liabilities			
Borrowings	37	2,327,670	480,727
Due to banks and other financial institutions	38	11,200,000	5,100,000
Account payables to brokerage clients	39	28,219,521	35,651,787
Accrued staff costs	40	1,852,383	1,377,921
Other account payables, other payables and accruals	41	4,315,525	3,591,833
Current tax liabilities		433,308	237,925
Bond payables	42	11,639,397	24,020,769
Short-term financing bills payables	43	1,810,486	4,942,779
Financial liabilities at fair value through profit or loss	44	6,059,727	7,471,177
Derivative financial liabilities	32	628,176	419,177
Financial assets sold under repurchase agreements	45	53,180,004	40,678,940
Total current liabilities		121,666,197	123,973,035
Net current assets		83,932,722	56,150,049
Total assets less current liabilities		110,193,791	88,438,052
Equity			
Share capital	46	6,993,656	6,215,452
Reserves	47	37,517,315	27,155,720
Retained profits	48	8,474,531	7,111,726
Equity attributable to shareholders of the Company		52,985,502	40,482,898
Non-controlling interests		515,973	454,927
Total equity		53,501,475	40,937,825



Consolidated Statement of Financial Position

As at December 31, 2017

	NOTES	As at December 31,	
		2017 RMB'000	2016 RMB'000
Non-current liabilities			
Borrowings	37	–	859,034
Financial assets sold under repurchase agreements	45	2,940,000	5,720,000
Deferred tax liabilities	27	82,026	357,851
Bond payables	42	53,670,290	40,563,342
Total non-current liabilities		56,692,316	47,500,227
Total equity and non-current liabilities		110,193,791	88,438,052

The financial statements were approved and authorised for issue by the Board of Directors on March 29, 2018 and signed on behalf by:

Pan Xinjin
Chairman of Board

Zhang Jianhui
Chief Financial Officer



Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Equity attributable to shareholders of the Company										
	NOTE	Reserves							Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment		Retained profits			
						revaluation reserve	Translation reserve				
RMB'000 (Note 46)	RMB'000 (Note 47)	RMB'000 (Note 47)	RMB'000 (Note 47)	RMB'000 (Note 47)	RMB'000 (Note 47)	RMB'000 (Note 47)	RMB'000 (Note 48)	RMB'000	RMB'000	RMB'000	
At January 1, 2017		6,215,452	18,028,781	2,685,798	5,712,873	708,065	20,203	7,111,726	40,482,898	454,927	40,937,825
Profit for the year		-	-	-	-	-	-	3,553,626	3,553,626	49,392	3,603,018
Other comprehensive (expenses)/income for the year		-	-	-	-	(1,068,522)	(54,536)	-	(1,123,058)	70	(1,122,988)
Total comprehensive (expenses)/income for the year		-	-	-	-	(1,068,522)	(54,536)	3,553,626	2,430,568	49,462	2,480,030
Non-public issuance of A shares		778,204	10,280,072	-	-	-	-	-	11,058,276	-	11,058,276
Costs of non-public issuance of A shares		-	(53,923)	-	-	-	-	-	(53,923)	23,583	(30,340)
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	1,960	1,960
Additional interests acquired from non-controlling shareholders of the subsidiary		-	1	-	-	-	-	-	1	(226)	(225)
Appropriation to surplus reserve		-	-	366,406	-	-	-	(366,406)	-	-	-
Appropriation to general reserve		-	-	-	892,097	-	-	(892,097)	-	-	-
Dividends recognised as distribution	49	-	-	-	-	-	-	(932,318)	(932,318)	(13,733)	(946,051)
At December 31, 2017		6,993,656	28,254,931	3,052,204	6,604,970	(360,457)	(34,333)	8,474,531	52,985,502	515,973	53,501,475



Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Equity attributable to shareholders of the Company										
	NOTE	Reserves							Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment		Retained profits			
						revaluation reserve	Translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At January 1, 2016		5,281,743	12,569,391	2,457,998	5,138,431	2,085,229	(23,276)	7,448,603	34,958,119	417,626	35,375,745
Profit for the year		-	-	-	-	-	-	2,313,975	2,313,975	112,676	2,426,651
Other comprehensive (expenses)/income for the year		-	-	-	-	(1,377,164)	43,479	-	(1,333,685)	(222)	(1,333,907)
Total comprehensive (expenses)/income for the year		-	-	-	-	(1,377,164)	43,479	2,313,975	980,290	112,454	1,092,744
IPO of H shares		933,709	5,619,077	-	-	-	-	-	6,552,786	-	6,552,786
Costs of IPO of H shares		-	(177,102)	-	-	-	-	-	(177,102)	-	(177,102)
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	15,861	15,861
Disposal of subsidiaries		-	-	-	-	-	-	-	-	(85,598)	(85,598)
Appropriation to surplus reserve		-	-	227,800	-	-	-	(227,800)	-	-	-
Appropriation to general reserve		-	-	-	574,442	-	-	(574,442)	-	-	-
Dividends recognised as distribution	49	-	-	-	-	-	-	(1,848,610)	(1,848,610)	(5,416)	(1,854,026)
Others		-	17,415	-	-	-	-	-	17,415	-	17,415
At December 31, 2016		6,215,452	18,028,781	2,685,798	5,712,873	708,065	20,203	7,111,726	40,482,898	454,927	40,937,825



Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before income tax	4,388,513	2,813,323
Adjustments for:		
Interest expenses	5,941,311	5,118,370
Share of results of associates	(476,783)	(398,583)
Depreciation and amortisation	180,611	172,790
Provision for impairment losses	434,176	288,257
Losses on disposal of property and equipment	165	750
Foreign exchange losses/(gains)	129,905	(291,371)
Net gains arising from disposal of subsidiaries	–	(39,008)
Net gains arising from disposal of associates	(725)	–
Net realised gains and income arising from available-for-sale financial assets	(3,410,481)	(3,644,325)
Interest income from held-to-maturity investments	(9,851)	(32,080)
Net realised gains and income arising from loan and receivable investments and others	(112,255)	(39,392)
Unrealised fair value change of financial assets at fair value through profit or loss	(1,390,787)	270,144
Unrealised fair value change of financial liabilities at fair value through profit or loss	193,516	(355,501)
Unrealised fair value change of derivative financial instruments	(489,725)	487,055



Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Operating cash flows before movements in working capital	5,377,590	4,350,429
(Increase)/decrease in advances to customers	(2,353,355)	3,555,270
Increase in financial assets held under resale agreements	(246,901)	(8,060,726)
(Increase)/decrease in financial assets at fair value		
through profit or loss and derivative financial assets	(22,917,952)	7,791,315
Decrease/(increase) in deposits and reserve funds and deposits		
with exchanges	74,753	(39,838)
Decrease in bank balances and clearing settlement funds		
restricted or held on behalf of customers	7,748,087	8,060,611
Decrease in account receivables, other receivables		
and prepayments	293,284	98,331
Increase in other account payables, other payables and accruals	1,141,741	1,158,316
Decrease in account payables to brokerage clients	(7,432,266)	(7,541,488)
(Decrease)/increase in financial liabilities at fair value through		
profit or loss and derivative financial liabilities	(1,395,967)	4,917,109
Increase/(decrease) in financial assets		
sold under repurchase agreements	9,721,064	(1,481,151)
Increase/(decrease) in deposits due to banks		
and other financial institutions	6,100,000	(5,100,000)
Cash (used in)/generated from operations	(3,889,922)	7,708,178
Income taxes paid	(398,904)	(1,876,760)
Interest paid	(2,524,171)	(2,219,266)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(6,812,997)	3,612,152



Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	NOTE	Year ended December 31,	
		2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Dividends and interest received from investments		3,119,776	2,567,635
Proceeds on disposal of property and equipment		6,003	1,032
Proceeds from disposal or redemption of available-for-sale financial assets, held-to maturity investments, loans and advances to customers		110,767,852	88,073,522
Capital injection in associates		(452,331)	(1,230,925)
Purchases of available-for-sale financial assets, held-to maturity investments, loans and advances to customers, and other investments		(106,790,615)	(105,959,800)
Purchases of property and equipment and other intangible assets		(389,563)	(318,748)
Proceeds from disposal of subsidiaries		–	171,383
Proceeds from disposal of associates		206,170	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		6,467,292	(16,695,901)
FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		1,960	15,861
Proceeds from A or H shares issued		11,058,276	6,552,786
Proceeds from bonds and short-term financing bills payables issued		35,558,980	39,137,892
Repayments on bonds and short-term financing bills payables issued		(37,819,057)	(29,969,551)
Proceeds from borrowings		1,521,580	870,593
Repayments on borrowings		(480,727)	(300,000)
Dividends paid to shareholders		(946,051)	(1,869,444)
Transaction costs paid on issue of A or H shares		(30,340)	(177,102)
Interest of bonds and short-term financing bills payables paid		(3,286,828)	(3,159,068)
Interest of borrowings paid		(62,280)	(19,223)
Payments on acquisition of partial interests in a subsidiary		(225)	–
Payments on other financing activities		–	(344)
NET CASH FROM FINANCING ACTIVITIES		5,515,288	11,082,400
NET INCREASE IN/(DECREASE) CASH AND CASH EQUIVALENTS		5,169,583	(2,001,349)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		17,546,809	19,213,798
Effect of foreign exchange rate changes		(399,555)	334,360
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	36	22,316,837	17,546,809

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

1. GENERAL INFORMATION

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

The registered office of the Company is located at 22F, 23F and 25-29F, Building 2, No. 318, South Zhongshan Road, Shanghai, the People’s Republic of China (“PRC”).

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

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

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) which are relevant to the Group for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised losses

The application of the above amendments to IFRSs has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements except for the following:

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IAS 7 Disclosure Initiative *(Continued)*

The Group's liabilities arising from financing activities consist of borrowings (Note 37), bond payables (Note 42), short-term financing bills payables (Note 43) and interest payables of those three liabilities (Note 41). A reconciliation between the opening and closing balances of the item is provided in note 60. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 60, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

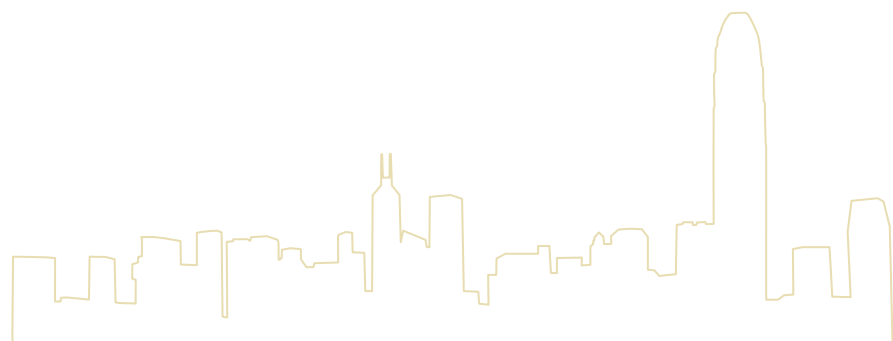
IFRS 9	Financial instruments ¹
IFRS 15	Revenue from contracts with customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ⁵

¹ Effective for annual periods beginning on or after January 1, 2018

² Effective for annual periods beginning on or after January 1, 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2021



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IAS 7 Disclosure Initiative *(Continued)*

The directors of the Company is in the process of assessing the impact of the new standards and amendments on the consolidated financial statements. So far it has concluded that the adoption of them is unlikely to have significant impact on the consolidated financial statements except for the following:

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following main potential impact on initial application of IFRS 9.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

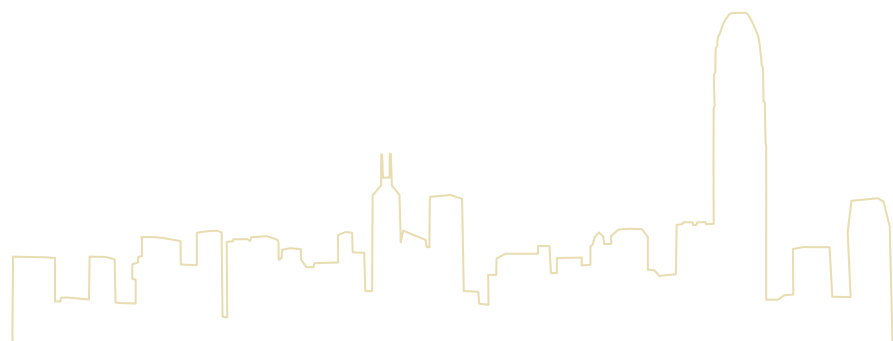
IFRS 9 Financial instruments *(Continued)*

Classification and measurement

Equity instruments measured at FVTPL as disclosed in note 31: some of these equity instruments qualify for designation as measured at fair value through other comprehensive income (“FVTOCI”) under IFRS 9 and the Group elects this option. For these financial assets, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group’s profit or loss and other comprehensive income but will not affect total comprehensive income. Upon initial application of IFRS 9, retained profits relating to these financial assets will be transferred to investment revaluation reserve as at January 1, 2018.

Investments classified as loans and advances to customers carried at amortised costs as disclosed in note 30: based on management’s assessment on cash flow characteristics and business model, some of these financial assets will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss upon the application of IFRS 9.

Debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 24: i), some of these financial assets which satisfy the contractual cash flow characteristics test, although classified previously as available for sales, are in fact held within a business model whose object is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will be subsequently measured at amortised costs upon the application of IFRS 9; ii) based on management’s assessment on cash flow characteristics and business model, some of these financial assets will be subsequently measured at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. On initial application of IFRS 9, investment revaluation reserve relating to (i) those financial assets subsequently measured at amortised costs will be adjusted against the fair value of the financial assets, and (ii) those financial assets subsequently measured at fair value through profit or loss will be transferred to retained profits as at January 1, 2018, respectively.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 9 Financial instruments *(Continued)*

Classification and measurement (Continued)

Equity instruments and other investments classified as available-for-sale investments carried at fair value as disclosed in note 24: i) some of these equity instruments and other investments are qualified for designation as measured at FVTOCI under IFRS 9 and the Group elects this option. For these financial assets, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income; ii) the Group will not elect the option for designation as measured at FVTOCI under IFRS 9 for the remaining equity instruments. Therefore, the remaining equity instruments, together with other investments not qualified for the designation at FVTOCI, will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investment revaluation reserve relating to these remaining financial assets will be transferred to retained profits as at January 1, 2018.

Equity instruments classified as available-for-sale financial assets carried at costs less impairment as disclosed in note 24: the Group will elect the option for designation as measured at FVTOCI under IFRS 9 for some of these equity instruments and the remaining portion will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, fair values changes, representing the differences between the cost less impairment and fair value for these remaining portion, will be adjusted to investment revaluation reserve and retained profits as at January 1, 2018.

The directors of the Company anticipate that the application of IFRS 9 may not have a material impact on the measurement basis of the Group's other financial assets and liabilities.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, the adoption of the new classification and measurement basis and expected credit loss model mentioned above in respect of financial assets will slightly decrease the total equity attributable to owners of the Company as at January 1, 2018 by less than 1.5% of the amount as at December 31, 2017.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group has various types of revenue and income as disclosed in note 6, 7 and 9. Interest income, a significant component of the Group’s revenue, is not under the scope of IFRS 15. The Group has assessed the impact of IFRS 15 on the remaining revenue and does not expect that the application of the standard will have a significant impact on recognition or measurement of income from majority of these services. However, the application of IFRS 15 may result in more disclosures in the consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of RMB568,525 thousands as disclosed in note 52. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB31,239 thousand and refundable rental deposits received of RMB930 thousand as right and obligations under leases to which IAS 17 applies. Based on the definition of the lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

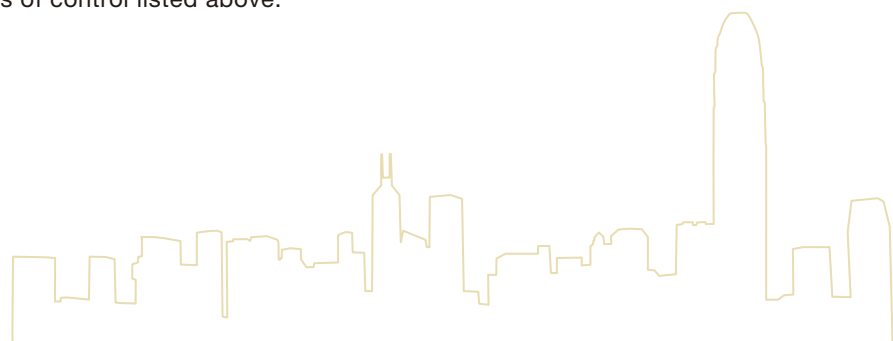
The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

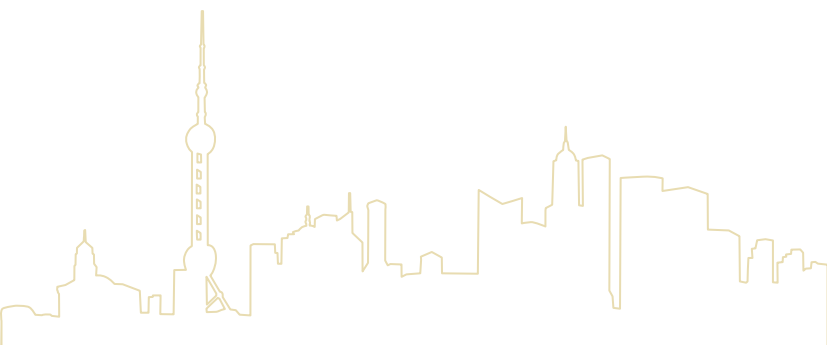
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to shareholders of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate.

The Group served as the manager of collective asset management schemes and funds. These collective asset management schemes and funds invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage of ownership in these structured entities can fluctuate from day to day according to the Group's and third-party's participation in them. Where the Group is deemed to control such collective asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 *Consolidated Financial Statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such collective asset management schemes and funds for cash. These are presented as "Interests attributable to other holders of consolidated structured entities" within financial liabilities designated at fair value through profit or loss in the consolidated statement of financial position.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former shareholders of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates is described below.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, investments in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property and equipment

Property and equipment including leasehold land and buildings (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment *(Continued)*

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3%	Over the shorter of the lease term and estimated useful life of buildings of 30 years
Electronic and communication equipment	3%	3-10 years
Motor vehicles	3%	6 years
Office equipment	3%	5 years
Leasehold improvements	nil	Over the lease term

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading rights) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

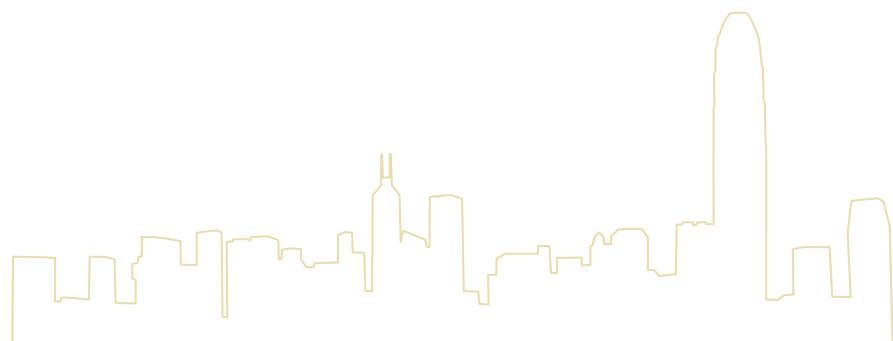
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as an intangible assets that are acquired separately.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

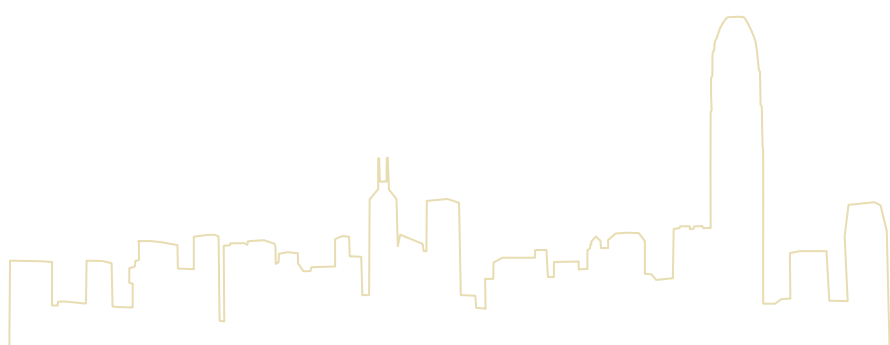
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the property payments cannot be allocated reliably between the leasehold land and building elements, the entire lease is generally classified as if the leasehold land is under finance lease.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant period.

Annuity scheme

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss when employees have rendered service entitling them to the contributions.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net investment gains.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition:

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL *(Continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial assets forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividends or interest earned on the financial assets. Fair value is determined in the manner described in note 59.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including advances to customers, account receivables, other receivables, financial assets held under resale agreements, deposits with exchanges and financial institutions, clearing settlement funds, cash and bank balances are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting would be immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that are quoted in an active market and that the Group has the positive intention and ability to hold to maturity other than:

- those that the Group upon initial recognition designates as fair value through profit or loss;
- those that the Group designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Held-to-maturity investments (Continued)

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy on impairment loss on financial assets below).

Available-for-sale (“AFS”) financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets as at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group’s right to receive the dividends is established.

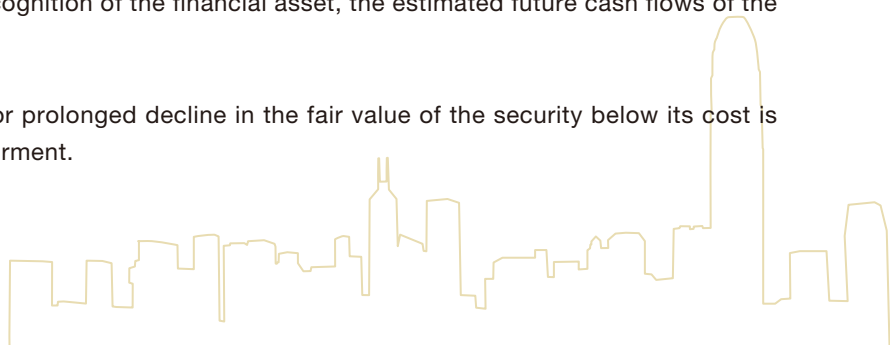
The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

For AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

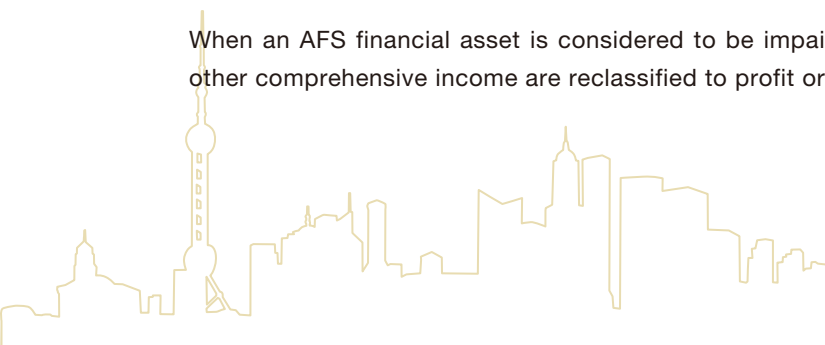
For certain categories of financial assets, such as advances to customers, financial assets held under resale agreements, account receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to customers, account receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an advance to customers, an account receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid and dividends paid. Fair value is determined in the manner described in note 59.

Other financial liabilities

Other financial liabilities including borrowings, short-term financing bills payables, due to banks and other financial institutions, accounts payable to brokerage clients, other payables and accruals, bond payables and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net investment gains or losses.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and price risk, including interest rate swaps and stock index futures. Further details of derivatives financial instruments are disclosed in note 32.

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL, loans and receivables, held-to-maturity investments or “AFS financial assets” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as AFS financial assets.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- (i) Commission income for broking business is recorded as income on a trade date basis, and service fees arising from broking business are recognized when services are rendered;
- (ii) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;
- (iv) Consultancy and financial advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

- (v) Asset and fund management fee income is recognised when management services are provided; and
- (vi) Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably); and
- (vii) Rental income from operating leases is recognised on a straight-line basis over the term of relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on straight-line basis over the lease term.
- (viii) Revenue from the sale of goods/ware receipt is recognised when the goods are delivered and titles have passed to the customers.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably measured.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial assets

The Group uses valuation techniques to estimate the fair value of financial assets which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial assets.

Financial assets with restriction on disposal are classified as available-for-sale financial assets and financial assets at FVTPL. For financial assets which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these securities are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of these instruments include some assumptions not supported by observable market prices or rates.

Impairment of advances to customers and financial assets held under resale agreements

The Group reviews its advances to customers and financial assets held under resale agreements pledged by stock to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from advances to customer and financial assets held under resale agreements. Moreover, the Group also reviews the value of the securities collateral received from the customers in determining the impairment. The Group reviewed the methodology and assumptions used for estimating both the amount and timing of future cash flows regularly to reduce any differences between loss estimates and actual loss experience.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in notes 16 and 27.

Critical judgement in applying accounting policies

Impairment of available-for-sale financial assets

The determination of whether an available-for-sale investment is impaired requires significant judgment. For listed available-for-sale equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the financial statements regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions.

For available-for-sale debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted available-for-sale equity instruments measured at cost, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of the available-for-sale investments are set out in note 24.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

5. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the "CODM") of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

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

- (a) Securities sales and trading, which included investment gains and investment income earned from trading of stocks, bonds, funds, derivatives and other financial products and fees earned from providing related investment research activities, generating primarily from the "Proprietary Trading Business" comprising the Securities Investment Department, the Fixed Income Department and the Derivatives Department of the Company;
- (b) Investment management, which primarily includes management and advisory fees earned from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from private equity and alternative investments;

Notes to the Consolidated Financial Statements

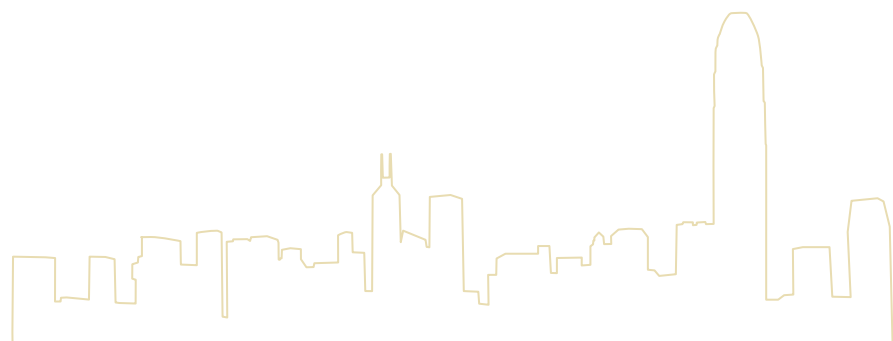
For the year ended December 31, 2017

5. SEGMENT REPORTING *(Continued)*

- (c) Brokerage and securities financing, which primarily included fees and commissions earned from providing brokerage and investment advisory services for the trading of stocks, bonds, funds, and warrants, as well as futures on behalf of the customers, and also interest earned from providing margin financing and securities lending services;
- (d) Investment banking, which primarily includes commissions and fees earned from equity underwriting and sponsorship, debt underwriting and financial advisory services;
- (e) Headquarters and others, which includes head office operations and the overseas business in Hong Kong, including interest income earned and expense incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year of 2017 and 2016.

Segment profit/loss represents the profit earned by/loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

5. SEGMENT REPORTING (Continued)

Segment assets/liabilities are allocated to each segment, excluding deferred tax assets/liabilities. Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities' carried out by a segment for another segment.

The segment information provided to the CODM for the operating segments for the years ended December 31, 2017 and 2016 are as follows:

Operating segment

For the year ended December 31, 2017

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	5,211,407	2,349,886	5,167,981	1,529,182	1,996,409	16,254,865	(207,635)	16,047,230
Segment other income and gains	-	69,388	433,144	36,036	110,729	649,297	(17,142)	632,155
Segment revenue and other income	5,211,407	2,419,274	5,601,125	1,565,218	2,107,138	16,904,162	(224,777)	16,679,385
Segment expenses	(1,893,675)	(1,406,473)	(3,077,723)	(838,862)	(5,696,124)	(12,912,857)	145,202	(12,767,655)
Segment results	3,317,732	1,012,801	2,523,402	726,356	(3,588,986)	3,991,305	(79,575)	3,911,730
Share of results of associates	-	476,783	-	-	-	476,783	-	476,783
Profit/(loss) before income tax	3,317,732	1,489,584	2,523,402	726,356	(3,588,986)	4,468,088	(79,575)	4,388,513
Segment assets and liabilities								
Segment assets	86,131,048	7,572,144	81,697,665	2,127,479	68,153,146	245,681,482	(13,972,016)	231,709,466
Deferred tax assets								150,522
Group's total assets								231,859,988
Segment liabilities	44,309,898	2,134,037	40,215,948	881,134	92,946,766	180,487,783	(2,211,296)	178,276,487
Deferred tax liabilities								82,026
Group's total liabilities								178,358,513
Other segment information								
Amounts included in the measure of segment profit or loss:								
Depreciation and amortisation	4,324	4,908	52,474	5,803	113,102	180,611	-	180,611
Provision for impairment losses	129,048	1,174	225,556	3,005	75,393	434,176	-	434,176
Capital expenditure	710	17,701	74,778	4,694	291,681	389,564	-	389,564

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

5. SEGMENT REPORTING (Continued)

Operating segment (Continued)

For the year ended December 31, 2016

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	1,704,362	1,415,626	5,615,334	1,589,238	1,785,593	12,110,153	(404,602)	11,705,551
Segment other income and gains	155	33,578	26,349	30,739	458,192	549,013	(12,182)	536,831
Segment revenue and other income	1,704,517	1,449,204	5,641,683	1,619,977	2,243,785	12,659,166	(416,784)	12,242,382
Segment expenses	(1,452,137)	(685,793)	(2,953,198)	(875,068)	(3,999,630)	(9,965,826)	138,184	(9,827,642)
Segment result	252,380	763,411	2,688,485	744,909	(1,755,845)	2,693,340	(278,600)	2,414,740
Share of results of associates	-	398,583	-	-	-	398,583	-	398,583
Profit/(loss) before income tax	252,380	1,161,994	2,688,485	744,909	(1,755,845)	3,091,923	(278,600)	2,813,323
Segment assets and liabilities								
Segment assets	66,424,700	8,051,720	91,837,945	2,194,209	60,492,144	229,000,718	(16,843,534)	212,157,184
Deferred tax assets								253,903
Group's total assets								212,411,087
Segment liabilities	31,003,146	1,785,895	53,344,453	1,137,589	87,146,113	174,417,196	(3,301,785)	171,115,411
Deferred tax liabilities								357,851
Group's total liabilities								171,473,262
Other segment information								
Amounts included in the measure of segment profit or loss:								
Depreciation and amortisation	4,322	2,010	58,909	5,072	102,477	172,790	-	172,790
Provision for/(reversal of) impairment losses	247,729	(891)	9	3	46,788	293,638	(5,381)	288,257
Capital expenditure	686	7,668	42,138	6,765	296,317	353,574	-	353,574

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

5. SEGMENT REPORTING (Continued)

Operating segment (Continued)

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operations in the PRC.

The Group has no single customer which contributes to 10 percent or more of the Group's revenue for the years ended December 31, 2017 and 2016.

6. COMMISSION AND FEE INCOME

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Commission on securities dealing, broking and handling fee income	1,574,338	1,784,961
Underwriting, sponsors and financial advisory fee income	1,369,811	1,518,901
Commission on futures and options contracts dealing, broking and handling fee income	221,313	222,762
Asset and fund management fee income	1,979,850	892,781
Consultancy fee income	220,094	174,373
Others	12,397	26,562
	5,377,803	4,620,340

7. INTEREST INCOME

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Advances to customers and securities lending	854,000	846,629
Financial assets held under resale agreements	2,101,726	2,234,112
Deposits with exchanges and financial institutions and bank balances	904,558	995,038
Others	70,568	195,857
	3,930,852	4,271,636

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

8. NET INVESTMENT GAINS

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Net realised gains from disposal of available-for sale financial assets	390,144	1,103,802
Dividend income and interest income from available-for-sale financial assets	3,020,337	2,540,523
Net realised gains/(losses) from disposal of financial assets at fair value through profit or loss	318,718	(1,363,557)
Dividend income and interest income from financial assets at fair value through profit or loss	1,379,779	1,226,393
Net realised gains/(losses) arising from financial liabilities at fair value through profit or loss	39,669	(367,951)
Interest income from held-to-maturity investments	9,851	32,080
Net realised gains from disposal of subsidiaries	–	39,008
Net realised gains from disposal of associates	725	–
Net realised losses arising from derivative financial instruments	(219,899)	(34,417)
Unrealised fair value change of financial assets at fair value through profit or loss	1,390,787	(270,144)
Unrealised fair value change of financial liabilities at fair value through profit or loss	(193,516)	355,501
Unrealised fair value change of derivative financial instruments	489,725	(487,055)
Others	112,255	39,392
	6,738,575	2,813,575

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

9. OTHER INCOME AND GAINS OR LOSSES

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Foreign exchange (losses)/gains	(129,905)	291,371
Rental income	10,876	16,714
Government grants (Note)	306,755	217,954
Losses on disposals of property and equipment	(165)	(750)
Bulk commodity trading income and others	444,594	11,542
	632,155	536,831

Note: The government grants were received unconditionally from the local governments to support operations on certain purposes.

10. DEPRECIATION AND AMORTISATION

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Depreciation of property and equipment	122,609	124,991
Amortisation of other intangible assets	58,002	47,799
	180,611	172,790



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

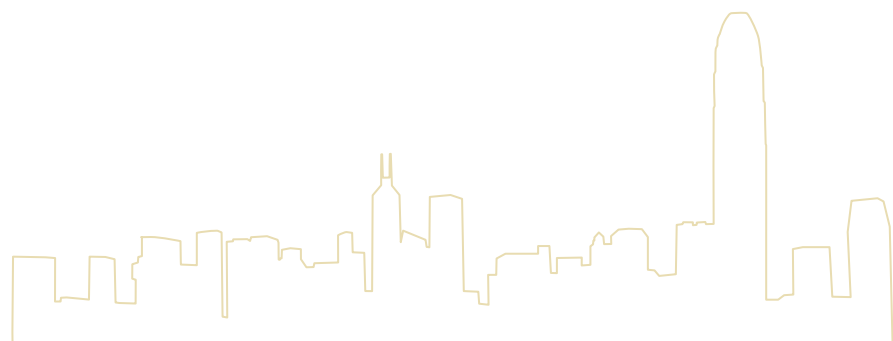
11. STAFF COSTS

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Salaries, bonus and allowances	3,148,614	2,011,150
Social welfare	351,173	327,969
Contributions to annuity schemes	98,707	67,355
	3,598,494	2,406,474

Note: The domestic employees of the Group in the PRC participate in state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Apart from participating in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salary and bonus for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

12. COMMISSION AND FEE EXPENSES

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Securities and futures dealing and broking expenses	324,030	395,988
Underwriting, sponsors and financial advisory fee expenses	47,293	30,650
	371,323	426,638



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

13. INTEREST EXPENSES

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Interest on liabilities wholly repayable within five years:		
Account payables to brokerage clients	77,703	90,040
Financial assets sold under repurchase agreements	2,001,898	1,669,682
Borrowings	67,652	21,198
Due to banks and other financial institutions	261,717	207,053
Short-term financing bills payables	113,238	87,988
Bond payables	3,320,958	2,953,819
Others	98,145	88,590
	5,941,311	5,118,370



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

14. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Advisory expenses	197,574	154,519
Auditor's remuneration	7,488	4,099
Business travel expenses	98,826	82,850
Communication expenses	106,348	94,141
Electronic equipment operating expenses	139,723	97,737
Entertainment expenses	79,834	67,769
Administrative expenses	187,285	174,598
Operating lease rentals in respect of rented premises	288,262	239,268
Products distribution expenses	469,003	166,952
Securities and futures investor protection funds	64,319	36,642
Stock exchange management fees	36,272	33,468
Sundry expenses	48,567	54,853
Tax and surcharges (Note)	65,923	199,059
Donation	27,390	8,378
Bulk commodity trading and others	424,926	780
	2,241,740	1,415,113

Note: Pursuant to the "Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax" (Cai Shui [2016]No.36) issued by the Ministry of Finance and the State Administration of Taxation in March 2016, the Group has applied value-added tax instead of business tax since May 1, 2016.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

15. PROVISION FOR IMPAIRMENT LOSSES

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Provision for/(reversal of) impairment losses in respect of account receivables and other receivables	29,288	(3,844)
Provision for impairment losses in respect of available-for-sale financial assets	147,968	259,355
Provision for impairment losses in respect of advances to customers	69,569	32,746
Provision for impairment losses in respect of financial assets held under resale agreements	187,351	—
	434,176	288,257

16. INCOME TAX EXPENSE

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Current tax:		
PRC Enterprise Income Tax	568,182	453,324
Hong Kong Profits Tax	—	4,215
	568,182	457,539
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax	28,697	10,123
Hong Kong Profits Tax	(2,592)	—
	26,105	10,123
Deferred tax	191,208	(80,990)
	785,495	386,672

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

16. INCOME TAX EXPENSE (Continued)

Under the Enterprise Income Tax of the PRC (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

The income tax expense for the year can be reconciled to the profit before income tax as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	4,388,513	2,813,323
Tax at the statutory tax rate of 25%	1,097,128	703,331
Tax effect of share of results of associates	(119,196)	(99,646)
Adjustments for prior years	26,105	10,123
Tax effect of expenses not deductible for tax purpose	77,357	53,512
Tax effect of income not taxable for tax purpose (Note)	(310,756)	(293,869)
Tax effect of tax losses not recognised	20,183	17,148
Utilisation of tax losses previously not recognised	(5,326)	(1,755)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(2,172)
Income tax expense for the year	785,495	386,672

Note: Income not taxable for tax purpose mainly includes dividends from equity investments, interest income from treasure bonds etc.

The Group has estimated unutilised tax losses of approximately RMB256 million and RMB173 million as at December 31, 2017 and 2016, respectively, available for offset against future profits. No deferred tax assets has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward for five years or indefinitely.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

17. EARNINGS PER SHARE

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

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Earnings for the purpose of basic/diluted earnings per share:		
Profit for the year attributable to shareholders of the Company	3,553,626	2,313,975
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand)	6,223,980	5,665,479
Effect of dilutive potential ordinary shares		
Over-allotment option (in thousand)	–	51
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (in thousand)	6,223,980	5,665,530
Basic earnings per share (RMB Yuan)	0.57	0.41
Diluted earnings per share (RMB Yuan)	N/A	0.41

Pursuant to the Over-allotment Option, the international underwriters have the right, exercisable at any time from the date of the international underwriting agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to 130,000,000 additional offer shares. As at July 27, 2016, certain over-allotment options were exercised and accordingly, the Company issued 63,709,090 HKD-denominated ordinary shares at the issue price of HKD8.15 per share. These over-allotment options created a potential dilutive effect to the basic earnings per share prior to the exercise or expiration for the year ended December 31, 2016.

There were no potential dilutive ordinary shares in issue during the year ended December 31, 2017, thus no diluted earnings per share is presented.

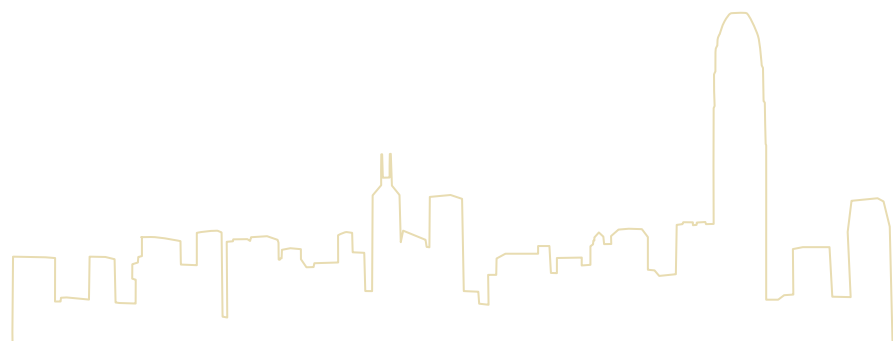


Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

18. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at January 1, 2017	322,276	572,521	33,098	82,787	308,068	1,345,009	2,663,759
Additions	-	61,990	3,201	4,382	47,335	201,525	318,433
Disposals	(4,938)	(25,056)	(1,147)	(4,019)	(59)	-	(35,219)
Transfer during the year	-	34,273	770	5,651	-	(40,694)	-
Exchange difference	-	(703)	(41)	(55)	(190)	(107)	(1,096)
As at December 31, 2017	317,338	643,025	35,881	88,746	355,154	1,505,733	2,945,877
ACCUMULATED DEPRECIATION							
As at January 1, 2017	62,096	432,236	21,280	57,858	245,803	-	819,273
Charge for the year	10,303	62,681	3,062	8,869	37,694	-	122,609
Eliminated on disposals	(717)	(23,634)	(1,026)	(3,659)	(15)	-	(29,051)
Exchange difference	-	(451)	(5)	(42)	(65)	-	(563)
As at December 31, 2017	71,682	470,832	23,311	63,026	283,417	-	912,268
CARRYING VALUES							
As at December 31, 2017	245,656	172,193	12,570	25,720	71,737	1,505,733	2,033,609



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

18. PROPERTY AND EQUIPMENT (Continued)

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at January 1, 2016	322,276	516,047	30,010	76,355	281,616	1,220,136	2,446,440
Additions	-	47,702	5,118	6,818	37,155	155,889	252,682
Disposals	-	(20,071)	(2,057)	(3,213)	(10,930)	-	(36,271)
Transfer during the year	-	28,239	-	2,777	-	(31,016)	-
Exchange difference	-	604	27	50	227	-	908
As at December 31, 2016	322,276	572,521	33,098	82,787	308,068	1,345,009	2,663,759
ACCUMULATED DEPRECIATION							
As at January 1, 2016	51,693	398,611	20,332	50,537	207,112	-	728,285
Charge for the year	10,403	52,501	2,933	9,921	49,233	-	124,991
Eliminated on disposals	-	(19,209)	(1,986)	(2,638)	(10,656)	-	(34,489)
Exchange difference	-	333	1	38	114	-	486
As at December 31, 2016	62,096	432,236	21,280	57,858	245,803	-	819,273
CARRYING VALUES							
As at December 31, 2016	260,180	140,285	11,818	24,929	62,265	1,345,009	1,844,486

The carrying amount of the Group's property and equipment included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, as such the entire lease is classified as finance lease and accounted for as property and equipment.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

19. GOODWILL

Impairment testing on goodwill

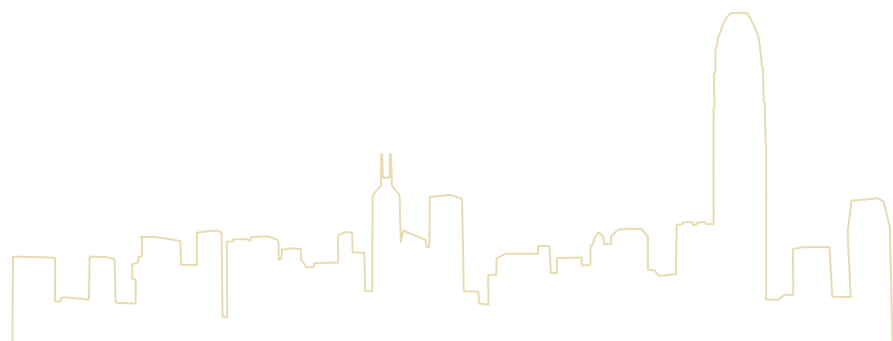
For the purpose of impairment testing, goodwill has been allocated into two individual cash generating units (CGUs), including securities brokerage branches acquired by the Company ("Unit A") and Shanghai Orient Securities Futures Co., Ltd. acquired by the Company ("Unit B"). The carrying amounts of goodwill as at December 31, 2017 and 2016 allocated to these units are as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Cost and carrying value		
Unit A – securities brokerage branches	18,948	18,948
Unit B – Shanghai Orient Securities Futures Co., Ltd.	13,187	13,187
	32,135	32,135

Unit A is the securities brokerage CGU acquired, and the acquisition cost exceeds the fair value of net identifiable assets. As at December 31, 2017 and 2016, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

Unit B is the CGU of Shanghai Orient Securities Futures Co., Ltd., the futures brokerage and investment advisory CGU acquired by the Company. As at December 31, 2017 and 2016, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

The recoverable amount of Unit A and Unit B have been determined on the basis of value in use calculation. The calculation used cash flow projections based on financial budgets approved by management. Based on the units' past performance and management's expectations for the market development, management believes that it's unlikely the carrying amount of the CGU to exceed its recoverable amount.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

20. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
COST			
As at January 1, 2017	61,553	294,725	356,278
Additions	–	71,130	71,130
Exchange difference	–	(345)	(345)
As at December 31, 2017	61,553	365,510	427,063
ACCUMULATED AMORTISATION			
As at January 1, 2017	39,810	201,584	241,394
Charge for the year	–	58,002	58,002
Exchange difference	–	(272)	(272)
As at December 31, 2017	39,810	259,314	299,124
CARRYING VALUES			
As at December 31, 2017	21,743	106,196	127,939
COST			
As at January 1, 2016	61,553	228,364	289,917
Additions	–	66,066	66,066
Exchange difference	–	295	295
As at December 31, 2016	61,553	294,725	356,278
ACCUMULATED AMORTISATION			
As at January 1, 2016	39,810	153,558	193,368
Charge for the year	–	47,799	47,799
Exchange difference	–	227	227
As at December 31, 2016	39,810	201,584	241,394
CARRYING VALUES			
As at December 31, 2016	21,743	93,141	114,884

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

20. OTHER INTANGIBLE ASSETS (Continued)

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the National Equities Exchange and Quotations, where the Group is allowed to trade securities and futures contracts.

Impairment Testing On Trading Rights with Indefinite Useful Lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually, or whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating unit relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, the management of the Group determined that there was no impairment of the trading rights as at December 31, 2017 and 2016.

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of each reporting period, the Company has the following subsidiaries comprising the Group:

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at December 31,	Principal activities	Auditors/ GAAP
			As at December 31, 2017	2016			
上海東證期貨有限公司 Shanghai Orient Securities Futures Co., Ltd. ⁽¹⁾	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB1,500,000,000	Commodity futures brokerage, Financial futures brokerage, Futures investment advisory	DTT PRC GAAP ^{(2)##}
上海東祺投資管理有限公司 Shanghai Dongqi Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB100,000,000	Equity investment, Investment management, Assets management	DTT PRC GAAP ^{(2)##}
東證潤和資本管理有限公司 Orient Runhe Asset Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB200,000,000	Equity investment, Investment management, Assets management	DTT PRC GAAP ^{(2)##}
上海東方證券資產管理有限公司 Orient Securities Asset Management Co., Ltd. ⁽¹⁾	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB300,000,000	Securities assets management, Securities investment, Fund management	DTT PRC GAAP ^{(2)##}
上海東方證券資本投資有限公司 Orient Securities Capital Co., Ltd. ⁽¹⁾	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB4,000,000,000	Private equity investment, Bond investment, and related investment advisory	DTT PRC GAAP ^{(2)##}

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at December 31,	Principal activities	Auditors/ GAAP
			As at December 31, 2017	2016			
東方睿德(上海)投資管理有限公司 Orient Ruide (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB570,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
上海東方睿德股權投資基金有限公司 Shanghai Orient Ruide Equity Investment Funds Co., Ltd. *	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB2,500,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
東方睿義(上海)投資管理有限公司 Orient Ruiyi (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB810,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
東方嘉實(上海)投資管理有限公司 Orient Jiashi (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	65.00%	65.00%	RMB5,400,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
東方弘泰(北京)投資管理有限公司 Orient Hongtai (Beijing) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB10,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
東方弘泰資本投資(北京)有限公司 Orient Hongtai Capital Investment (Beijing) Co., Ltd. *	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB20,000,000	Investment management, Assets management, Investment advisory	DTT PRC GAAP ^{(2)##}

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at December 31,	Principal activities	Auditors/ GAAP
			As at December 31, 2017	2016			
上海東證桔石投資管理有限公司 Shanghai Orient Jushi Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
東方星暉(北京)投資基金管理有限公司 Orient Xinghui (Beijing) Investment Funds Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	57.95%	57.95%	RMB8,800,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
拉薩經濟技術開發區東證國熙投資管理有限公司 Orient Guoxu Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
海寧東方紅投資管理有限公司 Haining Orient Sun Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB10,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
上海東方富厚股權投資管理有限公司 Shanghai Orient Fuhou Equity Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	58.00%	58.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
東方騰駿(上海)投資管理有限公司 Orient Tengjun (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
上海東證橡睿投資管理有限公司 Shanghai Orient Xiangrui Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at December 31,	Principal activities	Auditors/ GAAP
			As at December 31, 2017	2016			
上海東證互娛欣商投資中心 (有限合夥) Shanghai Orient Huyu Xinshang Investment Center LLP.*	有限合夥企業 Limited partnership	PRC	50.99%	50.99%	RMB196,100	Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
星輝海納(上海)投資中心 (有限合夥) Xinghui Haina (Shanghai) Investment Center LLP.*	有限合夥企業 Limited partnership	PRC	57.95%	57.95%	RMB2,400,000	Investment management	DTT PRC GAAP ^{(2)##}
上海東翎投資合夥企業 (有限合夥) Shanghai Dongling Investment Partnership LLP.*	有限合夥企業 Limited partnership	PRC	50.62%	50.62%	RMB55,717,310	Industry investment, Investment management, Investment advisory	DTT PRC GAAP ^{(2)##}
東石發展有限公司 East Milestone Company Limited	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD3,000,000	Investment management, Investment advisory	N/A ⁽³⁾
東證湧銘(上海)資產管理 有限公司 Orient Securities Yongming (Shanghai) Assets Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB10,000,000	Investment management, Asset management, Investment advisory	DTT PRC GAAP ^{(2)##}
上海東證招才投資管理有限公司 Shanghai Orient Securities Zhaocai Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Industrial investment, Investment management	DTT PRC GAAP ^{(2)##}
東證嘉實毓成(上海)投資管理 合夥企業(有限合夥) Orient Securities Jiashi Hongcheng (Shanghai) Investment Management Partnership LLP.*	有限合夥企業 Limited partnership	PRC	100.00%	77.50%	RMB5,000,000	Investment management, Investment advisory, Industrial investment	DTT PRC GAAP ^{(2)##}

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at December 31,	Principal activities	Auditors/ GAAP
			As at December 31, 2017	2016			
新疆東證新域股權投資管理有限公司 Xinjiang Orient Securities Xinyu Equity Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Equity investment	DTT PRC GAAP ^{(2)##}
海寧東證投資管理有限公司 Haining Orient Securities Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	58.00%	58.00%	RMB10,000,000	Investment management, Investment advisory, Management consulting	DTT PRC GAAP ^{(2)##}
東方翌睿(上海)投資管理有限公司 Orient Securities Yirui (Shanghai) Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB2,000,000	Investment management, Asset management, Industrial investment	DTT PRC GAAP ^{(2)##}
上海東證錫毅投資管理有限公司 Shanghai Orient Securities Xiyi Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB10,000,000	Investment management	DTT PRC GAAP ^{(2)##}
共青城東證德睿投資管理有限公司 Gongqing City Orient Securities Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Investment management, Asset management, Project investment	DTT PRC GAAP ^{(2)##}
東方弘泰資本投資(成都)有限公司 Orient Hongtai Capital Investment (Chengdu) Co. Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB100,000,000	Investment management, Asset management, Project investment	DTT PRC GAAP ^{(2)##}
Golden Power Group Limited	有限責任公司 Limited liability company	British Virgin Islands ("BVI")	100.00%	100.00%	USD100	Equity investment, Industrial investment	N/A ⁽³⁾

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at December 31,	Principal activities	Auditors/ GAAP
			As at December 31, 2017	2016			
誠麒環球有限公司 Chengqi Global Limited*	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD100	Equity investment, Industrial investment	N/A ⁽³⁾
蘇州東證恒晟投資管理有限公司 Suzhou Orient Securities Hengsheng Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB5,000,000	Equity investment, Industrial investment	DTT PRC GAAP ^{(2)##}
東方金融控股(香港)有限公司 Orient Finance Holdings (Hong Kong) Limited ⁽¹⁾	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD2,100,000,000	Investment holding and provision of management services	SHINEWING (HK) HKFRSs ^{(2)##}
東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD550,000,000	Securities brokerage	SHINEWING (HK) HKFRSs ^{(2)##}
東方期貨(香港)有限公司 ORIENT FUTURES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD230,000,000	Futures brokerage	SHINEWING (HK) HKFRSs ^{(2)##}
東方資產管理(香港)有限公司 ORIENT ASSET MANAGEMENT (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD30,000,000	Asset management	SHINEWING (HK) HKFRSs ^{(2)##}
東方融資(香港)有限公司 ORIENT CAPITAL (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD50,000,000	Equity trading	SHINEWING (HK) HKFRSs ^{(2)##}
東方信貸財務(香港)有限公司 ORIENT CREDIT FINANCE (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD31,000,000	Credit operations	SHINEWING (HK) HKFRSs ^{(2)##}
東方鴻盛有限公司 ORIENT HONGSHENG LIMITED	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose	N/A ⁽³⁾

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at December 31,	Principal activities	Auditors/ GAAP
			As at December 31, 2017	2016			
ORIENT ZHISHENG LIMITED	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose	N/A ⁽³⁾
東方智匯有限公司 ORIENT ZHIHUI LIMITED	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose	N/A ⁽³⁾
東方花旗證券有限公司 Citi Orient Securities Co., Ltd. ⁽¹⁾	有限責任公司 Limited liability company	PRC	66.67%	66.67%	RMB800,000,000	Securities underwriting and sponsor	KPMG PRC PRC GAAP
上海東方證券創新投資有限公司 Shanghai Orient Securities Innovation Investment Co., Ltd. ^{(1)*}	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB3,000,000,000	Financial assets investment, Securities investment, Investment management and advisory	DTT PRC GAAP ^{(2)##}
東方弘泰(上海)投資管理有限公司 Orient Hongtai (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	100.00%	-	RMB10,000,000	Investment management and advisory	DTT PRC GAAP ^{(2)##}
景德鎮北汽東證產業投資管理有限公司 Jingdezhen Beiqi Orient Industry Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC	51.00%	N/A	RMB10,000,000	Investment management and advisory	DTT PRC GAAP ^{(2)##}
ORIENT HUIZHI LIMITED	有限責任公司 Limited liability company	BVI	100.00%	-	USD1	Special purpose	N/A ⁽³⁾

* These subsidiaries do not have official English names. English translated names are for identification only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

- (1) These subsidiaries are directly held by the Company.
- (2) Auditors of the respective subsidiaries of the Group are as follows:
- DTT represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
 - SHINEWING (HK) represents Shinewing Certified Public Accountants LLP, 信永中和會計師事務所(特殊普通合夥), a firm of certified public accountants registered in Hong Kong;
 - KPMG PRC represents KPMG Huazhen LLP, 畢馬威華振會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
- # These subsidiaries have changed their auditor from Deloitte Touche Tohmatsu, 德勤•關黃陳方會計師行(香港), to SHINEWING (HK) in 2017.
- ## These subsidiaries have changed their auditor from BDO China Shu Lun Pan Certified Public Accountants LLP, 立信會計師事務所(特殊普通合夥), to DTT in 2017.
- (3) There is no statutory audit requirement for these subsidiaries and thus no audited financial statements were issued.

The following table lists out the information relating to Citi Orient Securities Co., Ltd., the only subsidiary of the Group which has material non-controlling interest (“NCI”). The summarised consolidated financial statements presented below represents the amounts before any inter-company elimination:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Current assets	2,117,588	2,177,501
Non-current assets	58,493	66,708
Non-current liabilities	-	150
Current liabilities	881,134	1,137,590
Total equity	1,294,947	1,106,469
Attributable to:		
Shareholders of the Company	863,314	737,646
Non-controlling interests	431,633	368,823

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Total revenue	1,039,389	1,155,105
Profit for the year	188,236	258,473
Attributable to:		
Shareholders of the Company	125,497	172,315
Non-controlling interests	62,739	86,158
Other comprehensive income/(expense)	241	(727)
Attributable to:		
Shareholders of the Company	161	(484)
Non-controlling interests	80	(243)
Total comprehensive income	188,477	257,746
Attributable to:		
Shareholders of the Company	125,658	171,831
Non-controlling interests	62,819	85,915
Cash flows from operating activities	(98,910)	1,084,735
Cash flows from investing activities	(25,369)	167,380
Cash flows from financing activities	-	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Interests in consolidated structured entities:

The Group has consolidated certain structured entities including asset management schemes. For the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance that it indicates that the Group is a principal.

The total net assets of these consolidated asset management schemes amounted to RMB4,856 million and RMB7,377 million as at December 31, 2017 and 2016, respectively.

Interests in all consolidated asset management schemes held by the Group amounted to fair value of RMB4,443 million and RMB7,114 million as at December 31, 2017 and 2016, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests.

Interests held by other interest holders are presented as change in net investment gains in the consolidated statement of profit or loss and included in financial liabilities designated at fair value through profit or loss in the consolidated statement of financial position.

22. INVESTMENTS IN ASSOCIATES

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Cost of unlisted investments in associates	2,290,525	2,011,102
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,715,079	1,503,558
	4,005,604	3,514,660



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

22. INVESTMENTS IN ASSOCIATES (Continued)

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

Name of associates	Place and date of establishment	Equity interest held by the Group As at December 31,		Principal activities
		2017	2016	
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC February 3, 2005	35.41%	35.41%	Fund management
上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd.	PRC April 7, 2010	45.00%	45.00%	Equity investment
上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Investment Co., Ltd. * ("ICY New Energy")	PRC July 12, 2011	27.73%	27.73%	Investment management
上海騰希投資合夥企業(有限合夥) Shanghai Tengxi Investment LLP. *	PRC May 6, 2014	22.50%	22.50%	Investment management
上海朱雀甲午投資中心(有限合夥) Shanghai Zhuque Jiawu Investment Center LLP. *	PRC January 17, 2015	N/A	23.12%	Investment management
北京東方智雲股權投資中心(有限合夥) Beijing Orient Zhiyun Equity Investment Center LLP. *	PRC August 20, 2015	42.19%	42.19%	Equity investment
東方嘉實(上海)投資管理合夥企業 (有限合夥) Orient Jiashi (Shanghai) Investment management LLP. *	PRC April 15, 2015	26.74%	26.74%	Investment management
上海東證遠譽投資中心(有限合夥) Shanghai Orient Yuanyu Investment Center LLP. *	PRC August 25, 2015	33.33%	33.33%	Investment management

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

22. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group As at December 31,		Principal activities
		2017	2016	
上海東證今緣股權投資基金合夥企業(有限合夥) Shanghai Orient Jinyuan Equity Investment LLP. *	PRC October 16, 2015	30.00%	30.00%	Equity investment
東證騰駿(上海)投資合夥企業(有限合夥) Orient Tengjun (Shanghai) Investment LLP. *	PRC September 11, 2015	38.69%	49.00%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP. *	PRC December 16, 2015	45.45%	45.45%	Investment management
東證睿波(上海)投資中心(有限合夥) Orient Securities Ruibo (Shanghai) Investment Center LLP. *	PRC June 25, 2015	35.69%	35.69%	Investment management
上海東證睿芃投資中心(有限合夥) Shanghai Orient Securities Ruipeng Investment Center LLP. *	PRC December 3, 2015	–	39.28%	Investment management
上海東證春醫投資中心(有限合夥) Shanghai Orient Securities Chunyi Investment Center LLP. *	PRC November 3, 2015	49.26%	49.26%	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP. *	PRC February 4, 2016	34.51%	35.00%	Equity investment
上海東松投資合夥企業(有限合夥) Shanghai Dongsong Investment Partnership LLP. *	PRC May 23, 2014	–	33.24%	Investment management

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

22. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group As at December 31,		Principal activities
		2017	2016	
海寧東證藍海併購投資合夥企業(有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	PRC July 13, 2016	25.85%	25.70%	Investment management
OCI International Holdings Limited **	Cayman Islands June 6, 2015	29.63%	29.63%	Securities Investment
杭州東證誠泰投資管理有限公司 Hangzhou Orient Chengtai Capital Co., Ltd. *	PRC March 27, 2017	36.00%	N/A	Investment management
溫州俊元資產管理合夥企業(有限合夥) Wenzhou Junyuan Asset Management Partnership LLP. *	PRC July 11, 2016	79.98%	–	Asset management
溫州財韻資產管理合夥企業(有限合夥) Wenzhou Caiyun Asset Management Partnership LLP. *	PRC July 11, 2016	81.19%	–	Asset management

* English translated names are for identification purpose only.

** Dragonite International Limited was renamed as OCI International Holdings Limited on July 4, 2017.

Notes to the Consolidated Financial Statements

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22. INVESTMENTS IN ASSOCIATES (Continued)

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

China Universal

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Total assets	8,989,484	6,951,263
Total liabilities	4,108,008	2,580,145
Net assets	4,881,476	4,371,118

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Total revenue	3,344,039	2,987,146
Profit for the year	1,225,919	1,041,011
Other comprehensive income	2,904	11,868
Total comprehensive income	1,228,823	1,052,879

Reconciliation of the above consolidated financial statements to the carrying amount of the interest in above associate recognised in the financial statements:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Equity attributable to equity holders of the associate	4,746,163	4,371,118
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	1,680,601	1,547,813

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

22. INVESTMENTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
The Group's share of gains/(losses)	42,991	(124,579)
The Group's share of other comprehensive income	72,279	48,438
The Group's share of total comprehensive income/(expense)	115,270	(76,141)
Aggregate carrying amount of the Group's interests in these associates	2,325,003	1,966,847

23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the year ended December 31, 2017 and 2016. Except for the structured entities the Group has consolidated as disclosed in note 21, in the opinion of the directors of the Company, the variable returns the Group exposed to over these collective asset management schemes and investment funds in which the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

The total net assets of unconsolidated funds and asset management schemes managed by the Group amounted to RMB214,239 million and RMB156,880 million as at December 31, 2017 and 2016, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as available-for-sale financial investments and financial assets at fair value through profit or loss as appropriate. As at December 31, 2017 and 2016, the carrying amounts of the Group's interests in unconsolidated funds and management schemes are RMB650 million and RMB590 million, respectively, which approximates the maximum risk exposure of the Group, and the assets management fee income are RMB1,980 million and RMB893 million, respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

The table below shows the carrying amount of unconsolidated funds and asset management schemes in which the Group acted as investment manager and held interests and its maximum exposure to loss in relation to those interests as at December 31, 2017 and 2016.

As at December 31, 2017

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	9,316	9,316
Available-for-sale financial assets	640,805	640,805
Total	650,121	650,121

As at December 31, 2016

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	9,444	9,444
Available-for-sale financial assets	580,618	580,618
Total	590,062	590,062



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Non-current		
Measured at fair value:		
– Equity securities	243	43,176
– Funds	10,010	66,414
– Debt securities	822,543	677,756
– Other investments (Note a)	6,420,191	7,954,615
Measured at cost:		
– Equity securities	2,687,775	1,973,848
Less: provision for impairment losses	–	(3,002)
	9,940,762	10,712,807
Analysed as:		
– Listed (Note b)	822,543	667,943
– Unlisted	9,118,219	10,044,864
	9,940,762	10,712,807
Current		
Measured at fair value:		
– Equity securities	1,102,742	5,665,534
– Funds	1,861,489	1,485,486
– Debt securities	54,574,015	53,361,897
– Other investments (Note a)	4,755,370	6,036,204
	62,293,616	66,549,121
Analysed as:		
– Listed	32,391,653	35,978,793
– Unlisted	29,901,963	30,570,328
	62,293,616	66,549,121

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

The unlisted equity securities held by the Group are issued by private companies in, among others, the manufacturing industry, energy technology, and multimedia sectors. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of each reporting period.

Fair value of the Group's other available-for-sale financial assets are determined in the manner described in note 59.

As at December 31, 2017 and 2016, the listed equity securities of the Group included approximately RMB41 million and RMB334 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period.

As at December 31, 2017, the Group's pledged collateral of bonds included in available-for-sale financial assets in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB28,498 million and RMB3,158 million, respectively.

As at December 31, 2016, the Group's pledged collateral of bonds included in available-for-sale financial assets in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB34,696 million and RMB5,576 million, respectively.

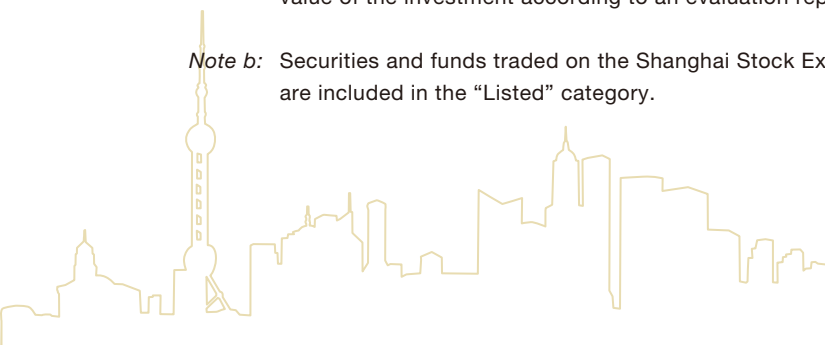
As at December 31, 2017 and 2016, the Group entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds with total fair values of RMB33 million and RMB16 million, respectively, to clients. These securities continued to be recognised as financial assets of the Group. Further details of these arrangements are set out in note 50.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realised within one year from the end of the respective reporting periods.

Note a: Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management schemes that managed by the Group till the end of the investment period.

Also included in the balance is an investment in a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. As of December 31, 2017, the cost of the investment was RMB4.89 billion and the Company determined the total fair value of the investment according to an evaluation report provided by the CSFCL.

Note b: Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Stock Exchange are included in the "Listed" category.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

25. HELD-TO-MATURITY INVESTMENTS

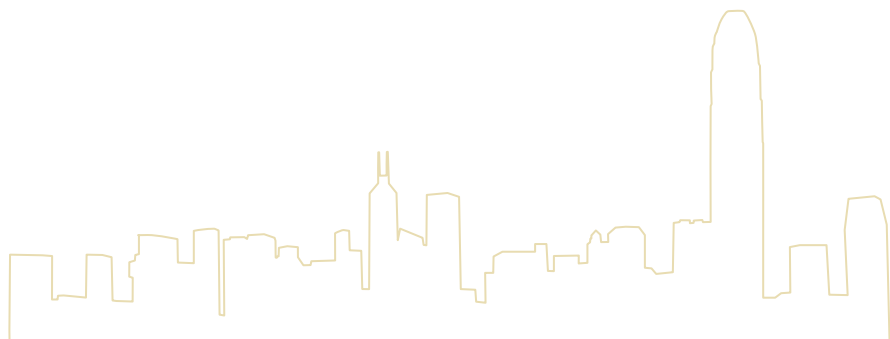
	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Non-current		
– Debt securities (<i>Note a</i>)	37,500	140,500
Analysed as:		
– Listed (<i>Note c</i>)	37,500	70,500
– Unlisted (<i>Note d</i>)	–	70,000
	37,500	140,500
Current		
– Debt securities (<i>Note b</i>)	73,000	71,560
Analysed as:		
– Listed (<i>Note c</i>)	33,000	51,560
– Unlisted (<i>Note d</i>)	40,000	20,000
	73,000	71,560

Note a: As at December 31, 2017 and 2016, the held-to-maturity bond investments bore interest at 7.23% and from 6.86% to 7.48%, respectively per annum and would not be redeemed within one year.

Note b: As at December 31, 2017 and 2016, the held-to-maturity bond investments bore interest ranged from 6.86% to 7.48% and from 5.68% to 7.48%, respectively per annum and would be redeemed within one year.

Note c: As at December 31, 2017 and 2016, the listed debt securities were listed on Shanghai Stock Exchange.

Note d: As at December 31, 2017 and 2016, the unlisted debt securities were traded on inter-bank market.



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26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Non-current		
Analysed by collateral type:		
Stock (<i>Note</i>)	9,932,998	15,456,170
Analysed by market:		
Stock exchange	9,932,998	15,456,170
Current		
Analysed by collateral type:		
Stock (<i>Note</i>)	21,228,019	17,447,312
Bond	3,644,825	1,625,459
Others	–	30,000
Less: Allowance for doubtful debts	(187,351)	–
	24,685,493	19,102,771
Analysed by market:		
Stock exchange	21,789,360	18,473,271
Inter-bank market	3,083,484	599,500
Over the counter	–	30,000
Less: Allowance for doubtful debts	(187,351)	–
	24,685,493	19,102,771

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price.

As at December 31, 2017 and December 31, 2016, the Group's financial assets held under resale agreements used as collateral in connection with its financial assets sold under repurchase agreement amounted to RMB2,774 million and RMB8,286 million, respectively.

Notes to the Consolidated Financial Statements

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27. DEFERRED TAXATION

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

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Deferred tax assets	150,522	253,903
Deferred tax liabilities	(82,026)	(357,851)
	68,496	(103,948)

The following are the major deferred tax assets (liabilities) recognised and movements:

	Financial instrument at fair value through profit or loss and derivatives RMB'000	Accrued staff cost RMB'000	Available-for-sale financial assets RMB'000	Provision for impairment losses RMB'000	Government grants and others RMB'000	Total RMB'000
As at January 1, 2017	82,717	167,606	(142,269)	20,347	(232,349)	(103,948)
Credit/(charge) to profit or loss	(362,465)	81,534	(23,127)	46,688	66,162	(191,208)
Credit/(charge) to other comprehensive income	-	-	376,538	-	(12,886)	363,652
As at December 31, 2017	(279,748)	249,140	211,142	67,035	(179,073)	68,496
As at January 1, 2016	(98,193)	297,139	(675,921)	20,309	(202,492)	(659,158)
Credit/(charge) to profit or loss	180,910	(129,533)	59,432	38	(29,857)	80,990
Credit to other comprehensive income	-	-	474,220	-	-	474,220
As at December 31, 2016	82,717	167,606	(142,269)	20,347	(232,349)	(103,948)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

28. ADVANCES TO CUSTOMERS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Loans to margin clients	12,624,308	10,291,012
Other advances to customers	414,860	394,801
Less: allowance for doubtful debts	(99,104)	(34,227)
	12,940,064	10,651,586

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

Loans to margin clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 39 are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call when the customers have to make up the difference.

Advances to customers were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of all the collaterals held in all clients' margin accounts in respect of margin financing business amounted to approximately RMB40,275 million and RMB36,806 million as at December 31, 2017 and 2016, respectively.

The Group evaluates the collectability of the loans to margin clients based on management's assessment on changes in credit quality, collateral and the past collection history of each client. As at December 31, 2017 and 2016, provision for impairment losses were made RMB99 million and RMB34 million on the loans to margin clients of the Group.

As at December 31, 2017 and 2016, the Group's advances to customers used as collateral in connection with its financial assets sold under repurchase agreement amounted to RMB12,624 million and RMB10,291 million, respectively.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

29. ACCOUNT RECEIVABLES

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Account receivables from/related to:		
– Clearing house	244,559	248,104
– Brokers	60,977	130,370
– Asset management fee and trading seats commission	654,542	341,348
– Advisory and investment banking commission	10,585	20,852
Less: allowance for doubtful debts	(7,819)	(3,174)
	962,844	737,500
Movements in the allowance for doubtful debts are as follows:		
At beginning of the year	3,174	2,488
Charge for the year	4,645	686
At end of the year	7,819	3,174
Ageing analysis of account receivables from the trade date is as follows:		
– Within 1 year	904,984	715,664
– Between 1 and 2 years	55,331	21,738
– Between 2 and 3 years	2,438	98
– Over 3 years	91	–
	962,844	737,500

The normal settlement terms of account receivables from clearing house and brokers are within three months after trading date. Trading limits are set for clients. Normal settlement terms of account receivables from asset management fee and trading seats commission, advisory and investment banking commission are determined in accordance with the contract terms, usually within three months after the service provided.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

30. OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Non-current		
Loans and advances to customers	–	219,556
Less: allowance for doubtful debts (<i>Note</i>)	–	(1,098)
	–	218,458
The movements in the allowance for doubtful debts are set out below:		
At beginning of the year	1,098	–
Charge for during the year	–	1,098
Transfer out during the year	(1,098)	–
At end of the year	–	1,098
Current		
Other receivables	252,069	347,377
Interest receivable	2,242,935	1,746,275
Dividends receivable	–	76
Loans and advances to customers	1,075,119	1,729,494
Prepayments	209,121	75,591
Less: allowance for doubtful debts (<i>Note</i>)	(53,781)	(61,054)
	3,725,463	3,837,759
The movements in the allowance for doubtful debts are set out below:		
At beginning of the year	61,054	66,176
Transfer in during the year	1,098	–
Charge/(reversal) of the year	24,818	(5,122)
Written-off	(33,189)	–
At end of the year	53,781	61,054

Note: The allowance for other receivables of the Group mainly represents a collective assessment provision of 0.5% based on historical loss rate and an individual assessed provision according to the discounted net cash flow from collection of individual assets. It also included the individual provision, amounting to RMB4 million and RMB48 million in 2017 and 2016 respectively, which were provided for overdue items with principal amount of RMB4 million and RMB48 million in 2017 and 2016 respectively. In 2017, amounts of RMB11 million of the above receivables were recovered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Held for trading		
– Debt securities	25,791,241	7,890,386
– Equity securities	9,081,033	1,966,735
– Funds	6,618,205	6,244,872
– Other investments (Note a)	2,206,068	2,963,498
Designated at fair value through profit or loss		
– Equity securities listed on National Equities Exchange and Quotations	3,522,534	4,076,625
– Restricted shares	810,366	187,077
	48,029,447	23,329,193
Analysed as:		
– Listed (Note b)	25,944,713	7,230,758
– Unlisted (Note c)	22,084,734	16,098,435
	48,029,447	23,329,193

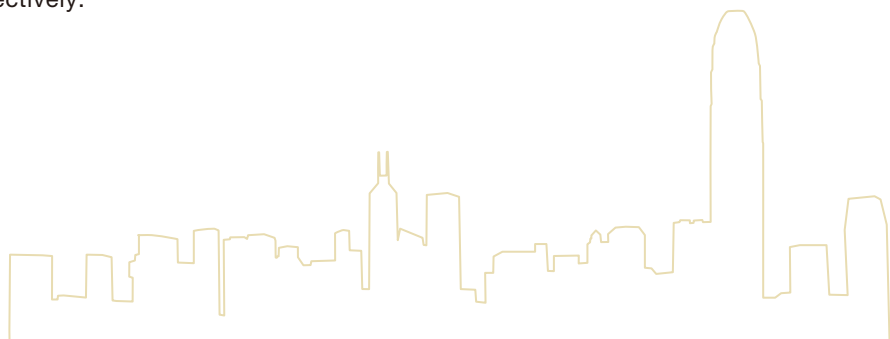
Note a: Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, trust products and other wealth management products.

Note b: Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Stock Exchange and other stock exchanges are included in the “Listed” category.

Note c: Unlisted securities mainly comprise of debt securities traded on inter-bank market and funds.

As at December 31, 2017, the Group’s pledged collateral of bonds included in financial assets at fair value through profit or loss in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB15,107 million and RMB1,136 million, respectively.

As at December 31, 2016, the Group’s pledged collateral of bonds included in available-for-sale financial assets in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB3,223 million and RMB754 million, respectively.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

32. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,			
	2017		2016	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures ⁽ⁱ⁾	-	-	23	-
Treasury bond futures ⁽ⁱⁱ⁾	-	-	-	-
Commodity futures ⁽ⁱⁱⁱ⁾	-	-	-	-
Forward contracts ⁽ⁱⁱ⁾	-	-	-	-
Interest rate swaps ⁽ⁱⁱⁱ⁾	5,344	-	19,281	-
Embedded option instruments ^(iv)	-	332	-	86
Equity return swaps ^(v)	16,189	-	13,331	-
Stock options ^(vi)	10,763	20,995	12,776	1,795
Gold swaps ^(vii)	-	58,365	-	216,405
Gold forwards	-	24,430	-	-
Commodity forwards ⁽ⁱⁱⁱ⁾	68	-	-	-
Credit default swap	-	14,875	-	-
Equity linked derivatives ^(viii)	136,355	509,179	-	49,578
Currency swaps ^(ix)	-	-	25,098	151,313
Total	168,719	628,176	70,509	419,177

- (i) Stock index futures: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that SIF in Hong Kong market which is not under the daily market-to-market and settlement arrangement is presented in gross as at December 31, 2016.

The contract value of the Group's SIF contracts as at December 31, 2017 and 2016 were approximately RMB905 million and RMB272 million, respectively.

- (ii) Treasury bond futures, commodity futures and forward contracts: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury bond futures, commodity futures and forward contracts were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at December 31, 2017 and 2016.

- (iii) Interest rate swaps: Daily mark-to-market and settlement arrangement was implemented starting from July 1, 2014. Any gains or losses of the Group's position in interest rate swaps ("IRS") were settled daily, except that IRS traded before July 1, 2014 which is not under the daily market-to-market and settlement arrangement is presented in gross at the end of reporting period. The notional principal amounts of the Group's interest rate swaps contracts as at December 31, 2017 and 2016 were RMB73,190 million and RMB23,790 million, respectively. The contract period usually lasts for one to five years. In 2017, fixed rate paid ranged from 0.65% to 4.87%, and floating reference rates were mainly SHIBOR_3M and FixingRepoRate007. While fixed rate received ranged from 0.65% to 5.00%, and floating reference rates were mainly SHIBOR_3M and FixingRepoRate007. In 2016, fixed rate paid ranged from 2.42% to 4.56%, and floating reference rates were SHIBOR_3M and FixingRepoRate007. While fixed rate received ranged from 2.59% to 5.00%, and floating reference rates were SHIBOR_3M and FixingRepoRate007.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

32. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

- (iv) Embedded option instruments: The call/put option was embedded in the non-derivative host contract and it was mainly linked with stock index. The notional principal amounts of the Group's embedded option instruments contracts as at December 31, 2017 and 2016 were approximately RMB56 million and RMB45 million, respectively.
- (v) Equity return swaps: A derivative transaction, through which the Group and a qualified client agree to conduct an return swap in accordance with the agreed amount of nominal principal and return within a fixed period in the future. The return under such swap is linked with the performance of the underlying equity securities. The notional principal amounts of the Group's equity return swaps as at December 31, 2017 and 2016 were RMB240 million and RMB31 million, respectively.
- (vi) Stock options: The stock option purchased was recorded as asset and the stock option sold was recorded as liability. The notional principal amounts of the Group' option purchased as at December 31, 2017 and 2016 were approximately RMB18 million and RMB22 million, respectively. The notional principal amounts of the Group' option sold as at December 31, 2017 and 2016 were approximately RMB21 million and RMB4 million, respectively.
- (vii) Gold swaps: The notional principal amounts of the Group's Gold swaps as at December 31, 2017 and 2016 were approximately RMB3,984 million and RMB4,545 million, respectively.
- (viii) Equity linked derivatives: The return of this derivative is linked with the performance of the underlying equity securities. The notional principal amounts of the Group's Equity linked derivatives as at December 31, 2017 and 2016 were approximately RMB3,220 million and RMB727 million, respectively.
- (ix) Currency swaps: As at December 31, 2017 and 2016, the notional amounts of the Group's currency swaps contracts with exchange of RMB to HKD or USD were nil and approximately RMB2,841 million.

Details of the Group's SIF are set out below:

	As at December 31,			
	2017		2016	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
SIF	904,799	6,472	13,795	11
Less: settlement		6,472		(12)
Net position of SIF contracts		-		23

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

32. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's treasury bond futures, commodity futures and forward contracts are set out below:

	As at December 31,			
	2017		2016	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Treasury bond futures	9,585,879	(20,266)	7,023,969	(128,263)
Less: settlement		(20,266)		(128,263)
Net position of treasury bond futures		-		-
Commodity futures	185,532	3,330	162,672	1,711
Less: settlement		3,330		1,711
Net position of commodity futures		-		-
Forward contracts	29,644	(124)	100,385	(3,432)
Less: settlement		(124)		(3,432)
Net position of forward contracts		-		-

Details of the Group's interest rate swaps are set out below:

	As at December 31,			
	2017		2016	
	Contract value RMB' 000	Fair value RMB' 000	Contract value RMB' 000	Fair value RMB' 000
Interest rate swaps	73,190,000	(104,722)	23,790,000	(123,951)
Less: settlement		(110,066)		(143,232)
Net position of SIF contracts		5,344		19,281

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

33. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Deposits with stock exchanges:		
Shanghai Stock Exchange	63,731	73,886
Shenzhen Stock Exchange	44,581	48,594
Hong Kong Exchanges	1,573	2,365
Others	2,043	2,761
Deposits with futures and commodity exchanges:		
Shanghai Futures Exchange	–	500
Dalian Commodity Exchange	253	500
Zhengzhou Commodity Exchange	340	400
China Financial Futures Exchange	274,902	161,345
Shanghai Gold Exchange	2,187	7,915
Guarantee fund paid to Shanghai Stock Exchange	11,875	9,313
Guarantee fund paid to Shenzhen Stock Exchange	16,325	11,847
Deposits with China Securities Finance Corporation Limited	356,811	527,390
Deposits with Shanghai Clearing House	211,275	96,877
Deposits with other financial institutions		
Equity return swap	12,400	12,400
Cross currency swap	26,800	143,202
Bulk steel trading center	–	554
	1,025,096	1,099,849

34. CLEARING SETTLEMENT FUNDS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	940,517	3,037,512
Clients	8,408,805	7,466,989
	9,349,322	10,504,501

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

35. CASH AND BANK BALANCES

	As at December 31,	
	2017 RMB'000	2016 RMB'000
House accounts	21,834,220	14,967,197
Cash held on behalf of clients (Note a)	20,511,635	29,201,538
	42,345,855	44,168,735
Less: restricted bank deposits (Note b)	(449,900)	(449,900)
	41,895,955	43,718,835

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

Note a: The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in account payables to brokerage clients (Note 39).

Note b: The restricted bank deposits are pledged bank deposits due within one year.

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Cash and bank balances	21,834,220	14,967,197
Clearing settlement funds	940,517	3,037,512
Less: clearing settlement funds of		
Shanghai Orient Securities Futures Co., Ltd.	(8,000)	(8,000)
restricted bank deposits (Note)	(449,900)	(449,900)
	22,316,837	17,546,809

Note: The restricted bank deposits are pledged bank deposits due within one year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

37. BORROWINGS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Current		
Unsecured short-term borrowings within one year (Note a)	1,469,368	480,727
Pledged long-term borrowings within one year (Note c)	421,576	–
Pledged short-term borrowings within one year (Note d)	52,212	–
Secured long-term borrowings repayable within one year (Note b)	384,514	–
	2,327,670	480,727
Non-current		
Pledged long-term borrowings repayable between one to two years (Note c)	–	447,564
Secured long-term borrowing repayable between one to two years (Note b)	–	411,470
	–	859,034

Note a: Short-term bank borrowings are repayable within one year.

As at December 31, 2017, the unsecured bank borrowing, amounting to HKD200 million (approximately RMB167 million) and bearing a floating rate of 1 week HIBOR plus 2.1% per annum is repayable within one year.

As at December 31, 2017, the unsecured bank borrowing, amounting to HKD300 million (approximately RMB251 million) and bearing a floating rate of 1 week HIBOR plus 1.8% per annum is repayable within one year.

As at December 31, 2017, the unsecured bank borrowing, amounting to HKD100 million (approximately RMB84 million) and bearing a floating rate of 1 week HIBOR plus 2% is repayable within one year.

As at December 31, 2017, the unsecured bank borrowing, amounting to HKD150 million (approximately RMB125 million) and bearing a floating rate of 1 week HIBOR plus 2% is repayable within one year.

As at December 31, 2017, the unsecured bank borrowing, amounting to HKD270 million (approximately RMB226 million) and bearing a floating rate of 3 month HIBOR plus 1.7% is repayable within one year.

As at December 31, 2017, the unsecured bank borrowing, amounting to USD50 million (approximately RMB326 million) and bearing the fixed rate of 3.7% is repayable within one year.

As at December 31, 2017, the unsecured bank borrowing, amounting to USD44.5 million (approximately RMB290 million) and bearing the fixed rate of 3.7% is repayable within one year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

37. BORROWINGS (Continued)

Note a: (Continued)

As at December 31, 2016, the unsecured bank borrowing, amounting to HKD100 million (approximately RMB89 million) and bearing a floating rate of 3 month HIBOR plus 2.5% per annum is repayable within one year.

As at December 31, 2016, the unsecured bank borrowing, amounting to HKD50 million (approximately RMB45 million) and bearing a floating rate of 1 week HIBOR plus 2% per annum is repayable within one year.

As at December 31, 2016, the unsecured bank borrowing, amounting to approximately HKD387 million (approximately RMB347 million) and bearing the fixed rate of 3.7% is repayable within one year.

Note b: As at December 31, 2017 and 2016, the long-term borrowing of Orient Finance Holdings (Hong Kong) Limited, the Company's subsidiary in Hong Kong, was secured by all participating shares of Orient Sun Rise China Bond Fund Segregated Portfolio, a structured entity of the group. The carrying amount of such structured entity is RMB606 million and RMB517 million as at December 31, 2017 and 2016. The borrowing is denominated in Hong Kong dollar, bearing a floating rate of 3 month HIBOR plus 1.8% per annum.

Note c: As at December 31, 2017 and 2016, the long-term borrowing was pledged by a deposit, of which the carrying amount is RMB449.9 million. The borrowing amounting to approximately USD65 million as at December 31, 2017 and 2016 (approximately RMB422 million and RMB448 million as at December 31, 2017 and 2016) bears a floating rate of 12 month LIBOR plus 0.75% per annum is repayable on November 17, 2018.

Note d: As at December 31, 2017, the pledged bank borrowing was pledged by the JSS Short Term Bond Global Opportunities, a fund held by the Group. The carrying amount of such fund is RMB66 million. The borrowing amounting to USD5 million as at December 31, 2017 (approximately RMB33 million) bears the rate of 0.77% above the Bank's Cost of Funds, and is repayable within one year. The borrowing, amounting to USD3 million as at December 31, 2017 (approximately RMB20 million) bears the fixed rate of 1.5%, and is repayable within one year.



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38. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Due to banks (Note a)	9,700,000	2,600,000
Due to China Securities Finance Corporation Limited (Note b)	1,500,000	2,500,000
	11,200,000	5,100,000

Note a: As at December 31, 2017 and 2016, the interest rate bearing on the outstanding amount of due to banks varies from 3.60% to 8.40% and 2.74% to 3.75%, respectively, per annum. The amounts of due to banks were repayable within seven days from the end of the reporting period.

Note b: As at December 31, 2017 and 2016, the interest rate on due to China Securities Finance Corporation Limited is 5.10% and 3.00%, respectively, per annum. The amounts of due to China Securities Finance Corporation Limited were repayable within six months from the end of the reporting period.

39. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Account payables to brokerage clients mainly include money held on behalf of clients in the banks and clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at December 31, 2017 and 2016, included in the Group's account payables to brokerage clients were approximately RMB1,294 million and RMB1,718 million of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.



Notes to the Consolidated Financial Statements

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40. ACCRUED STAFF COSTS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Salaries, bonus and allowances	1,845,457	1,371,929
Social welfares	426	592
Annuity schemes	6,500	5,400
	1,852,383	1,377,921

41. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Other account payables		
Payables for underwriting and products distribution fees	338,521	163,592
Settlement payables	654,119	50,775
Other payables and accruals		
Business tax and other taxes	184,046	173,903
Interest payable	1,610,026	1,553,613
Payables for securities and futures investor protection fund	38,006	19,698
Futures risk reserve	57,969	47,249
Dividends payable	80	80
Advance receipts	7,673	6,517
Acting underwriting securities	264,033	587,550
Performance Bond	260,079	358,363
Others	900,973	630,493
	4,315,525	3,591,833



Notes to the Consolidated Financial Statements

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42. BOND PAYABLES

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Current		
Corporate bonds (Note a)	–	12,999,877
Subordinated bonds (Note a)	1,999,923	3,599,645
Income certificates (Note b)	7,358,217	5,424,000
Offshore bonds (Note a)	2,281,257	1,997,247
	11,639,397	24,020,769
Non-current		
Corporate bonds (Note a)	26,999,407	17,999,730
Subordinated bonds (Note a)	15,999,782	11,999,653
Income certificates (Note b)	7,450,000	8,148,217
Offshore bonds (Note a)	3,221,101	2,415,742
	53,670,290	40,563,342

Note a:

Name		Issue amount	Value date	Maturity date	Coupon rate
14 Corporate Bond ⁽¹⁾	RMB	6,000,000,000	26/08/2014	26/08/2019	6.00%
14 Orient Subordinated Bond ⁽²⁾	RMB	1,400,000,000	17/11/2014	17/11/2018	5.50%
15-1 Offshore USD Bond ⁽³⁾	USD	200,000,000	08/05/2015	08/05/2018	4.20%
15 Orient Subordinated Bond ⁽⁴⁾	RMB	6,000,000,000	29/05/2015	29/05/2020	5.60%
15 Orient Future Subordinated Bond ⁽⁵⁾	RMB	600,000,000	18/06/2015	17/06/2018	6.82%
15-2 Offshore USD Bond ⁽⁶⁾	USD	150,000,000	25/08/2015	25/08/2018	4.09%
15 Corporate Bond ⁽⁷⁾	RMB	12,000,000,000	26/11/2015	26/11/2020	3.90%
16 Orient Subordinated Bond ⁽⁸⁾	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
17-1 Orient Subordinated Bond ⁽⁹⁾	RMB	1,500,000,000	26/04/2017	26/04/2020	4.90%
17-2 Orient Subordinated Bond ⁽¹⁰⁾	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-3 Orient Subordinated Bond ⁽¹¹⁾	RMB	1,500,000,000	15/05/2017	15/05/2020	5.15%
17-4 Orient Subordinated Bond ⁽¹²⁾	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
17-1 Corporate Bond ⁽¹³⁾	RMB	4,000,000,000	09/06/2017	09/06/2020	5.30%
17-2 Corporate Bond ⁽¹⁴⁾	RMB	1,000,000,000	09/06/2017	09/06/2022	5.50%
17-3 Corporate Bond ⁽¹⁵⁾	RMB	4,000,000,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond ⁽¹⁶⁾	USD	500,000,000	30/11/2017	30/11/2022	3.63%

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42. BOND PAYABLES (Continued)

Note a: (Continued)

- (1) As approved by the CSRC [2014]816, the Company issued a corporate bond with par value of RMB6 billion on August 26, 2014. The bond bears an interest rate of 6.00% with a maturity period of 5 years and the interest is paid annually.
- (2) As approved by the CSRC, the Company issued 14 Orient Subordinated Bond with par value of RMB1.4 billion on November 17, 2014. The bond bears an interest rate of 5.50% with a maturity period of 4 years and the interest is paid annually.
- (3) Orient Zhihui Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore USD Bond with par value of USD200 million (approximately RMB1,307 million) on May 8, 2015. The Company entered into a keepwell deed for bond. The Offshore USD Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. The bond bears a fixed annual interest rate of 4.20% and the interest is paid semi-annually.
- (4) As approved by the CSRC, the Company issued 15 Orient Subordinated Bond with par value of RMB6 billion on May 29, 2015. The bond bears an interest rate of 5.60% with a maturity period of 5 years and the interest is paid annually.
- (5) Shanghai Orient Securities Futures Co., Ltd., the Company's subsidiary, issued 15 Orient Future Subordinated Bond with par value of RMB600 million to qualified institutional investors on June 18, 2015. The bond bears an interest rate of 6.82% with a maturity period of 3 years and the interest is paid annually.
- (6) Orient Zhihui Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore USD Bond with par value of USD150 million (approximately RMB980 million) on August 25, 2015. The Offshore USD Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. and the Company entered into a keepwell deed as well. The bond bears a fixed annual interest rate of 4.09% and the interest is paid semi-annually.
- (7) As approved by the CSRC [2015]2406, the Company issued a corporate bond with par value of RMB12 billion on November 26, 2015. The bond bears an interest rate of 3.90% with a maturity period of 5 years and the interest is paid annually.
- (8) As approved by the CSRC, the Company issued 16 Orient Subordinated Bond with par value of RMB4 billion on November 14, 2016. The bond bears an interest rate of 3.45% with a maturity period of 5 years and the interest is paid annually.
- (9) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on April 26, 2017. The bond bears an interest rate of 4.90% with a maturity period of 3 years and the interest is paid annually.
- (10) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on April 26, 2017. The bond bears an interest rate of 5.10% with a maturity period of 5 years and the interest is paid annually.
- (11) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on May 15, 2017. The bond bears an interest rate of 5.15% with a maturity period of 3 years and the interest is paid annually.
- (12) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on May 15, 2017. The bond bears an interest rate of 5.35% with a maturity period of 5 years and the interest is paid annually.
- (13) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on June 9, 2017. The bond bears an interest rate of 5.3% with a maturity period of 3 years and the interest is paid annually.
- (14) As approved by the CSRC, the Company issued a corporate bond with par value of RMB1 billion on June 9, 2017. The bond bears an interest rate of 5.5% with a maturity period of 5 years and the interest is paid annually.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

42. BOND PAYABLES (Continued)

Note a: (Continued)

- (15) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on August 3, 2017. The bond bears an interest rate of 4.98% with a maturity period of 10 years and the interest is paid annually.
- (16) Orient HuiZhi Limited, the Company's subsidiary in Hong Kong, issued a 5-year Offshore USD Bond with par value of USD500 million (approximately RMB3,267 million) on November 30, 2017. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 3.625% and the interest is paid semi-annually.

Note b: According to Securities Association of China ("SAC")'s letter on approving the pilot of over the counter income certificate business (SAC [2014]285), the Company was authorized to conduct income certificate business. The amount represents income certificates issued by the Company with maturities of more than one year. As at December 31, 2017 and 2016, the yields of the outstanding income certificates varied from 3.60% to 6.30% and from 3.50% to 6.30%, respectively per annum.

43. SHORT-TERM FINANCING BILLS PAYABLES

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Income certificates (Note)	1,810,486	4,942,779
	1,810,486	4,942,779
Analysed as:		
Over the counter	1,810,486	4,942,779
	1,810,486	4,942,779

Note: According to Securities Association of China ("SAC")'s letter on approving the pilot of over the counter income certificate business (SAC[2014]285), the Group has the authorization to conduct income certificate business. As at December 31, 2017 and 2016, the yields of all the outstanding income certificates were ranged from 1.00% to 8.00% and from 1.00% to 5.60%, respectively per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Held for trading		
– Coupon bearing bonds (Note a)	688,536	2,787,366
– Gold borrowings (Note b)	4,957,680	4,420,325
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities (Note c)	413,511	263,486
	6,059,727	7,471,177

Note a: As at December 31, 2017 and 2016, included in the Group's financial liabilities at fair value through profit or loss were coupon-bearing bonds borrowed by the Group.

Note b: As at December 31, 2017 and 2016, included in the Group's financial liabilities at fair value through profit or loss were gold borrowing contracts entered into by the Company with counterparties.

The risk of economic exposure on these contracts is primarily hedged by swap contracts.

Note c: Interests attributable to other holders of consolidated structured schemes and funds consist of third-party unit holders' interests in these consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash.

The realization of third-party interests in the financial liabilities arising from consolidation of collective asset management schemes and funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated collective asset management schemes and funds held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Current		
Analysed by collateral type		
– Bonds	44,060,004	30,293,940
– Securities-backed lending repurchase agreement	2,500,000	5,405,000
– Advances to customers backed repurchase agreement	6,620,000	4,970,000
– Others	–	10,000
	53,180,004	40,678,940
Analysed by market		
– Stock exchange	18,061,981	19,708,434
– Inter-bank market	21,499,338	9,152,007
– Over the counter	13,618,685	11,818,499
	53,180,004	40,678,940
Non-current		
Analysed by collateral type		
– Securities-backed lending repurchase agreement	–	1,500,000
– Advances to customers backed repurchase agreement	2,940,000	4,220,000
	2,940,000	5,720,000
Analysed by market		
Over the counter	2,940,000	5,720,000

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

46. SHARE CAPITAL

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

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):			
As at December 31, 2017	6,215,452	778,204	6,993,656
As at December 31, 2016	5,281,743	933,709	6,215,452

As at December 28, 2017, the Company completed registration of newly-added A-shares of non-public issuance at Shanghai branch of China Securities Depository and Clearing Corporation Limited. As at December 31, 2017, the Company completed A-share non-public issuance of 778,204 thousand RMB-denominated shares and the issue price is RMB14.21 per share. After deducting the underwriting, sponsorship fees (excluding certain amounts paid to Citi Orient Securities Co., Ltd, a subsidiary of the Group, which was eliminated on the consolidated financial statements) and other distribution fees, net proceeds were recognised as share capital amounting to RMB778,204 thousand and the share premium amounting to RMB10,226,149 thousand accordingly.

As at July 8, 2016, the Company listed on the Stock Exchange and issued 870,000,000 HKD-denominated ordinary shares to the public and the issue price is HKD8.15 per share. As at August 3, 2016, the Company additionally issued 63,709,090 HKD-denominated ordinary shares to the public with over-allotment options and the issue price is HKD8.15 per share. Total proceeds from the issuance of those shares were approximately RMB6,552,786,258. After deducting the underwriting and sponsorship fees and other distribution fees (excluding amounts paid to Citi Orient Securities Co., Ltd, a subsidiary of the Group, which was eliminated on the consolidated financial statements), net proceeds were recognised as share capital amounting to RMB933,709,090 and share premium amounting to RMB5,441,974,816 accordingly.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

47. RESERVES

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value, the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets and deemed gains/losses from associate.

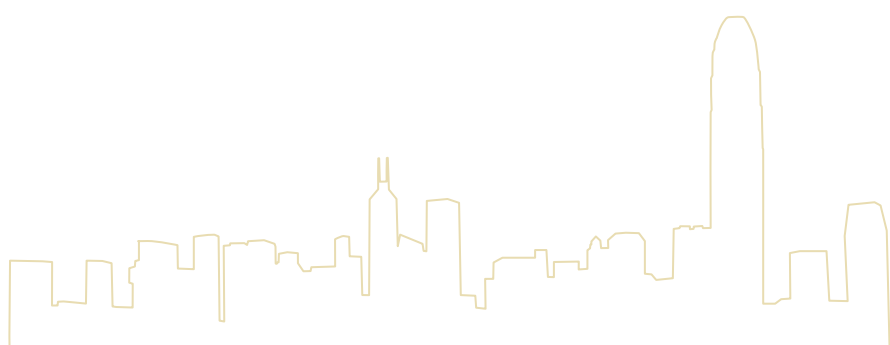
The movements of the capital reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Share premium (Note 46)	18,025,556	10,226,150	28,251,706
Other capital reserve	3,225	–	3,225
As at December 31, 2017	18,028,781	10,226,150	28,254,931
Share premium (Note 46)	12,583,581	5,441,975	18,025,556
Other capital reserve	(14,190)	17,415	3,225
As at December 31, 2016	12,569,391	5,459,390	18,028,781

(2) Surplus reserve

The surplus reserve includes statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalization, in accordance with the Company's articles of association or as approved by the shareholders in a shareholders' general meeting.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

47. RESERVES (Continued)

(2) Surplus reserve (Continued)

Since the amendment of the Company's articles in 2014, the Company is required to appropriate 5% of net profit derived as discretionary reserve from retained profits in accordance with the relevant accounting rules in the PRC.

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	2,164,967	244,271	2,409,238
Discretionary reserve	520,831	122,135	642,966
For the year ended December 31, 2017	2,685,798	366,406	3,052,204
Statutory reserve	2,013,100	151,867	2,164,967
Discretionary reserve	444,898	75,933	520,831
For the year ended December 31, 2016	2,457,998	227,800	2,685,798

(3) General reserve

The general reserve includes general risk reserve and transaction risk reserve.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits. Since 2014, the Company management has decided to appropriate 11% of net profit derived as general risk reserve from retained profits.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate no less than 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

In accordance with the Financial Rules for Financial Enterprises and its Implementation Guide, Orient Futures Co., Ltd. is required to appropriate 10% of net profit from retained profits as general risk reserve.

In accordance with the Interim Measures to Supervision Management of Risk Reserves for Public Offering Securities Investment Funds, Orient Securities Asset Management Co., Ltd. is required to appropriate no less than 10% of fund management fee income as general risk reserve.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

47. RESERVES (Continued)

(3) General reserve (Continued)

The movements of general reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
General risk reserve	2,422,022	423,012	2,845,034
Transaction risk reserve	3,290,851	469,085	3,759,936
For the year ended December 31, 2017	5,712,873	892,097	6,604,970
General risk reserve	2,183,678	238,344	2,422,022
Transaction risk reserve	2,954,753	336,098	3,290,851
For the year ended December 31, 2016	5,138,431	574,442	5,712,873

(4) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group and are set out below:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
At beginning of the year	708,065	2,085,229
Available-for-sale financial assets		
Net fair value changes during the year	(1,263,293)	(1,060,147)
Income tax related to net fair value changes during the year	315,994	257,702
Reclassification adjustment to profit or loss on disposal	(390,144)	(1,103,802)
Reclassification adjustment to profit or loss on impairment	147,968	259,355
Income tax related to reclassification adjustment to profit or loss during the year	60,544	216,518
Share of fair value gain on available-for-sale financial assets of associates	60,409	53,210
At end of the year	(360,457)	708,065

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

47. RESERVES (Continued)

(5) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

48. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	7,111,726	7,448,603
Profit for the year	3,553,626	2,313,975
Appropriation to surplus reserve	(366,406)	(227,800)
Appropriation to general reserve	(892,097)	(574,442)
Dividends recognised as distribution	(932,318)	(1,848,610)
At end of the year	8,474,531	7,111,726

Details of the dividends are set out in note 49.

49. DIVIDENDS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Dividends recognised as distribution	932,318	1,848,610

Pursuant to the resolution of the annual general meeting of Shareholders held on June 6, 2017, the Company distributed cash dividends of RMB1.50 for every 10 shares (tax included) based on 6.22 billion shares held amounting to approximately RMB932 million in total for the year ended December 31, 2016.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

49. DIVIDENDS (Continued)

Pursuant to the resolution of the annual general meeting of Shareholders held on May 25, 2016, the Company distributed cash dividends of RMB3.50 for every 10 shares (tax included) based on 5.28 billion shares held amounting to approximately RMB1.85 billion in total for the year ended December 31, 2015.

50. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these securities sold. These securities are not derecognised but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities and advances to customers. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at December 31, 2017

	Financial assets at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Financial assets held under resale agreements RMB'000	Advances to customers RMB'000	Held-to- maturity investments RMB'000	Securities borrowing arrangements RMB'000	Other receivables RMB'000	Total RMB'000
Carrying amount of transferred assets	15,107,267	28,498,001	2,773,770	12,624,307	-	3,271,521	-	62,274,866
Carrying amount of associated liabilities	14,033,189	26,543,848	2,500,000	9,560,000	-	3,482,967	-	56,120,004
Net position	1,074,078	1,954,153	273,770	3,064,307	-	(211,446)	-	6,154,862

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

50. TRANSFER OF FINANCIAL ASSETS (Continued)

Repurchase agreements (Continued)

As at December 31, 2016

	Financial assets at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Financial assets held under resale agreements RMB'000	Advances to customers RMB'000	Held-to- maturity investments RMB'000	Securities borrowing arrangements RMB'000	Other receivables RMB'000	Total RMB'000
Carrying amount of transferred assets	3,223,465	34,695,965	8,285,550	10,291,011	51,185	301,764	35,397	56,884,337
Carrying amount of associated liabilities	2,214,485	27,933,050	6,905,000	9,190,000	31,205	115,200	10,000	46,398,940
Net position	1,008,980	6,762,915	1,380,550	1,101,011	19,980	186,564	25,397	10,485,397

Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as available-for-sale financial assets of carrying amount totaling RMB33 million and RMB16 million as at December 31, 2017 and 2016, respectively, which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated financial statements.

51. CAPITAL COMMITMENTS

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Capital expenditure in respect of acquisition of property and equipment: Contracted but not provided for	100,043	71,291

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

52. OPERATING LEASE COMMITMENTS

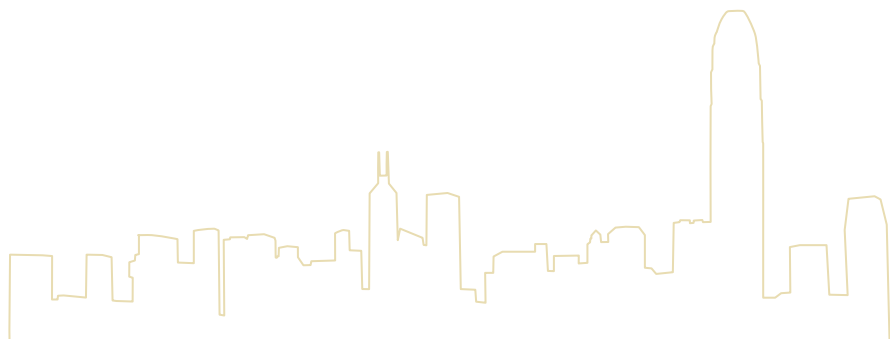
The Group as lessee

At December 31, 2017 and 2016, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Not later than one year	207,003	144,681
Later than one year and not later than five years	362,394	256,473
Later than five years	755	8,870
	570,152	410,024

The Group as lessor

During the year of 2017 and 2016, the Group did not have material lease commitment as lessor.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the year ended December 31, 2017 and 2016 are set out below:

For the year ended December 31, 2017

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution	Discretionary bonuses RMB'000	Total RMB'000
			to pension schemes RMB'000		
Executive Directors:					
Pan Xinjun ^(a)	-	1,351	304	641	2,296
Jin Wenzhong ^(a)	-	1,351	304	641	2,296
Non-executive Directors:					
Wu Jianxiong ^(b)	-	-	-	-	-
Zhang Qian ^(c)	-	-	-	-	-
Wu Junhao ^(d)	-	-	-	-	-
Zhou Yao ^(d)	-	-	-	-	-
Chen Bin ^(e)	-	-	-	-	-
Li Xiang ^(e)	-	-	-	-	-
Xu Jianguo ^(f)	-	-	-	-	-
Huang Laifang ^(g)	-	-	-	-	-
Independent Non-executive Directors:					
Jin Qinglu ^(h)	47	-	-	-	47
Li Zhiqiang ⁽ⁱ⁾	158	-	-	-	158
Xu Guoxiang ^(j)	160	-	-	-	160
Tao Xiuming ^(k)	160	-	-	-	160
Wei Anning ^(k)	160	-	-	-	160
Pan Fei ^(l)	127	-	-	-	127
Xu Zhiming ^(m)	160	-	-	-	160
Supervisors:					
Song Xuefeng ⁽ⁿ⁾	-	-	-	-	-
Li Bin ^(o)	-	1,064	243	650	1,957
Liu Wenbin ^(p)	-	-	-	-	-
Yao Yuan ^(q)	-	656	127	1,583	2,366
Yin Keding ^(q)	-	-	-	-	-
Wu Zhengkui ^(r)	-	-	-	-	-
Zhou Wenwu ^(s)	-	618	143	1,583	2,344
	972	5,040	1,121	5,098	12,231

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended December 31, 2016

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Pan Xinjun ^(a)	–	644	435	106	1,185
Jin Wenzhong ^(a)	–	644	479	4,300	5,423
Non-executive Directors:					
Wu Jianxiong ^(b)	–	–	–	–	–
Zhang Qian ^(c)	–	–	–	–	–
Wu Junhao ^(d)	–	–	–	–	–
Xu Chao ^(d)	–	–	–	–	–
Zhou Yao ^(d)	–	–	–	–	–
Chen Bichang ^(f)	–	–	–	–	–
Chen Bin ^(e)	–	–	–	–	–
Li Xiang ^(e)	–	–	–	–	–
Xu Jianguo ^(f)	–	–	–	–	–
Huang Laifang ^(g)	–	–	–	–	–
Independent Non-executive Directors:					
Li Zhiqiang ⁽ⁱ⁾	167	–	–	–	167
Xu Guoxiang ^(j)	147	–	–	–	147
Tao Xiuming ^(k)	147	–	–	–	147
Wei Anning ^(k)	147	–	–	–	147
Pan Fei ^(l)	167	–	–	–	167
Xu Zhiming ^(m)	80	–	–	–	80
Supervisors:					
Song Xuefeng ⁽ⁿ⁾	–	–	–	–	–
Li Bin ^(p)	–	580	326	100	1,006
Liu Wenbin ^(p)	–	–	–	–	–
Yin Keding ^(q)	–	–	–	–	–
Yao Yuan ^(q)	–	618	97	1,827	2,542
Wu Zhengkui ^(r)	–	–	–	–	–
Zhou Wenwu ^(s)	–	618	109	1,789	2,516
	855	3,104	1,446	8,122	13,527

* The amount of director fee was nil, except for the independent director fee disclosed.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

- a. Pan Xinjun was appointed as chairman of the board in January 2010. Jin Wenzhong was appointed as director in September 2010.
- b. Wu Jianxiong was appointed as director in October 2014.
- c. Zhang Qian was appointed as director in June 2002.
- d. Wu Junhao, Xu Chao and Zhou Yao were appointed as director in March 2011. And Xu Chao resigned in July 2016, and Zhou Yao resigned in December 2017.
- e. Chen Bin and Li Xiang were appointed as director in October 2014.
- f. Xu Jianguo was appointed as director in November 2016.
- g. Huang Laifang was appointed as director in May 2016.
- h. Jin Qinglu was appointed as independent director in October 2017.
- i. Li Zhiqiang was appointed as independent director in March 2011, and resigned in October 2017.
- j. Xu Guoxiang was appointed as independent director in October 2014.
- k. Tao Xiuming and Wei Anning were appointed as independent director in October 2014.
- l. Pan Fei was appointed as independent director in June 2015, and resigned in July 2017.
- m. Xu Zhiming was appointed as director in September 2015. The appointment took effect in July 2016 when the Company became listed on the Stock Exchange.
- n. Song Xuefeng was appointed as director in August 2013, and was appointed as chairman of the supervisory board in October 2014.
- o. Li Bin was appointed as supervisor in November 2014.
- p. Liu Wenbin was appointed as supervisor in March 2011.
- q. Yin Keding and Yao Yuan were appointed as supervisor in October 2014.
- r. Wu Zhengkui was appointed as supervisor in February 2012.
- s. Zhou Wenwu was appointed as supervisor in August 2015.
- t. Chen Bichang was appointed as director in March 2012 and resigned in April 2016.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the company.

The independent directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services as supervisors of the Company.

The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. The amounts of bonus paid and disclosed for the year ended December 31, 2017 are actually performance bonus in 2016.

For the year ended December 31, 2017 and 2016, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

54. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in note 53. Details of the remuneration of the five highest paid employees during the year ended 2017 and 2016 are as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Basic salaries and allowances	11,238	8,041
Discretionary bonuses	75,955	87,269
Employer's contribution to pension schemes	112	112
	87,305	95,422

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

54. HIGHEST PAID INDIVIDUALS (Continued)

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Emolument bands		
– HKD17,500,001 to HKD18,000,000	1	-
– HKD19,000,001 to HKD19,500,000	1	-
– HKD19,500,001 to HKD20,000,000	-	1
– HKD20,000,001 to HKD20,500,000	-	2
– HKD21,000,001 to HKD21,500,000	1	-
– HKD21,500,001 to HKD22,000,000	-	1
– HKD22,000,001 to HKD22,500,000	1	-
– HKD24,000,001 to HKD24,500,000	1	1
	5	5

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related party

The Group and major shareholder

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

	Percentage of shares held As at December 31,	
	2017 %	2016 %
申能(集團)有限公司 Shenergy (Group) Company Limited	25.27	24.74



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(1) Relationship of related party (Continued)

The Company and subsidiaries

The details of the Company's subsidiaries is set out in note 21.

The Group and associates

The details of the associates of the Group is set out in note 22.

(2) Related party transaction and balances

As at December 31, 2017 and 2016, the Group had the following material balances with the major shareholder and entities under its control:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Accounts payable to brokerage clients		
– Shanghai Dazhong Gas Co., Ltd.*	1,441	518
– Shenergy Group Finance Company Limited*	1,007	1
– Shanghai Gas (Group) Co., Ltd.*	14,673	25
– Shenergy (Group) Company Limited	12	–
– Shanghai Jiu Lian Group Co., Ltd. *	16,016	18,033

For the year ended December 31, 2017 and 2016, the Group had the following material transactions with major shareholders and entities under their control:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Commission and fee income		
– Shenergy Group Finance Company Limited*	59	8
– Shanghai Gas (Group) Co., Ltd.*	–	83
– Shanghai Jiu Lian Group Co., Ltd. *	6	80
Interest expenses		
– Shanghai Dazhong Gas Co., Ltd.*	3	2
– Shenergy Group Finance Company Limited*	17	8
– Shanghai Gas (Group) Co., Ltd.*	19	29
– Shenergy (Group) Company Limited	29	25,131
– Shanghai Jiu Lian Group Co., Ltd. *	39	40

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

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

As at December 31, 2017 and 2016, the Group had the following material balances with associates:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Accounts payable to brokerage clients		
– China Universal	20,001	–
– Orient Jiashi (Shanghai) Investment Management LLP*	1	3
– Shanghai Orient Jinyuan Equity Investment LLP. *	–	28
– Shanghai Junyu Investment Center LLP. *	589	–
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	13	–
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP.*	9,798	–
– Shanghai Junyu Investment Center LLP. *	2,200	–
– Orient Tengjun (Shanghai) Investment LLP. *	1,940	–
Account receivables		
– Shanghai Tengxi Investment LLP. *	1,427	–
Other account payables		
– Beijing Orient Zhiyun Equity Investment Center LLP. *	409,346	409,346



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

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

For the year ended December 31, 2017 and 2016, the Group had the following material transaction with associates:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Commission and fee income		
– Beijing Orient Zhiyun Equity Investment Center LLP. *	–	11,500
– Orient Jiashi (Shanghai) Investment Management LLP*	5,189	5,460
– Orient Tengjun (Shanghai) Investment LLP. *	1,830	–
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	18,108	–
– China Universal	75,570	97,455
– Shanghai Orient Securities Chunyi Investment Center LLP.*	9,243	–
– Shanghai Orient Jinyuan Equity Investment LLP. *	1,180	529
– Shanghai Orient Yuanyu Investment Center LLP. *	–	2,115
– Shanghai Junyu Investment Center LLP. *	2,076	–
– Shanghai Tengxi Investment LLP. *	1,346	–

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Interest expenses		
– Orient Jiashi (Shanghai) Investment Management LLP*	13	–
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	32	–
– Shanghai Orient Jinyuan Equity Investment LLP. *	3	–
– Shanghai Junyu Investment Center LLP. *	1	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

As at December 31, 2017 and 2016, the Group had the following material balances with other related parties**:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Accounts payable to brokerage clients		
– Haitong Securities Co., Ltd.	1,620	6,608
– Shanghai Orient Xindeyizhang Public Welfare Foundation *	5,236	5,217
– Shanghai Construction Group., Ltd.	20,058	1

For the year ended December 31, 2017 and 2016, the Group had the following material transaction with other related parties:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Commission and fee income		
– Haitong Securities Co., Ltd.	693	–
Interest expenses		
– Haitong Securities Co., Ltd.	20	–
– Shanghai Orient Xindeyizhang Public Welfare Foundation *	19	–
– Shanghai Construction Group., Ltd.	28	–

* These companies do not have official English names. English translated names are for identification only.

** The Directors and Supervisors of the Company have been appointed as directors or senior management of these related parties as at December 31, 2017.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

(3) Key management personnel

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Short-term benefits:		
Salaries, allowance and bonuses	19,292	30,267
Post-employment benefits:		
Employer's contribution to pension schemes/annuity plans	2,002	2,574
	21,294	32,841

The amounts of bonus paid and disclosed for the year ended December 31, 2017 are actually performance bonus in 2016.

(4) Guarantees provided by the Company

In November 2017, the Company agreed to provide the USD591 million amounts of guarantee in respect of bonds issued by the Orient HuiZhi Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited which is the Company's wholly-owned subsidiary.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

56. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Non-current assets		
Property and equipment	1,984,437	1,798,148
Goodwill	18,948	18,948
Other intangible assets	111,082	105,736
Investments in subsidiaries	10,097,753	8,197,753
Investments in associates	1,680,601	1,547,813
Available-for-sale financial assets	7,314,917	8,879,416
Held-to-maturity investments	37,500	140,500
Financial assets held under resale agreements	9,932,998	15,456,170
Deferred tax assets	-	114,684
Total non-current assets	31,178,236	36,259,168
Current assets		
Advances to customers	12,624,307	10,291,011
Account receivables	284,443	193,905
Other receivables and prepayments	2,141,318	1,776,418
Available-for-sale financial assets	60,084,541	62,293,581
Held-to-maturity investments	73,000	71,560
Financial assets held under resale agreements	24,420,352	18,658,612
Financial assets at fair value through profit or loss	33,881,571	16,916,321
Derivative financial assets	168,360	45,388
Deposits with exchanges and financial institutions	789,075	899,281
Clearing settlement funds	5,995,853	6,493,772
Cash and bank balances	28,764,613	29,973,828
Total current assets	169,227,433	147,613,677
Total assets	200,405,669	183,872,845



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

56. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Current liabilities		
Due to banks and other financial institutions	11,200,000	5,100,000
Account payables to brokerage clients	17,481,712	22,651,454
Accrued staff costs	721,231	513,890
Other account payables, other payables and accruals	2,082,144	2,155,437
Current tax liabilities	–	54,782
Bond payables	8,757,062	22,017,655
Short-term financing bills payables	1,810,486	2,712,779
Financial liabilities at fair value through profit or loss	5,616,807	7,207,691
Derivative financial liabilities	613,301	267,864
Financial assets sold under repurchase agreements	48,681,319	39,145,441
Total current liabilities	96,964,062	101,826,993
Net current assets	72,263,371	45,786,684
Total assets less current liabilities	103,441,607	82,045,852
Equity		
Share capital	6,993,656	6,215,452
Reserves	36,610,759	26,443,734
Retained profits	6,380,367	5,871,486
Total equity	49,984,782	38,530,672
Non-current liabilities		
Financial assets sold under repurchase agreements	2,940,000	5,720,000
Deferred tax liabilities	90,946	266,050
Bond payables	50,425,879	37,529,130
Total non-current liabilities	53,456,825	43,515,180
Total equity and non-current liabilities	103,441,607	82,045,852

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

56. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Investment revaluation reserve RMB'000	Retained profit RMB'000	Total RMB'000
	(Note a)						
At January 1, 2017	6,215,452	17,978,032	2,685,798	5,350,777	429,127	5,871,486	38,530,672
Profit for the year	-	-	-	-	-	2,442,709	2,442,709
Other comprehensive expenses for the year	-	-	-	-	(1,013,461)	-	(1,013,461)
Total comprehensive (expenses)/income for the year	-	-	-	-	(1,013,461)	2,442,709	1,429,248
Non-public issuance of A shares	778,204	10,280,072	-	-	-	-	11,058,276
Costs of non-public issuance of A shares	-	(101,096)	-	-	-	-	(101,096)
Appropriation to surplus reserve	-	-	366,406	-	-	(366,406)	-
Appropriation to general reserve	-	-	-	635,104	-	(635,104)	-
Dividends recognised as distribution	-	-	-	-	-	(932,318)	(932,318)
At December 31, 2017	6,993,656	28,157,008	3,052,204	5,985,881	(584,334)	6,380,367	49,984,782
At January 1, 2016	5,281,743	12,569,391	2,457,998	4,955,924	1,786,008	6,824,081	33,875,145
Profit for the year	-	-	-	-	-	1,518,668	1,518,668
Other comprehensive expenses for the year	-	-	-	-	(1,356,881)	-	(1,356,881)
Total comprehensive (expenses)/income for the year	-	-	-	-	(1,356,881)	1,518,668	161,787
IPO of H shares	933,709	5,619,077	-	-	-	-	6,552,786
Costs of IPO of H shares	-	(227,851)	-	-	-	-	(227,851)
Appropriation to surplus reserve	-	-	227,800	-	-	(227,800)	-
Appropriation to general reserve	-	-	-	394,853	-	(394,853)	-
Dividends recognised as distribution	-	-	-	-	-	(1,848,610)	(1,848,610)
Others	-	17,415	-	-	-	-	17,415
At December 31, 2016	6,215,452	17,978,032	2,685,798	5,350,777	429,127	5,871,486	38,530,672

Note a: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

57. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Financial assets		
Available-for-sale financial assets	72,234,378	77,261,928
Financial assets at fair value through profit or loss	48,198,166	23,399,702
Held-to-maturity investments	110,500	212,060
Loans and receivables	104,758,014	105,701,738
	225,301,058	206,575,428
Financial liabilities		
Financial liabilities at fair value through profit or loss	6,687,903	7,890,354
Other financial liabilities	169,103,628	161,425,926
	175,791,531	169,316,280

58. FINANCIAL RISK MANAGEMENT

58.1 Risk management overview and organization

(1) *Risk management overview*

The Group is committed to the philosophy that “full compliance by all staff and based on risk control.” The Group focuses on building management mechanisms for overall risk and internal controls and fostering a risk management culture. The Group strives to realize organic integration and interlinking of risk management, compliance management and internal control. The Group has established a substantially mature and endogenous overall risk management system and an effective internal control mechanism. The Group’s system covers all businesses, departments, branches and employees and runs through the processes of decision-making, execution, supervision and feedback.

The risk management implemented by the Group fully covers market risk, credit risk, liquidity risk, operation risk, technique risk, reputation risk, compliance risk, legal risk and ethical risk, etc. realizing the management control in the entire procedure from risk recognition, assessment, supervision to control/controlled-release and reporting risk.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.1 Risk management overview and organization (Continued)

(2) Structure of the risk-management organization

The Group is committed to establishing a robust and effective risk management system that features “three lines of defense” approach. The first line of defense is the check-and-balance mechanism of two-person, dual roles, dual responsibilities and position separation in the important front-line positions in each operational department, branch and subsidiary; the second line is inspection and supervision on the compliance and risk management affairs by relevant functional management departments within their range of duties; the third line is effective risk supervision performed by risk supervision and management departments on the risk management affairs of each functional management departments.

Pursuant to the requirements of the Rules for the Risk Management of Securities Firms (《證券公司全面風險管理規範》) and our own operations, the Group has set up a risk management structure with five levels, comprising: (i) the Board, (ii) the management, (iii) Chief Risk Officer and Compliance Officer, (iv) each functional unit in charge of risk management, and (v) risk management function for each business department, branch and subsidiary.

58.2 Credit risk

Credit risk mainly refers to the risk of loss arising from the counterparty or a debtor’s failure to meet its contractual obligations in a timely manner. Currently, the Group faces credit risk primarily from the credit risk of counterparties in the securities financing business and from bond issuers in fixed income investment in the securities investment business and the risk from default by the counterparty in the business including over-the-counter derivatives.

The Group has established a separate credit risk management system for clients, counterparties and bond issuers, under which the Group assigns and regularly updates credit ratings to them, using a combination of their external credit ratings with their qualifications, trading record, credit record and delivery default record. In margin financing and securities lending, collateralized stock repurchase and repurchase securities trading, the Group has developed client credit rating, credit management, collateral management and monitoring report systems and respond to the potential risks in a timely manner by real-time dynamic position-closing mechanisms. Meanwhile, the Group has strengthened the fundamental analysis of single bonds the Group holds and established an internal bond rating system to prevent credit risk arising from bond investments. In the transactions of over-the-counter derivatives, the Group sets certain proportions for the security deposits of counterparties and restrictions on the transaction size, controls the credit risk exposure of counterparties through daily mark to market, margin calls, forced close of positions etc.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.2 Credit risk (Continued)

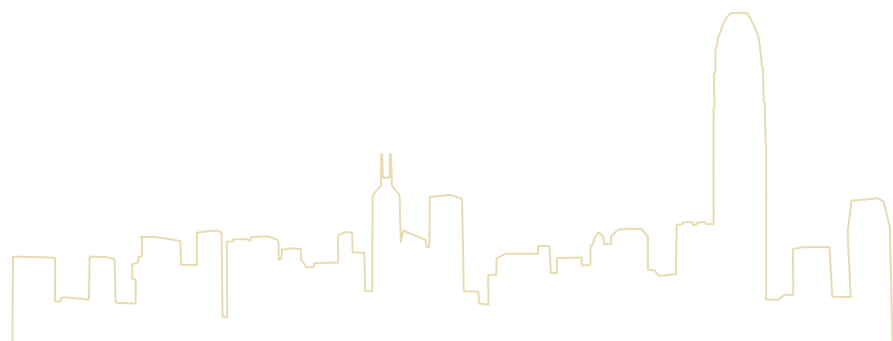
The maximum credit risk exposure of the Group as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Advances to customers	12,940,064	10,651,586
Account receivables	962,844	737,500
Other receivables	3,516,342	3,980,626
Available-for-sale financial assets	55,396,558	54,039,653
Financial assets held under resale agreements	34,618,491	34,558,941
Financial assets at fair value through profit or loss	25,791,241	7,890,386
Held-to-maturity investments	110,500	212,060
Derivative financial assets	168,719	70,509
Deposits with exchanges and financial institutions	1,025,096	1,099,849
Clearing settlement funds	9,349,322	10,504,501
Cash and bank balances	41,895,955	43,718,835
Restricted bank deposits	449,900	449,900
	186,225,032	167,914,346

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

58.3 Market risk

Market risk is the risk of loss arising from fluctuations in stock prices, interest rates and exchange rates in the securities markets. The Group faces market risk primarily in the Group's securities investment business. The Group's business departments, branches and subsidiaries are the first line of defense against market risk. The Group's risk management functional units are responsible for overall market risk management.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.3 Market risk *(Continued)*

To enhance the management of market risk, the Group currently adopts the following measures:

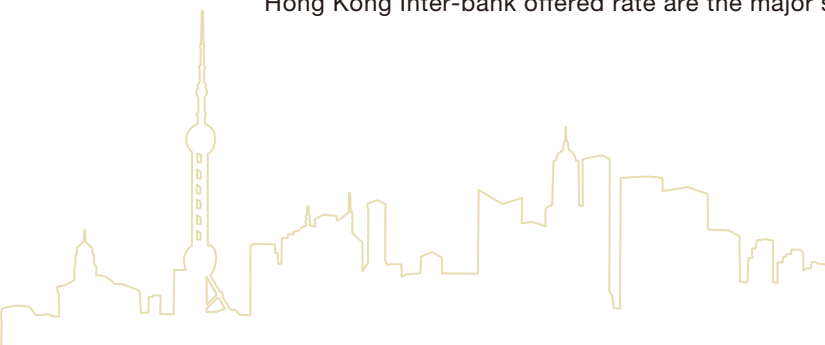
- Marking-to-market, concentration analysis, impact cost analysis and quantitative risk model and optimization technology, to manage scale, leverage, risk exposure, duration and to establish dynamic-tracking stop-loss mechanisms.
- Identifying the key factors affecting portfolio returns through sensitivity analysis, and evaluating the tolerance of investment portfolios to extreme market fluctuations by using scenario analysis and stress-testing.
- Ensuring diversified and scientific asset allocation, using derivatives such as stock index futures to hedge against risks, and using various investment strategies for hedging.
- Closely monitoring the macroeconomic indicators and trends and significant development in economic policies, and evaluating the systematic risk on investment that may arise from changes in macro factors.
- Setting up an organization for crisis decision-making, implementation and delegation of responsibility, developing contingency plans under various predictable extreme circumstances and managing such crises by grading their severity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, advances to customers, clearing settlement funds, available-for-sale financial assets, financial assets at fair value through profit or loss, bond payables, accounts payable to brokerage clients, borrowings and financial assets sold under repurchase agreements and so on. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group are always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China, Shanghai Inter-bank offered rate and Hong Kong Inter-bank offered rate are the major sources of the Group's cash flow interest rate risk.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the Group's interest bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

As at December 31, 2017

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	315,757	12,624,307	-	-	-	-	12,940,064
Account receivables	-	-	-	-	-	962,844	962,844
Other receivables	28,306	-	281,923	-	-	3,206,113	3,516,342
Financial assets held under resale agreements	7,238,388	4,081,434	13,365,671	9,932,998	-	-	34,618,491
Available-for-sale financial assets	1,940,694	2,962,766	9,488,719	22,615,102	18,389,277	16,837,820	72,234,378
Financial assets at fair value through profit or loss	697,038	1,417,417	4,608,269	11,998,130	7,070,387	22,238,206	48,029,447
Held-to-maturity investments	8,000	25,000	40,000	37,500	-	-	110,500
Derivative financial assets	-	-	-	-	-	168,719	168,719
Deposits with exchanges and financial institutions	1,025,096	-	-	-	-	-	1,025,096
Clearing settlement funds	9,349,322	-	-	-	-	-	9,349,322
Cash and bank balances	41,895,955	-	-	-	-	-	41,895,955
Restricted bank deposits	-	-	449,900	-	-	-	449,900
Subtotal	62,498,556	21,110,924	28,234,482	44,583,730	25,459,664	43,413,702	225,301,058
Financial Liabilities							
Borrowings	613,068	1,065,219	649,383	-	-	-	2,327,670
Bonds Payables	1,100,000	2,338,217	8,201,180	49,670,298	3,999,992	-	65,309,687
Accounts payable to brokerage clients	28,219,521	-	-	-	-	-	28,219,521
Other account payables and other payables	-	-	-	-	-	4,116,260	4,116,260
Due to banks and other financial institutions	9,700,000	1,000,000	500,000	-	-	-	11,200,000
Short-term financing bills payables	171,542	168,742	1,470,202	-	-	-	1,810,486
Financial liabilities at fair value through profit or loss	16,380	1,092,000	4,328,427	193,199	16,210	413,511	6,059,727
Derivative financial liabilities	-	-	-	-	-	628,176	628,176
Financial assets sold under repurchase agreements	38,815,000	1,173,871	13,191,133	2,940,000	-	-	56,120,004
Subtotal	78,635,511	6,838,049	28,340,325	52,803,497	4,016,202	5,157,947	175,791,531
Net interest-bearing position	(16,136,955)	14,272,875	(105,843)	(8,219,767)	21,443,462	38,255,755	49,509,527

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.3 Market risk (Continued)

Interest rate risk (Continued)

As at December 31, 2016

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	360,575	10,291,011	-	-	-	-	10,651,586
Account receivables	-	-	-	-	-	737,500	737,500
Other receivables	68,087	189,131	597,231	218,458	-	2,907,719	3,980,626
Financial assets held under resale agreements	3,028,513	1,683,402	14,390,856	15,456,170	-	-	34,558,941
Available-for-sale financial assets	1,727,996	3,413,401	3,781,725	25,740,399	19,376,132	23,222,275	77,261,928
Financial assets at fair value through profit or loss	324,252	150,687	970,614	4,176,855	2,267,978	15,438,807	23,329,193
Held-to-maturity investments	6,000	25,000	40,560	140,500	-	-	212,060
Derivative financial assets	-	-	-	-	-	70,509	70,509
Deposits with exchanges and financial institutions	1,099,849	-	-	-	-	-	1,099,849
Clearing settlement funds	10,504,501	-	-	-	-	-	10,504,501
Cash and bank balances	43,718,835	-	-	-	-	-	43,718,835
Restricted bank deposits	-	-	449,900	-	-	-	449,900
Subtotal	60,838,608	15,752,632	20,230,886	45,732,382	21,644,110	42,376,810	206,575,428
Financial Liabilities							
Borrowings	456,195	537,014	346,552	-	-	-	1,339,761
Bond payables	800,000	-	23,220,769	40,563,342	-	-	64,584,111
Account payables to brokerage clients	35,651,787	-	-	-	-	-	35,651,787
Other account payables and other payables	-	-	-	-	-	3,408,548	3,408,548
Due to banks and other financial institutions	3,100,000	2,000,000	-	-	-	-	5,100,000
Short-term financing bills payables	395,107	1,966,991	2,580,681	-	-	-	4,942,779
Financial liabilities at fair value through profit or loss	-	2,527,702	259,664	-	-	4,683,811	7,471,177
Derivative financial liabilities	-	-	-	-	-	419,177	419,177
Financial assets sold under repurchase agreements	27,738,547	3,704,580	9,235,813	5,720,000	-	-	46,398,940
Subtotal	68,141,636	10,736,287	35,643,479	46,283,342	-	8,511,536	169,316,280
Net interest-bearing position	(7,303,028)	5,016,345	(15,412,593)	(550,960)	21,644,110	33,865,274	37,259,148

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.3 Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities, which covers both the cash flow interest rate risk of variable rate instruments and fair value interest rate risk of fixed rate financial assets at fair value through profit or loss and available-for-sale financial assets. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each respective reporting periods were outstanding for the whole year. When reporting to the management on the interest rate risk, a 50 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, when considering the reasonably possible change in interest rates.

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Profit for the year		
50 basis points increase	(216,000)	(85,444)
50 basis points decrease	223,214	87,542
Equity		
50 basis points increase	(1,042,736)	(922,778)
50 basis points decrease	1,045,003	961,156

Currency risk

Currency risk refers to the unfavourable volatilities of the Group's financial condition and cash flows due to the fluctuation of the foreign exchange rates. Except for overseas subsidiaries which hold financial assets that are denominated in foreign currencies different from the relevant group entity's functional currency, the Group only holds a minimal amount of foreign currency denominated investment. The management considers the foreign exchange rate risk of the Group is not material as the proportion of the Group's total asset and liability that the Group's foreign currency assets and liabilities account for is minimal.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.3 Market risk (Continued)

Price risk

Price risk is primarily about the unfavourable changes of share price, gold price, financial derivative instruments prices and commodity price that cause financial losses. Quantitatively, price risk the Group facing is mainly the proportionate fluctuation in the Group's profits due to the price fluctuation of the trading financial instrument and the proportionate fluctuation in the Group's equity due to the price fluctuation of the available-for-sale financial instruments. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly use risk sensitivity indicators, stress testing indicators in daily risk monitoring.

Sensitivity analysis

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Profit before income tax for the year		
Increase by 10%	1,673,804	1,062,838
Decrease by 10%	(1,673,804)	(1,062,838)
Other comprehensive income before income tax for the year		
Increase by 10%	1,415,005	2,125,143
Decrease by 10%	(1,415,005)	(2,125,143)

58.4 Liquidity risk

Liquidity risk refers to securities firms' potential failure to obtain sufficient funds at reasonable cost to repay liabilities in a timely manner as they become due, meet other payment obligations and satisfy capital requirements in the normal course of business. The Group's objectives in liquidity risk management are to establish a sound liquidity risk management system and to effectively identify, measure, monitor and control liquidity risk, to ensure that the Group's liquidity demand can be met at reasonable cost and in a timely manner.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.4 Liquidity risk (Continued)

The Group has set up dedicated liquidity risk management functional units, which are responsible for the liquidity management, financing and interest rate management of the Group's self-owned funds. The Group manages and uses the funds in a concentrated manner and, strategically enlarges and gradually improves the establishment of liquidity management system. The Group also optimizes the efficiency and returns on use of funds, and improves the Group's ability to prevent liquidity risk. The Group has established an appropriate early warning indicator system, including benchmarks for liquidity coverage and net stable funding ratios, etc., to monitor on a daily basis the particular circumstances or events that could possibly lead to a liquidity crisis. Furthermore, the Group has established a net capital supplementary mechanism to supplement or increase the net capital or short-term working capital as required by the Group's business development through issuance of subordinated bonds, income certificates, inter-bank lending, etc. Stress-testing is both periodically and randomly conducted to test the risk control indexes of the Group's net capital and liquidity to predict and manage liquidity risk in advance.

Undiscounted cash flows by contractual maturities of non-derivative financial liabilities

The tables below present the cash flows payable by the Group within the remaining contractual maturities of non-derivative financial liabilities at the end of each respective periods. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of respective reporting periods. The liquidity risk of derivative financial liabilities of the Group is insignificant and not disclosed in the table below.

As at December 31, 2017

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	-	809,760	1,572,887	-	-	2,382,647	2,337,746
Short-term financing bills payables	-	355,301	1,543,340	-	-	1,898,641	1,835,773
Due to banks and other financial institutions	-	10,736,344	512,892	-	-	11,249,236	11,227,854
Account payables to brokerage clients	28,219,521	-	-	-	-	28,219,521	28,219,521
Financial liabilities at fair value through profit or loss	-	1,343,370	4,615,977	212,532	17,288	6,189,167	6,102,037
Other account payables and other payables	2,506,234	-	-	-	-	2,506,234	2,506,234
Financial assets sold under repurchase agreements	-	40,156,935	13,470,716	3,065,038	-	56,692,689	56,201,180
Bond Payables	-	3,675,665	9,466,036	56,984,634	4,996,000	75,122,335	66,733,010
	30,725,755	57,077,375	31,181,848	60,262,204	5,013,288	184,260,470	175,163,355

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For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.4 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities of non-derivative financial liabilities (Continued)

As at December 31, 2016

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	-	140,040	367,364	869,275	-	1,376,679	1,344,465
Short-term financing bills payables	-	2,509,510	2,681,965	-	-	5,191,475	4,971,048
Due to banks and other financial institutions	-	5,139,548	-	-	-	5,139,548	5,128,860
Account payables to brokerage clients	35,651,787	-	-	-	-	35,651,787	35,651,787
Financial liabilities at fair value through profit or loss	-	3,394,207	4,145,506	-	-	7,539,713	7,535,615
Other account payables and other payables	1,854,935	-	-	-	-	1,854,935	1,854,935
Financial assets sold under repurchase agreements	-	31,680,083	9,794,243	5,864,010	-	47,338,336	46,541,690
Bond payables	-	1,133,182	24,983,044	45,967,344	-	72,083,570	65,868,704
	37,506,722	43,996,570	41,972,122	52,700,629	-	176,176,043	168,897,104

58.5 Capital management

The Group's and the Company's objectives of capital management are:

- To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's and the Company's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

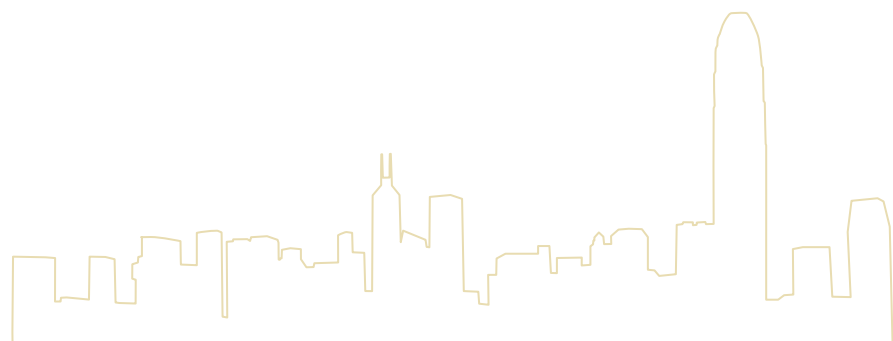
58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.5 Capital management *(Continued)*

In accordance with Administrative Measures for Risk Control Indicators of Securities Firms (Revision 2016) (the “Administrative Measures”) issued by CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% (“Ratio 1”);
2. The ratio of core net capital divided by the sum of on-balance-sheet and off-balance-sheet assets shall be no less than 8% (“Ratio 2”);
3. The ratio of high-quality liquid assets divided by net cash outflow of the next thirty days shall be no less than 100% (“Ratio 3”);
4. The ratio of available stable capital divided by required stable capital shall be no less than 100% (“Ratio 4”);
5. The ratio of net capital divided by net assets shall be no less than 20% (“Ratio 5”);
6. The ratio of net capital divided by liabilities shall be no less than 8% (“Ratio 6”);
7. The ratio of net assets divided by liabilities shall be no less than 10% (“Ratio 7”);
8. The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% (“Ratio 8”); and
9. The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% (“Ratio 9”).

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. FINANCIAL RISK MANAGEMENT (Continued)

58.5 Capital management (Continued)

As at December 31, 2017 and 2016, the Company has maintained the above ratios as follows:

	As at December 31,	
	2017 RMB'000	2016 RMB'000
Net capital (RMB'000)	43,731,920	33,890,090
Ratio 1	290.25%	221.73%
Ratio 2	18.89%	16.06%
Ratio 3	247.63%	190.68%
Ratio 4	147.55%	112.44%
Ratio 5	87.49%	87.96%
Ratio 6	32.90%	27.62%
Ratio 7	37.60%	31.40%
Ratio 8	39.97%	51.26%
Ratio 9	189.18%	204.45%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Company mainly comprises its total equity.

59. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated by the active market quotation or determined in accordance with discounted cash flow method.

The main parameters used in discounted cash flow method for financial instruments held by the Group that are not measured on a recurring basis include bond interest rates, foreign exchange rates and counterparty credit spreads, which are all observable and obtainable from open market.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	As at December 31,			
	2017		2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Held-to-maturity financial assets	110,500	110,904	212,060	217,150
Financial liabilities				
Bond payables				
Corporate bonds	26,999,407	26,607,628	30,999,607	31,232,563
Subordinated bonds	17,999,705	17,999,328	15,599,298	15,595,289
Income certificates	14,808,217	14,747,880	13,572,217	13,552,201
Others	5,502,358	5,260,974	4,412,989	4,330,124
Total	65,309,687	64,615,810	64,584,111	64,710,177

As at December 31, 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held to maturity financial assets	70,882	40,022	–	110,904
Financial liabilities				
Bond payables	38,010,000	26,605,810	–	64,615,810

As at December 31, 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held to maturity financial assets	125,812	91,338	–	217,150
Financial liabilities				
Bond payables	12,237,600	52,472,577	–	64,710,177

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of respective group entities or counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

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

Some of the financial assets and financial liabilities are measured at fair value at the end of the year of 2017 and 2016. The following tables give information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key input(s) use.

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	December 31, 2017	December 31, 2016				
1) Available-for-sale financial assets						
Debt securities						
- Traded on stock exchanges	32,047,973	31,170,045	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on inter-bank market	23,348,585	22,869,608	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
Equity securities						
- Traded on stock exchanges	673,753	4,777,624	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	388,352	597,285	Level 2	Recent transaction prices.	N/A	N/A
- Restricted shares	40,880	333,801	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability	The higher the discount, the lower the fair value

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	December 31, 2017	December 31, 2016				
1) Available-for-sale financial assets						
Funds						
– Traded on stock exchanges	408,683	365,509	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	1,462,816	1,186,391	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
Other investments						
– Collective assets management schemes issued by financial institutions	11,175,561	13,990,819	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	69,546,603	75,291,082				
2) Financial assets at FVTPL						
Debt securities						
– Traded on stock exchanges	14,583,654	1,907,781	Level 1	Quoted bid price in an active market	N/A	N/A
– Trade on inter-bank market	11,207,587	5,982,605	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	December 31, 2017	December 31, 2016				
2) Financial assets at FVTPL						
Equity securities						
- Traded on stock exchanges	9,081,033	1,966,735	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	3,522,534	4,076,625	Level 2	Recent transaction prices.	N/A	N/A
- Restricted shares	810,366	187,077	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability	The higher the discount, the lower the fair value
Funds						
- Traded on stock exchanges	1,469,660	3,169,165	Level 1	Quoted bid price in an active market.	N/A	N/A
- Other funds	5,148,545	3,075,707	Level 2	Based on the net asset values of the funds, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Other investments						
- Collective assets management schemes issued by financial institutions	2,206,068	2,963,498	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	48,029,447	23,329,193				

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For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	December 31, 2017	December 31, 2016				
3) Financial liabilities at FVTPL						
Debt securities						
- Trade on inter-bank market	688,536	2,787,366	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key inputs.	N/A	N/A
Gold borrowings	4,957,680	4,420,325	Level 1	Quoted bid price in an active market.	N/A	N/A
Collective assets management schemes issued by financial institutions	413,511	263,486	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	6,059,727	7,471,177				
4) Derivative financial instruments						
Interest rate swaps-assets	5,344	19,281	Level 2	Discounted cash flows. Future cash flows are estimated based in forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Stock index futures-assets	-	23	Level 1	Quoted bid price in an active market.	N/A	N/A
Commodity forwards-assets	68	-	Level 2	Recent transaction prices	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	December 31, 2017	December 31, 2016				
4) Derivative financial instruments						
Equity return swaps-assets	16,189	13,331	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the company and the counterparty.	N/A	N/A
Stock options-assets	10,763	12,776	Level 2	Recent transaction prices.	N/A	N/A
Stock options-liabilities	(20,995)	(1,795)	Level 2	Recent transaction prices.	N/A	N/A
Equity linked derivatives-assets	136,355	-	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the company and the counterparty.	N/A	N/A



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	December 31, 2017	December 31, 2016				
4) Derivative financial instruments						
Equity linked derivatives-liabilities	(509,179)	(49,578)	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the company and the counterparty.	N/A	N/A
Embedded option instruments	(332)	(86)	Level 2	Calculated based on contracted interest rates with reference to the market prices of underlying assets.	N/A	N/A
Gold swaps-liabilities	(58,365)	(216,405)	Level 1	Quoted bid prices in an active market.	N/A	N/A
Gold forwards-liabilities	(24,430)	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
Currency swaps-assets	-	25,098	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and the contracted exchange rate	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	December 31, 2017	December 31, 2016				
4) Derivative financial instruments						
Currency swaps-liabilities	-	(151,313)	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and the contracted exchange rate	N/A	N/A
Credit default swap-liabilities	(14,875)	-	Level 2	Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to credit default risk of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	(459,457)	(348,668)				



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

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

As at December 31, 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt securities	32,047,973	23,348,585	–	55,396,558
– Equity investments	673,753	388,352	40,880	1,102,985
– Funds	408,683	1,462,816	–	1,871,499
– Others	–	11,175,561	–	11,175,561
Financial assets at FVTPL				
– Debt securities	14,583,654	11,207,587	–	25,791,241
– Equity investments	9,081,033	3,522,534	810,366	13,413,933
– Funds	1,469,660	5,148,545	–	6,618,205
– Others	–	2,206,068	–	2,206,068
Derivative financial assets	–	168,719	–	168,719
Total	58,264,756	58,628,767	851,246	117,744,769
Financial liabilities:				
Financial liabilities at FVTPL	4,957,680	1,102,047	–	6,059,727
Derivative financial liabilities	82,795	545,381	–	628,176
Total	5,040,475	1,647,428	–	6,687,903

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at December 31, 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt securities	31,170,045	22,869,608	–	54,039,653
– Equity investments	4,777,624	597,285	333,801	5,708,710
– Funds	365,509	1,186,391	–	1,551,900
– Others	–	13,990,819	–	13,990,819
Financial assets at FVTPL				
– Debt securities	1,907,781	5,982,605	–	7,890,386
– Equity investments	1,966,735	4,076,625	187,077	6,230,437
– Funds	3,169,165	3,075,707	–	6,244,872
– Others	–	2,963,498	–	2,963,498
Derivative financial assets	23	70,486	–	70,509
Total	43,356,882	54,813,024	520,878	98,690,784
Financial liabilities:				
Financial liabilities at FVTPL				
Derivative financial liabilities	4,420,325	3,050,852	–	7,471,177
	216,405	202,772	–	419,177
Total	4,636,730	3,253,624	–	7,890,354



Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

There were no transfers between instruments in Level 1 and Level 2 during the relevant period.

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

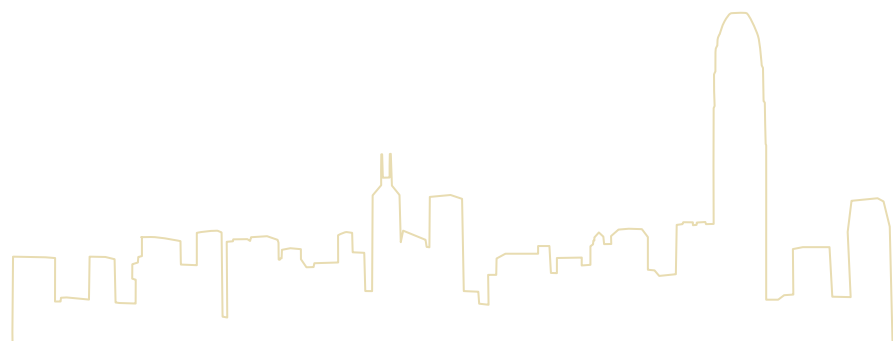
Available-for-sale financial assets

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
At the beginning of the year	333,801	384,082
Changes in fair value recognised in other comprehensive income	(23,035)	(12,461)
Purchases	–	300,000
Transfers out of level 3 <i>(Note)</i>	(269,886)	(337,820)
At the end of the year	40,880	333,801

Financial assets at FVTPL

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
At the beginning of the year	187,077	–
Changes in fair value recognised in profit or loss	(66,988)	27,077
Purchases	746,236	160,000
Transfers out of level 3 <i>(Note)</i>	(55,959)	–
At the end of the year	810,366	187,077

Note: These are equity securities traded on stock exchanges with lock-up periods. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.



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For the year ended December 31, 2017

60. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Bonds payables and short-term financing bills payables RMB'000	Interest payable (Note) RMB'000	Dividend payable RMB'000	Total RMB'000
At January 1, 2017	1,339,761	69,526,890	1,317,565	80	72,184,296
Financing cash flows	1,040,853	(2,260,077)	(3,349,108)	(946,051)	(5,514,383)
Interest expenses	–	11,619	3,490,229	–	3,501,848
Dividends declared	–	–	–	946,051	946,051
Foreign exchange	(52,944)	(158,259)	–	–	(211,203)
At December 31, 2017	2,327,670	67,120,173	1,458,686	80	70,906,609

Note: Interest payable only includes those arising from borrowings, bond payables and short-term financing bills payables.



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61. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group based on the remaining contractual maturity as at December 31, 2017 and 2016 is as follows:

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at December 31, 2017						
Assets						
Advances to customers	-	12,940,064	-	-	-	12,940,064
Account receivables	962,844	-	-	-	-	962,844
Other receivables	3,206,113	310,229	-	-	-	3,516,342
Debt securities classified as:						
Financial assets at fair value through profit or loss	-	5,695,667	4,079,047	8,810,168	7,206,359	25,791,241
Available-for-sale investments	-	6,781,351	5,067,641	24,106,872	19,440,694	55,396,558
Held-to-maturity investments	-	73,000	37,500	-	-	110,500
Financial assets held under resale agreements	-	24,685,493	8,613,173	1,319,825	-	34,618,491
Deposits with exchanges and financial institutions	1,025,096	-	-	-	-	1,025,096
Clearing settlement funds	9,349,322	-	-	-	-	9,349,322
Cash and bank balances	41,895,955	-	-	-	-	41,895,955
Restricted bank deposits	-	449,900	-	-	-	449,900
	56,439,330	50,935,704	17,797,361	34,236,865	26,647,053	186,056,313
Liabilities						
Borrowings	-	2,327,670	-	-	-	2,327,670
Due to banks and other financial institutions	-	11,200,000	-	-	-	11,200,000
Account payables to brokerage clients	28,219,521	-	-	-	-	28,219,521
Other account payables and other payables	4,116,260	-	-	-	-	4,116,260
Short-term financing bills payables	-	1,810,486	-	-	-	1,810,486
Financial liabilities at fair value through profit or loss	-	6,059,727	-	-	-	6,059,727
Financial assets sold under repurchase agreements	-	53,180,004	2,940,000	-	-	56,120,004
Bond payables	-	11,639,397	13,449,752	36,220,546	3,999,992	65,309,687
	32,335,781	86,217,284	16,389,752	36,220,546	3,999,992	175,163,355

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61. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at December 31, 2016						
Assets						
Advances to customers	-	10,651,586	-	-	-	10,651,586
Account receivables	737,500	-	-	-	-	737,500
Other receivables	2,907,719	854,449	218,458	-	-	3,980,626
Debt securities classified as:						
Financial assets at fair value through profit or loss	-	1,280,529	1,252,032	2,957,436	2,400,389	7,890,386
Available-for-sale financial assets	-	8,074,593	3,666,245	22,756,666	19,542,149	54,039,653
Held-to-maturity investments	-	71,560	103,000	37,500	-	212,060
Financial assets held under resale agreements	-	19,102,771	6,851,710	8,604,460	-	34,558,941
Deposits with exchanges and financial institutions	1,099,849	-	-	-	-	1,099,849
Clearing settlement funds	10,504,501	-	-	-	-	10,504,501
Cash and bank balances	43,718,835	-	-	-	-	43,718,835
Restricted bank deposits	-	449,900	-	-	-	449,900
	58,968,404	40,485,388	12,091,445	34,356,062	21,942,538	167,843,837
Liabilities						
Borrowings	-	480,727	859,034	-	-	1,339,761
Due to banks and other financial institutions	-	5,100,000	-	-	-	5,100,000
Accounts payables to brokerage clients	35,651,787	-	-	-	-	35,651,787
Other account payables and other payables	3,408,548	-	-	-	-	3,408,548
Short-term financing bills payables	-	4,942,779	-	-	-	4,942,779
Financial liabilities at fair value through profit or loss	-	7,471,177	-	-	-	7,471,177
Financial assets sold under repurchase agreements	-	40,678,940	5,720,000	-	-	46,398,940
Bond payables	-	24,020,769	12,563,794	27,999,548	-	64,584,111
	39,060,335	82,694,392	19,142,828	27,999,548	-	168,897,103

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62. SUBSEQUENT EVENTS

Pursuant to the Board resolution held on March 29, 2018, it is proposed cash dividends of RMB2.00 be distributed for every 10 shares (tax included) based on the Company's existing share capital of 6.99 billion shares, amounting to a total cash dividend of approximately RMB1.40 billion for the year ended December 31, 2017. This proposed distribution of cash dividends is subject to the approval by the Shareholder's meetings.

In January 2018, the Company has announced new capital injection of RMB500 million and RMB500 million for its wholly-owned subsidiary, Shanghai Orient Securities Innovation Investment Co., Ltd. and Orient Securities Capital Co., Ltd., respectively, and the changes of business registration have been completed accordingly.

On March 22, 2018, Orient HuiZhi Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited, the Company's wholly-owned subsidiary, has issued a bond with par value of USD250 million. The bond bears an interest rate of 3.625% with maturity date that is November 30, 2022. The Company has agreed to provide a guarantee on it.

