



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



2018 INTERIM
REPORT

Important Notice

I. The Board of Directors, 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 interim report, and severally and jointly accept legal liability.

II. Information of the absent Director

Position of absent Director	Name of absent Director	Reason for being absent	Name of proxy
Non-executive Director	Li Xiang	Due to official affairs	Pan Xinjun

This report has been considered and approved at the fifth meeting of the fourth session of the Board of Directors and the fourth meeting of the fourth session of the Supervisory Committee. Mr. Li Xiang, a non-executive Director, was unable to attend the Board meeting in person due to official affairs, and had appointed Mr. Pan Xinjun, Chairman of the Company, to vote on his behalf. No objection from the Directors or Supervisors was raised to this report.

III. The 2018 interim financial report of the Company, prepared in accordance with the International Financial Reporting Standards, was reviewed by Deloitte Touche Tohmatsu. Unless otherwise stated, all financial information is denominated in RMB.

IV. Mr. Pan Xinjun, 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 interim report.

V. The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period has been reviewed by the Board

The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve into share capital during the first half of 2018.

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

VII. No appropriation of funds on a non-operating basis by the Company's controlling shareholders or their respective related parties has occurred during the Reporting Period.

Important Notice

- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures during the Reporting Period.
- IX. 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.
- X. Unless otherwise stated, all analysis and explanations contained in this report are prepared on a consolidated basis.

XI. **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.

Important Notice

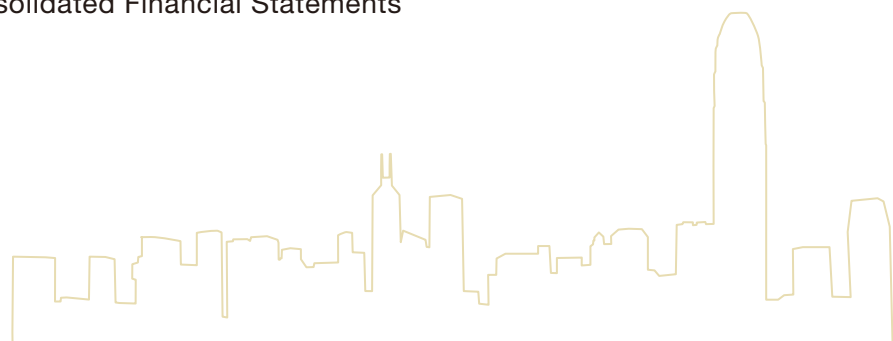
The Company relies on banks and other external financing channels and bond issuances to fund a significant portion of its working capital requirements. The financial conditions, liquidity and business operations of the Company will be adversely affected to the extent the Company is not able to service 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 Report of the Board for details.



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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 東方證券股份有限公司
“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 東方證券股份有限公司
“Group” or “the Group”	東方證券股份有限公司 and its subsidiaries
“H Share(s)”	the ordinary 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
“IPO”	initial public offering
“IFRSs”	International Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

Section I Definitions

“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
“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 Futures”	Orient 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
“PRC GAAP”	generally accepted accounting principles in the PRC
“Reporting Period”	January 1, 2018 to June 30, 2018
“RMB, RMB’000, RMB’0000, RMB million, RMB100 million”	Renminbi Yuan, Renminbi ’000, Renminbi ’0000, Renminbi million, 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”	Shenzhen Stock Exchange
“SSE”	Shanghai Stock Exchange
“SSE Composite Index”	Shanghai Stock Exchange Composite Index
“Supervisor(s)”	the supervisor(s) of 東方證券股份有限公司
“Supervisory Committee”	the supervisory committee of 東方證券股份有限公司
“SZSE Component Index”	Shenzhen Stock Exchange Component Index



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

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of last year
Registered capital	6,993,655,803.00	6,993,655,803.00
Net capital	38,121,559,144.90	43,731,920,126.18

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.: 913100001322947763)
2	Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business	Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108)
3	Qualification for conducting online securities commissioning	CSRC (Zheng Jian Xin Xi Zi [2001] No. 8)
4	Qualification for conducting distribution business of open-ended securities investment funds	CSRC (Zheng Jian Ji Jin Zi [2004] No. 50)
5	Qualification for conducting SSE Fund Connect business	SSE Membership Department (SSE [2005])
6	Qualification for conducting underwriting business of short term financing bills	People's Bank of China (Yin Fa [2005] No. 275)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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)
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	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
23	Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business	CSRC (Zheng Jian Xu Ke [2011] No. 2136)
23	Qualification for trial operation of dealer-quoted collateralized bond repurchase business	CSRC (Ji Gou Bu Bu Han [2012] No. 20)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
24	Qualification for provision of integrated services to insurance institutional investors	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
25	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)
26	Qualification for investment manager of insurance funds	Announcement of the China Insurance Regulatory Commission
27	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)
28	Qualification for assets management business	CSRC (Zheng Jian Xu Ke [2012] No. 1501)
29	Qualification for conducting special institutional client business of insurance institutions	China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions)
30	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)
31	Permit to operate futures business	CSRC (No.: 31350000)
32	Qualification for financial products distribution business	Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)
33	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)
34	Conducting comprehensive custodian business for private equity fund (limited partnership)	CSRC (Ji Gou Bu Bu Han [2013] No. 174)
35	Qualification for conducting pilot consumption and payment service of securities funds of clients	CSRC (Ji Gou Bu Bu Han [2013] No. 207)
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)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
44	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
45	Qualification for conducting market maker business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No.707)
46	Qualification of first batch of quotation and service participants of private fund products trading between companies	China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch])
47	Type 6 Licence – Advising on corporate finance	Securities and Futures Commission of Hong Kong (CE No. BDN128)
48	Permit to conduct Shanghai-Hong Kong Stock Connect business	SSE (Shang Zheng Han [2014] No. 626)
49	Qualification for pilot OTC market business	Securities Association of China (Zhong Zheng Xie Han [2014] No. 632)
50	Qualification for pilot proprietary business of gold spot contract	CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)
51	Pilot online securities business	Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))
52	Qualification for underwriting business of debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Announcement of National Association of Financial Market Institutional Investors [2014] No. 16)
53	Qualification of options transaction participants of SSE and permit to operate stock and options brokerage and proprietary business and qualification for options clearing business	SSE (Shang Zheng Han [2015] No. 61) China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11)
54	Qualification for conducting transfer and deposit service of clients' deposits	China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
55	Qualification for stock and options market making business	CSRC (Zheng Jian Xu Ke [2015] No. 163)
56	Qualification for conducting quotation business for debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Zhong Shi Xie Bei [2015] No. 32)
57	Qualification for sales of securities investment fund	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)
58	Qualification for company conducting pilot market making business for quotation system	China Securities Internet System Co., Ltd.
59	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)
60	Qualification for funds sales business	CSRC (No.: 000000519)
61	Contractor of service in relation to private equity fund business	Asset Management Association of China
62	Qualification for issue of short-term financing bills	CSRC (Ji Gou Bu Han [2015] No. 3337)
63	License of Money Lenders	Eastern Magistrates' Courts of Hong Kong (No. 0048/2016)
64	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326)
65	Qualification for inter-bank Gold Price Asking Transactions	Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81)
66	Qualification for options transaction participants of SEE	SEE (Shang Zheng Han [2017] No. 165)
67	Authorised for pledge-type dealer-quoted repurchase transactions of Shenzhen Stock Exchange	Shenzhen Stock Exchange (Shen Zheng Hui [2017] No. 371)
68	Qualification for primary market makers of SSE 50ETF Options	SSE (Shang Zheng Han [2018] No. 430)

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.

Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

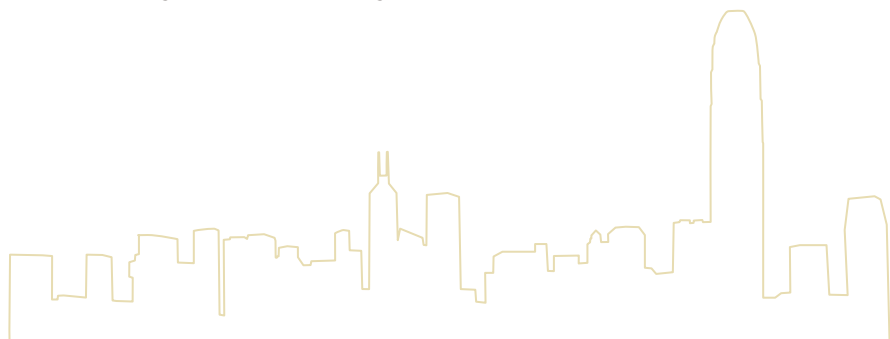
	Secretary to the Board	Representative of securities affairs
Name	Wang Rufu	Li Tingting
Correspondence address	23/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC	23/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC
Telephone no.	+86-21-63325888	+86-21-63325888
Fax no.	+86-21-63326010	+86-21-63326010
E-mail	wangrf@orientsec.com.cn	litingting@orientsec.com.cn

III. CHANGES IN BASIC COMPANY INFORMATION

Registered address	22/F, 23/F and 25-29/F, Building 2, No. 318 South Zhongshan Road, 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, 100 Queen's Road Central, Central, Hong Kong
Internet website	http://www.dfzq.com.cn
E-mail	ir@orientsec.com.cn

IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspapers 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 interim reports	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of interim reports	http://www.hkexnews.hk
Place where the interim 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 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 accountant	Ma Hingfai
Sponsor performing continuous supervisory duty during the Reporting Period	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 Zhongshan South 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

Section II Company Profile and Key Financial Indicators

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 ¹	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

Note 1: Pursuant to Rule 3A.19 of the Hong Kong Listing Rules, Anglo Chinese Corporate Finance, Limited had been appointed by the Company as the compliance advisor from the Listing Date (i.e. July 8, 2016) to April 27, 2018. On April 27, 2018, the service period of the compliance advisor expired and the Company no longer appointed any compliance advisor.

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(i) Key Accounting Data

(Unless otherwise indicated, all accounting data and financial indicators set out in this report are prepared in accordance with IFRSs)

Unit: '000 Currency: RMB

Items	From January to June 2018	From January to June 2017	The current period as compared with the previous period
Operating results			
Total revenue, gains and other income	6,975,739	7,701,597	-9.42%
Profit before income tax	833,325	2,182,277	-61.81%
Profit for the period attributable to shareholders of the Company	715,589	1,755,242	-59.23%
Net cash used in operating activities	(7,562,730)	(14,113,351)	N/A
Earnings per share (RMB/share)			
Basic earnings per share	0.10	0.28	-64.29%
Diluted earnings per share	N/A	N/A	N/A
Indicator of profitability			
Weighted average returns on net assets	1.37%	4.27%	Decreased by 2.90 percentage points

Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

Items	June 30, 2018	December 31, 2017	As at the end of the Reporting Period as compared with as at the end of last year
Indicators of scale			
Total assets	220,973,202	231,859,988	-4.70%
Total liabilities	169,230,463	178,358,513	-5.12%
Account payables to brokerage clients	27,805,535	28,219,521	-1.47%
Equity attributable to shareholders of the Company	51,195,126	52,985,502	-3.38%
Share capital ('000 shares)	6,993,656	6,993,656	0.00%
Net assets per share attributable to shareholders of the Company (RMB/share)	7.32	7.58	-3.43%
Gearing ratio ^{Note}	73.21%	73.69%	Decreased by 0.48 percentage point

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

(ii) Description of Key Financial Data

In the first half of 2018, the securities market continued to be sluggish. The main stock indexes in both Mainland China and Hong Kong continued to fall. Events of bond defaults occurred frequently and the scale of equity financing shrank sharply. Due to the combined effects of market factors, the performances of the Company's securities proprietary trading, NEEQ market makings and overseas businesses declined, and the Company's total revenue, gains and other income and profit for the period decreased as compared with the same period of last year. In particular, the fair value of equity securities held by the Company's proprietary trading and the NEEQ market-making business declined significantly, resulting in a substantial decrease in the total revenue, gains and other income of the securities sales and trading business segment, which was the main reason for the decrease in the Company's indicators of total revenue, gains and other income and profit for the period. During the Reporting Period, the revenue, gains and other income and profit for the period attributable to shareholders of the Company decreased by 9.42% and 59.23% respectively as compared with the same period of the previous year.

Section II Company Profile and Key Financial Indicators

(iii) Net Capital and Risk Control Indicators of the Parent Company

As at the end of the Reporting Period, the net capital of the Parent Company was RMB38.122 billion, representing a decrease of RMB5.610 billion or 12.83% as compared with RMB43.732 billion as at the end of the previous year. During the Reporting Period, the main risk control indicators such as the Parent Company's net capital continued to meet the regulatory standards stipulated in the "Administrative Measures of Risk Control Indicators for Securities Companies" (《證券公司風險控制指標管理辦法》). The main risk control indicators such as the Parent Company's net capital as at the end of the Reporting Period are as follows:

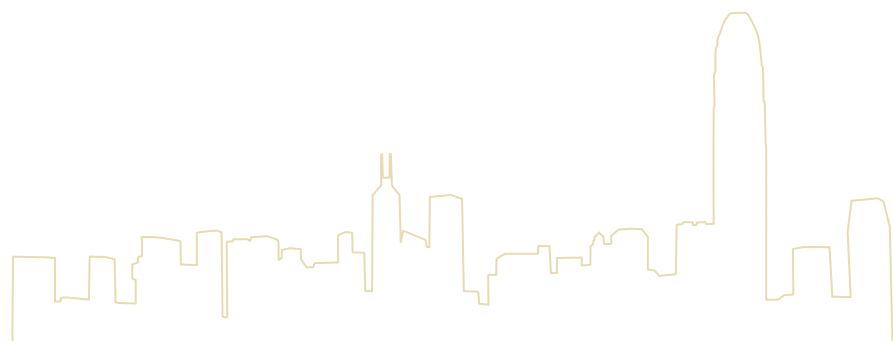
Unit: '000 Currency: RMB

Items	June 30, 2018	December 31, 2017
Net capital	38,121,559	43,731,920
Net assets	48,081,711	49,984,782
Risk coverage rate (%)	253.24	290.25
Capital gearing ratio (%)	16.58	18.89
Liquidity coverage ratio (%)	198.89	247.63
Net stable funding ratio (%)	134.65	147.55
Net capital/net assets (%)	79.28	87.49
Net capital/liabilities (%)	30.20	32.90
Net assets/liabilities (%)	38.10	37.60
Proprietary equity-based securities and its derivatives/ net capital (%)	41.18	39.97
Proprietary non-equity securities and its derivatives/ net capital (%)	238.53	189.18

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

VIII. DIFFERENCES BETWEEN IFRSs AND PRC GAAP

Net profits for January to June 2018 and January to June 2017, and net assets as at June 30, 2018 and December 31, 2017 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those prepared in accordance with IFRSs.



Section III Summary of the Company's Business

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

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

The Company primarily engaged 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, and makes a market-making business by professionally selecting high-quality targets, in order to obtain the price difference between buying and selling shares.
- The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include investments in equity instruments and special assets 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**

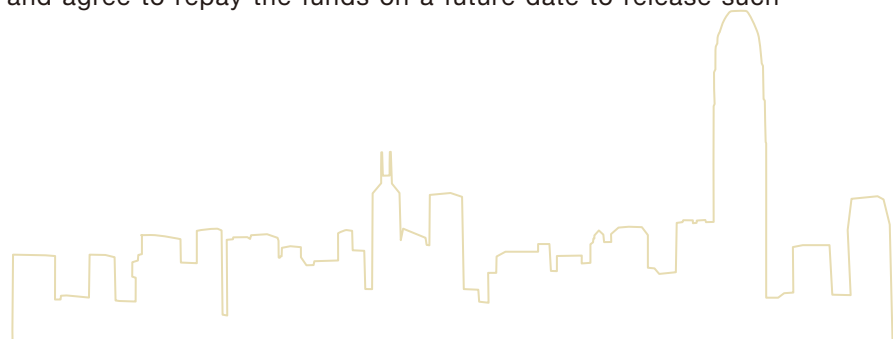
The Company provides its clients with asset management scheme, mutual securities investment funds products and private equity investment funds management.

- 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 publicly offered securities investment funds.
- The Company conducts fund management business for its clients through China Universal, an associate in which the Company is the largest shareholder with a shareholding of 35.412%.
- The Company engages in private equity investment fund management business through Orient Securities Capital Investment, a wholly-owned subsidiary of the Company.

- **Brokerage and Securities Financing**

The Company conducts securities 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 Futures, a wholly-owned subsidiary of the Company as well as a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and a full clearing member of China Financial Futures Exchange, who provides the clients with commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and distribution of funds and other services.
- The Company'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.



Section III Summary of the Company's Business

- The Company's repurchase agreement transaction refers 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.

- **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 IPOs, 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 operation and overseas operation.

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



Section III Summary of the Company's Business

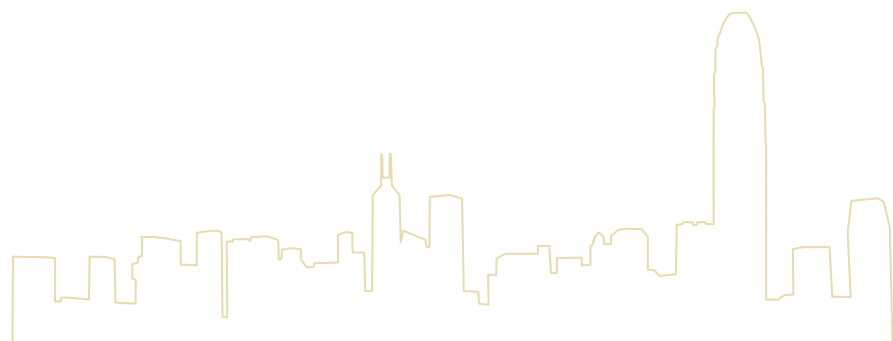
In the first half of 2018, the securities industry realized operating income of RMB126.572 billion, representing a decrease of 11.92% as compared with the same period of the previous year; it recorded RMB32.861 billion of net profit, representing a decrease of 40.53% as compared with the same period of the previous year. In terms of operating income, the securities industry realized RMB36.376 billion of net income from brokerage trading of securities business (including seats leasing income), representing a year-on-year decrease of 6.38%; net income from securities underwriting and sponsoring business amounted to RMB11.686 billion and net income from financial advisory business amounted to RMB4.516 billion, representing a year-on-year decrease of 30.95% and 12.95% respectively; securities investment income (including changes in fair value) amounted to RMB29.550 billion, representing a year-on-year decrease of 19.24%; net income from asset management business amounted to RMB13.888 billion, representing a year-on-year decrease of 0.79%; net interest income amounted to RMB11.292 billion, representing a year-on-year decrease of 42.95%. In terms of capital size, the securities industry continued to consolidate its capital strength. As at the end of the first half of 2018, the securities industry had total assets of RMB6.38 trillion and net assets of RMB1.86 trillion, representing an increase of 4.13% and 0.57% respectively as compared with the beginning of the year.

According to the ranking of the Association of Securities Industry, as at the end of the first half of 2018, each of the Company's total assets, net assets, and net capital ranked 11th in the industry, and its net income from the asset management business ranked first in the industry, each of the interest income from stock pledge business, income from investment consulting business, and equity investment income ranked 8th in the industry, and each of the securities investment income, income from serving as financial advisors for mergers and acquisitions, scale of stock pledge ranked 9th in the industry, and investment banking income ranked 10th in the industry.

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

Please refer to "Section IV. I. (iii) Analysis on Principal Components of Consolidated Statement of Financial Position" for details.

In particular: offshore assets amounted to RMB15,788 million, accounting for 7.14% of the total assets.



Section III Summary of the Company's Business

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

(i) Fast-growing Capital Strength and Efficient Capital Supplementary Mechanism

The Company has improved its capital strength rapidly in recent years. After three equity financings, namely A Share listing in 2015, H Share listing in 2016 and non-public issuance of A Shares in 2017, the capital strength of the Company has improved significantly. In addition, while ensuring the overall risk is measurable, controllable and tolerable, the Company also expanded its financing channels through issuance of subordinated bonds, corporate bonds, overseas bonds and other forms of bonds financing instruments, so as to attain an efficient capital replenishment. As at the end of the Reporting Period, the net assets and total assets of the Company amounted to RMB51.743 billion and RMB220.973 billion, respectively.

The rapidly improved capital strength laid a solid capital foundation for the business transformation, innovation and development as well as business growth of the Company; the “A+H” platform, through which the Company established a long-term effective mechanism for its capital replenishment, effectively improved the market competitiveness and anti-risk capability of the Company.

(ii) Professional and Stable Senior Management Team and Progressive Personnel System

The Company has a united, stable, aggressive and tolerant senior management team with over 15 years of service in the Company on average. Our senior management team has a deep understanding of the capital market and rich management experience in the securities and financial industries. A united, aggressive, practical, professional, responsible, stable and harmonious senior management team can provide a guarantee for the sustainable innovation and development of the Company.

The Company has established a progressive personnel system. Over the years, the Company has motivated employees and explored their potentials, enhanced the feeling of belongingness of the talent team towards the Company and improved 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 has also taken effective measures including market-oriented remuneration benchmarking, reform on the wealth management division and implementation of the employee stock ownership plan for China Universal, in order to allow employees to join and grow with the Company.



Section III Summary of the Company's Business

(iii) Time-tested Distinguished Investment Abilities and Reputable Investment Brand

Leveraging on its distinguished investment management capability, the Company always sticks to an ideal of value investment in securities investment, asset management and fund management fields, based on which the Company has survived the tests of various bullish and bearish markets, achieving leading business results in the industry in the long run and earning a reputation for its investment brand in the market.

With excellent investment performance in the securities investment business, the Company has developed investment and research abilities which are well recognized in the industry because of its pursuance of absolute returns, and has been leading in the industry in terms of the rate of return on equity investment over the past 20 years. Orient Securities Asset Management has been adhering to the philosophy of value-oriented investment and active management strategy, the proportion of the asset under discretionary management has been over 90% and with a steady growth. It has been leading the industry for a long time in terms of performance of asset management, making “Dong Fang Hong” a reputable brand in the market. With excellent investment performance and leading innovative abilities, China Universal is the largest fund company in Shanghai area in terms of publicly offered fund management. Ranking first in more than 20 businesses in the PRC fund industry, China Universal became one of the first six fund management companies to be eligible for the CDR Strategic Placement Fund Manager in the first half of 2018.

(iv) Expand Development Space through Business Innovation and Transformation, Ensure Sound Operation through Compliance and Risk Control

Expand the development space of the Company through business innovation and transformation. In recent years, the Company has been 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 innovative results have been achieved in the four business segments. The Company has established brand advantages in many areas and earned a number of innovation awards.

Ensure sound operation through compliance and risk control. 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 control. During the Reporting Period, there were no material non-compliance and risk events, the Company has been rated as a Grade AA, Category A broker company or Grade A, Category A broker company for the tenth consecutive year, and the sound operation of the Company have been ensured.

Section III Summary of the Company's Business

(v) Continuous Working on Party Building and Corporate Culture, Gathering Strength to Promote the Innovation and Development of the Company

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 a view of 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 and such unity has become a distinctive competitive advantage of the Company, 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 ON OPERATIONS

(i) Overview of Operations

In the first half of 2018, the securities market continued the de-leverage and strict supervision tone in recent years, with an introduction of a series of policies involving new business such as asset management and OTC derivatives. With the intensified Sino-US trade war, investors' confidence in the market was seriously eroded. With the tightening monetary policies, the financing environment has become unfavorable, and the pressure on the stock, bond and currency markets was felt. In addition, risk events such as bond defaults and shut downs of Internet financing platforms have occurred from time to time, leading to a great market uncertainty. Stock indexes have plunged and continuously fell below key levels. During the Reporting Period, the SSE Composite Index, SZSE Component Index and the Growth Enterprise Market Index plunged by 13.90%, 15.04% and 8.33%, respectively.

During the Reporting Period, the Company actively defended the bottom line of financial risk prevention, centering on the main working tone of "striving for progress while maintaining stable, increasing quality and efficiency", and had not experienced any material risk events; securities sales and trading business maintained its competitive advantage, while the investment management continued its leading position in the industry, the development of subsidiaries made remarkable achievements; optimized asset allocation, strengthened debt and treasury operation management; actively exploited the advantages of the Company's assets and products, explored new wealth management models; deepened the intra-group coordination and the integration of industry and financing, and focused on expanding synergies; grew and strengthened custody and OTC business; accelerated the development pace of financial technology, promoted resource integration, and improved the Company's operational efficiency; Party building and corporate culture construction are productive forces, with remarkable results achieved.

As at the end of the Reporting Period, the Group's total assets were RMB220.973 billion, representing a decrease of 4.70% as compared with the end of last year, and the equity attributable to the shareholders of the Parent Company was RMB51.195 billion, representing a decrease of 3.38% as compared with the end of last year. The net capital of the Parent Company was RMB38.122 billion, down by 12.83% as compared with the end of last year; net profit attributable to shareholders of the Parent Company was RMB716 million, down by 59.23% year-on-year. The Group achieved total revenue, gains and other income of RMB6.976 billion, of which: revenue, gains and other income from securities sales and trading business was RMB512 million, accounting for 7.06% of the total; revenue, gains and other income from investment management business was RMB1.707 billion, accounting for 23.52% of the total; revenue, gains and other income from brokerage and securities financing was RMB3.284 billion, accounting for 45.24% of the total; revenue, gains and other income from investment banking business was RMB696 million, accounting for 9.59% of the total; revenue, gains and other income from headquarters and others was RMB1.059 billion, accounting for 14.59% of the total. (Consolidation and elimination factors were not considered when calculating segment revenue, gains and other income and segment expenses and their proportions. This applies to the below section.)

Section IV Report of the Board

Table of Principal Businesses of the Group

Unit: '000 Currency: RMB

Business segment	Principal businesses by segments					
	Segment revenue, gains and other income	Segment expenses	Profit margin (%)	Change in segment revenue, gains and other income over the same period of last year (%)	Change in segment expenses over the same period of last year (%)	Change in profit margin over the same period of last year (%)
Securities sales and trading	512,491	1,004,812	(96.06)	(78.43)	14.21	Decreased by 159.02 percentage points
Investment management	1,706,906	885,991	77.63	91.49	63.81	Increased by 21.65 percentage points
Brokerage and securities financing	3,284,024	2,145,575	34.67	25.67	58.50	Decreased by 13.53 percentage points
Investment banking	696,164	361,897	48.02	(11.97)	(2.42)	Decreased by 5.08 percentage points
Headquarters and others	1,059,114	2,305,442	(117.68)	(2.58)	(10.69)	Increased by 19.87 percentage points

(ii) Analysis of Principal Businesses

1. Principal businesses of the Company

(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), NEEQ market-making, innovative investment and securities research services. During the Reporting Period, the securities sales and trading segment realized revenue, gains and other income of RMB512 million, accounting for 7.06% of the total revenue, gains and other income.

Section IV Report of the Board

Proprietary trading

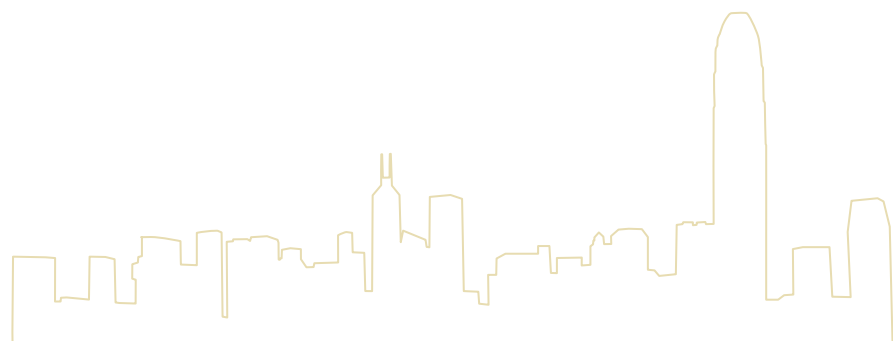
The following table sets forth the balance of the proprietary trading business of the Company by asset class

(In RMB million)	As at December 31, 2017	As at June 30, 2018
Stocks	11,912.00	11,421.86
Funds	4,173.50	895.37
Bonds	56,593.78	61,786.52
Others ^{Note}	2,273.07	2,471.34
Total	74,952.35	76,575.09

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

In the first half of 2018, the international political and economic environment was complicated, trade frictions continued to escalate, and domestic de-leverage continued. The market saw a significant decline. As at the end of the first half of 2018, the SSE Composite Index fell by 13.90%; the Shenzhen Composite Index fell by 15.04%.

In the equity proprietary trading business, the Company continued to conduct in-depth research in the A-share and Hong Kong stock markets, actively adjusted investment strategies, strictly controlled the scale, carried out hedging work, and explored suitable investment opportunities. During the Reporting Period, the net return of portfolios outperformed the market's main indices. The Company will further do market research, with a focus on risk control, develop more investment strategies, and continuously optimize the income structure.



Section IV Report of the Board

The Company's fixed-income proprietary trading business seized market opportunities and focused on exploring new earning models to maintain the stability of the earning curve. The Company paid attention to improving the ability to prevent credit risks, did a good job in tracking, sorting and disposing of position credit bonds, and strengthened system construction; optimized the allocation of local government bonds and continued to improve construction of decision-making system. Cultivating of trading strategies for new varieties was well developed. During the Reporting Period, the inter-bank market spot trading volume, and the bond delivery volume, both of which put the Company among the top securities companies. The Company won the "Core Dealer", "Excellent Bond Market Dealer" and "Best Technology Award" from China Foreign Exchange Trade System & National Interbank Funding Center in 2017. The Company won the "Best Proprietary Agency Award" rated by China Government Securities Depository Trust & Clearing Co., Ltd. The Company won the "Five-Year Best Contribution Award for Treasury Bond Futures" and "Excellent Trading Team Award (proprietary transaction category)" rated by the China Financial Futures Exchange.

The Company optimized its market making quotation for its inter-bank bonds, and actively expanded the number of overseas institutional clients. During the Reporting Period, the Company won the "Excellent Comprehensive Market-making Organization", "Excellent Trial Market-making Organizations for Interest Rate Debts", and "Excellent Trial Market-making Organizations for Credit Bonds" rated by National Association of Financial Market Institutional Investors. It was honored as "bond-to-Best quotation agency" by the China Foreign Exchange Trading Center, the Hong Kong Stock Exchange and the Bond Connect Corporation. Only 8 out of 34 quoting agencies, including only two securities companies, received such recognitions.

The innovation and transformation of the Company's FICC business progressed steadily. The block commodity trade business has achieved rapid development with a growing scale of products, and continued to actively prepare for foreign exchange business.

The Company's derivatives trading business continued to promote the traditional quantitative hedging strategy investment and stock index futures arbitrage to transform to options, treasury futures, commodity futures and other varieties of on-exchange transactions and OTC derivatives sales and trading, and gradually formed a block stock trade business, OTC derivatives business, on-exchange quantitative trading, market-making trading, among which the block stock trade business is among the best in the industry, SSE 50 ETF option market making and ETF fund making market have a strong market influence.



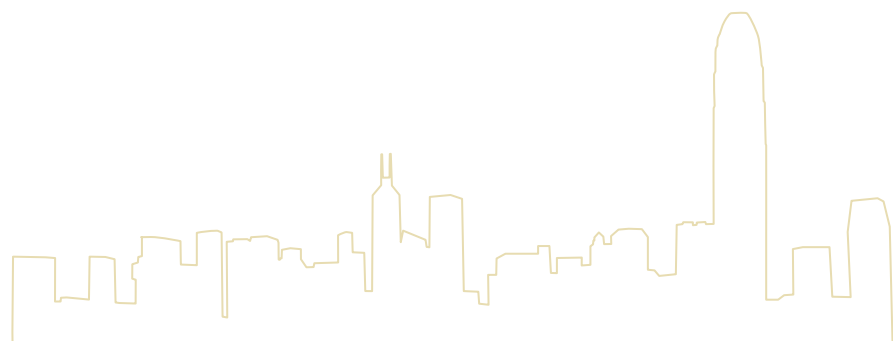
Section IV Report of the Board

The Company will firmly grasp the opportunities of the financial derivatives business serving the real economy, adhere to pushing forward the business transformation, improve product design capabilities, enhance comprehensive services for high-end customers; enrich and improve market-making business, and improve market-making trading strategies of 50 ETF options and commodity options, to increase the market-making yield, expand market-making business of ETF fund; study the trading strategies of commodity and treasury bond futures, improve on-exchange investment yield; explore and research opportunities for cross-border business, to form a new business model to diversify revenue sources.

Proprietary business of NEEQ

In the first half of 2018, the NEEQ market continued to fall, the NEEQ component Index fell by 20.11%, and the NEEQ market-maker index fell by 14.87%. In this grim market environment, the Company continued to implement the boutique market-making strategy of serving the whole industry chain, focusing on the four themes of “destocking, restructuring, building core investment and research capabilities, and expanding diversified income” to strengthen the management of existing market-making shares after investment, further optimize equity investment portfolio, actively reserve the proposed listing (pre-IPO) enterprises, and have successfully proposed 6 companies; more selective selection of incremental market-making stocks, more emphasis on corporate growth potential, industry space, business scale and the margin of valuation safety.

During the Reporting Period, the Company’s market-making turnover was RMB284 million, with a market share of 2.02%. As at the end of the Reporting Period, the Company invested in 121 companies listed on NEEQ market, of which 66 entered the NEEQ innovation board, the market value of such holdings accounted for 54.39% of the total market value of the Company’s holdings; the Company provided market-making services for 68 new NEEQ enterprises and the balance of market-making business was RMB1.299 billion.



Section IV Report of the Board

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 steadily promoted the acquisition and disposal of special assets. During the Reporting Period, it invested in 8 new special asset projects, with a total investment of RMB487 million.

With the development direction of “financing serves real economy”, Orient Securities Innovation Investment seized market opportunities and industry hotspots through deep research of the biomedicine, high-end manufacturing, education and consumption upgrading fields, and continued to pay attention to the representative enterprises of the new economy and seek suitable investment targets for developing equity investment business. In the first half of 2018, it withdrew from two equity investment projects. As at the end of the Reporting Period, Orient Securities Innovation Investment had 79 existing projects with an investment scale of RMB3.208 billion.

Securities research

The Company’s securities research business continued to deepen in the public offering market, and based on institutional customers, it strived to increase market share and increase customer coverage. Meanwhile, it actively explored potential customers in line with the new development of non-public offering market, and strived to build research brands and competitive advantages. During the Reporting Period, the Company’s research divisions realized a commission income of RMB138 million from public offering, with a market share of 2.78%. It ranked in the forefront among the research capabilities of the publicly offered funds, eighth in the research capabilities of National Social Security Funds. In addition, the securities research business sought active transformation, by strengthening intra-group support and collaboration, helping the Group to achieve integrated financial services; used core research capabilities to explore the path of serving corporate customers and provide high-value services for broader industrial capital base; and the allocation and cultivation of overseas research capability to foster new competitive edges in overseas research. As at the end of the Reporting Period, the Company’s securities research business had a total of 76 research personnel, 50 with analyst qualification, 21 with investment consultant qualification, publishing 988 research reports in the first half of 2018.



Section IV Report of the Board

(2) Investment management

The Company provided clients with asset management schemes, publicly offered securities investment fund products issued by securities dealer and private equity investment business. During the Reporting Period, the investment management business realized segment revenue and other income of RMB1.707 billion, accounting for 23.52% of the total.

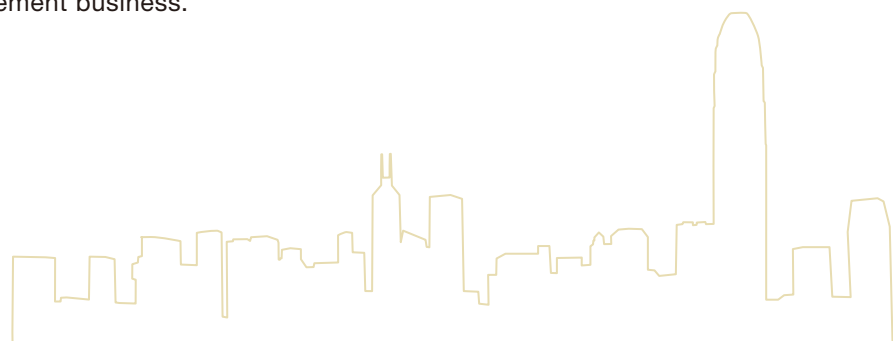
Asset management

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

In the first half of 2018, the capital market fluctuated due to multiple factors. Under the guidance of the new regulations on asset management, the asset management industry has further returned to its original purposes. Orient Securities Asset Management, as a leader in the brokerage asset management industry, actively seized development opportunities and continuously enhanced its core competitiveness. It continued to uphold the long-term value investment philosophy, adhere to AUM, and pursue absolute returns.

The asset management scale of Orient Securities Asset Management increased steadily, and its medium and long-term performance continued to maintain a leading edge, leading to an overall stable and healthy development. From 2005 to the end of the Reporting Period, the average annualized return of Orient Securities Asset Management's AUM equity products was 21.46%, as compared with the average annualized return of 11.09% of the CSI 300 Index during the same period. According to the "Ranking of Fund Company Equity Investment Funds in Terms of Absolute Income" in the first half of 2018 issued by Haitong Securities, Orient Securities Asset Management ranked the first in terms of absolute earnings among equity investment funds for nearly one year, nearly two years and nearly three years with an average return rate of 16.98%, 48.43% and 35.75%, respectively.

As at the end of the Reporting Period, the entrusted asset management of Orient Securities Asset Management was RMB219.702 billion, representing an increase of 2.48% as compared with the end of last year. The discretionary management assets accounted for 98.23% of entrusted assets, far above the average of securities asset management industry. According to the Securities Association of China, Orient Securities Asset Management ranked first in the industry in terms of the net income from entrusted asset management business.



Section IV Report of the Board

The following table sets forth the asset under management (the “AUM”) of the Company by product type:

(In RMB million)	As at December 31, 2017	As at June 30, 2018
Collective asset management scheme	51,544.49	44,741.11
Targeted asset management scheme	75,459.66	65,122.58
Specialized asset management scheme	12,054.49	15,879.64
Publicly offered funds issued by securities dealer	75,333.28	93,958.52
Total	214,391.92	219,701.85

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

(In RMB million, except for percentage)	As at December 31, 2017		As at June 30, 2018	
	AUM	Percentage	AUM	Percentage
Discretionary management products	210,145.71	98.02%	215,815.48	98.23%
Non-discretionary management products	4,246.21	1.98%	3,886.37	1.77%
Total	214,391.92	100.00%	219,701.85	100.00%

Orient Securities Asset Management always gives priority to the interest of customers, vigorously improves customer service capabilities, aggressively develops customers, and guides customers towards long-term investment and anti-market layout and effectively realizes stable, sustainable and reasonable long-term returns for clients.



Section IV Report of the Board

As an innovator in the asset management industry, Orient Securities Asset Management will conduct in-depth research on the industry's transformation and development trends, layout well in business innovation, focus on the frontiers of domestic and foreign financial markets and industry development to promote business innovation. Orient Securities Asset Management is committed to allowing a wider range of ordinary investors to share the dividends of China's economic development and reform and actively participated in the development of pension-oriented publicly raised funds; strengthen the international extension of the Dong Fang Hong brand, and continuously promote development of the Company's international business.

During the Reporting Period, Orient Securities Asset Management won more than 20 awards including the "Best Discretionary Equity Fund Manager" of publicly raised funds organized by China Fund News over the past 20 years, "Junding Award for 2018 Best Wealth Management Brand in China" (「2018 中國優秀財富管理品牌君鼎獎」) organized by Securities Times, and the 15th "Golden Funds" organized by Shanghai Securities News.

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 a shareholding of 35.412%.

China Universal continued to solidly strengthen its core competitiveness, further enhance its investment management capabilities, risk management capabilities, product innovation capabilities and customer service capabilities with a view to achieving value preservation and appreciation of customer assets, and building China's most recognized assets management brand. During the Reporting Period, China Universal became one of the first six fund management companies to be eligible for the CDR Strategic Placement Fund Manager.

As at the end of the Reporting Period, China Universal has operated compliantly and registered good development momentum. The size of the publicly raised fund was RMB421,315 million, representing an increase of 30.62% as compared with the end of the previous year. Excluding monetary funds, it ranked fifth in the industry. The business development of the special proceeds account was sound and the business of e-commerce was developing rapidly. China Universal is the investment manager of the Social Security Fund and the Basic Endowment Insurance Fund. Meanwhile, it is qualified as the domestic entrusted investment manager and overseas placement strategy for the Social Security Fund; continued to carry out the strategic expansion into international market, and made aggressive inroads into Hong Kong Connect products and maintained excellent performance of overseas investment. The performance of China-Hong Kong Strategic Fund was rated 5 stars by Morningstar and ranked first among the same type of equity funds in the past three and five years.

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As at the end of the Reporting Period, the investment management yield of the equity investment fund of China Universal has reached 141.94% in the last five years, ranking first among the top 10 fund companies. With Best performance and stable operation, China Universal won the “Top Ten Best Fund Manager” rated by China Fund News in the publicly offered funds over the past 20 years, “Gold Fund – TOP Fund Company” rated by Shanghai Securities News in funds over the past 20 years, “Special Contribution Award” contributing to the public offering for 20 years organized by Sina Finance and other most influential awards in many industries.

Private equity investment

The Company mainly engages in private equity investment fund business through its wholly-owned subsidiary, Orient Securities Capital Investment. Orient Securities Capital Investment mainly generates income by collecting management fees and/or obtaining performance remuneration according to the contractual covenants and performance.

Orient Securities Capital Investment’s business covers various types such as equity investment, mergers and acquisitions, cross-border investment, and financial advisory. The investment field is diversified, involving large consumption, big health, big entertainment, big finance, high-end equipment manufacturing and other industries. Business areas such as mergers and acquisitions are in the leading position in the industry. In recent years, Orient Securities Capital Investment has successfully listed projects such as Freely Communication (縱橫通信), Chunqiu Electronic (春秋電子), Huabao Flavours (華寶香精) and other successful IPOs and will actively explore strategic emerging industries on the basis of consolidating existing large-scale merger & acquisition investment and focusing on pre-IPO investment. It will focus on overseas asset management business and early investment, further enrich the business chain, and do a good job in serving real economy with financing.

During the Reporting Period, Orient Securities Capital Investment newly established and completed offering of 3 private equity investment funds, set up 14 new investment projects, and got investment amount of RMB1.681 billion. As at the end of the Reporting Period, Orient Securities Capital Investment and its managed funds had 110 investment projects, with a total investment amount of RMB12,682,818.58 thousand and USD1,079,300 thousand, of which 18 projects have been withdrawn; a total of 92 projects were on-going investments, involving RMB12,098,194.38 thousand and USD1,079,300 thousand; 7 reserve projects involving an amount of approximately RMB300 million. As at the end of the Reporting Period, the amount of funds managed by Orient Securities Capital Investment amounted to RMB24.569 billion.



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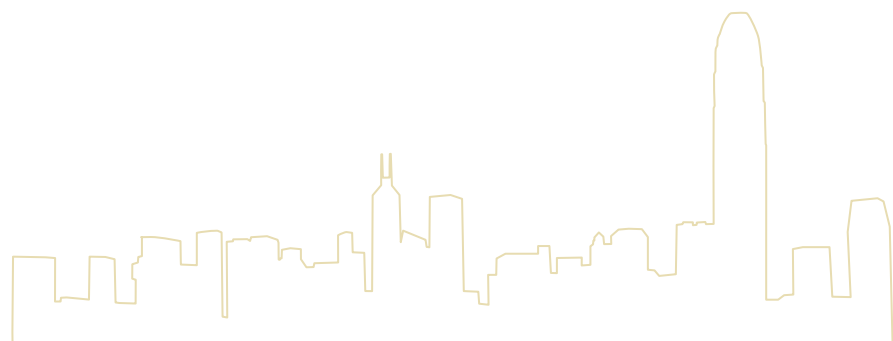
(3) Brokerage and securities financing

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. During the Reporting Period, the brokerage and securities financing business achieved segment revenue, gains and other income of RMB3.284 billion, accounting for 45.24% of the total.

Securities brokerage

The securities brokerage business is mainly based on the sales department under the Company's wealth management headquarters. As at the end of the Reporting Period, the Company had a total of 153 securities business departments covering 76 cities and 31 municipalities directly under the central government. The Company's business model is customer-centric, and through establishment of a "capital-light" business network with low cost and high efficiency and expansion of online service platform, provides differentiated and personalized value-added services around customer needs, striving to create a "full business chain" diversified integrated financial service platform to promote the transformation of traditional brokerage business to wealth management. The Company will continue to optimize the overall business model and profit model of wealth management, whereby based on brokerage business, with wealth management as the core, and it will allocate large-scale assets well, establish product centers, meet customer needs, and bring about new profit drivers for the Company; actively play the synergy effect of the Group, and strengthen the systematic services of investment banking, asset management and investment research so as to form a complete business closed loop.

The Company continued to vigorously develop institutional customers and high-net-worth customers, by integrating full business chain resources through its wealth management platform, providing professional integrated financial services, customizing personalized financial advisory services and leading trading systems to attract institutional customers with different needs, which increased customer loyalty while driving business coordination and collaboration services. In addition, in the first half of 2018, the Company held the "DFZQ Cup" private equity dream venture camp, to incubate and cultivate excellent private equity managers, providing strong investment research services, product incubation and sales services, etc., to promote business transformation and enhance brand influence of the Company.



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During the Reporting Period, the Company's agent trading securities business had a market share of 1.52% in terms of net income and ranked 20th in the industry. As at the end of the Reporting Period, the Company had 1.4382 million brokerage clients and total entrusted assets of RMB498.598 billion, among which, 8,731 are high-net-worth customers, including 4,949 institutional customers. The total assets of institutional customers under entrustment as at the end of the Reporting Period were RMB291.942 billion, accounting for 58.55% of the total assets of the Company's brokerage clients, up by 1.13 percentage points year-on-year.

The Company sold wealth management products through the securities business department and the Internet platform. Taking advantage of the assets and users, and taking the large-scale asset allocation as the direction, the Company created a complete financial product chain to meet customer needs. During the Reporting Period, the Company was honored with "2018 China's Junding Award for Best Wealth Management Agency" rated by the Securities Times and "2018 China Pioneer High Net Worth Customer Service Provider" rated by the International Finance News. The Orient Winner was rated as "2018 China Pioneer Wealth Management Brand" by the Securities Times.

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

(In RMB million)	Six months ended June 30, 2017	Six months ended June 30, 2018
Publicly offered funds	53,804.47	58,114.43
Collective asset management products	705.50	348.19
Trust scheme	–	201.72
Private equity investment fund products	487.34	257.30
Other financial products	16,794.37	13,075.83
Total	71,791.69	71,997.47

During the Reporting Period, the Company's wealth management business transformation achieved remarkable results, with non-channel business revenue accounting for 31% of brokerage revenue. The main brokerage business successfully launched 66 products, and 32 new managers were introduced. The initial total proceeds raised were RMB3.463 billion. The asset securitization business has formed a business model integrating product contracting, design, undertaking and sales, with a leading position in the industry. There were 30 products as at the end of the Reporting Period, with a total scale of RMB1.553 billion.

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Internet banking

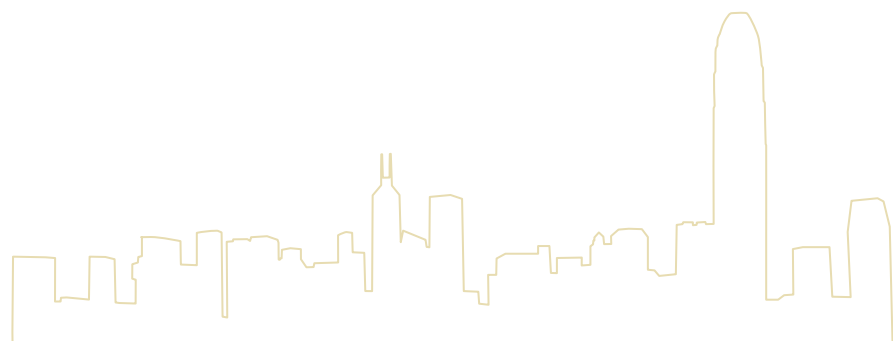
The Company continued to promote the overall improvement of unified portal of the Orient Winner Fortune Edition mobile Internet with the Orient Winner Fortune Edition APP as the carrier, and formed an all-round comprehensive competitive advantage. The Oriental Winner Fortune Edition APP smart service system has basically been established, which includes pre-investment tools (intelligent information, market sentiment, similar K-line, stock profile, chip distribution, historical review), investment tools (smart stock-following, AI stock picking), post-investment services (smart account analysis, intelligent customer service) and other smart applications. It also introduced the Level-2 quotation, which worked well. As at the end of the Reporting Period, the Company had more than 360,000 active brokerage customers on the Internet and mobile phone platforms, and the transaction amount of equity investment funds was RMB1,172,338 million. The number of customers trading through the Internet and mobile phone terminals accounted for 95.32% of the Company's stock and fund brokerage customers, and the number of new online accounts accounted for 88.66% of the total number of accounts opened during the same period. The stock and fund brokerage transactions through the Internet and mobile platform accounted for 73.30% of the total amount of the Company's stock and fund brokerage transactions.

Futures brokerage

The Company conducts futures brokerage business through its wholly-owned subsidiary Orient Futures. Orient Futures always adheres to the business purposes of steady operation and steady development. With the normative, pragmatic and customer-oriented service concept, it adheres to the development goal of marketization, internationalization and conglomeration, to become a leading derivative service provider with core competencies in research and technology which is able to provide a comprehensive wealth management platform to clients, centering on risk management of derivatives.

During the Reporting Period, Orient Futures continued to expand its market footprint and continued to optimize its network construction.

In terms of institutional business, it focused on brokerage business, with an emphasis on the development of domestic institutions such as mutual fund, banks, insurance, securities, and private equity investment funds, and gradually expanding its market share. Meanwhile, it will steadily develop its customers in the commodity industry and expand overseas institutional customers, to better fulfill the function and role of serving the real economy.



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The financial products business continued to focus on four tasks, namely futures brokerage business, private equity agency sales, public fund agency sales and online platform, and promote the mobile finance business through the “Orient Winner APP”.

The asset management business took quantitative hedging as the main investment strategy, with banks, trusts and other professional institutions as the main customer groups, continuously improving product yields and gradually forming an industry-recognized quantitative investment brand.

In the risk management business, it mainly provides spread trading and OTC options business, and provides customers, especially industrial customers, with a package of personalized services primarily centering on risk management, and becomes a leading risk management service provider with the “research + trade + transaction” advantage of the commodity industry chain and financial quantitative advantages.

In terms of research services and technology services, the Orient Securities Derivatives Research Institute and the Orient Securities Technology Research Institute were built to establish the market position and technical core competitiveness of the domestic first-class derivatives seller research institutions.

As at the end of the Reporting Period, Orient Futures had 43,864 customers, representing an increase of 9.83% as compared with the end of last year. The scale of customer equity was RMB12.838 billion, and the average daily customer equity was RMB10.387 billion. During the Reporting Period, Orient Futures achieved revenue from businesses of RMB1 billion, representing an year-on-year increase of 230%, completed an agent sales volume of 107.35 million board lots, with a turnover of RMB7,175,395 million. Among them, the transaction value of commodity futures (including commodity options) was RMB6,537,889 million, and financial futures were RMB637,506 million.

During the Reporting Period, Orient Futures won the “Junding Award for 2018 Best Futures Company in China” (「2018 中國優秀期貨公司君鼎獎」) issued by Securities Times, “China Futures Brokerage Pioneer” and “Securities Futures Investor Education Pioneer” issued by International Finance News. The 2017 Outstanding Member Platinum Award, Technology Management Award, Product Development Award (Stock Index Futures), Product Development Award (Treasury Bond Futures) and Product Innovation Award issued by China Financial Futures Exchange, Excellent Member Gold Award, Best Industrial Service Award, Best Institutional Service Award, Best Agricultural Product Service Award, Best Industrial Product Service Award, Best Technical Support Award, Best Option Market Cultivation Award in 2017 issued by Dalian Commodity Exchange.

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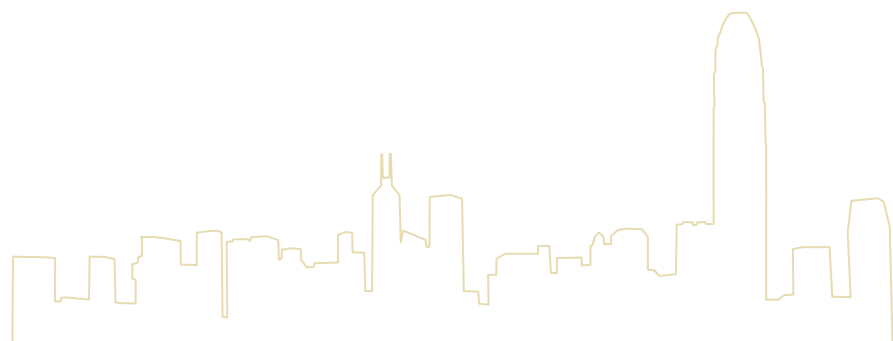
Securities financing

In the first half of 2018, the balance of the market-wide margin financing and securities lending decreased by 10.41%. With the constant changes in the market environment and regulatory environment, financial risks were further released and financial supervision were further strengthened. The Company strictly controlled the stock pledge around the idea of “controlling scale, preventing risks and adjusting structure”, to prevent business risks. Meanwhile, the Company continued to improve the construction of the securities financing system, improve the project management system, and actively promote the disposal and liquidation of risk projects. The Company has always adhered to high standards and strict requirements for securing financing business, and constantly improved its due diligence efforts, and strengthened approving mechanism of projects. Under the Company’s strict risk control system, the Company’s securities financing business has maintained steady development.

As at the end of the Reporting Period, the total size of the Company’s securities financing business was RMB41.461 billion, a decrease of 9.90% from the end of the previous year. The balance of the margin financing and securities lending was RMB12.052 billion, down 4.80% from the end of the previous year, with a market share of 1.31%, an increase of 0.08 percentage points from the end of the previous year; the balance of the stock pledge business was RMB29.409 billion, down by 11.79% from the end of the previous year; the number of margin financing and securities lending clients was 27,558, an increase of 523 from the end of the previous year.

Other business

The Company’s OTC business developed steadily, and the product structure continued to be optimized; the conglomeration advantages were unlocked to promote cooperation and collaboration; the Company actively explored the external market, to introduce external products; continuously explored the business innovation to increase the market competitiveness; improved the customer service system. The Company’s OTC business also used various means to enhance brand influence.



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The Company's OTC business developed steadily. Based on the OTC platform, it continued to develop its product systems and build channels, striving to build a first-class OTC market business. In the first half of 2018, due to the market environment, certain of the Company's counter market segment and product introduction were affected, but the Company continued to seek business opportunities and breakthroughs to ensure the steady development of OTC business.

As at the end of the Reporting Period, the total size of the Company's OTC market was RMB15.375 billion, of which the issuance (including subscription and application) was RMB13.619 billion, the market-making transaction volume was RMB242 million, and the scale of other OTC businesses was RMB1.514 billion.

The Company continued to promote the construction of an ecosystem of serving private funds, providing comprehensive services such as outsourcing, asset custody, compliance consulting, proceeds supervision, information disclosure and investor services for private equity institutions. The Company significantly improved customer coverage and investment in system construction. A full chain business service model has been initially formed and customer service efficiency and effectiveness have been significantly enhanced while the business scale and product portfolio of the Company's private equity investment fund services have grown steadily. During the Reporting Period, the Company was awarded the "Best Innovative Service Agency for Private Equity investment funds" issued by the Shanghai Equity Investment Association and awarded the "Best Member Unit" by the Shanghai Pudong International Finance Association.

As at the end of the Reporting Period, the size of the Company's services for private equity investment fund reached RMB109.104 billion, an increase of 54.52% as compared with the end of the previous year; there were 1,361 online custody and operation outsourcing product portfolios, an increase of 35.29% as compared with the end of the previous year; there were 150 new customers and the cumulative number of customers reached 505.



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(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 revenue, gains and other income of RMB696 million, accounting for 9.59% of the total.

Stock underwriting

In the first half of 2018, the regulatory authorities continued their strict review for IPO as compared to the last year and the number of issuances has slowed down significantly. The review process has become even more stringent, the success rate of IPO application remained low, and the number of companies being heard for IPO application was significantly reduced; refinancing was significantly affected by the new regulations and the scale and number of equity financing shrank concurrently. During the Reporting Period, the market-wide equity financing amounted to RMB709.542 billion, a year-on-year decrease of 19.13%, including 63 IPOs, with a total proceeds of RMB92.287 billion, a year-on-year decrease of 26.40%.

During the Reporting Period, Citi Orient completed 6 equity financing projects, with a lead underwriting amount of RMB6.08 billion, ranking 11th in the number of lead underwriters, and 15th in the lead underwriting industry (according to Wind statistics). Citi Orient strictly enforced customer quality and project execution, and has ranked among the top in approved IPOs for two consecutive years. As at the end of the Reporting Period, 7 IPO projects out of Citi Orient's Reserve Projects, were under review; 4 refinancing projects were under review.



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

(In RMB million)	Six months ended June 30, 2017	Six months ended June 30, 2018
IPO:		
Number of issuance	7	1
Lead underwriting amount	3,281.30	842.58
Secondary offering:		
Number of issuance	2	5
Lead underwriting amount	3,130.00	5,241.16
Total:		
Number of issuance	9	6
Lead underwriting amount	6,411.30	6,083.74

In the second half of 2018, the IPO market is expected to continue to be subject to stringent review. The number of new applicants and approved IPOs will continue to remain low, and the scale of the targeted issuance will remain restricted. The Company will continue to strictly control the quality of projects, focus on customer service standards, actively fulfill its social responsibilities, participate in the reform of state-owned enterprises, contribute to supporting national industries such as high-end smart manufacturing and biomedicine, and seek innovative business development to help China's outstanding enterprises achieve better and faster development through the bridge of capital markets.

Bond underwriting

In the first half of 2018, the bond market showed a trend of structural adjustment under the strict regulatory background and changes in the macro environment. During the Reporting Period, the total market bond financing amounted to RMB20,505.7 billion, up by 14% year-on-year, of which the total proceeds of credit bonds was RMB15,586.0 billion, up by 19% year-on-year. (according to Wind statistics)

During the Reporting Period, the lead underwriting amount of the Company's bond underwriting business was RMB28.833 billion. Among them, Citi Orient completed 15 bond underwriting projects, with a lead underwriting amount of RMB24.790 billion, ranking 18th in the lead underwriting industry and ranking first among joint venture securities companies (according to Wind statistics). In terms of reserve projects, 21 corporate bond projects have been approved, 12 are being reviewed; 14 corporate debt projects have been approved, and 7 are being reviewed.

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During the Reporting Period, the Company's treasury bond and China Development Bank ("CDB") bonds underwriting continued to maintain the leading position in the industry. Its underwriting of registered treasury bonds, CDB bonds, ADB bonds ranked among the top three in the same industry. With the best performance of bond underwriting, the Company won the 2017 Outstanding Underwriting Agency Award and the Outstanding Underwriting Agency Award of the China Bond Green Bond Index component rated by the China Government Securities Depository Trust & Clearing Co., Ltd., and was awarded the "Excellent Underwriter in Inter-bank Market", "Excellent Underwriter in Exchange Market", "Excellent Underwriter of Green Financial Bonds", "Innovation Award for Underwriters of Financial Bonds" by China Development Bank.

The following table sets forth the breakdown of various types of bond underwriting by the Company as the lead underwriter:

(In RMB million)	Six months ended June 30, 2017	Six months ended June 30, 2018
Corporate debentures:		
Times of lead underwriting	17	9
Amount lead underwritten	16,540.00	18,160.00
Corporate bonds:		
Times of lead underwriting	2	2
Amount lead underwritten	1,200.00	1,630.00
Financial bonds:		
Times of lead underwriting	4	5
Amount lead underwritten	3,320.00	2,669.69
Asset backed securities:		
Times of lead underwriting	4	1
Amount lead underwritten	4,889.00	3,000.00
Debt financing instruments for non-financial enterprises:		
Times of lead underwriting	4	10
Amount lead underwritten	1,433.33	3,373.33
Total:		
Times of lead underwriting	31	27
Amount lead underwritten	27,382.33	28,833.02

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In the second half of 2018, the bond market is expected to continue the trend of structural evolution. The supply and demand of interest rate bonds and high-grade credit bonds are expected to maintain good development momentum, while the risk factors of low-grade credit bonds and other varieties still need to be guarded. The Company will continue to strictly control the quality of bond projects, transform the supply of products into diversification, quality and internationalization, actively serve high-quality customers, fulfill social responsibility and national policy orientation, and seek the development of innovative businesses to help China's best enterprises to achieve better and faster development through the bridge of capital markets.

Financial advisory services

During the Reporting Period, Citi Orient's financial advisory services achieved steady progress and Citi Orient completed two merger and restructuring projects with a total transaction amount of RMB27.576 billion. During the Reporting Period, Citi Orient completed two NEEQ listing recommendation projects, which involved 122 million shares. It accomplished private placement of shares for four listed companies with an accumulated amount of RMB721 million. In terms of project reserve, one project has been approved to issue. As at the end of the Reporting Period, Citi Orient supervised 51 listing companies accumulatively. During the Reporting Period, Citi Orient was honored two "2018 China's Outstanding Investment Bank Junding Awards" rated by Securities Times, 2 "Best" honors by the 11th 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 revenue, gains and other income of RMB1.059 billion, accounting for 14.59% of the total.

Treasury business and others

Treasury business is aimed to enhance the comprehensive capital management of the Company, mainly including liquidity risk management, liabilities management and liquidity reserve management. During the Reporting Period, the Company kept improving liquidity management system and continued to use institutional constraints and systematic development and other tools to improve risk management capability, continuously optimized fund transfer pricing (FTP) mechanism and properly pushed forward the lean management of financings and continued to enhance the overall liquidity guarantee of the Company, steadily promoted the Company's asset operations, focused on enhancing synergies, and actively prevented and controlled asset risks.

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 198.89% and 134.65%, respectively, in line with regulatory requirements.

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Overseas business

The Company conducts overseas business through Orient Hong Kong, a wholly-owned subsidiary of the Company, and its subsidiaries. Orient Hong Kong is the comprehensive business platform for the Company to carry out overseas business and implement an internationalization strategy. Meanwhile, it provides a strong guarantee for the Company's common development in domestic and overseas markets, enriching revenue sources and optimizing income structure. 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 relatively comprehensive overseas business platform. During the Reporting Period, Orient Hong Kong made full use of the advantages of the Parent Company's asset management and investment research to create the "Dong Fang Hong" series under the Hong Kong Asset Management Corporation, and increased the market penetration with best performance. The "Dong Fang Hong Dinghui Graded US Dollar Bond Fund" has become a star fund product of asset management, achieved breakthroughs in performance. Meanwhile, star funds and company brands were vigorously marketed to increase market awareness and influence. Orient Hong Kong will continue to enrich its business scope, continuously improve its business platform and enhance its comprehensive financial services capabilities.

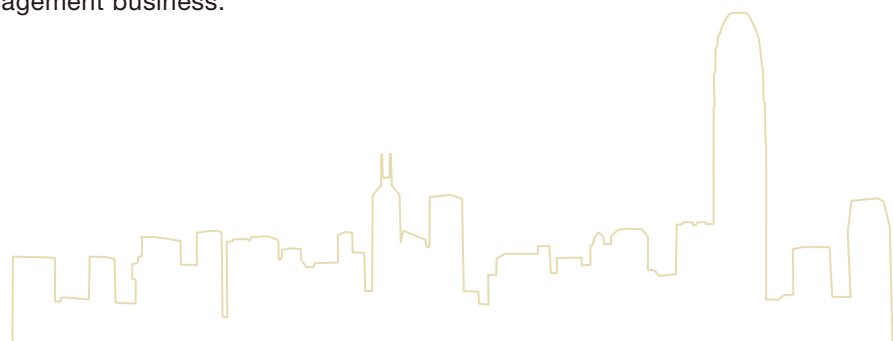
2. Major items in consolidated statement of profit or loss

(1) Revenue, gains and other income

In the first half of 2018, the securities market continued to be sluggish. The main stock indexes in China and Hong Kong continued to fall. Events of bond defaults occurred frequently, and the scale of equity financing shrank sharply. Due to the combined effects of market factors, The performance of the Company's major businesses such as securities proprietary trading, NEEQ market-making, investment banking, and securities financing and overseas business declined, resulting in a year-on-year decline in the Company's overall revenue. During the Reporting Period, the Company realized RMB6.976 billion of total revenue, gains and other income, down by RMB726 million or 9.42% over the same period of last year.

Details were as follows:

Commission and fee income amounted to RMB3.172 billion, accounting for 45.47%, of the total and representing an increase of 37.65%, which was primarily attributable to significant increase in the performance compensation and management fee from subsidiaries' asset management business.



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Interest income amounted to RMB3.230 billion, accounting for 46.30% of the total, representing an increase of 65.39% as compared with the corresponding period of last year. During the Reporting Period, the Company classified the debt income measured at fair value and whose changes are included in other comprehensive income, and reclassified the interest income of the loans and advances measured at amortized cost from investment income to Interest income according to the new financial instrument standard.

Net investment losses amounted to RMB301 million and representing a decrease of 109.68%, which was mainly attributable to:

1. decline in fair value of proprietary equity securities;
2. during the Reporting Period, the Company classified the debt income measured at fair value and whose changes are included in other comprehensive income, and reclassified the interest income of the loans and advances measured at amortized cost from investment income to interest income according to the new financial instrument standard.

Other income and gains were RMB875 million, accounting for 12.54% of the total, representing a year-on-year increase of 161.34%. It was mainly attributable to the significant simultaneous increase in sales revenue and cost as a result of subsidiaries carrying out block trade business.

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

Unit: '000 Currency: RMB

Item	From January to June 2018		From January to June 2017		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Commission and fee income	3,171,629	45.47%	2,304,131	29.91%	867,498	37.65%
Interest income	3,230,319	46.30%	1,953,134	25.36%	1,277,185	65.39%
Net investment (losses)/gains	(300,899)	-4.31%	3,109,642	40.38%	(3,410,541)	-109.68%
Other income and gains	874,690	12.54%	334,690	4.35%	540,000	161.34%
Total	6,975,739	100.00%	7,701,597	100.00%	(725,858)	-9.42%

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(2) Total expenses

During the Reporting Period, the Company's total expenditure was RMB6.647 billion, representing a year-on-year increase of RMB979 million or 17.27%, which was mainly attributable to the increase in the cost of sales of bulk commodities in subsidiaries. Details were as follows:

Depreciation and amortization was RMB96 million, representing a year-on-year increase of 6.70%. It was mainly attributable to the Company's depreciation of fixed assets and amortization of intangible assets.

Staff costs amounted to RMB1.574 billion, representing a year-on-year decrease of 13.58%, which was mainly attributable to a decrease in remuneration payment which fluctuates with business income.

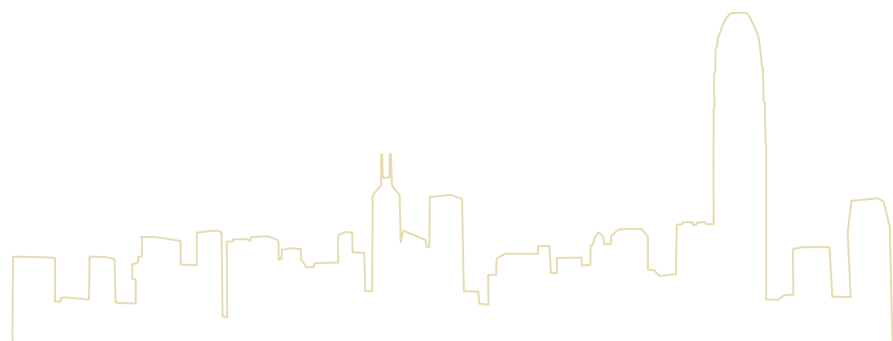
Commission and fee expenses amounted to RMB186 million, representing a year-on-year increase of 7.03%. It was mainly attributable to the increase in the handling expenses related to the asset management business of the subsidiaries.

Interest expenses grew by 4.96% year-on-year to RMB2.876 billion, which was mainly attributable to the increase in interest expenses on amounts due to banks and other financial institutions, bond repurchase and other debt financing.

Other operating expenses include operating expenses, taxes and surcharges, donations, and commodity trade expenditures. The total expenditure was RMB1.815 billion, representing a year-on-year increase of 124.75%, which was mainly attributable to:

1. significant increase in the revenue and the cost of sales due to subsidiaries carrying out bulk commodity business;
2. increase in the handling fee related to the asset management business of the subsidiaries.

The impairment loss provision was RMB99 million, representing an increase of 186.55% over the same period of last year. It was mainly attributable to the reporting of the impairment loss caused by the expected loss model.



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The components of the total expenses of the Group for the first half of 2018 are set out as follows:

Unit: '000 Currency: RMB

Item	From January to June 2018	From January to June 2017	Changes	
			Amount	Proportion
Depreciation and amortization	96,476	90,416	6,060	6.70%
Staff costs	1,574,108	1,821,365	(247,257)	-13.58%
Commission and fee expenses	185,754	173,547	12,207	7.03%
Interest expenses	2,876,437	2,740,412	136,025	4.96%
Other operating expenses	1,814,832	807,479	1,007,353	124.75%
Impairment losses provision	98,980	34,542	64,438	186.55%
Total	6,646,587	5,667,761	978,826	17.27%

3. Cash flows

During the Reporting Period, the Company's net cash and cash equivalents decreased by RMB6.302 billion. Details were as follows:

- (1) Net cash used in operating activities amounted to RMB7.563 billion, which was mainly attributable to:
 - i. net cash outflow of RMB10.665 billion as a result of decrease in the financial assets sold under repurchase agreements and amounts due to banks and other financial institutions;
 - ii. net cash outflow of RMB2.560 billion due to the decrease in receivables, other receivables and prepayments and increase in payables, and other payables;
 - iii. net cash outflow of RMB1.747 billion due to income tax and interest payments.



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- iv. cash outflow of RMB1.102 billion due to increase in deposits and reserve funds and deposits paid to the exchanges;
 - v. net cash outflow of RMB1.156 billion due to increase in financial assets at fair value through profit or loss and derivative financial assets;
 - vi. net cash outflow of RMB414 million due to decrease in accounts payable to brokerage clients;
 - vii. net cash inflow of RMB5.028 billion due to decrease in financial assets held under resale agreements.
- (2) Net cash generated from investment activities was RMB1,043 million, which was mainly attributable to:
- RMB1,743 million of dividends and interest received from investment.
- (3) Net cash generated from financing activities was RMB218 million, which was mainly attributable to:
- i. net cash inflows of RMB1.935 billion from issuing bonds, short-term financing bills payable and borrowings;
 - ii. cash outflows of RMB1.716 billion from payment of dividends to shareholders, interest on borrowings, bonds and short-term financing bills payables.

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4. Others

Detailed description of major changes in the Company's profit or profit source

In the first half of 2018, the securities market continued to be sluggish. The main stock indexes in China and Hong Kong continued to fall. Events of bond defaults occurred frequently, and the scale of equity financing shrank sharply. Due to the combined effects of market factors, the performance of the Company's businesses such as securities proprietary business, NEEQ market-making and overseas business declined. The Company's total revenue, gains and other income and profit for the period decreased year-on-year. In particular, the fair value of equity securities held by the Company's proprietary trading and NEEQ market-making business decreased significantly, resulting in a significant decline in the share of the securities sales and trading business segment as a percentage of the Company's total revenue, gains and other income and profit for the period, which is the main reason for the decline in the indicators of revenue, gains and other income and profit for the period of the Company.

(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 Company amounted to RMB220.973 billion, representing a decrease of RMB10.887 billion or 4.70% as compared with the end of the last year; while the total liabilities amounted to RMB169.230 billion, representing a decrease of RMB9.128 billion or 5.12% as compared with the end of the last year. Among the current assets of the Company, securities financial assets accounted for 44.84% of assets, and financing customers advance, financial assets held under resale agreements accounted for 17.80% of its total assets, clearing settlement funds, cash and bank balances, restricted bank deposits accounted for 21.12% of its total assets; among the non-current assets, property and equipment accounted for only 0.94% of the total assets. The assets structure of the Company were reasonable with strong liquidity.

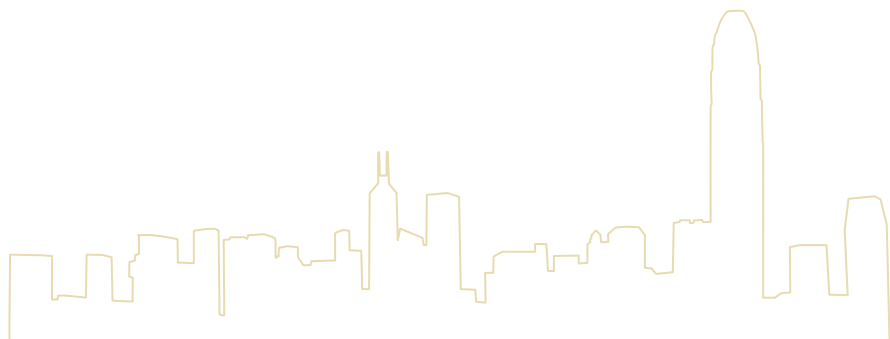


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Analysis on items of consolidated statement of financial position of the Company:

Unit: '000 Currency: RMB

	End of		End of		Changes	
	the period	Percentage ^{note 1}	last year	Percentage ^{note 1}	Amount	Percentage
Non-current assets	35,902,370		26,261,069		9,641,301	36.71%
Property and equipment	2,086,026	0.95%	2,033,609	0.88%	52,417	2.58%
Goodwill	32,135	0.01%	32,135	0.01%	-	0.00%
Other intangible assets	116,460	0.05%	127,939	0.06%	(11,479)	-8.97%
Investments in associates	3,961,897	1.79%	4,005,604	1.73%	(43,707)	-1.09%
Other receivables and prepayments	83,888	0.04%	-	0.00%	83,888	100.00%
Available-for-sale financial assets	-	0.00%	9,940,762	4.29%	(9,940,762)	N/A ^{note 2}
Held-to-maturity Investments	-	0.00%	37,500	0.02%	(37,500)	N/A ^{note 2}
Financial assets at fair value through profit or loss	8,320,677	3.77%	-	0.00%	8,320,677	N/A ^{note 2}
Equity instruments that are measured at fair value and whose changes are included in other comprehensive income	6,520,122	2.95%	-	0.00%	6,520,122	N/A ^{note 2}
Loans and advances measured at amortized cost	7,813,622	3.54%	-	0.00%	7,813,622	N/A ^{note 2}
Financial assets held under resale agreements	6,383,902	2.89%	9,932,998	4.28%	(3,549,096)	-35.73%
Deferred tax assets	583,641	0.26%	150,522	0.06%	433,119	287.74%



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	End of		End of		Changes	
	the period	Percentage ^{note 1}	last year	Percentage ^{note 1}	Amount	Percentage
Current assets	185,070,832		205,598,919		(20,528,087)	-9.98%
Advances to customers	12,308,981	5.57%	12,940,064	5.58%	(631,083)	-4.88%
Account receivables	1,229,317	0.56%	962,844	0.42%	266,473	27.68%
Other receivables and prepayments	3,417,805	1.55%	3,725,463	1.61%	307,658	-8.26%
Available-for-sale financial assets	-	0.00%	62,293,616	26.87%	(62,293,616)	N/A ^{note 2}
Held-to-maturity investments	-	0.00%	73,000	0.03%	(73,000)	N/A ^{note 2}
Financial assets held under resale agreements	22,368,060	10.12%	24,685,493	10.65%	(2,317,433)	-9.39%
Financial assets at fair value through profit or loss	50,126,755	22.68%	48,029,447	20.71%	2,097,308	N/A ^{note 2}
Debt instruments that are measured at fair value and whose changes are included in other comprehensive income	48,567,014	21.98%	-	0.00%	48,567,014	N/A ^{note 2}
Loans and advances measured at amortized cost	260,703	0.12%	-	0.00%	260,703	N/A ^{note 2}
Derivative financial assets	126,546	0.06%	168,719	0.07%	(42,173)	-25.00%
Deposits with exchanges and financial institutions	2,126,604	0.96%	1,025,096	0.44%	1,101,508	107.45%
Clearing settlement funds	12,769,806	5.78%	9,349,322	4.03%	3,420,484	36.59%
Cash and bank balances	31,319,341	14.17%	41,895,955	18.07%	(10,576,614)	-25.24%
Restricted bank deposit	449,900	0.20%	449,900	0.19%	-	0.00%
Total assets	220,973,202		231,859,988		(10,886,786)	-4.70%

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	End of		End of		Changes	
	the period	Percentage ^{note 1}	last year	Percentage ^{note 1}	Amount	Percentage
Current liabilities	124,600,438		121,666,197		2,934,241	2.41%
Borrowings	2,182,149	1.29%	2,327,670	1.30%	(145,521)	-6.25%
Due to banks and other financial institutions	9,540,000	5.64%	11,200,000	6.28%	(1,660,000)	-14.82%
Account payables to brokerage clients	27,805,535	16.43%	28,219,521	15.82%	(413,986)	-1.47%
Accrued staff costs	1,153,070	0.68%	1,852,383	1.04%	(699,313)	-37.75%
Other account payables, other payables and accruals	4,701,719	2.78%	4,315,525	2.42%	386,194	8.95%
Contract liabilities	108,645	0.06%	-	0.00%	108,645	N/A ^{note 2}
Current tax liabilities	227,274	0.13%	433,308	0.24%	(206,034)	-47.55%
Bond payables	20,794,260	12.29%	11,639,397	6.53%	9,154,863	78.65%
Short-term financing bills payables	5,849,049	3.46%	1,810,486	1.01%	4,038,563	223.07%
Financial liabilities at fair value through profit or loss	5,794,364	3.42%	6,059,727	3.40%	(265,363)	-4.38%
Derivative financial liabilities	1,298,911	0.77%	628,176	0.35%	670,735	106.78%
Financial assets sold under repurchase agreements	45,145,462	26.68%	53,180,004	29.82%	(8,034,542)	-15.11%
Net current assets	60,470,394		83,932,722		(23,462,328)	-27.95%
Non-current liabilities	44,630,025		56,692,316		(12,062,291)	-21.28%
Financial assets sold under repurchase agreements	1,970,000	1.16%	2,940,000	1.65%	(970,000)	-32.99%
Derivative tax liabilities	39,134	0.02%	82,026	0.05%	(42,892)	-52.29%
Bond payables	42,620,891	25.19%	53,670,290	30.09%	(11,049,399)	-20.59%
Total liabilities	169,230,463		178,358,513		(9,128,050)	-5.12%
Total equity	51,742,739		53,501,475		(1,758,736)	-3.29%

Note 1: Percentages for assets and liabilities refer to the share in total assets and the share in total liabilities respectively.

Note 2: The Company implemented the new financial instrument standards from January 1, 2018 and there were reclassifications and adjustments of entries. The changes in such entries were not caused by changes in the Company's operations, and therefore the figures for the two periods are incomparable.

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2. *Non-current assets*

As at the end of the Reporting Period, the Company's non-current assets amounted to RMB35.902 billion, representing an increase of RMB9.641 billion, 36.71% as compared with the end of last year, which was mainly attributable to increases in loans and advances measured at amortized cost, financial assets at fair value through profit or loss as compared with the end of last year.

3. *Current assets and current liabilities*

As at the end of the Reporting Period, the Company's net current assets amounted to RMB60.470 billion, representing a decrease of RMB23.462 billion or 27.95% as compared with the end of last year, mainly due to the decrease in available-for-sale financial assets, cash and bank balances as compared with the end of last year.

4. *Non-current liabilities*

As at the end of the Reporting Period, the Company's non-current liabilities amounted to RMB44.630 billion, representing a decrease of RMB12.062 billion or 21.28% as compared with the end of last year, mainly due to the decrease in the volume of bond payables as compared with the end of last year.

5. *Borrowings and bond financing*

As at the end of the Reporting Period, the Company's total borrowings and bond financing amounted to RMB80.986 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

Item	June 30, 2018	December 31, 2017
Borrowings	2,182,149	2,327,670
Due to banks and other financial institutions	9,540,000	11,200,000
Bond payables	63,415,151	65,309,687
Short-term financing bills payables	5,849,049	1,810,486
Total	80,986,349	80,647,843



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For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes in the attached condensed consolidated financial statement.

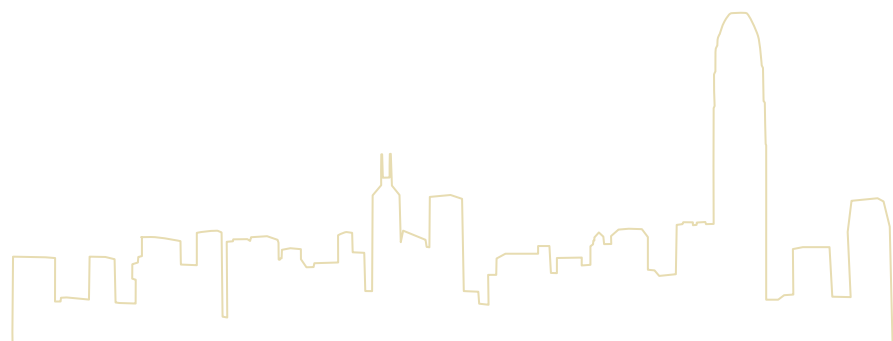
As at the end of the Reporting Period, the Company's borrowings, amounts due to banks and other financial institutions, short-term financing bills payables due within one year amounted to RMB38.365 billion, and the Company's net current assets amounted to RMB60.470 billion, exceeding bond payables, borrowings, amounts due to banks and other financial institutions and other interest-bearing liabilities due within one year. There is no liquidity risk.

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.

(iv) Analysis on Investments

1. Overall analysis on external equity investment

At the end of the Reporting Period, the Group's long-term equity investment was RMB3.962 billion, representing a decrease of RMB44 million or 1.09%, as compared with the end of last year. The main reason for the change was: during the Reporting Period, Orient Securities Innovation Investment withdrew part of the investment projects, and the book value decreased by RMB119 million. According to the new financial instrument guidelines, the Company revalued the book value of certain associates, and reduced book value of long-term equity investment by RMB147 million at the beginning of the period; during the Reporting Period, the Company made provision of RMB206 million for dividends receivable from associates, and recognized RMB504 million for the equity interests of associates under the equity method.



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(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%	1,698,305	161,356	661

(2) Material non-equity investments

During the Reporting Period, the Group had no material non-equity investments.

(3) Financial assets at fair value

Unit: '000 Currency: RMB

Item	Investment cost as at the end of the period	Book value as at the end of the period	Net amount purchased or sold during the Reporting Period	Changes in fair value during the Reporting Period	Net investment income during the Reporting Period
1. Available-for-sale financial assets	58,660,924	58,447,432	1,181,358	(1,529,857)	(868,112)
2. Other debt investment	49,157,841	48,567,014	(1,072,011)	414,792	22,763
3. Other equity investment	6,454,358	6,520,122	(60,998)	(803,866)	-
4. Derivative financial instruments	(1,044,196)	(1,172,365)	(539,281)	360,812	(525,239)

(v) Sale of Major Assets and Equity

During the Reporting Period, the Group had no significant sale of major assets and equity.



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(vi) Analysis on Major Controlling/Investee Companies

1. The registered capital of Orient Futures Co., Ltd was RMB2.0 billion and it was 100% owned by the Company. As at June 30, 2018, total assets of Orient Futures Co., Ltd amounted to RMB15,656.9814 million, and its net assets amounted to RMB2,662.6582 million. In the first half of 2018, its operating income and net profit amounted to RMB999.6359 million and RMB35.6865 million, respectively.

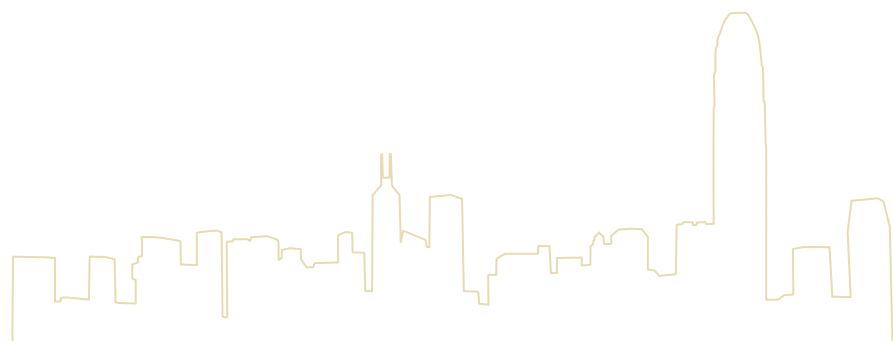
Principal businesses: commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sales.

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 June 30, 2018, total assets of Shanghai Orient Securities Capital Investment Co., Ltd. amounted to RMB5,074.9172 million, and its net assets amounted to RMB4,177.0855 million. In the first half of 2018, its operating income and net profit amounted to RMB322.7143 million, of which, the revenue from principal businesses was RMB321.8220 million, the profit from principal businesses and net profit was RMB233.2211 million and RMB187.0905 million, respectively.

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 June 30, 2018, total assets of Shanghai Orient Securities Asset Management Co., Ltd. amounted to RMB3,076.5651 million, and its net assets amounted to RMB2,078.2802 million. In the first half of 2018, its operating income (income from principal businesses) amounted to RMB1,582.5482 million, the profit from principal businesses and net profit amounted to RMB792.5664 million and RMB617.1744 million, respectively.

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



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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 June 30, 2018, the total assets of Citi Orient Securities Co., Ltd. amounted to RMB1,783.8710 million, and its net assets amounted to RMB1,422.9164 million. In the first half of 2018, its operating income (revenue from principal businesses) amounted to RMB453.3658 million, profit from principal businesses and net profit amounted to RMB126.8496 million and RMB127.9698 million, 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 June 30, 2018, total assets of Shanghai Orient Securities Innovation Investment Co., Ltd. amounted to RMB3,639.7738 million, and its net assets amounted to RMB3,587.0724 million. In the first half of 2018, its operating income (revenue from principal businesses) amounted to RMB147.6976 million, profit from principal businesses and net profit amounted to RMB130.0065 million and RMB89.3575 million, respectively.

Principal businesses: financial products investment, equity investment and investment management.

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 June 30, 2018, total assets of Orient Finance Holdings (Hong Kong) Limited amounted to HKD17,048.6682 million, and its net assets amounted to HKD1,588.7712 million. In the first half of 2018, its operating income and net profit amounted to HKD-156.8335 million and HKD-246.6450 million, respectively.

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

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 June 30, 2018, total assets of China Universal Asset Management Company Limited amounted to RMB7,606.1228 million, and its net assets amounted to RMB4,942.0099 million. In the first half of 2018, its operating income amounted to RMB1,766.2921 million, of which, revenue from principal businesses amounted to RMB1,705.6486 million, and the profit from principal businesses and net profit amounted to RMB534.7178 million and RMB466.1952 million, respectively.

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

The accounting figures of above-mentioned controlling and investee companies were prepared under the PRC enterprise accounting principle.

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(vii) Structured Entities Controlled by the Company

The Company incorporated certain structured entities into the consolidation scope, including asset management plans and funds managed and invested by the Company. The Company mainly judges its control over structured entities by three factors, namely, whether it has power over the structured entities, whether it is entitled to variable returns through participation in the activities of structured entities, and whether it has the ability to use the power over structured entities to influence the amount of returns. As at the end of the Reporting Period, the Company had a total of 19 structured entities included in the consolidated statement, with a total net asset value of RMB4,696,515,990.73. During the Reporting Period, the Company added 2 new structured entities to the consolidation scope, reduced 1 structured entity due to settlement upon maturity.

(viii) 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 CSRC, 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 were 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;

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- (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.

As at the end of the Reporting Period, RMB2.5 billion was utilized by the Company for brokerage and securities financing business development; RMB3.0 billion for investing in securities sales and trading business development; RMB1.02 billion for improving investment management service capacity; RMB2.0 billion for expanding innovative business investment; RMB1.5 billion for advancing collectivized development strategy of the Company; RMB0.2 billion 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 RMB10.22 billion.

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 audited and 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.



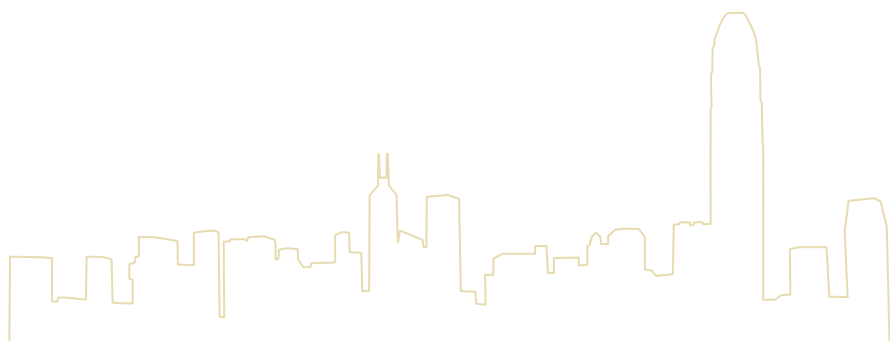
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As at the end of the Reporting Period, the details relating to utilization of the proceeds from the offering of H Shares by the Company are set out below: HKD2,560,341,264.00 was used to further develop our brokerage and securities financing business, 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. The Company has used HKD7,131,148,545.29 raised from offering of H Shares accumulatively.

As at the end of the Reporting Period, 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.

(ix) Explanations on Change in the Scope of Consolidation of the Statements

- (1) The Group added two entities into its scope of consolidation, which were two structured entities newly consolidated in this period as compared with the end of the previous year.
- (2) The Group excluded one entity from its scope of consolidation, which was one structured entity excluded in this period as compared with the end of the previous year.



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II. OTHER DISCLOSURES

(i) 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, operational risk and technology risk. Specifically, such risks and respective countermeasures are represented in the following aspects:

1. *Market Risk*

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. Overall market risk management is part of the duties and functions of risk management function department of the Company.

The Company adopts daily mark-to-market, concentration analysis and quantitative risk model, to manage scale, leverage, risk exposure 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.

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 crisis decision-making, implementation and accountability systems and develops contingency plans for different predictable extreme situations, under which crisis will be categorized and managed according to the level of seriousness.



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2. Credit Risk

The Company assesses the credit ratings of issuers or counterparties through its internal credit rating systems, grants reasonable credit by reference to the result thereof, and measures its credit risk by means of sensitivity analysis and stress test, so as to achieve quota management, collective management of investment, default clients management, early warning, risk reporting and other functions through information management systems.

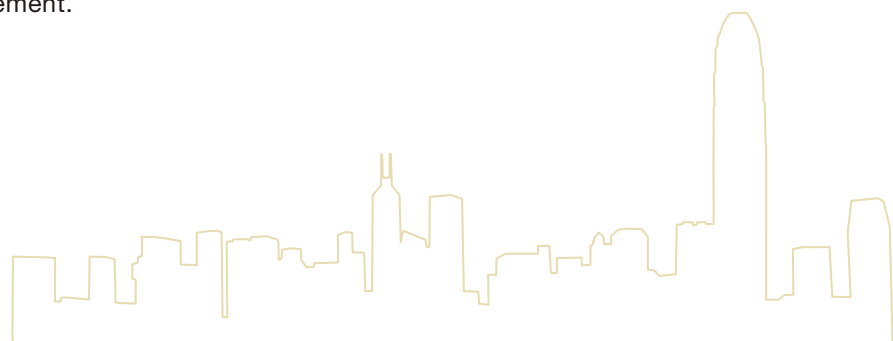
The credit risks of the Company primarily include direct credit risk, counterparty risk and settlement risk.

- (1) Direct credit risk: Credit risks from the credit products investment business and the securities financing business.

For credit products investment, in respect of publicly raised investment, the Company has set corresponding investment quota by reference to the internal and external credit rating of debtors; and in respect of private equity investment, the Company has established the entrance levels and investment caps for its products and controlled the credit risks from these businesses through risk assessment, risk reminders and judicial recourse.

Credit risks from the securities financing business primarily include failure to make full repayment for liabilities on time, failure to make up the collateral according to the contract, failure to make full repayment for liabilities after forced closure of positions, etc. Credit risk arising from such kind of business is mainly controlled through risk education, credit reference checks, credit approval, daily mark-to-market, risk reminders, forced closure of positions, judicial recourse and other means.

- (2) Counterparty risk: The credit risks from OTC derivative transactions primarily include failure to make payment on time, failure to cover the security deposits in a timely manner when the losses are made on investments and discrepancy between amounts calculated by the parties, etc. The counterparties are primarily financial institutions or other professional institutions. The Company sets the deposit ratio for margin and restrictions on the transaction size, controls the credit risk exposure through daily mark-to-market, margin calls, forced closure of positions and judicial recourse and other means.
- (3) Settlement risk: Security brokerage business transactions in Mainland China are all required to be settled in full by security deposit, which has largely controlled risks relating to trading settlement.



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3. *Liquidity Risk*

The Company has established an appropriate early warning indicator system, including benchmarks for liquidity coverage and net stable funding ratios, to monitor the particular circumstances or events that could possibly lead to a liquidity crisis on a daily basis. The Company has established a net capital supplementary mechanism to supplement the net capital or short-term working capital according to the demand for business development through issuing corporate bonds, subordinated bonds, income receipts, inter-banking lending and other forms. The Company also conducted regular or non-regular stress-testing to test the risk control indicators of the net capital and liquidity to predict and control liquidity risk in advance.

4. *Operational risk*

In respect of operational risk management, the Company has optimized the operational procedure based on its internal control procedure, identified operational risk in the procedures 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 prioritized 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. The Company has finished the development of operational risk management system and realized the identification, evaluation, monitoring, measurement and reporting of operational risk.

5. *Technology Risk*

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



Section IV Report of the Board

The Company attaches high importance to technology risk management. The IT Strategic Development and Governance Committee proposes and audits the IT management goals and development plans, formulates the IT annual budget, reviews the initiation, input and priorities of major IT projects, and estimates major IT projects and provides opinions. The system research and development department, is responsible for the management and control of construction work including development and testing of the information system, management of the entrance and evaluation for outsourcing suppliers, and regulation of the behaviors of external staff of information system in accordance with relevant requirements. The system operation department takes a variety of measures to ensure the stable operation of the system, and has completed the main and side stands for major positions as for the staffing. In respect of process control, the Company, in accordance with ISO 20000 rules, regulates main operation and maintenance procedures, such as implementation of graded examination and approval for procedures including events and modification, recheck for modifications, preparation of monthly reports on management and operation on a month basis, regulating the systematic operation at the technical and management level. In respect of emergency handling, the Company, strictly obeys the regulatory requirements, conducts disaster drills and emergency plan drills, with all operation and maintenance teams and sales departments regularly carrying out the emergency drills for specific systems. As for the data backup, restore and verification, the Company conducts implementation, review and supervision on a month basis as per the annual plan, and set system permissions according to the established process which includes approval, recording and filing. The compliance and legal administration department audits the IT risk management and relevant mechanism, organizes compliance inspection regularly and issues the monthly report of compliance and risk management. However, with the rapid development in information technology today, due to such problems as equipment errors, deficiencies in software design, network line connection problems, the technical means may not be able to keep up with the changes, which theoretically cannot be entirely eliminated, so technology risks cannot be completely avoided.

In addition, like other financial institutions, the Company may inevitably face a certain degree of compliance risk, legal risk, reputation risk and moral hazard in its operations and management. To cope with such types of risks, the Company has implemented a comprehensive risk management system which has fully covered the above risks, and designated the corresponding in-charge departments, established a corresponding management system and implemented appropriate technical measures.

With respect to the above risks, the Company has formulated corresponding risk management policies and measures to identify and assess these risks and has set up appropriate risk limits and internal control processes to monitor such risks through reliable management and information system, thereby striving to ensure the overall risk of the Company is measurable, controllable and tolerable.

(ii) Other

Except for those disclosed herein, the Group had no other significant events subsequent to the end of the previous year and up to the date of this report.

Section V Significant Events

I. GENERAL MEETINGS OVERVIEW

Session of the meeting	Date of convening	Reference of the website specified for Information disclosure	Publication date of resolutions
2018 first extraordinary general meeting	March 6, 2018	http://www.sse.com.cn http://www.hkexnews.hk	March 7, 2018 March 6, 2018
2017 annual general meeting	May 25, 2018	http://www.sse.com.cn http://www.hkexnews.hk	May 26, 2018 May 25, 2018

Explanation on general meetings

During the Reporting Period, the Company convened the 2018 first extraordinary general meeting at Meeting Room, 4/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC on March 6, 2018, at which 1 special resolution, namely, the “Resolution in Relation to the Amendments to Certain Articles in the Articles of Association of the Company”, and 3 ordinary resolutions, namely, the “Resolution in Relation to the Election of the Board of Directors of the Company”, the “Resolution in Relation to the Election of the Supervisory Committee of the Company” and the “Resolution in Relation to Application for Conduction of Cross-Border Businesses” were considered and passed. 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 March 7, 2018.

During the Reporting Period, the Company convened the 2017 annual general meeting at Meeting Room, 4/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC on May 25, 2018, at which 10 ordinary resolutions were considered and passed, including the “Report of the Board of Directors of the Company for the Year 2017”, the “Report of the Supervisory Committee of the Company for the Year 2017”, the “Final Accounts Report of the Company for the Year 2017”, the “Profit Distribution Proposal of the Company for the Year 2017”, the “Annual Report of the Company for the Year 2017”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2018”, the “Proposal Regarding the Engagement of Auditing Firms for the year 2018”, the “Proposal Regarding the Conduction of Asset-backed Securitization Business with the Company’s Credit Assets from its Financing Businesses”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2018” and the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2018”. 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 May 26, 2018.

Section V Significant Events

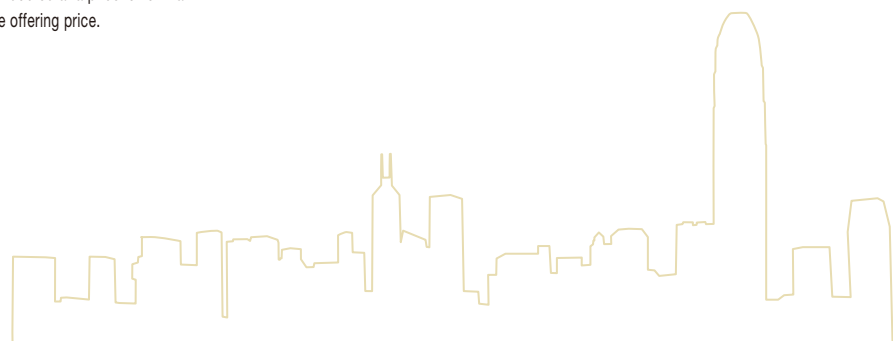
II. PROFIT DISTRIBUTION PROPOSAL OR PROPOSAL ON TRANSFER OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve into share capital during the first half of 2018.

III. 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	Content of Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform if failed to perform timely	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	Content of Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform if failed to perform timely	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	-	-
	Others	Listed 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	-	-
	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	-	-



Section V Significant Events

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTANT

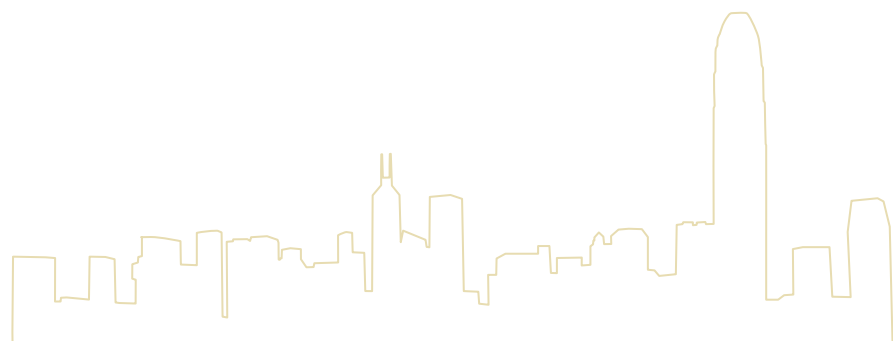
During the Reporting Period, as considered and approved at the 2017 annual general meeting of the Company, the Company agreed to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership) as the domestic auditor and the internal control auditor of the Company for 2018 for a term of one year, who was responsible for provision of relevant audit service in accordance with PRC GAAP and to re-appoint Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) as the offshore auditor of the Company for 2018 for a term of one year, who was responsible for provision of relevant audit and review services in accordance with IFRSs.

V. MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

There were no matters related to bankruptcy or restructuring of the Group during the Reporting Period.

VI. MATERIAL LITIGATION AND ARBITRATION

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



Section V Significant Events

The major litigation and arbitration (representing more than 90% of the total litigation and arbitration value 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	Dalian Changfu Ruihua Group Co.,Ltd. (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, penalty interest, default penalty, and expenses for the realization of claim	No	Note 1	Note 1	Note 1
DFZQ	Li Jianguo	No	Litigation	Note 2	RMB405,000,000.00 and financing interests due and payable, penalty interest, default penalty, and expenses for the realization of claim	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, penalty interest, default penalty, and expenses for the realization of claim	No	Note 3	Note 3	Note 3
DFZQ	Shanghai InfoTM Microelectronics Co., Ltd.	No	Litigation	Note 4	RMB19,000,000.00 and financing interests due and payable, penalty interest, default penalty, and expenses for the realization of claim	No	Note 4	Note 4	Note 4

Section V Significant Events

- Note 1:* Dalian Changfu Ruihua Group Co.,Ltd. (大連長富瑞華集團有限公司) (“Changfu Ruihua (長富瑞華)”) and the Company entered into four collateralized stock repurchase transactions in June 2014, pursuant to which Changfu Ruihua (長富瑞華) pledged the restricted shares of ST Dakong (ST大控) (600747) held by it to the Company at an initial transaction amount of RMB800 million. The agreed repurchase date was June 23, 2017. The certificates for the transaction agreement whereof were issued by the notary office of Shanghai Huangpu. In view of Changfu Ruihua (長富瑞華) in judicial moratorium and did not pay interest on schedule, the Company issued a formal early repurchase request to Changfu Ruihua (長富瑞華) on September 21, 2016 according to the requirements under the agreement. Failure of Changfu Ruihua (長富瑞華) to repurchase duly constitutes a breach of contract. Subsequently, the Company applied for the issuance of an enforcement 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 Dakong (ST大控) (600747) shares held by Changfu Ruihua (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 courts who first placed seizure on such shares. As at the end of the Reporting Period, Dalian Intermediate People’s Court has obtained the executive powers for all the pledged shares, which have currently entered the stage of being assessed and auctioned.
- Note 2:* Li Jianguo, a natural person and the Company entered into five collateralized stock repurchase transactions in respect of the restricted shares of Huangshi Dairy (皇氏集團) (002329) held by him in February, March, September and December 2015 successively. The agreed repurchase date was February 1, 2018, March 23, 2018, September 7, 2018 and January 31, 2018, respectively. The certificates for the transaction agreements whereof were issued by the notary office of Shanghai Huangpu. In view of that the pledged shares was in judicial moratorium and Li Jianguo did not pay interest on schedule, the Company issued a formal early repurchase request to Li Jianguo on April 24, 2017. Failure of Li Jianguo to repurchase duly constitutes a breach of contract. Currently, the outstanding principal of financing is RMB405 million. The Company applied for the issuance of an enforcement 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 court who first placed seizure on such shares. As at the end of the Reporting Period, the Second Intermediate People’s Court of Beijing has obtained the executive powers for all the pledged shares, which have currently entered the stage of being assessed and auctioned.
- Note 3:* Jia Yueting, a natural person and the Company entered into a collateralized stock repurchase transactions in respect of the restricted senior management shares of Leshi Internet (樂視網) (300104) held by him in July 2014. The agreed repurchase date was June 30, 2017. The certificates for the transaction agreement whereof were issued by Beijing Fangzheng Notary Public Office. After the bonus issue, the repayment of partial principal, the release of partial pledge and the replenishment of the pledged shares, the outstanding principal of the financing not yet repurchased was RMB200 million. As 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 an enforcement 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 of him, and was petitioning to transfer the executive powers for the pledged shares of court who first placed seizure on such shares as at the end of the Reporting Period.

Section V Significant Events

Jia Yuemin, a natural person and the Company entered into a collateralized stock repurchase transactions in respect of the tradable shares of Leshi Internet (樂視網) (300104) held by him in May 2016. The agreed repurchase date was May 4, 2017. After the bonus issue and the replenishment of the pledged shares, the outstanding principal of the financing not yet repurchased was RMB200 million. The Company initiated 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 his appeal. On February 28, 2018, Shanghai Second Intermediate People's Court of Shanghai 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 right of first repayment with the pledged shares of equivalent value or using the proceeds from auction or sale of the pledged shares, and Jia Yuemin, the respondent, shall cover the shortfall in the event that the proceeds 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 of InfoTM (盈方微) (000670) held by it to the Company. The agreed repurchase date was September 8, 2017, December 22, 2017 and March 9, 2018, respectively. The certificates for the transaction agreements whereof were issued by the notary office of Shanghai Huangpu. The outstanding principal of the financing not yet repurchased by InfoTM was RMB324 million. In view of the pledged shares in judicial moratorium and InfoTM did not pay interest on schedule, the Company issued a formal early repurchase request to InfoTM on April 14, 2017. Failure of InfoTM to repurchase duly constitutes a breach of contract. Subsequently, the Company applied for the issuance of an enforcement 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 enforcement 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 over the pledged shares. Between March and April 2018, two online judicial auctions were organized in vain. On May 9, 2018, Shanghai First Intermediate People's Court issued a verdict to determine that InfoTM shall deliver the 69 million shares held by it to the Company to set off debts of RMB314,088,000, and that the Company reserves the right of recourse over the remaining outstanding debts. On May 18, 2018, the aforesaid 69 million shares of InfoTM (盈方微) (000670) were transferred to the Company.

On December 11, 2017, the Company sued and filed a case against InfoTM 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 held 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 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. In June 2018, the People's Court of Huangpu District of Shanghai has obtained the enforcement powers for all the pledged shares and will take enforcement measures on the underlying assets (namely, pledged shares) of the case.

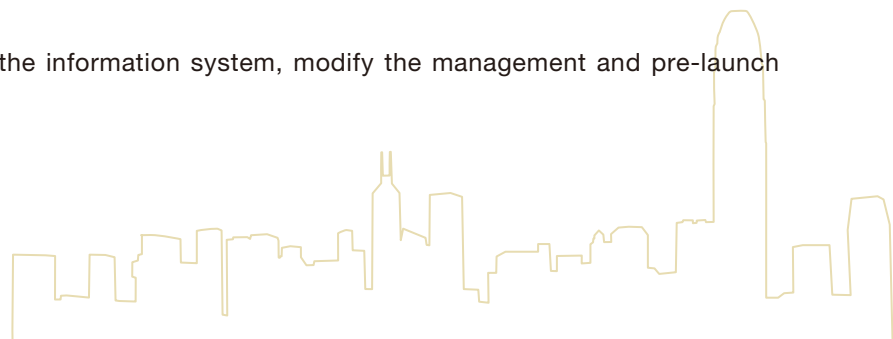
Section V Significant Events

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

- (i) On May 25, 2018, Orient Futures, one of the Company's wholly-owned subsidiaries, received the Decision of the Shanghai Bureau of the CSRC to Take Warning Measures on Orient Futures Co., Ltd (HU ZHENG JIAN JUE[2018] No. 48), because one of the Orient Futures' customers gave exercise order in respect of his/her holdings of stock options through the stock option trading system, and certain of the orders given were not successfully confirmed, resulting in the failure of the customer's exercise of his/her 50ETF put option contract. According to the "Measures for the Reporting, Investigation and Handling of Information Security Incidents in the Securities and Futures Industry" (hereinafter referred to as "Measures on Handling Information Security Incidents"), after the investigation of the cause of the accident, the incident was identified as a general information security person responsible incident. Meanwhile, Orient Futures failed to report to the securities regulatory bureau in time after the incident occurred, and violated the "Measures for the Administration of Information Security Protection in the Securities and Futures Industry", "Regulations on the Administration of Futures Trading", "Administrative Measures on Information Security Protection", and "Measures on Handling Information Security Incidents" and other relevant laws and regulations. Shanghai Bureau of the CSRC required Orient Futures to improve its management of information system operation and maintenance, improve its testing workflow, strengthen the communication and coordination mechanism of operation and maintenance personnel, and take practical and effective measures to prevent similar incidents from happening again. In addition, Orient Futures was required to further refine its information system emergency response system and work flow, report relevant incidents at the first time once they occur, and conduct internal responsibility investigations for the directly responsible supervisors and other directly responsible person, and shall submit a written report about the rectification to the securities regulatory bureau within 60 working days from the date when Orient Futures received the Decision.

The management of Orient Futures attached great importance to the comments given by the regulatory authorities, and immediately instructed the relevant responsible departments and responsible persons to carefully review the happening of the incident, the causes of the incident, the omissions in the related management system and processes and the operation, and required them to make a thorough analysis of the weakness in management and operation, formulate practical and feasible rectification measures and actively implement them according to the provisions of the Measures for the Administration of Information Security Protection of the Securities and Futures Industry and other relevant regulatory measures of the securities and futures industry. According to the requirements, Orient Futures submitted the rectification report to the Shanghai Bureau of the CSRC on July 19, 2018. The main rectification measures are as follows:

1. Strengthen the upgrading of the information system, modify the management and pre-launch verification and testing tasks.



Section V Significant Events

2. Strengthen the communication and coordination mechanism of operation and maintenance personnel, and the use of multi-point communication tools are required in communication with external technical support and operation and maintenance personnel to ensure that the primary and standby personnel on duty can obtain important information at the same time.
 3. Comprehensively review and improve the information security emergency response mechanism, and formulate detailed emergency procedures for specific scenarios, so as to be able to resume the normal operation of the information system in time after the occurrence of information security incidents, and report them in a timely manner in accordance with regulations.
 4. Strengthen the information security incident reporting mechanism, emphasize the responsibility for the first time reporting of information security incidents, and clarify the internal and external reporting mechanisms, reporting processes, and reporting responsibilities of information security incidents.
- (ii) On August 2, 2018, Citi Orient, a wholly-owned subsidiary of the Company received the “Notice of Investigation” from the CSRC (Yue Zheng Diao Cha Tong Zi No. 180138). Due to Citi Orient’s alleged violation of securities laws and regulations during the Reporting Period when it served as the financial advisory to Guangdong Guangzhou Daily Media Co., Ltd., the CSRC decided to investigate Citi Orient. The Company and Citi Orient will fully cooperate with the relevant investigation of the CSRC, and will fulfill the information disclosure obligations in strict accordance with relevant regulations.
- (iii) The Company has no controlling shareholders or de facto controllers. Except as disclosed above, during the Reporting Period, none of the Company and its directors, supervisors and senior management had been investigated by competent authorities, and no compulsory measures had been imposed on them by the judicial organs or discipline inspection departments, nor had they been handed over to the judicial organs or been investigated for criminal liability, or was subject to investigation as a case or administrative punishment, or banned from access to the market by the CSRC, identified as an inappropriate candidate, punished by other administrative departments, or publicly condemned by stock exchanges. None of the Company’s Directors, Supervisors or senior management had violated relevant regulations with regard to trading of the shares of the Company.



Section V Significant Events

VIII. 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 passed their maturity date.

IX. EQUITY INCENTIVE SCHEME, EMPLOYEE INCENTIVE SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACTS

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

X. MATERIAL RELATED PARTY TRANSACTIONS/NON-EXEMPT CONNECTED TRANSACTIONS

During the Reporting Period, the Group had no material related party transactions nor non-operating debts and indebtedness with related parties.



Section V Significant Events

(i) Related/connected transactions between the Group and Shenergy Group as well as its related companies

During the Reporting Period, the company entered into connected/related transactions in strict accordance with the annual transaction caps agreed in “The Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2018” which was considered and approved at the 2017 AGM and the “Proposal regarding the Connected Transaction Framework Agreement with Shenergy (Group) Co., Ltd.” which was reviewed and approved at the 4th meeting of the 4th session of the Board of Directors, the implementation of which is as follows:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party/ connected person	Projected amount	Actual amount
Securities and financial products services	Fee and commission income	The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf and other services.		10,000.00	18.46
	Underwriting fee income	The Company charges securities underwriting fees for providing securities underwriting services to them.			435.00
	Interest expense on the margins of clients	The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services.	Shenergy Group as well as its related companies	2,000.00	3.06
Securities and financial products trading	Bank deposits	The Company buys foreign exchange from them.		50,000.00	2,188.31
	Due to banks and other financial institutions	The Company receives funds lending services from them.		50,000.00	10,000.00

Note: In the first half of 2018, the related/connected transactions between the Company and Shenergy Group and its related companies accounted for a small proportion of the Company’s similar transactions.

Section V Significant Events

(ii) Related transactions between the Group and other related parties

During the Reporting Period, the company entered into related transactions in strict accordance with the annual transaction caps agreed in “The Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2018” which was considered and approved at the 2017 AGM, the implementation of which is as follows:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party/connected person	Projected amount	Actual amount
Securities and financial products services	Fee and commission income	The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf, financial advisory and other services.	DFZQ Xindeyizhang Public Welfare Foundation		0.03
			Great Wall Information Industry Co., Ltd.		10.52
			Orient International Group Shanghai Investment Limited	Subject to the actual amount due to unpredictable transaction volume.	3.03
			Luoyang Hong Ke Innovation and Venture Capital Co., Ltd.*		5.14
			Shanghai Guoxi Equity Investment Management Co., Ltd.		0.95
			Citigroup Global Markets Asia Limited		115.39
			Great Wall Fund Management Co.,Ltd.		155.26
			Yun Zhuo Capital Investment (Beijing) Co., Ltd.	Subject to the actual amount due to unpredictability of transaction and the volume.	210.00
			Yun Zhuo Capital Investment (Chengdu) Co., Ltd.		280.00
			Interest expense	The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services from them.	Shanghai Construction Group., Ltd.
DFZQ Xindeyizhang Public Welfare Foundation	Subject to the actual amount due to unpredictability of the volume of client deposits.	0.57			
Great Wall Information Industry Co., Ltd.		1.25			
Orient International Group Shanghai Investment Limited		0.17			
Luoyang Hong Ke innovation and Venture Capital Co., Ltd.*		8.19			

Note 1: The inter-group transaction and the transactions with their parent companies of the subsidiaries who have a control relationship and are incorporated in the Company's consolidated financial statements are offset.

Note 2: In the first half of 2018, the related transactions between the Company and other related parties accounted for a small proportion of the Company's similar transactions.

Section V Significant Events

(iii) Type of transactions and pricing policy of the related/connected transactions

The Group expects to conduct transactions such as securities and financial products transactions and intermediary services with related parties/connected persons. Particulars of the types and pricing policies of the transactions are as follows:

1. *Securities and Financial Products Services*

The securities and financial product services include but not limited to the following services: securities, futures brokerage, trading seats leasing, sales of securities and financial products, securities and financial business, entrusted asset management, investment consultancy, securities underwriting, financial advisory and asset custody services.

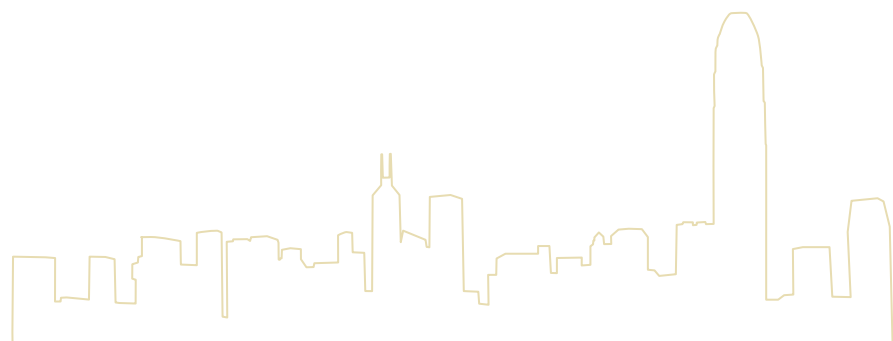
The pricing basis for various securities and financial products services are determined by the parties based on the service cost in accordance with the relevant applicable laws and regulations and with reference to the prevailing market rates, details of which are as follows:

- Securities and futures brokerage services – the commission rates for these services are generally transparent and standardized across the market. The commission rates will be determined based on arm's length negotiations with reference to the prevailing market rates for securities or futures sales or trades of a similar type; the fees (as the case may be) will be determined with reference to (among other things) the brokerage transaction fees, interest rates and commissions charged on independent third party customers in the market and the total amount of the expected brokerage transactions. For the futures brokerage services, commission per side varies depending on (i) the type of futures contract; (ii) the futures exchange where the trade takes place; and (iii) whether the trade is conducted in Hong Kong during the day or night. For brokerage related services, the fees (as the case may be) will be determined with reference to the expected cost;
- Securities and financial products sales services – service fees will be determined based on factors including market prices, industry practice and the total sales amount of financial products, with reference to the rates charged by the Group for providing sales services in respect of products of a similar type and nature;
- Entrusted asset management services – the market rates for these services are generally transparent across the market. The fees charged for these services will be determined based on arm's length negotiations with reference to factors including the prevailing market rates, the amount of the products being sold, or the size of the assets entrusted and the complexity of the particular service provided;



Section V Significant Events

- Investment consultancy services – fees for these services are determined by relevant business entities according to the service cost of each party and based on arm's length negotiations with reference to the prevailing market rates for transactions of similar type and size;
- Securities underwriting services – the securities underwriting service market is highly competitive and the underwriting commission rates are generally transparent and standardized. The underwriting commissions will be determined based on arm's length negotiations after taking into account various factors including the then prevailing market conditions, size of the proposed issuances and market commission rates of recent issuances of similar nature and size as well as the rates that the Group charges on independent third parties. The securities underwriting market is highly competitive and underwriting commission rates are generally transparent and standardized, which enables the Group to adopt a market-based pricing approach;
- Financial advisory services – financial advisory fees and other service fees will be determined after taking into account factors including the nature and size of a transaction as well as the then prevailing market conditions. The fees for investment banking services are generally transparent across the market, which enables the Group to adopt a market-based pricing approach;
- Asset custody services – fees for these services are determined based on arm's length negotiations with reference to the prevailing market rates for transactions of similar type and size.



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2. *Securities and Financial Products Transactions*

The securities and financial products transactions contemplated under the Framework Agreement include but not limited to the following transactions: purchases under resale agreement or sales under buyback agreement entered into with related parties/connected persons in the interbank market, proprietary bond trading with related parties/connected persons in the interbank market, income rights transfer transactions with, subscription of bonds, funds, wealth management products or trust plans issued by related parties/connected persons and related parties/connected persons' subscription of bonds, funds and wealth management products issued by the Group.

The fee rates of the various securities and financial products transactions are very transparent and standardized across the market. The commission and fees charged for trading of a product shall be determined based on arm's length negotiations with reference to the prevailing market prices, or the market rates for the similar type of products or transaction generally applicable to independent counterparties. For the exchange traded transactions of securities and financial products, the prevailing applicable market prices of that type of securities and financial products or the prevailing market rates will be applied. Over-the-counter and other transactions of securities and financial products are made at prices negotiated by both parties based on the prevailing applicable market prices or prevailing market rates for that type of securities and financial products. If there is no prevailing applicable market prices or market rates for that type of securities and financial products, the prices or the rates of the transactions will be determined according to the prices or rates negotiated between the parties based on arm's length negotiations. For example, transactions in the interbank bond market and PRC exchange bond market shall be at the prices quoted in the interbank bond market and the PRC exchange bond market respectively; transactions in the stock exchanges shall be at the prevailing market prices in the relevant stock exchanges. For inter-financial institutions borrowings and lending, transactions are conducted based on the prevailing interest rates quoted on the interbank money market. The pricings of such transactions are subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

In terms of subscriptions by the Group of the securities and financial products set up by related parties/connected persons, and subscriptions by related parties/connected persons of the securities and financial products set up by the Group, the subscription price is same as the subscription price of other investors. Such subscription price is determined by the financial institutions who set up the securities and financial products after considering the fundamentals of the assets/businesses to be invested.

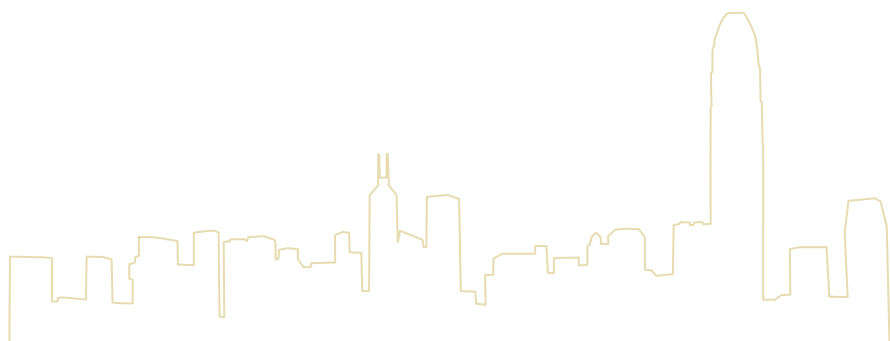


Section V Significant Events

3. *Purchase of Goods and Services*

The purchase of goods and services contemplated under the Framework Agreement includes receiving services provided within the scope of operation of Shenergy Group and its associates, including but not limited to the following transactions: the purchase of gas, natural gas, gas stoves, gas appliances, gas kitchen equipment and receiving services of gas transmission and distribution, gas project planning, design and construction and other ancillary services.

The pricing principle for purchasing goods and services is determined by both parties on normal commercial terms in their respective ordinary course of business based on arm's length negotiation in accordance with the applicable laws and regulations, and with reference to the prevailing market price. The Group and Shenergy Group and its associates has reached an agreement in principle on the pricing mechanism as follows (i) should there be a government pricing guidelines, use the government guidelines price; or (ii) in the absence of any government pricing guidelines currently applicable, the government guidelines price previously promulgated by the competent government authority adopted as the basic price and adjusted by referring to the cost of the purchase or services of Shenergy Group and its associates. The prices determined in the case of (ii) above shall be fair and reasonable after such adjustments.



Section V Significant Events

(iv) Internal control measures of the continuing related/connected transactions

- The terms (including pricing terms) in respect of the transactions of the securities and financial products services, the securities and financial products transactions and the purchase of goods and services shall be comparable to those offered by/to an independent third party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- Prior to confirming the pricing of transactions with related parties/connected persons, the Group will refer to the pricing of similar transactions or the offer of products or services to two or more independent third parties for the purpose of determining whether the pricing and terms of the relevant transactions are fair and reasonable and no less favorable than those offered by independent third parties (or no less favorable than those offered to an independent third party) (as the case may be). In case none of the above-mentioned prices is available for a particular transaction offered by or to an independent third party, the related/connected transaction shall be considered separately and be subject to approval by the investment decision-making team of the relevant business entity to ensure that the pricing is fair and reasonable as far as the Group is concerned.
- When providing or selling the same batch of securities or financial products to customers (including related parties/connected persons and independent third parties), the Group will offer the same pricing terms to all customers and will not give preferential terms to related/connected customers.
- Before determining the price, proposals regarding the pricing of and supporting materials for the continuing related/connected transactions will be submitted to the relevant internal departments for review and approval. The relevant internal departments will conduct qualification examination and due diligence, and assess whether the pricing of a particular transaction is in compliance with relevant policy and procedure of the Group and whether the price is fair and reasonable, and will grant approval, where appropriate. The internal audit department and the finance department are responsible for reviewing whether the continuing related/connected transactions are in compliance with the aforementioned pricing policies and monitoring the payments of such transactions.
- Any documents and records relating to related/connected transactions must be properly kept and maintained.
- The Company has formulated internal guidelines in accordance with the Hong Kong Listing Rules, stipulating relevant approval procedures for related/connected transactions.

The independent non-executive Directors and auditors of the Company will conduct an annual review of the Company's continuing related/connected transactions and provide confirmations that such transactions are conducted on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Section V Significant Events

XI. MATERIAL CONTRACTS AND PERFORMANCE

(i) Custodian, contracting and leasing matters

During the Reporting Period, the Group was not involved in any material custodian, contracting or leasing matters.

(ii) Guarantees

Unit: 100 million Currency: RMB

External guarantees provided by the Company (excluding guarantees for subsidiaries)	
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 for subsidiaries	
Total amount of guarantees provided for subsidiaries during the Reporting Period	19.36
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	77.47
Total amount of guarantees provided by the Company (including those provided for subsidiaries)	
Total amount of guarantees (A+B)	77.47
Percentage of total guarantees over net assets of the Company (%)	15.13
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)	76.01
Amount of total guarantees exceeding 50% of net assets (E)	–
Total amount of the above three types of guarantees (C+D+E)	76.01
Explanations on outstanding guarantees subject to joint liabilities	N/A

Section V Significant Events

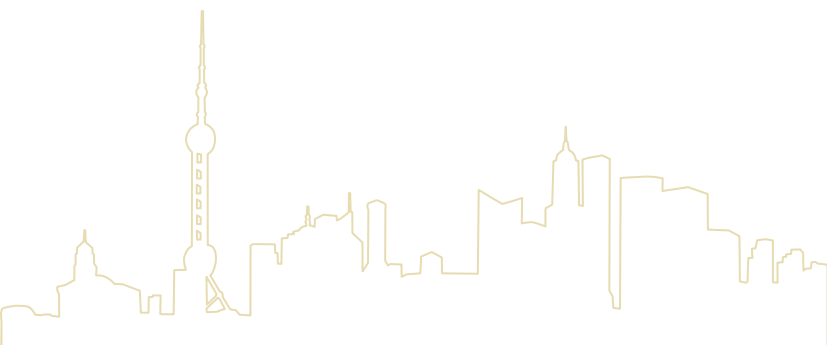
Explanations on guarantees

- (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 June 30, 2018, the guarantee amounted to approximately RMB6,877 million.
- (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 June 30, 2018, the guarantee amounted to approximately RMB870 million.

Note: The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB1:6.6166 as at the end of June 2018; the amount of guarantees denominated in RMB was converted at the spot exchange rate of HKD/RMB1:0.8431 as at the end of June 2018.

(iii) Other material contracts

During the Reporting Period, there were no other discloseable material contracts or transactions of the Group that have not yet been disclosed.



Section V Significant Events

XII. POVERTY ALLEVIATION WORKS OF THE LISTED COMPANY

(i) Precise poverty alleviation plan

1. *Basic policies and overall objectives*

To actively respond to the country's call and the guideline of securities industry, and to implement the spirit of related documents, the Company took forward precise poverty alleviation works. The Company continued to participate in the "One Company to One County" and "One Company Helping One County" 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 precise 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".

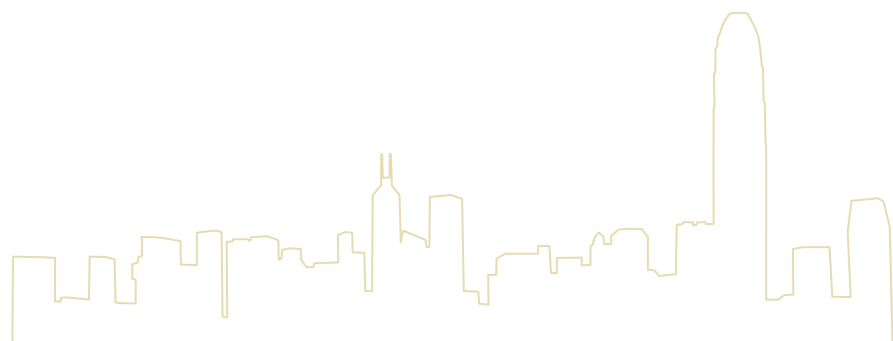
2. *Main Strategies*

- (1) Linking the resource endowment of poverty-stricken counties to poverty alleviation work, and provide industrial supports accordingly

The Company conducted comprehensive field research to learn about the characteristic resources of each poverty-stricken county, and then provided industrial supports accordingly. Currently, the Company has planned to focus on, inter alia, Wufeng, Hubei and Morin Dawa Daur Autonomous Banner, Inner Mongolia, putting much efforts to these regions to develop industries with local characteristics and proactively explore 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.

- (2) Insisting on promoting industrial poverty alleviation as the core and leveraging consumption to strengthen local wealth-generating capacity in poverty counties

Based on its accumulated 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 of poverty-stricken counties together with well-known e-commerce platform and famous enterprises from characteristic industries, with an aim to strengthen the wealth-generating capacity of poverty-stricken counties as a long-lasting power.



Section V Significant Events

- (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 financial institutions. 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

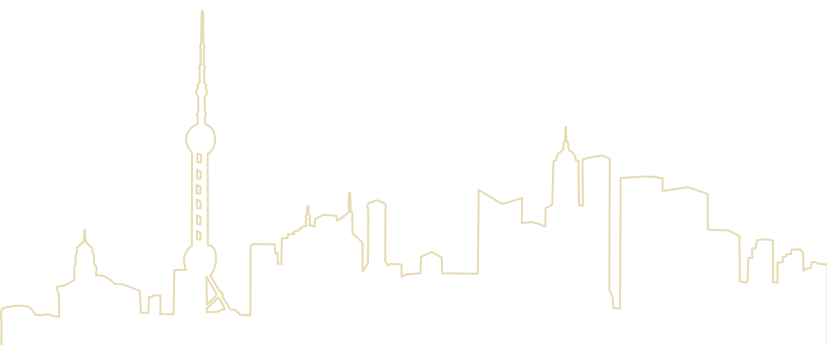
The Company has adhered to the concept of “alleviating poverty through enlightening people” when launching poverty relief work through various measures such as poverty alleviation through education, organizing financial knowledge lectures and occupational skill training courses. The Company has provided 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

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 will be provided.

- (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

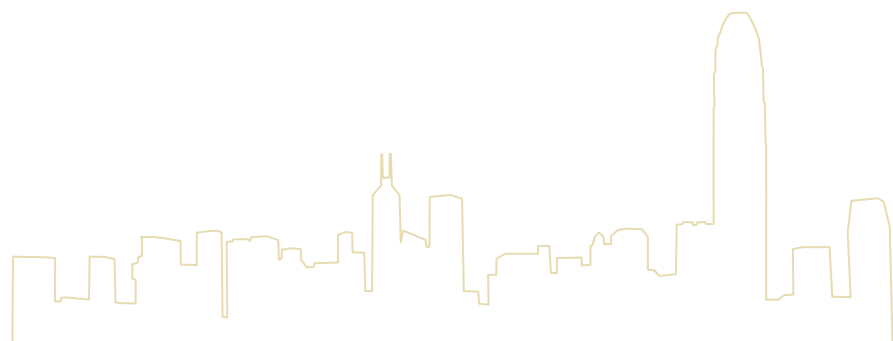
(ii) Summary of precise poverty alleviation during the Reporting Period

Under the guidance and advocacy by the CSRC and Securities Association of China, the Company, proactively responding to the State's call and the industry's guidelines, has committed itself to precise 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-stricken counties such as Daur Autonomous Banner of Morin Dawa of Hulun Buir City, Inner Mongolia, Jingle County of Shanxi Province, Tongyu County, Jilin Province, Muchuan County, Sichuan Province, Wufeng County, Hubei Province, Yanchi County of Ningxia Hui Autonomous Region, to implement precise pair-up assistance work. In addition, the Company has also carried out non-pair-up assistance to 12 state-level poverty-stricken counties, namely Makita County of Xinjiang Province, Yanchang County of Shaanxi Province, Fenxi County of Shanxi Province and etc.

During the Reporting Period, the Company has donated a total of RMB8.6487 million (including public welfare foundation) in poverty alleviation and initiated a total of eight poverty fighting programs. Five of these programs involving RMB8.2000 million were industrial poverty alleviation programs, including actively participating in the photovoltaic poverty alleviation program in Xi County, Shanxi and launching the "Insurance + Futures" precision poverty alleviation program together with Orient Futures. Two of these programs involving RMB336.7 thousand were education poverty alleviation programs. Citi Orient purchased living and office materials for local villagers in Kalakumu Village, Boshikeranmu Township, Kashgar City, Xinjiang, involving RMB112.0 thousand.

Moreover, the Company fully leveraged its advantage of financial profession, to proactively assist poverty-stricken regions in financing and implement the state's green development strategy. During the Reporting Period, the Company has accumulatively underwritten five poverty alleviation-oriented financial bond programs of policy banks, involving an aggregate amount of RMB1,990 million.

During the Reporting Period, in the "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 Futures, its wholly-owned subsidiary, was honored as "Innovative Institution in Poverty Alleviation"; "Orient Guniang" industry poverty alleviation project was awarded as the "Best Sample of Industrial Poverty Alleviation"; and the 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 the "Best Sample of Innovative Poverty Alleviation". In addition, Citi Orient was awarded as the "Excellent Participating Organization in Poverty Alleviation-oriented Financial Bond Programs for 2017" in the bond market of SSE in the "2017 Commendation for Excellent Participating Organizations and Individuals in the Bond Market of SSE" held by SSE.



Section V Significant Events

(iii) Results of precise poverty alleviation

Unit: '0000 Currency: RMB

Indicator	Amount and Progress
I. Overall condition	
Among which:	
1. Capital	864.87
2. Discount of materials	
3. Number of beneficiaries in recorded poor family (person)	
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including:	
1.1 Types of industrial poverty alleviation project	<input type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input 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)	5
1.3 Contribution to industrial poverty alleviation projects	820.00
1.4 Number of beneficiaries in recorded poor family (person)	
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)	
2.3 Number of poverty-stricken people in recorded poor family who achieved employment (person)	
3. Poverty alleviation by relocation	
Including:	
3.1 Number of beneficiaries under employment from relocated families (person)	73,695

Section V Significant Events

Indicator	Amount and Progress
4. Poverty alleviation by education Including:	
4.1 Contribution to subsidize students in poverty	32.16
4.2 Number of students in poverty being subsidized (person)	121
4.3 Contribution to improve education resources in poverty areas	1.51
5. Poverty alleviation by healthcare Including:	
5.1 Contribution to medical and healthcare resources in poverty-stricken 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 conservation <input type="checkbox"/> Setting up positions 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 targeted poverty alleviation work	
8.3 Poverty alleviation public welfare fund	

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	11.20
9.3	Number of beneficiaries in recorded poor family (person)	
9.4	Description for other projects	
III.	Awards obtained (details and class) During the Reporting Period, the Company was granted with the “Pioneer in Poverty Relief Award” by International Finance News. Orient Futures, a wholly-owned subsidiary of the Company, was honored as the “2017 Innovative Institution in Poverty Alleviation” by International Finance News. Citi Orient, a controlling subsidiary of the Company, was honored the title of “Excellent Participator in Special Poverty Alleviation Corporate Bonds for 2017” on the bond market of SSE. “Orient Guniang” industry development poverty alleviation project was honored the “Best Industrial Poverty Alleviation Award” by International Finance News. Citi Orient, a controlling subsidiary of the Company, was awarded by International Finance News as the “Best Sample of Innovative Poverty Alleviation” for its first issuance of corporate debts for poverty relief purpose in the PRC. Orient Futures, a wholly-owned subsidiary of the Company, was awarded by International Finance News as the “Best Sample of Innovative Poverty Alleviation” for its apple industrial poverty relief project in Yanchang county, Shaanxi.	

(iv) Progress in performing the social responsibility of targeted poverty alleviation

1. *General launch of the “Insurance + Futures” project with Orient Futures*

During the Reporting Period, the Company, Orient Futures and Anxin Agricultural Insurance entered into a strategic cooperation agreement relying on DFZQ Xindeyizhang Public Welfare Foundation (東方證券心得益彰公益基金會) to officially launch the “Insurance + Futures” targeted poverty alleviation project, thereby to provide effective service for development of rural area, agriculture and farmers and contribute more energy for the poverty elimination causes of our country. This project, as a new business model, covers a broad range with abundant varieties involved, and is also the first “Insurance + Futures” poverty relief project implemented by brokers and futures companies in the industry covering such a large range.



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The “Insurance + Futures” project plans to provide crops price indicator insurance for the registered poor households in about 12 national poverty counties in Yunnan, Sichuan and Hubei provinces, with six types of commodity futures involved including robber, sugar, egg, corn, cotton and apple, and approximately 30,000 rural households are expected to benefit from this project. Besides, 2 or 3 out of these counties meeting relevant conditions would be selected as the pilots to conduct the model of “Order Agriculture + Insurance + Futures (options)”.

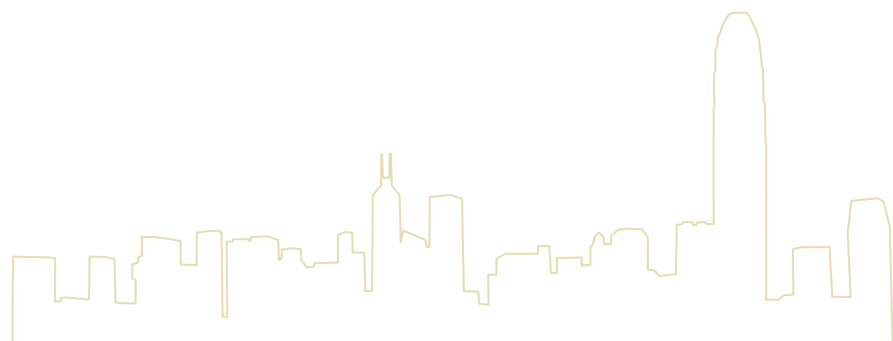
Through integration of futures, insurance and other financial resources, and combination of price insurance products, on-exchange futures and OTC options, the project is enabled to manage agricultural products’ price fluctuation risk by use of market mechanism, and provides material guarantee for modernized development of agriculture industry by virtue of the sustainable insurance system established for the industry.

As at the end of the Reporting Period, Orient Futures purchased the relevant crops price indicators insurance for the soybean farmers in Suibin County, Heilongjiang Province and robber farmers in Jinggu County, Yunnan Province, respectively, with premium of RMB2.5 million and RMB0.9 million, respectively.

2. *Launch the “Dong Fang Hong Yi Black Tea (東方紅宜紅茶)” industrial poverty alleviation project in Wufeng, Hubei*

In September 2017, the Company signed a precise poverty alleviation pair-up agreement with the People’s Government of Wufeng Tujia Autonomous County. The Wufeng county enjoys a unique geomorphic conditions where the primitive geomorphology of the ice age, about 140 million years ago, has been retained thanks to the geographic location of the county, 30 degree of north latitude at the west edge of Hubei province. Besides, a rare geopark with high forest vegetation coverage of 80% is preserved in Wufeng. High mountains, sufficient rain, thick fog and large temperature difference between day and night make Wufeng the most suitable place for growth of tea. Therefore, it is viewed as the hometown of Yi black tea, one of the three best types of black tea in China.

During the Reporting Period, the Company conducted certain effective researches and learnt from that Wufeng County was a suitable place to develop characteristic industry. In this regard, the Company decided to take Yi black tea industry as the essential point to carry out the poverty alleviation. In particular, the Company, together with the domestically celebrated e-commerce operator “Benlai Life” and Shanghai Tea Leaf Co., Ltd. (上海茶葉有限公司) (the holder of the established famous tea brand of “Wang Yu Tai”) jointly started the “Dong Fang Hong Yi Black Tea” industrial poverty alleviation project in Wufeng, Hubei.



Section V Significant Events

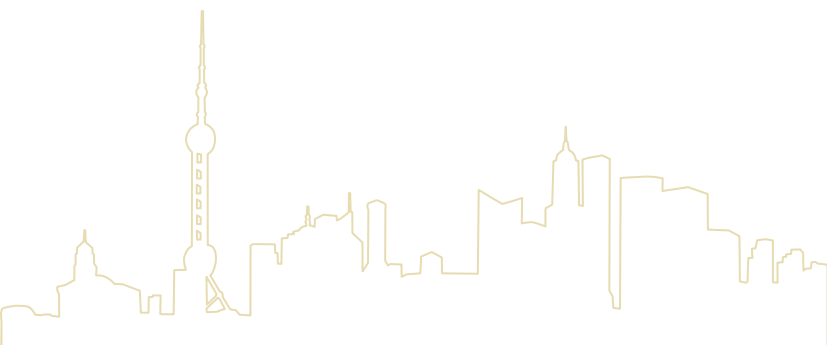
During the Reporting Period, the Company combined various resources available to propel development of the “Dong Fang Hong Yi Black Tea” project in an standardized, branded and information manner. The Company united with the partners to establish several standards for the “Dong Fang Hong Yi Black Tea” project with respect to production, processing, storage and delivery and quality, and engaged professional parties to implement strict review and appraisal to further secure quality of the tea leaves. In addition, it plans to establish information-based production sorting system, automatic processing system, quality retrospection system and users data base. Relying on the influence of its asset management brand “Dong Fang Hong”, the Company aims to establish the brand “Dong Fang Hong Yi Black Tea” and maintains lasting market competitiveness and brand premium through forge of the brand.

3. Active participation in the photovoltaic poverty alleviation project in Xi County, Shanxi

During the Reporting Period, the Company and Orient Securities Asset Management made proactive response to the call of the Securities Association of China to participate in the construction of a village photovoltaic plant in Xi County, Shanxi as poverty alleviation assistance, indicating our supporting for economic development in poor areas with actual actions. In March 2018, each of the Company and Orient Securities Asset Management entered into project donation agreements with the People’s Government of Xi County, pursuant to which, them made capital donation of RMB2.25 million and RMB0.75 million respectively for construction of the two welfare photovoltaic plants in Shangliu Village and Beizhuang Village, Longquan Town, Xi County with capacity of 300 kW and 100 kW respectively, helping the local registered poor households get rid of poverty as soon as practicable.

In order to ensure steady poverty alleviation of those people truly in poor, and to implement the national policy calling for poverty alleviation by photovoltaic industry, the People’s Government of Xi County, Shanxi determined the implementation program for construction of photovoltaic plants in poor villages to realize poverty alleviation. Through this photovoltaic industrial poverty alleviation project, the recorded poor people of this county were effectively assisted to increase their income and get rid of poverty, which in turn secured the stable implementation of the photovoltaic industrial poverty alleviation project and thereby increased economic income of the poor villages and households.

In April 2018, the plaque grant ceremony was completed for the above photovoltaic industrial poverty alleviation project, and the “Shangliu Village Photovoltaic Plant” and “Beizhuang Village Photovoltaic Plant” which were assisted respectively by the Company and Orient Securities Asset Management were officially finalized and are in the process of specific construction.



Section V Significant Events

4. *Steady promotion of the “Orient Guniang” industrial poverty alleviation in Morin Banner, Inner Mongolia*

In 2017, in Morin Banner of Inner Mongolia, one of the poor counties to be helped, the Company took Guniang, the featured industry of the county, as the essential industry for the poverty alleviation works, and successfully delivered the brand “Orient Guniang”. During the Reporting Period, the Company continued to promote the “Orient Guniang” industrial poverty alleviation project in Morin Banner and the relevant works go well currently.

During the Reporting Period based on the good social benefits achieved in 2017, the Company continued to increase resource investment in the “Orient Guniang” project considering the satisfying social effect achieved by it from the project, including: (i) careful selection of varieties suitable for planting for the “Orient Securities Industrial Poverty Alleviation Base” based on the local geographic conditions, to ensure product quality at the source; (ii) plan to donate capital of RMB500,000 to Beishichang village, Dengteke town, Morin Banner for the purpose of constructing a storage and re-delivery base there for the “Orient Guniang” project, so as to improve storage of Guniang and thus to enhance product quality; (iii) plan to provide for free the customized flow boxes to the Guniang-planting farmers of the “Orient Securities Industrial Poverty Alleviation Base”, in order to further reduce the losses that may occur during the process of picking and storing the fruits; and (iv) increase promotion and marketing of Guniang products through optimizing cooperation with Benlai Life and relying on the advantages of the Group and e-commerce channels, so as to bring increasing benefits for the local poor farmers.

5. *Constant progress in numerous education poverty alleviation projects*

The Company achieved substantial progress in the education poverty alleviation works in Morin Banner, Inner Mongolia in June 2018. Through collecting application forms from poor students, the Company was enabled to determine the specific number of students who needed assistance. Continuous assistance were made by the Company for this project. The poverty alleviation funds were granted precisely to the families of the students recorded for help, making sure the high school students under this project could finish their school successfully. During the Reporting Period, a total of 121 students suffering poverty in the No.1 Middle School of Ni Er Ji, Morin Banner, Inner Mongolia were benefited from the Company involving an aggregate of capital donation of RMB321,600.

Since March 2017, the Company has successively conducted three poverty alleviation donation projects for the No.1 Middle School of Ni Er Ji, Morin Banner, under which, over 250 poor students were benefited taking a total donation of RMB843,600. The love donation from the Company provides firm economic foundation for the students in poverty to realize their college dream, also strong supports for their healthy growth. The grade-three students previously donated by the Company in the No.1 Middle School of Ni Er Ji recorded an outstanding performance in the 2017 College Entrance Examination, delivering a passing rate of 97%.

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Besides, Orient Futures has also carried out active works in education poverty alleviation. During the Reporting Period, Orient Futures raised donation of over RMB15,000 for the Peizhi School, Tongyu county, Jilin, and visited the Jianhe Primary School, Muchuan county, Sichuan to donate stationery materials to over 30 poor students of that school.

(v) Subsequent precise poverty alleviation plan

1. *Continue implementation of the “Insurance + Futures” poverty alleviation project*

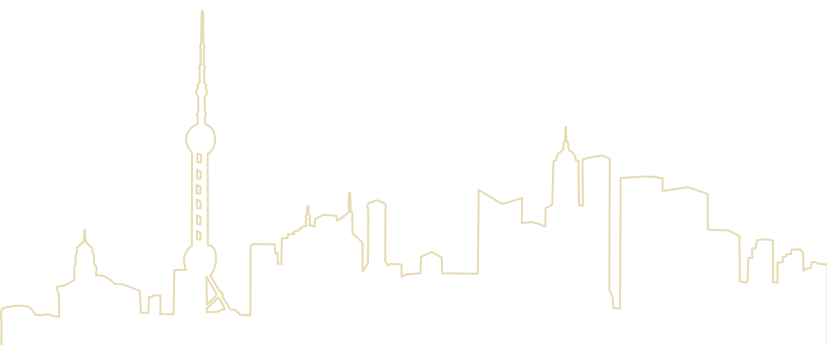
During the Reporting Period, Orient Futures has completed payment for the first two premium under “Insurance + Futures” project, providing guarantee for the farmers in Suibin, Heilongjiang and Jinggu, Yunnan. In the future, the Company and Orient Futures will continue to propel practice of this “Insurance+Futures” project according to the project planning by fully capitalizing on the broad coverage, diversified varieties involved and innovative business model of the project, presenting a brand new model of precise poverty alleviation in securities industry.

2. *Increase new pair-up assistance counties to enlarge coverage of poverty alleviation work*

The Company has signed pair-up assistance agreements with six state poverty counties. The Company plans to continue increase of pair-up assistance counties in future to further enlarge its coverage in precise poverty alleviation. Meanwhile, the Company will capitalize on “Insurance+Futures” project to further develop the resource benefits and featured industries of the pair-up assistance counties and to determine the featured industrial poverty alleviation projects suitable for different poverty counties.

3. *Steadily promote the featured industrial poverty alleviation project in Wufeng, Hubei*

During the Reporting Period, the Company has completed the various preliminary works for the “Dong Fang Hong Yi Black Tea” industrial poverty alleviation project, including, among others, on-site investigation and research, sample collection in local tea plants, determination of standards and brand packaging. Looking forward, the Company will take advantage of the asset management brand influence of “Dong Fang Hong” and the strong distribution capability of the project partners to assist the locals to establish long term effective poverty alleviation mechanism through forge of brand effect based on market-oriented business operation model.



Section V Significant Events

4. *Promote further successful implementation of the “Orient Guniang” project in Morin Banner, Inner Mongolia*

Based on the successful operation in 2017, the “Orient Guniang” industrial poverty alleviation project continuously promoted by the Company in Morin Banner, Inner Mongolia went well during the Reporting Period. In future, the Company will continue to secure gradual practice of various works to optimize the Guniang industry in the local market, and adopt stringent quality control during the relevant process, aiming to achieving quality management throughout the entire industry chain from planting, picking, selection, airing to transportation. Furthermore, increasing efforts will be made by the Company for promotion and marketing of Guniang products, so as to guarantee the further successful implementation of the “Orient Guniang” industrial poverty alleviation project in Morin Banner.

5. *Continue to reinforce education poverty alleviation*

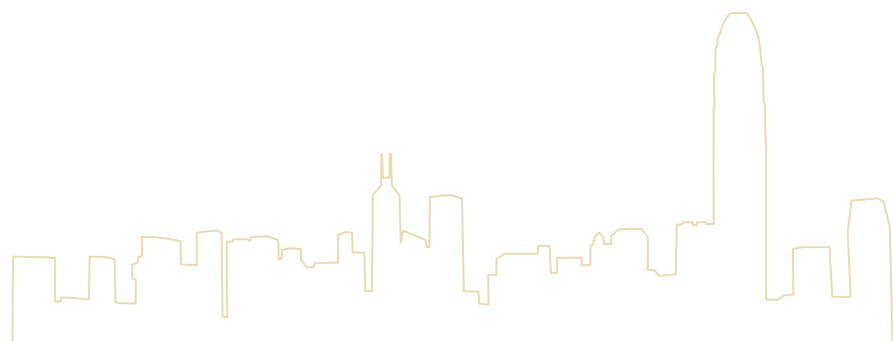
The Company will continue to donate poor students in various poverty counties, and make sure poverty alleviation funds will be granted to the families of recorded poverty students without any mistake, helping the poverty high school students finish their school successfully. Besides, the Company will continue to invest capital in upgrade and donation projects of primary schools, and promote the welfare scholarship program “Love Breakfast” as it always does.

6. *Strengthen the efforts in training talents and enhancing supports in financing in poverty regions*

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 industrial poverty alleviation work to provide professional skill training and guidance for the farmers there. Meanwhile, the Company will continue to strengthen the financing support for counties, including but not limited to financial service relating to IPO, bonds underwriting and issuance, financing through NEEQ, issuing financial instruments after listing and market-makers, etc. According to the needs of the poverty-stricken counties, the Company will provide to the locals popular education of financial knowledge, and provide consultancy in relation to the financing of governments and enterprises and trainings about the operation of capital market.

XIII. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Group had no issued convertible corporate bonds.



Section V Significant Events

XIV. INFORMATION ON THE ENVIRONMENT

Explanations from the companies other than key pollutant-discharge units on the environment protection

The industry that the Company engages in is financial and 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 trading of securities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products; securities underwriting; stock and options market making business.

The Company always attaches great importance to social responsibilities. 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 energy waste and enhancing efficiency through scientific measures. Besides, the Company also encourages its staff to use public transport means to reduce discharge of exhaust. In a word, the Company is making its best to save social resources, protect environment and reduce pollution while providing healthy, practical and efficient space of use for employees.

During the Reporting Period, the Company had not been subject to punishment caused by the violation of laws and regulations related to environmental protection.

XV. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(i) Descriptions, reasons and effects of changes in accounting policies, accounting estimates and accounting methods as compared with previous accounting period

Please refer to the notes to the attached condensed consolidated financial statements for the effect of the Group's application of IFRS 9 and IFRS 15 during the Reporting Period.

(ii) Descriptions, correction amounts, reasons and effects of correction of material accounting errors that need to be restated retrospectively during the Reporting Period

During the Reporting Period, the Group has not experienced any correction of material accounting error that need to be restated retrospectively.



Section V Significant Events

(iii) Others

1. *Relocation of securities branches of the Company*

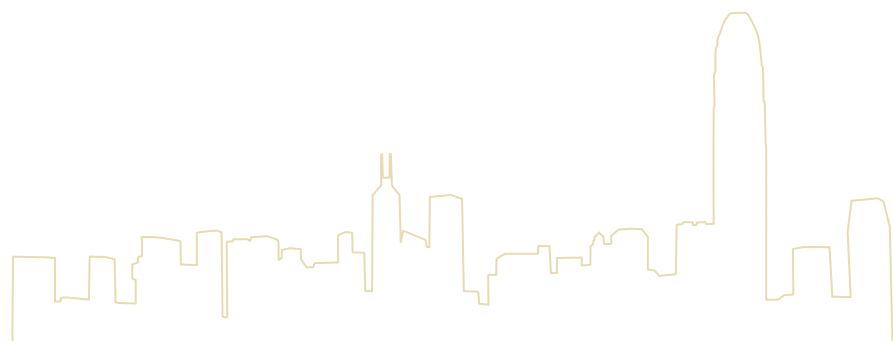
- (1) Shanghai Baoshan District Changjiang West Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from No.2, Lane 1952, Changjiang West Road, Baoshan District, Shanghai, China to No. 1788 Changjiang West Road, Baoshan District, Shanghai, China.
- (2) Nanning Jinhua Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from No.10 shop, 1/F and No.2A4/2A5, 2/F, Orient Business Port, No.26-1 Jinhua Road, Nanning, Guangxi, China to 4/F, Dushi Huating, No. 6-8 Minzhu Road, Nanning, Guangxi, China, with name of the branch changed into Nanning Minzhu Road Securities Branch of 東方證券股份有限公司.

2. *Implementation of profit distribution*

The implementation of the Company's profit distribution plan for the year 2017 was accomplished on July 10, 2018. Based on the total share capital of 6,993,655,803 Shares of the Company, a cash dividend of RMB2.00 (inclusive of tax) for every 10 Shares had been distributed to A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with total cash dividend of RMB1,398,731,160.60.

3. *Issuance of corporate bonds*

- (1) According to the the Proposal on Mandate to Issue Offshore Debt Financing Instruments by the Company as considered and approved at the second extraordinary general meeting of the Company for 2017, Orient HuiZhi Limited, an offshore indirect wholly-owned subsidiary of the Company, issued the bonds with issue size of USD250 million at a coupon rate of 3.625%, for which, the Company provided a guarantee for repayment of the principal and interests in full as a guarantor.
- (2) According to the Letter of No Objection on Listing and Transfer of Non-public Issued Bonds by 東方證券股份有限公司 (Shang Zheng Han [2017] No. 491) issued by the SSE and the Proposal on General Mandate to Issue Domestic Debt Financing Instruments by the Company as considered and approved at the 2017 first extraordinary general meeting of the Company, the Company completed issuance of the non-public issued corporate bonds (the first tranche) on April 16, 2018. The issuing size was RMB8.0 billion with a term of one year and a coupon rate of 4.83%.



Section V Significant Events

XVI. 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 great efforts to maintain and improve the Company's good image in the market. During the Reporting Period, the corporate governance of the Company was in compliance with the requirements under the PRC Company Law, the PRC Securities Law, the Regulatory Rules for Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate Governance for Listed Companies, the Corporate Governance Code and other relevant laws and regulations as well as the Articles of Association, and the corporate governance standards were continuously improved. The governance structure of "general meeting of shareholders, the Board, the supervisory committee and senior management" of the Company promised clear separation of powers and duties, effective balance of authority and scientific decisions, and therefore guaranteed the scientific and regulated operating of the Company. The Company kept on optimizing the establishment of the internal control management system, which enhanced the integrity, reasonableness and effectiveness of the internal control function. For a long time, the Company has been working on the continuous enhancement of the corporate governance structure and system building.

During the Reporting Period, the operation and management of the Company were standardized and orderly, enabling the Company to continuously optimize its rules and procedures in strict compliance with the relevant requirements under laws and regulations and regulatory documents. During the Reporting Period, pursuant to the new requirements under the Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies recently amended by the CSRC and the Implementation Guidelines for Compliance Management of Securities Companies newly established by the Securities Association of China in relation to the compliance management for securities companies, the Company modified the Articles of Association by taking into account its replacement plan for the 4th session of the Board and the Supervisory Committee as well as its actual needs. The amendment to certain material terms of the Articles of Association was considered and approved by the relevant meeting of the Board and the general meeting of the Company, and was authorized by the Shanghai Bureau of the CSRC by issue of the Reply on Permit to Change Certain Material Terms of the Articles of Association of 東方證券股份有限公司 (Hu Zheng Jian Xu Ke [2018] No. 52). During the Reporting Period, the Company convened two general meetings, six Board meetings, four meetings of the Supervisory Committee, one meeting of the Strategy Development Committee, two meetings of the Remuneration and Nomination Committee, four meetings of the Audit Committee, and one meeting of the Compliance and Risk Management Committee, totaling to eight meetings of the special committees under the Board. The convening procedures and voting procedures of the general meetings, Board meetings and meetings of the Supervisory Committee of the Company were legal and valid. During the Reporting Period, the Company continuously strengthened the investor relationship management and information disclosure, hence the investor relationship management was regulated and professional, and the information disclosed was true, accurate, complete, timely and fair, which enhanced the transparency of the Company continuously. By the formulation, continuous improvement and effective implementation of systems, the corporate governance structure of the Company became more standardized and the level of corporate governance kept on improving. There was no discrepancy between the actual corporate governance of the Company and the requirements of the PRC Company Law and relevant regulations of the CSRC. Meanwhile, the Company was in strict compliance with all the code provisions of the Corporate Governance Code, meeting most of the requirements for the recommended best practices set out in the Corporate Governance Code.

There was no discrepancy between the actual corporate governance of the Company and the requirements of the PRC Company Law, relevant regulations of the CSRC and the Corporate Governance Code.

Section V Significant Events

(i) Shareholders and general meetings

The Company convened and held the general meetings in strict compliance with the requirements under the Articles of Association and Rules of Procedure for Shareholders' General Meetings, to ensure that all shareholders were treated equally and were able to fully exercise their rights.

(ii) Directors and the Board

The Company appointed and changed its Directors in strict compliance with the relevant provisions of the Articles of Association. The composition and qualification of the Directors were in compliance with the applicable laws and regulations. On December 11, 2017, the Company held the second plenary meeting of the third session of the employee congress, at which, Mr. Du Weihua was elected as the employee Director of the fourth session of the Board of Directors of the Company, and Mr. Li Bin, Mr. Zhou Wenwu and Mr. Yao Yuan were elected as the employee Supervisors of the fourth session of the Supervisory Committee of the Company. On March 6, 2018, the Company convened the first extraordinary general meeting for 2018, at which, the non-employee Directors and non-employee Supervisors of the fourth session of the Board and the Supervisory Committee were elected. As at the end of the Reporting Period, the Board comprised 14 Directors, among which two were executive Directors, six were non-executive Directors, five were independent non-executive Directors and one was employee Director. All Directors are able to perform their duties in due diligence and protect the interests of the Company and the shareholders as a whole. The Strategic Development Committee, Audit Committee, Compliance and Risk Management Committee, Remuneration and Nomination Committee of the Board were assigned specific duties, clear authorization and responsibilities, and operated in high efficiency. The Audit Committee and the Remuneration and Nomination Committee were chaired by an independent non-executive Director, and comprised exclusively non-executive Directors with over half of the members being independent non-executive Directors.

The Audit Committee was established under the Board, which is in compliance with the relevant requirements of the CSRC, SSE and Hong Kong Listing Rules. As at the end of Reporting Period, the Audit Committee comprised five members, namely, Mr. Jin Qinglu, Mr. Wu Junhao, Mr. Xu Jianguo, Mr. Xu Guoxiang and Mr. Wei Anning. The Audit Committee is mainly responsible for facilitating communication between the internal and external auditors of the Company, supervision and review of the audit process, and provision of professional advice to the Board. The Audit Committee has reviewed and confirmed the 2018 interim financial report of the Company.

(iii) Supervisors and Supervisory Committee

The Supervisory Committee of the Company currently comprises nine Supervisors, among which three are employee representative Supervisors and six are non-employee representative Supervisors. The qualification of the Supervisors and the composition of the Supervisory Committee are in compliance with relevant laws and regulations. All Supervisors of the Company are able to perform their duties in due diligence, take accountability to shareholders, monitor the legality and compliance of the duty performance of the finance department, Board members and senior management of the Company, and provide recommendations and suggestions to the Board and senior management regarding relevant matters.

Section V Significant Events

(iv) Senior management

Procedures for the appointment of the senior management of the Company are in compliance with the rules under the PRC Company Law and the Articles of Association. The senior management of the Company conducts business in compliance with laws, regulations and authorizations from the Board, with a view to maximizing shareholders' value and social benefits.

(v) Investor management work carried out

Professional investor relationship management is not only the obligation of listed companies, but also an effective means to establish brand image and reflect corporate value. The Company attaches great importance to investor relations management and regards the maintenance and management of investor relations as one of the most important deployments of the Company's capital strategy. The Company has continuously improved the long-term mechanism of investor relationship management and established an Investor Relationship work system. The Company has set up an investor hotline, e-mail, company website, WeChat public number, conference call, on-exchange reception, online interaction, investor meeting, results release press conference, and the performance roadshow and the e-interactive platform launched by the SSE have strengthened various communication with investors.

In the first half of 2018, the Company received three on-exchange investigations by agencies and analysts, participated in 7 investor activities such as listed company associations or brokerage exchange meetings, held one on-exchange result release conference, and received more than 100 investors, which effectively enhanced investors' recognition of the Company and effectively improved the transparency of the Company.

In the first half of 2018, reception of research of the Company are as follows:

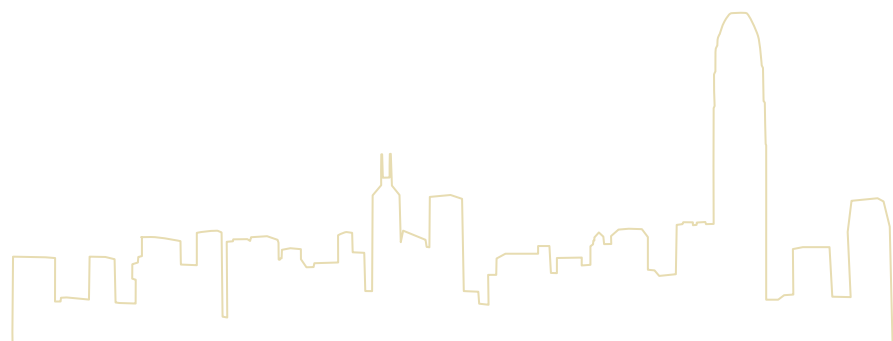
No.	Date	Place	Manner	Visiting parties	Topics
1	2018/5/4	the Company	On-site research	CICC Fund Management Co.,LTD. (中金基金管理有限公司) (1 investor)	The Company's operation status and development strategy
2	2018/5/10	the Company	On-site research	Shanghai Fenglan Asset Management Co., Ltd. (上海風藍資產管理有限公司), Huatai Securities Co.Ltd. (華泰證券股份有限公司) (3 investors)	The Company's operation status and development strategy
3	2018/7/10	the Company	On-site research	Chunyang Asset Management Co.,Ltd. (純陽資產管理有限公司) (4 investors)	The Company's operation status and development strategy

Section V Significant Events

(vi) Information disclosure

During the Reporting Period, the Company properly carried out information disclosure and was able to disclose relevant information in a manner that was true, accurate, complete, timely and fair and in strict accordance with the applicable laws, regulations and regulatory documents in the PRC and Hong Kong where its shares are listed. Meanwhile, the Company made more efforts to maintain the confidentiality of inside information, performed its obligation of insider registration, management and confidentiality diligently in strict compliance with all requirements relating to the procedures and internal control measures of handling and publishing of inside information under the System regarding Insider Registration, Management and Confidentiality.

In August 2018, the Company received the Circular on the Assessment Results of Information Disclosure by Listed Companies in 2017 (《關於2017年度上市公司信息披露工作評價結果的通報》) from the SSE, according to which the Company has received a rate A (outstanding in information disclosure) in respect of information disclosure for three consecutive years after the listing of its A Share.



Section VI Changes in Ordinary Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

There were no changes in total number of shares of the Company during the Reporting Period. The total number of shares was 6,993,655,803, including 2,062,217,163 IPO shares which commenced trading due to expiry of their lock-up period. As at the end of the Reporting Period, the total number of shares of the Company comprised of 6,215,452,011 shares not subject to trading restriction and 778,203,792 shares subject to trading restriction.

(ii) Changes in restricted shares

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Increase in restricted shares during the Reporting Period	Number of restricted shares at the end of the Reporting Period	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
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
Shanghai Electric (Group) Corporation	194,073,938	194,073,938	-	-	Lock-up under initial public offering of shares	March 23, 2018
Shanghai Construction Group Co., Ltd.	133,523,008	133,523,008	-	-	Lock-up under initial public offering of shares	March 23, 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
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
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 Haiyan Investment Management Company Limited	59,215,263	-	-	59,215,263	Lock-up under non-public issuance of shares	December 28, 2020

Section VI Changes in Ordinary Shares and Information on Shareholders

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Increase in restricted shares during the Reporting Period	Number of restricted shares at the end of the Reporting Period	Reason for restriction	Expiry date of restriction
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
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
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
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
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
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
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
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

Section VI Changes in Ordinary Shares and Information on Shareholders

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Increase in restricted shares during the Reporting Period	Number of restricted shares at the end of the Reporting Period	Reason for restriction	Expiry date of restriction
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 – Xiamen Jianfa Group Co., Ltd. (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 – 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
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 – 資金信託)	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

Section VI Changes in Ordinary Shares and Information on Shareholders

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares released during the Reporting Period	Increase in restricted shares during the Reporting Period	Number of restricted shares at the end of the Reporting Period	Reason for restriction	Expiry date of restriction
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	2,840,420,955	2,062,217,163	-	778,203,792	/	/

II. INFORMATION ON SHAREHOLDERS

(i) Total number of shareholders:

Total number of holders of ordinary shares as at the end of the Reporting Period (accounts) 139,721

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 shareholder (Full name)	Changes in number of shares during the Reporting Period	Shareholdings of the top ten shareholders					Pledged or frozen Status of shares	Number of shares	Nature of shareholders
		Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of restricted shares held					
Shenergy (Group) Company Limited	-	1,767,522,422	25.27	230,000,000	Nil	-	State-owned legal person		
HKSCC Nominees Limited	2,800	1,026,966,800	14.68	-	Nil	-	Offshore legal person		
Shanghai Haiyan Investment Management Company Limited	-	345,486,596	4.94	59,215,263	Nil	-	State-owned legal person		
China Securities Finance Corporation Limited	70,420,833	342,686,425	4.90	-	Nil	-	State-owned legal person		
Shanghai United Media Group	-	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	2.98	208,700,000	Nil	-	State-owned legal person		
Shanghai Electric (Group) Corporation	-	194,073,938	2.77	-	Nil	-	State-owned legal person		
China Post Group Corporation	-	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)	-	160,653,687	2.30	-	Nil	-	Domestic non-state owned legal person		
Shanghai Construction Group Co., Ltd.	-	133,523,008	1.91	-	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 shareholder	Number of circulating non-restricted shares held	Type and number of shares	
		Type	Number
Shenergy (Group) Company Limited	1,537,522,422	RMB ordinary shares	1,537,522,422
HKSCC Nominees Limited	1,026,966,800	Overseas listed foreign shares	1,026,966,800
China Securities Finance Corporation Limited	342,686,425	RMB ordinary shares	342,686,425
Shanghai Haiyan Investment Management Company Limited	286,271,333	RMB ordinary shares	286,271,333
Shanghai United Media Group	243,267,306	RMB ordinary shares	243,267,306
Shanghai Electric (Group) Corporation	194,073,938	RMB ordinary shares	194,073,938
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
Shanghai Construction Group Co., Ltd.	133,523,008	RMB ordinary shares	133,523,008
Greenland Holding Group Company Limited (綠地控股集團有限公司)	101,302,087	RMB ordinary shares	101,302,087

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.

Section VI Changes in Ordinary Shares and Information on Shareholders

Shareholdings of the top ten shareholders of restricted shares and restrictions

Unit: share

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	
1	Shenergy (Group) Company Limited	230,000,000	December 28, 2021	1,537,522,422	Lock-up period of 48 months
2	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
3	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
4	Guohua Life Insurance Co., Ltd. - Traditional No. 1 (傳統一號)	70,372,976	December 28, 2018		- Lock-up period of 12 months
5	Shanghai Haiyan Investment Management Company Limited	59,215,263	December 28, 2020		- Lock-up period of 36 months
6	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	December 28, 2018		- Lock-up period of 12 months
7	Zhongyuan Equity Investment Management Co., Ltd. (中原股權投資管理有限公司)	35,186,489	December 28, 2018		- Lock-up period of 12 months
8	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	December 28, 2018		- Lock-up period of 12 months
9	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	December 28, 2018		- Lock-up period of 12 months
10	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	December 28, 2018		- Lock-up period of 12 months

Related party relationship or parties acting in concert among above shareholders

All of 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)), 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), 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) and 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) are asset management products being managed by Caitong Fund Management Co., Ltd. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.

Section VI Changes in Ordinary Shares and Information on Shareholders

(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.

III. CHANGES OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

During the Reporting Period, there were no changes of controlling shareholders and de facto controller.

IV. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at June 30, 2018, 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 owner	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

Section VI Changes in Ordinary Shares and Information on Shareholders

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)
Shanghai Haiyan Investment Management Company Limited ^(Note 3)	A Share	Beneficial owner	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 owner	94,940,800 (L)	9.24	1.36
Raise Sino Investments Limited ^(Note 5)	H Share	Beneficial owner	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 owner	93,991,600 (L)	9.15	1.34

Section VI Changes in Ordinary Shares and Information on Shareholders

Notes:

1. (L) represents the long position.
2. As at June 30, 2018, 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 June 30, 2018, none of the other substantial shareholders or parties has any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

V. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2018, 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.

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

During the Reporting Period, the Group did not repurchase, sell or redeem any of the listed securities of the Company.

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

I. CHANGES IN SHAREHOLDING

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

During the Reporting Period, none of the existing and resigned Directors, Supervisors and senior management of the Company held any shares of the Company.

(ii) **Equity incentives granted to Directors, Supervisors and senior management during the Reporting Period**

During the Reporting Period, no equity incentives were granted to the Directors, Supervisors or senior management of the Company.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Particulars of changes
Wu Jianxiong	Non-executive Director, vice chairman	Resigned
Zhang Qian	Non-executive Director	Resigned
Huang Laifang	Non-executive Director	Resigned
Liu Wei	Non-executive Director	Elected
Xia Jinghan	Non-executive Director	Elected
Du Weihua	Employee representative Director	Elected
Song Xuefeng	Chairman of Supervisory Committee	Resigned
Zhang Qian	Chairman of Supervisory Committee	Elected
Huang Laifang	Supervisor	Elected
Tong Jie	Supervisor	Elected

Changes in Directors, Supervisors and senior management of the Company

- (i) 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. Mr. Du Weihua officially assumed the office upon consideration and approval of the election of other members of the Board at the first extraordinary general meeting of the Company in 2018 held on March 6, 2018, and shall hold his term of office to the expiry of the terms of the fourth session of the Board.

Section VIII Directors, Supervisors, Senior Management

Mr. Du Weihua, born in 1964, is a CPC party member and holds a master's degree and is an associate professor. Currently, he is a vice president, 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, 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.

- (ii) The Company held the first extraordinary general meeting of 2018 on March 6, 2018, at which, the Resolution Regarding the Election of the Board of Directors of the Company and the Resolution Regarding the Election of the Supervisory Committee of the Company were considered and approved. According to which, Mr. Liu Wei and Ms. Xia Jinghan were elected as the members of the fourth session of the Board. During the Reporting Period, the Company received the Reply of Approval on Qualification of Liu Wei as a Director of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 27) and the Reply of Approval on Qualification of Xia Jinghan as a Director of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 25) from Shanghai Bureau of the CSRC, pursuant to which, the appointments of Mr. Liu Wei and Ms. Xia Jinghan as non-executive Directors have taken effect from the date of the receipt of such replies in relation to their qualifications, and they shall hold their terms of office to the expiry of the terms of the fourth session of the Board. Meanwhile, Mr. Zhang Qian, Ms. Huang Laifang and Ms. Tong Jie were elected as the members of the fourth session of the Supervisory Committee. Mr. Zhang Qian and Ms. Huang Laifang shall perform their duties as Supervisors from the date of approval by the general meeting. During the Reporting Period, the Company received the Reply of Approval on Qualification of Tong Jie as a Supervisor of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 22) from Shanghai Bureau of the CSRC, pursuant to which, the appointment of Ms. Tong Jie as a Supervisor has taken effect from the date of the receipt of such reply in relation to her qualification, and she shall hold her terms of office to the expiry of the terms of the fourth session of the Supervisory Committee. Since then, Mr. Wu Jianxiong, Mr. Zhang Qian and Ms. Huang Laifang ceased to be the Directors of the Company, and Mr. Song Xuefeng ceased to be the Supervisor of the Company.

Mr. Liu Wei, born in 1973, a CPC party member, holds a bachelor's degree and a master's degree in law. Currently, he is the manager of human resource department of Shenergy (Group) Company Limited. Mr. Liu served as a clerk of the Enforcement Division (section officer), a clerk, then an assistant judge of the Economic Division, and an assistant judge of the Office (deputy section head level) of People's Court of Huangpu District from July 1996 to December 2001, an assistant judge of the Office (deputy section head level), an assistant judge of the Office (section head level), the deputy section chief of the General Section of the Office, the director of the President's Office of the Office, a judge (deputy division head level), and the deputy director of the Office of Higher People's Court of Shanghai Municipality from December 2001 to May 2013, the deputy director of the Office of Organization Department, the deputy director and consultant of General Official Division of Municipal Committee from May 2013 to September 2017. Mr. Liu has been serving as the manager of human resource department of Shenergy (Group) Company Limited since September 2017.

Section VIII Directors, Supervisors, Senior Management

Ms. Xia Jinghan, born in 1969, a member of CPC party, holds a bachelor's degree as well as a master's degree in economics. Currently, she is the general counsel of Zhejiang Energy Group Co., Ltd., the secretary of CPC party committee and the chairman of Zheneng Capital Holdings Limited (浙能資本控股有限公司), the chairman of Zhejiang Zheneng Assets Operation and Management Co., Ltd. (浙江浙能資產經營管理有限公司), an executive director of Zheneng Equity Investment Fund Management Co., Ltd. (浙能股權投資基金管理有限公司) and the chairman of Zhejiang Zheneng Carbon Assets Management Co., Ltd. (浙江浙能碳資產管理有限公司). She was successively a member, a deputy section officer, a section officer, and the deputy head of the finance section of Zhejiang Provincial Development and Planning Commission from August 1990 to June 2003, a member of CPC party committee, the deputy general manager and secretary of the board of directors of Zhejiang Southeast Electric Power Company Limited (浙江東南發電股份有限公司) from June 2003 to September 2010, and the director of the strategic research and legal affairs department of Zhejiang Energy Group Co., Ltd. from February 2010 to December 2016. Ms. Xia has been serving as the general counsel of Zhejiang Energy Group Co., Ltd. since April 2014, and the secretary of CPC party committee and the chairman of Zheneng Capital Holdings Limited since November 2016.

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

- (iii) The Company held the first meeting of the fourth session of the Supervisory Committee on March 9, 2018, at which, the Resolution Regarding the Election of the Chairman of the Supervisory Committee of the Company was considered and approved, and Mr. Zhang Qian was elected as the Chairman of the Supervisory Committee of the Company. During the Reporting Period, the Company received the Reply of Approval on Qualification of Zhang Qian as a Chairman-level Officer of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 39) from Shanghai Bureau of the CSRC, pursuant to which, the appointment of Mr. Zhang Qian as the chairman of the Supervisory Committee has taken effect from the date of the receipt of such reply in relation to his qualification, and shall hold his term of office to the expiry of the terms of the fourth session of the Supervisory Committee.

Section VIII Directors, Supervisors, Senior Management

III. OTHER EXPLANATIONS

(i) Securities Transactions of Directors, Supervisors and Relevant Employees

The Company has adopted the standards set out in the Model Code as the code of conduct regarding the securities transactions conducted by the Directors and Supervisors. Based on the special enquiries of the Directors and Supervisors, all Directors and Supervisors confirmed that during the Reporting Period, all Directors and Supervisors have strictly complied with the standards stipulated by the Model Code. The Company also sets guidelines on the trading of securities by relevant employees (as defined in the Hong Kong Listing Rules), which are not less exacting than the Model Code. The Company found no breach of the relevant guidelines by the relevant employees. During the Reporting Period, no present and resigned Directors, Supervisors or senior management of the Company held shares or share options, or were granted restricted shares of the Company.

(ii) Changes in Material Information of Directors and Supervisors

1. Mr. Pan Xinjun, the chairman of Board of the Company, concurrently served as the chairman of the board of directors of Shanghai Orient Securities Asset Management Company Limited since March 2018.
2. Mr. Chen Bin, a non-executive Director of the Company, has ceased to be a director of Shanghai Tobacco Auctions Co., Ltd. since May 2018.
3. Mr. Li Xiang, a non-executive Director of the Company, has been a director of Shanghai Wenhui Xinmin Training Institute since July 2018.
4. Mr. Xu Guoxiang, an independent non-executive Director of the Company, has ceased to be an independent director of China Enterprise Co., Ltd. since June 2018.
5. Mr. Wei Anning, an independent non-executive Director of the Company, concurrently served as a director of Shaanxi Shiyang Agriculture Co., Ltd. since May 2018.
6. Mr. Zhang Qian, the chairman of the Supervisory Committee of the Company, ceased to be the chairman of the board of directors of Shanghai Shenergy ICY Equity Investment Co., Ltd. since May 2018.
7. Mr. Yang Bin, the chief risk officer and chief compliance officer of the Company, concurrently served as a supervisor of Great Wall Fund Management Co., Ltd. since February 2018, and a director of Shanghai Orient Securities Asset Management Company Limited since March 2018.



Section VIII Directors, Supervisors, Senior Management

(iii) Service Contracts of Directors and Supervisors

According to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into contracts with Directors and Supervisors in relation to (among others) compliance with the relevant laws and regulations and the Articles of Association as well as the arbitration provisions. Save as disclosed above, the Company has not entered and does not recommend to enter into any service contracts with any Directors or Supervisors in their respective capacity as Director/Supervisor (except those expire in one year or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(iv) Employees and Remuneration Policy

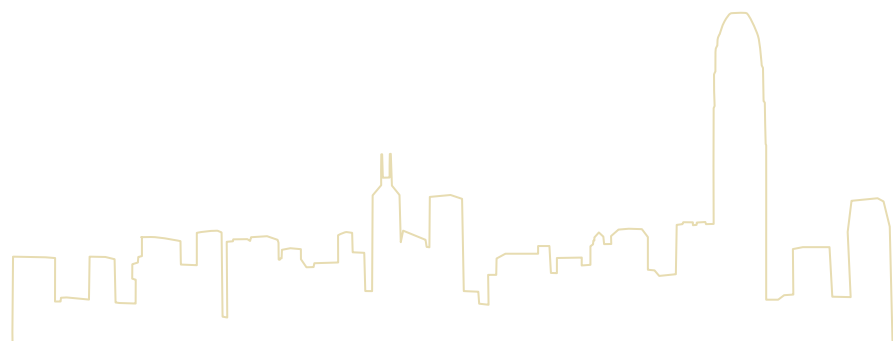
As at the end of the Reporting Period, the Group had 4,894 employees, of whom 3,500 were employed by the Parent Company and 1,394 were employed by the subsidiaries.

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 “highest priority is given to efficiency while taking fairness into account”. Pursuant to the applicable laws and regulations of the PRC, the Company entered into a labour contract with each of its employees to establish an employment relationship. The labour contract contains the provisions relating to a contract term, working hours, rest and vacation, labour remuneration and insurance benefits, labour 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.

(v) Training Plan

During the Reporting Period, the Company continued to improve its talents fostering mechanism to promote the growth of its staff, and upgraded 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 increased the investment in fostering all kinds of talents and innovate the diversified fostering mechanism. In addition, the Company provided customized training courses to all kinds of talents echelon to ensure the knowledge supply for the outstanding talents.



Section IX Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Issuing date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue
2014 Corporate 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
2018 Corporate Bonds non-publicly issued by 東方證券股份有限公司 (first tranche)	18 Orient Securities 01	150289	April 13, 2018	April 13, 2019	80	4.83	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 has never defaulted on any corporate bonds.

Other information on corporate bonds

The Company completed the issuance of the 2015 subordinated bonds of 東方證券股份有限公司 under the short name of “15 Orient Bond” with a code of “123065” on May 29, 2015, the issue size of which was RMB6 billion with an initial annual interest rate of 5.60% for fixed term of five years, attached with the issuer’s option to redeem at the end of the third year. During the Reporting Period, the issuer chose to exercise the “redemption option” to redeem the “15 Orient Bond” subordinated bonds outstanding on the credit record date, and had completed repayment of principal and interest on the bonds as well as delisting on May 29, 2018.

Section IX 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, Jingan District, Shanghai, the PRC
	Contact person	Zhou Ping, Lu Wen
	Telephone no.	+86-21-22169999
Bonds trustee manager	Name	Dongguan Securities Limited (東莞證券股份有限公司)
	Office address	Room 2202, Zizhu International Building, No. 1088, Fangdian Road, Shanghai, the PRC
	Contact person	Wu Kunsheng
	Telephone no.	+86-21-50158806, +86-21-50158810
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 Xinye 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 publicly issued corporate bonds, and Dongguan Securities Limited was the bonds trustee manager for the Company's 2017 non-publicly issued corporate bonds, 2017 publicly issued corporate bonds and 2018 non-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 five-year 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 used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

Section IX Corporate Bonds

(ii) 15 Orient Securities Bonds

As approved by the document (Xu Ke [2015] No. 2406) issued by the CSRC, the Company publicly issued RMB12 billion five-year 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 three-year 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. 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, improve its market competitiveness and anti-risk capability.

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 ten-year 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, improve its market competitiveness and anti-risk capability.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.



Section IX Corporate Bonds

(v) 18 Orient Securities 01

On April 13, 2018, the Company non-publicly issued RMB8 billion one-year 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.

The Company used the capital strictly according to the relevant laws and regulations and the purposes disclosed in the prospectus.

IV. RATING OF CORPORATE BONDS

During the Reporting Period, China Chengxin Securities Ratings Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company's issued "14 Orient Securities Bonds", "15 Orient Securities Bonds" and "17 Orient Bonds" and issued the Follow-up Rating Report on the 2014 Corporate Bonds of 東方證券股份有限公司 (2018) (Xin Ping Wei Han Zi [2018] Gen Zong No. 063), the Follow-up Rating Report on the 2015 Corporate Bonds publicly issued by 東方證券股份有限公司 (2018) (Xin Ping Wei Han Zi [2018] Gen Zong No. 064), and the Follow-up Rating Report on the 2017 Corporate Bonds publicly issued by 東方證券股份有限公司 (2018) (Xin Ping Wei Han Zi [2018] Gen Zong No. 065) which maintained the AAA ratings given to the Company's "14 Orient Securities Bonds", "15 Orient Securities Bonds" and "17 Orient Bonds", and also maintained the AAA ratings and a stable outlook given to the issuer of such bonds.

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 "18 Orient Securities 01" shall be paid on April 13, 2019, 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).

Section IX Corporate Bonds

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.

(ii) Repayment of principal

1. The principal of the bonds will be repaid upon maturity in one lump sum. The principal of “18 Orient Securities 01” will be repaid on April 13, 2019, 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 “18 Orient Securities 01” was completed on April 13, 2018. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfilment 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 Bonds” was completed on August 3, 2017. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfilment 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 IX Corporate 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 fulfilment 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 fulfilment 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.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR DURING THE REPORTING PERIOD AND THE SAME PERIOD OF LAST YEAR)

Major indicators	As at the end of the Reporting Period	As at the end of last year	Increase or decrease at the end of the Reporting Period as compared with the end of last year (%)	Reason for change
Current ratio (%)	156.84	147.69	Up by 9.15 percentage points	The increase in current assets outpacing that of current liabilities
Quick ratio (%)	156.84	147.69	Up by 9.15 percentage points	The increase in quick assets outpacing that of current liabilities
Gearing ratio (%) ^{Note}	73.21	73.69	Down by 0.48 percentage points	
Loan repayment rate (%)	100.00	100.00	–	
EBITDA interest coverage ratio	1.33	1.84	-27.72	Mainly due to the decrease in profit before interest and tax
Interest coverage ratio (%)	100.00	100.00	–	

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

Section IX Corporate Bonds

XI. OVERDUE DEBT

During the Reporting Period, there was no overdue debt of the Company.

X. INTEREST PAYMENT AND REPAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENT OF THE COMPANY

During the Reporting Period, the principal and interest of the Company's other bonds and debt financing instruments were repaid on time without any defaults.

XI. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the Company received aggregate banking facilities of RMB417.3 billion from 108 Banks, in which aggregate facilities of RMB170.9 billion was from state-owned large-scale commercial banks and joint-stock banks, and an aggregate facility of RMB246.4 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 have grown rapidly which enable the Company to have a strong short-term and mid-long term financing capability.

XII. PERFORMANCE OF THE RELEVANT UNDERTAKINGS OR COMMITMENTS INCORPORATE 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.

XIII. IMPACT OF MATERIAL EVENTS OF THE COMPANY ON OPERATIONS AND SOLVENCY OF THE COMPANY

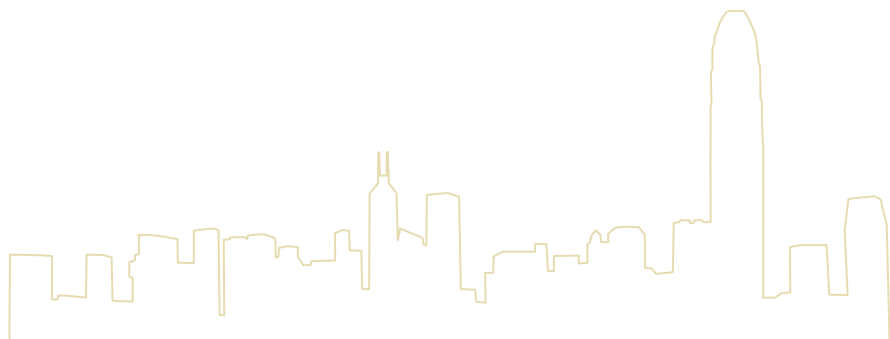
During the Reporting Period, there were no material events which had an impact on the operations and solvency of the Company.



Section X Documents Available for Inspection

Documents Available for Inspection	The full text and summary of the interim report signed by the legal representative and sealed with the corporate seal
Documents Available for Inspection	The 2018 interim 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: August 30, 2018



Section XI 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	Reply of Approval on Qualification of Tong Jie as a Supervisor of a Securities Company	Hu Zheng Jian Xu Ke [2018] No. 22	March 6, 2018
2	Shanghai Bureau of the CSRC	Reply of Approval on Qualification of Xia Jinghan as a Director of a Securities Company	Hu Zheng Jian Xu Ke [2018] No. 25	March 12, 2018
3	Shanghai Bureau of the CSRC	Reply of Approval on Qualification of Liu Wei as a Director of a Securities Company	Hu Zheng Jian Xu Ke [2018] No. 27	March 14, 2018
4	SSE	Letter of No Objection on Listing and Transfer of Non-public Issuance of Subordinated Bonds by 東方證券股份有限公司	Shang Zheng Han [2018] No.205	February 26, 2018
5	Shanghai Bureau of the CSRC	Reply of Approval on Qualification of Zhang Qian as a Chairman-level Officer of a Securities Company	Hu Zheng Jian Xu Ke [2018] No. 39	May 23, 2018

II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2018, the Company was rated as a “Grade A, Category AA” company.



Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

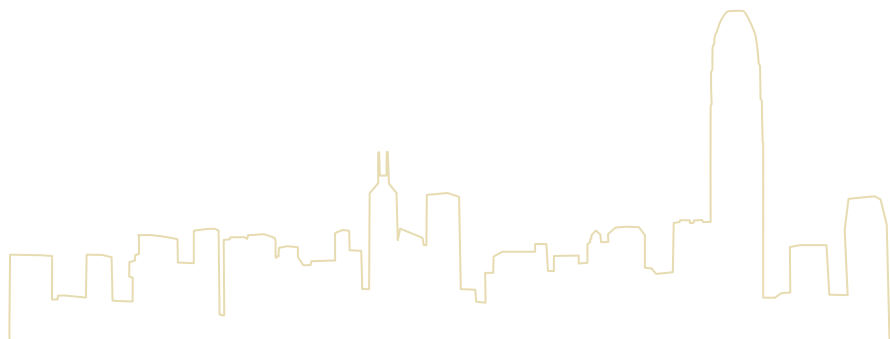
TO THE BOARD OF DIRECTORS OF 東方證券股份有限公司
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 東方證券股份有限公司 (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 128 to 228, which comprise the condensed consolidated statement of financial position as at 30 June, 2018 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June, 2018, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August, 2018



Condensed Consolidated Statements of Profit or Loss

For the six months ended 30 June, 2018

	NOTES	Six months ended 30 June,	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue			
Commission and fee income	5	3,171,629	2,304,131
Interest income	6	3,230,319	1,953,134
Net investment (losses)/gains	7	(300,899)	3,109,642
Other income and gains or losses	8	874,690	334,690
Total revenue, gains/(losses) and other income		6,975,739	7,701,597
Depreciation and amortisation	9	(96,476)	(90,416)
Staff costs	10	(1,574,108)	(1,821,365)
Commission and fee expenses		(185,754)	(173,547)
Interest expenses	11	(2,876,437)	(2,740,412)
Other operating expenses	12	(1,814,832)	(807,479)
Provision for impairment losses		(98,980)	(34,542)
Total expenses		(6,646,587)	(5,667,761)
Share of results of associates		504,173	148,441
Profit before income tax		833,325	2,182,277
Income tax expense	13	(73,847)	(373,674)
Profit for the period		759,478	1,808,603
Attributable to:			
Shareholders of the Company		715,589	1,755,242
Non-controlling interests		43,889	53,361
		759,478	1,808,603
Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	14	0.10	0.28

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June, 2018

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit for the period	759,478	1,808,603
Other comprehensive (expense)/income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on investment in equity instruments designated as at fair value through other comprehensive income	(803,866)	–
Income tax relating to items that will not be reclassified to profit or loss	200,967	–
Share of other comprehensive expense of associates, net of related income tax	(25,819)	–
Subtotal	(628,718)	–
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on:		
debt instruments measured at fair value through other comprehensive income		
– net fair value changes during the period	436,660	–
– reclassification adjustment to profit or loss on disposal	(22,763)	–
– reclassification adjustment to profit or loss on expected credit loss	(2,683)	–
available-for-sale financial assets		
– net fair value changes during the period	–	(407,034)
– reclassification adjustment to profit or loss on disposal	–	(172,285)
– reclassification adjustment to profit or loss on impairment	–	31,899
income tax impact relating to items that may be reclassified to profit or loss	(102,804)	138,285
Share of other comprehensive expense of associates, net of related income tax	(16,263)	(846)
Exchange differences arising on translation	12,028	(23,059)
Others	–	289
Subtotal	304,175	(432,751)
Other comprehensive expense for the period, net of income tax	(324,543)	(432,751)
Total comprehensive income for the period	434,935	1,375,852
Attributable to:		
Shareholders of the Company	391,046	1,322,202
Non-controlling interests	43,889	53,650
	434,935	1,375,852

The accompanying notes presented on pages 139 to 228 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Financial Position

As at 30 June, 2018

	NOTES	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Non-current assets			
Property and equipment	15	2,086,026	2,033,609
Goodwill	16	32,135	32,135
Other intangible assets		116,460	127,939
Investments in associates	18	3,961,897	4,005,604
Other loans, receivables and prepayments	20	83,888	–
Available-for-sale financial assets		–	9,940,762
Held-to-maturity investments		–	37,500
Financial assets at fair value through profit or loss	21	8,320,677	–
Equity instruments at fair value through other comprehensive income	22	6,520,122	–
Debt instruments measured at amortised cost	23	7,813,622	–
Financial assets held under resale agreements	24	6,383,902	9,932,998
Deferred tax assets		583,641	150,522
Total non-current assets		35,902,370	26,261,069
Current assets			
Advances to customers	25	12,308,981	12,940,064
Account receivables	26	1,229,317	962,844
Other loans, receivables and prepayments	20	3,417,805	3,725,463
Available-for-sale financial assets		–	62,293,616
Held-to-maturity investments		–	73,000
Financial assets held under resale agreements	24	22,368,060	24,685,493
Financial assets at fair value through profit or loss	21	50,126,755	48,029,447
Debt instruments at fair value through other comprehensive income	27	48,567,014	–
Debt instruments measured at amortised cost	23	260,703	–
Derivative financial assets		126,546	168,719
Deposits with exchanges and financial institutions	28	2,126,604	1,025,096
Clearing settlement funds	29	12,769,806	9,349,322
Cash and bank balances	30	31,319,341	41,895,955
Restricted bank deposits		449,900	449,900
Total current assets		185,070,832	205,598,919
Total assets		220,973,202	231,859,988

Condensed Consolidated Statements of Financial Position

As at 30 June, 2018

	NOTES	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Current liabilities			
Borrowings	32	2,182,149	2,327,670
Due to banks and other financial institutions		9,540,000	11,200,000
Account payables to brokerage clients	33	27,805,535	28,219,521
Accrued staff costs		1,153,070	1,852,383
Other account payables, other payables and accruals	34	4,701,719	4,315,525
Contract liabilities		108,645	–
Current tax liabilities		227,274	433,308
Bond payables	35	20,794,260	11,639,397
Short-term financing bills payables	36	5,849,049	1,810,486
Financial liabilities at fair value through profit or loss	37	5,794,364	6,059,727
Derivative financial liabilities		1,298,911	628,176
Financial assets sold under repurchase agreements	38	45,145,462	53,180,004
Total current liabilities		124,600,438	121,666,197
Net current assets		60,470,394	83,932,722
Total assets less current liabilities		96,372,764	110,193,791
Equity			
Share capital	39	6,993,656	6,993,656
Reserves	41	37,720,355	37,517,315
Retained profits		6,481,115	8,474,531
Equity attributable to shareholders of the Company		51,195,126	52,985,502
Non-controlling interests		547,613	515,973
Total equity		51,742,739	53,501,475



Condensed Consolidated Statements of Financial Position

As at 30 June, 2018

	NOTES	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Non-current liabilities			
Financial assets sold under repurchase agreements	38	1,970,000	2,940,000
Deferred tax liabilities		39,134	82,026
Bond payables	35	42,620,891	53,670,290
Total non-current liabilities		44,630,025	56,692,316
Total equity and non-current liabilities		96,372,764	110,193,791

The condensed consolidated financial statements on pages 128 to 228 were approved for issue by the Board of Directors on 30 August, 2018 and signed on its behalf by:

Pan Xinjun
Chairman of Board

Zhang Jianhui
Chief Financial Officer

The accompanying notes presented on pages 139 to 228 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June, 2018

	NOTE	Equity attributable to shareholders of the Company									
		Reserves							Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Revaluation reserve/ investment		Retained profits			
						revaluation reserve	debt or equity investment				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unaudited											
At 31 December, 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
Effect of application of IFRS 9	2	-	-	-	-	475,108	-	(1,257,798)	(782,690)	(1,010)	(783,700)
As at 1 January, 2018 (restated)		6,993,656	28,254,931	3,052,204	6,604,970	114,651	(34,333)	7,216,733	52,202,812	514,963	52,717,775
Profit for the period		-	-	-	-	-	-	715,589	715,589	43,889	759,478
Other comprehensive (expenses)/income for the period		-	-	-	-	(336,571)	12,028	-	(324,543)	-	(324,543)
Total comprehensive (expenses)/income for the period		-	-	-	-	(336,571)	12,028	715,589	391,046	43,889	434,935
Additional interests acquired from non-controlling shareholders of the subsidiary		-	-	-	-	-	-	-	-	(184)	(184)
Appropriation to general reserve		-	-	-	72,994	-	-	(72,994)	-	-	-
Dividends recognised as distribution	40	-	-	-	-	-	-	(1,398,732)	(1,398,732)	(11,055)	(1,409,787)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	(20,519)	-	20,519	-	-	-
As at 30 June, 2018		6,993,656	28,254,931	3,052,204	6,677,964	(242,439)	(22,305)	6,481,115	51,195,126	547,613	51,742,739



Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June, 2018

	Equity attributable to shareholders of the Company										
	NOTE	Reserves								Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Revaluation	Translation reserve	Retained profits	Subtotal		
						investment revaluation reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unaudited											
As at 1 January, 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 period		-	-	-	-	-	-	1,755,242	1,755,242	53,361	1,808,603
Other comprehensive (expenses)/income for the period		-	-	-	-	(409,981)	(23,059)	-	(433,040)	289	(432,751)
Total comprehensive (expenses)/income for the period		-	-	-	-	(409,981)	(23,059)	1,755,242	1,322,202	53,650	1,375,852
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	980	980
Additional interests acquired from non-controlling shareholders of the subsidiary		-	1	-	-	-	-	-	1	(226)	(225)
Appropriation to general reserve		-	-	-	25,559	-	-	(25,559)	-	-	-
Dividends recognised as distribution	40	-	-	-	-	-	-	(932,318)	(932,318)	(13,729)	(946,047)
As at 30 June, 2017		6,215,452	18,028,782	2,685,798	5,738,432	298,084	(2,856)	7,909,091	40,872,783	495,602	41,368,385

The accompanying notes presented on pages 139 to 228 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flow

For the six months ended 30 June, 2018

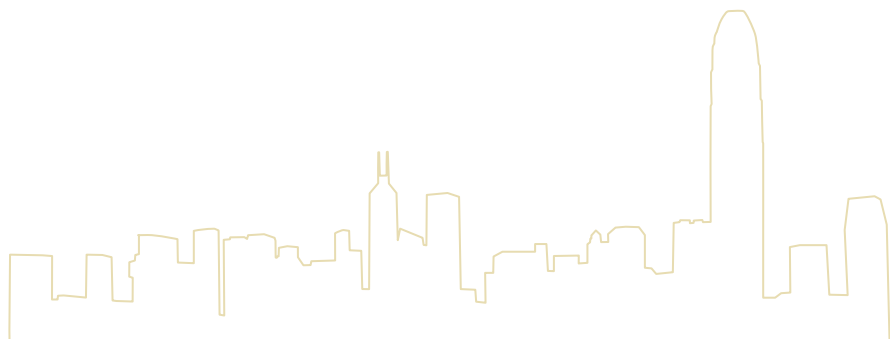
	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	833,325	2,182,277
Adjustments for		
Interest expenses	2,876,437	2,740,412
Share of results of associates	(504,173)	(148,441)
Depreciation and amortisation	96,476	90,416
Provision for impairment losses-financial assets	98,980	34,542
Losses/(gains) on disposal of property and equipment	536	(518)
Foreign exchange losses	16,581	77,673
Net gains arising from disposal of associates	-	(25,002)
Net realised gains and income arising from available-for-sale financial assets	-	(1,568,342)
Net realised gains and income arising from FVTPL	(85,487)	-
Net realised gains and interest income arising from debt instruments at fair value through other comprehensive income	(1,191,734)	-
Interest income from held-to-maturity investments	-	(5,913)
Interest income from debt instruments measured at amortised cost	(128,428)	-
Net realised gains arising from loan and receivable investments and others	-	(27,016)
Unrealised fair value change of financial assets at fair value through profit or loss	1,529,857	(1,051,125)
Unrealised fair value change of financial liabilities at fair value through profit or loss	(8,095)	98,001
Unrealised fair value change of derivative financial instruments	(360,812)	(232,882)



Condensed Consolidated Statements of Cash Flow

For the six months ended 30 June, 2018

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Operating cash flows before movements in working capital	3,173,463	2,164,082
Decrease/(increase) in advances to customers	556,308	(498,188)
Decrease/(increase) in financial assets held under resale agreements	5,027,778	(558,326)
Increase in financial assets at fair value through profit or loss and derivative financial assets	(1,155,566)	(18,383,395)
(Increase)/decrease in deposits and reserve funds and deposits with exchanges	(1,101,508)	179,266
Decrease in bank balances and clearing settlement funds restricted or held on behalf of customers	908,426	6,804,189
(Increase)/decrease in accounts receivable, other receivables and prepayments	(1,021,779)	618,180
Decrease in other account payables, other payables and accruals	(1,537,865)	(730,314)
Decrease in account payables to brokerage clients	(413,986)	(6,248,005)
Increase/(decrease) in financial liabilities at fair value through profit or loss and derivatives financial liabilities	413,467	(2,013,554)
(Decrease)/increase in financial assets sold under repurchase agreements	(9,004,542)	4,193,392
(Decrease)/increase in deposits due to banks and other financial institutions	(1,660,000)	1,885,000
Cash (used in)/generated from operations	(5,815,804)	(12,587,673)
Income taxes paid	(517,649)	(305,972)
Interest paid	(1,229,277)	(1,219,706)
NET CASH USED IN OPERATING ACTIVITIES	(7,562,730)	(14,113,351)



Condensed Consolidated Statements of Cash Flow

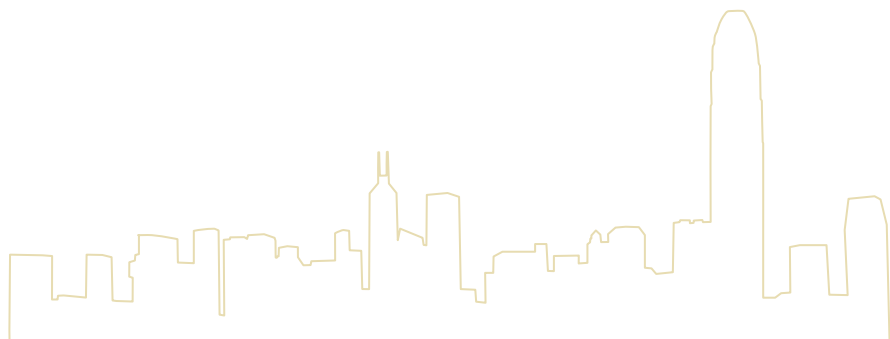
For the six months ended 30 June, 2018

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	1,743,032	1,561,504
Proceeds on disposal of property and equipment and other intangible assets	2,022	5,567
Proceeds from disposal or redemption of:		
financial assets at fair value through profit or loss	8,009,774	–
equity instruments at fair value through other comprehensive income	124,965	–
debt instruments at fair value through other comprehensive income	12,992,612	–
available-for-sale investments, held to maturity investments, loans and advances to customers	–	57,202,116
debt instrument at amortised cost	73,000	–
Capital injection in associates	(8,550)	(3,880)
Purchases of		
financial assets at fair value through profit or loss	(7,622,148)	–
equity instruments at fair value through other comprehensive income	(63,968)	–
debt instruments at fair value through other comprehensive income	(11,877,320)	–
available-for-sale investments, held to maturity investments, loans and advances to customers, and other investments	–	(50,420,627)
debt instrument at amortised cost	(2,343,536)	–
Purchases of property and equipment and other intangible assets	(139,978)	(85,102)
Proceeds from disposal or capital reduction of associates	152,653	111,509
NET CASH FROM INVESTING ACTIVITIES	1,042,558	8,371,087
FINANCING ACTIVITIES		
Capital injection from non-controlling shareholders	–	980
Proceeds from bonds and short-term financing bills payables issued	14,446,472	25,029,481
Repayments on bonds and short-term financing bills payables issued	(12,345,777)	(23,690,150)
Proceeds from borrowings	279,257	463,836
Repayments on borrowings	(445,085)	(44,725)
Dividends paid to shareholders	(160,860)	(15,443)
Interest of bonds and short-term financing bills payables paid	(1,532,109)	(1,586,894)
Interest of borrowings paid	(23,310)	(19,230)
Payments on acquisition of additional interests in a subsidiary	(184)	(225)
NET CASH FROM FINANCING ACTIVITIES	218,404	137,630

Condensed Consolidated Statements of Cash Flow

For the six months ended 30 June, 2018

	NOTE	Six months ended 30 June,	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,301,768)	(5,604,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	31	22,316,837	17,546,809
Effect of foreign exchange rate changes		54,064	(101,761)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	31	16,069,133	11,840,414
Net cash flows from operating activities include:			
Interest received		638,690	768,471
Interest paid		(1,229,277)	(1,219,706)



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated financial statements of the Group should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December, 2017.

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

Application of amendments to International Financial Reporting Standards (“IFRSs”)

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June, 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December, 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

Application of amendments to International Financial Reporting Standards (“IFRSs”) *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB, which are applicable for the Group’s financial year beginning on 1 January, 2018:

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and measurement of share-based payment transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

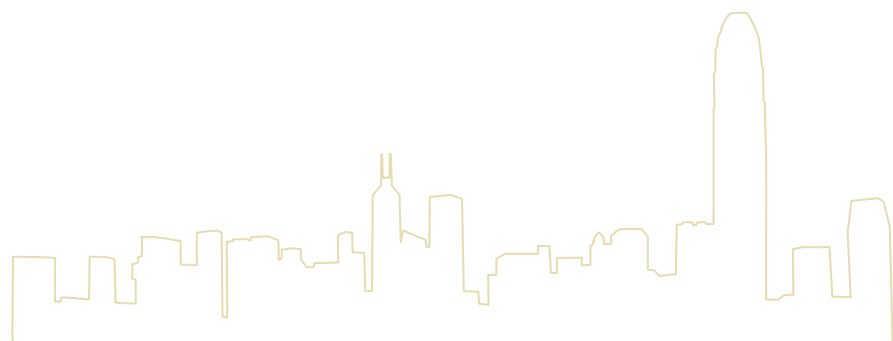
The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group provides various types of financial services as disclosed in note 5 and is engaged in other services as disclosed in note 8.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January, 2018. There is no difference at the date of initial application and the comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

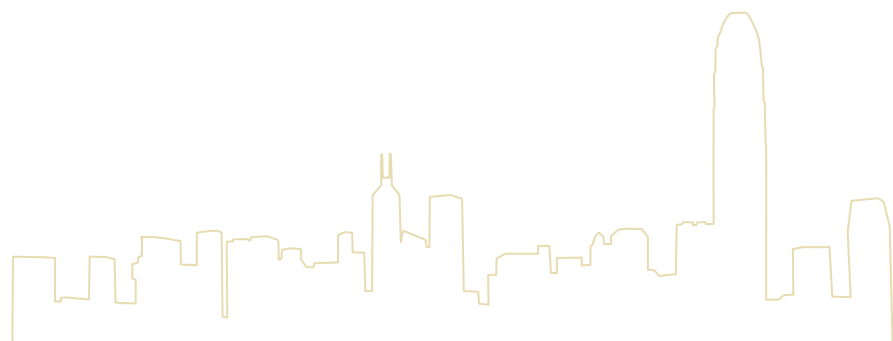
Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or service transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(Continued)*

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(Continued)*

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its related business activities. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2.1.2 Summary of effects arising from initial application of IFRS 15

The application of IFRS 15 has had no material impact on retained profits or condensed consolidated statement of financial position at 1 January, 2018 from initial application of IFRS 15.

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 *Financial Instruments*, and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January, 2018. The difference between carrying amounts as at 31 December, 2017 and the carrying amounts as at 1 January, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Account receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets *(Continued)*

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments which are not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment (losses)/gains" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net investment (losses)/gains" line item.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets *(Continued)*

Financial assets at FVTPL (Continued)

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

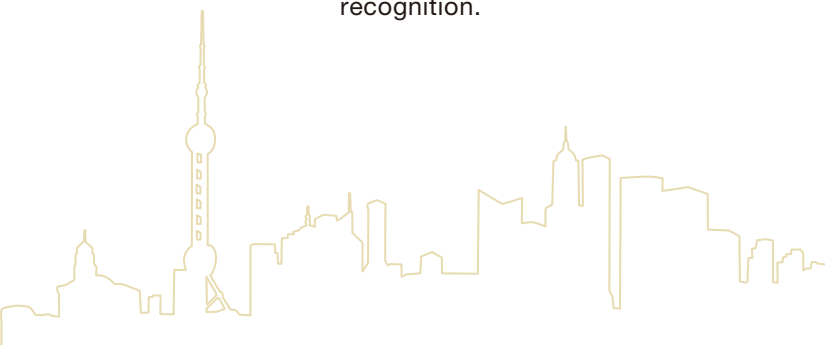
Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9, including advances to customers, debt instruments at FVTOCI, financial assets held under resale agreements, debt instruments measured at amortised cost, account receivables, deposits with exchanges and financial institutions, clearing settlement funds, cash and bank balances, restricted bank deposits, loan commitments and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for account receivables. The ECL on account receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

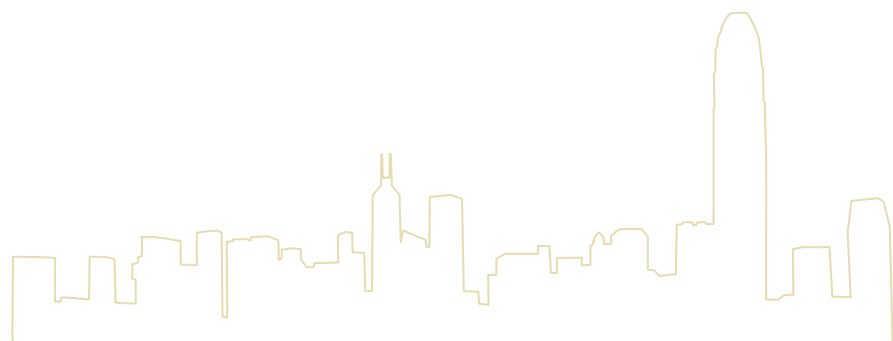
Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

Measurement and recognition of ECL (Continued)

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables, other receivables, advances to customers, and financial assets held under resale agreements where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the debt investment revaluation reserve without reducing the carrying amounts of these debt instruments.

For loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and loan commitments for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January, 2018.

Notes	Available-for-sale RMB'000	Held-to-maturity RMB'000	Financial assets designated at FVTPL RMB'000	Financial assets required by IAS 39/ IFRS 9 RMB'000	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Debt instruments measured at cost RMB'000	Investments in associates RMB'000	Advances to customers RMB'000	Financial assets held under resale agreements RMB'000	Other loans and receivables RMB'000	Deferred tax assets/ liabilities RMB'000	Debt or equity investment revaluation reserve (previously classified as revaluation reserve)	Retained profits RMB'000	Non- controlling interests RMB'000
													RMB'000		
Closing balance at 31 December, 2017 – IAS 39	72,234,378	110,500	4,332,900	43,696,547	-	-	-	4,005,604	12,940,064	34,618,491	3,516,342	68,496	(360,457)	8,474,531	515,973
Effect arising from initial application of IFRS 9:															
Reclassification															
From available-for-sale	(a) (72,234,378)			11,869,620	5,900,743	49,225,128	5,238,887						(28,296)	28,296	
From held-to-maturity		(c) (110,500)					110,500								
From designated at FVTPL			(b) (4,332,900)	2,821,300	1,511,600								311,774	(311,774)	
From other loans and receivables				759,514							(759,514)				
From FVTPL				(138,660)			138,660								
Remeasurement															
Impairment under ECL model							(739)		(71,056)	(805,711)		202,282	12,074	(687,298)	
From cost less impairment to fair value				(a) (201,957)								1,782		(199,165)	(1,010)
From fair value to amortised cost							317,720					(79,430)	238,290		
Others								(f) (146,591)					(58,734)	(87,857)	
Opening balance at 1 January, 2018	-	-	-	58,806,364	7,412,343	49,225,128	5,805,028	3,859,013	12,869,008	33,812,780	2,756,828	193,130	114,651	7,216,733	514,963

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (Continued)

(a) Available-for-sale investments (“AFS”)

From AFS equity investments to equity instruments at FVTOCI

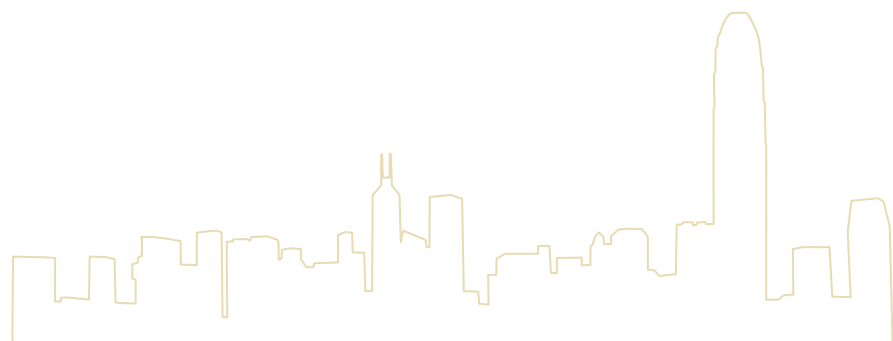
The Group elected to present in OCI for the fair value changes of some equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB5,900,743 thousand were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which RMB130,160 thousand related to unquoted equity investments previously measured at cost less impairment under IAS 39. The fair value gains of RMB360,967 thousand (after tax) relating to those investments previously carried at fair value continued to accumulate in equity investment revaluation reserve.

From AFS investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group’s equity and other investments of RMB10,937,077 thousand were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value losses of RMB200,175 thousand (after tax) relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL with amounts of RMB199,165 thousand adjusted to retained profits and amounts of RMB1,010 thousand adjusted to non-controlling interests as at 1 January, 2018. The fair value gains of RMB69,380 thousand (after tax) relating to those investments previously carried at fair value were transferred from revaluation reserve of available-for-sale financial assets to retained profits.

From AFS debt investments to debt instruments measured at amortised cost

At the date of initial application of IFRS 9, certain investments in debt investment of RMB5,238,887 thousand were reclassified from available-for-sale to debt instruments measured at amortised cost since the Group’s business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The carrying amounts were adjusted to amortised cost of RMB5,556,607 thousand, with corresponding reversal of fair value losses of RMB238,290 thousand (after tax) previously recognised in revaluation reserve.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (Continued)

(a) Available-for-sale investments ("AFS") (Continued)

From AFS debt investments to debt instruments at FVTOCI

Bonds investments with a fair value of RMB49,225,128 thousand were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of RMB753,545 thousand (after tax) are accumulated in the debt investment revaluation reserve as at 1 January, 2018.

From AFS debt investments to FVTPL

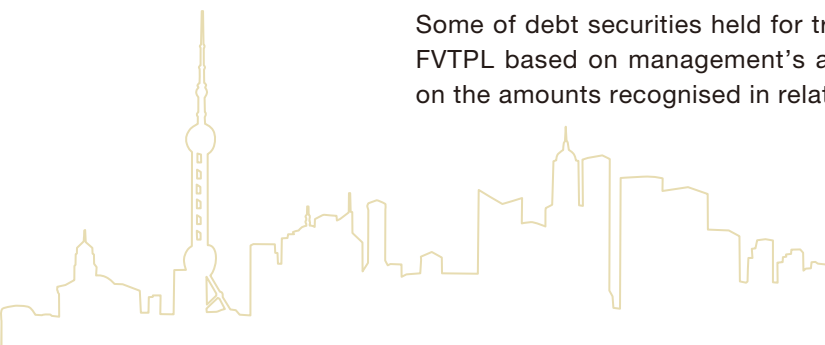
Bonds investments with a fair value of RMB932,543 thousand were reclassified from available-for-sale investments to financial assets at FVTPL. This is because the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value losses of RMB41,084 thousand (after tax) were transferred from revaluation reserve of available-for-sale financial assets to retained profits as at 1 January, 2018.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for some of equity securities, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of these investments of RMB2,821,300 thousand were reclassified from financial assets designated at FVTPL to financial assets at FVTPL and the remaining fair value of RMB1,511,600 thousand were reclassified from financial assets designated at FVTPL to equity instrument at FVTOCI. The fair value gains of RMB311,774 thousand (after tax) relating to those investments previously carried at fair value were transferred from retained profits to equity investment revaluation reserve.

At the date of initial application, certain investments in debt investment of RMB138,660 thousand were reclassified from financial assets at FVTPL to debt instruments measured at amortised cost since the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

Some of debt securities held for trading continued to be classified as financial assets at FVTPL based on management's assessment on business model. There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(Continued)*

- (b) Financial assets at FVTPL and/or designated at FVTPL *(Continued)*

Remaining investments are equity securities and others investments held for trading which are required to be classified as FVTPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.
- (c) Held-to-maturity investments

Bonds previously classified as held-to-maturity investments are reclassified and measured at amortised cost upon application of IFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. The carrying amounts were adjusted to amortized cost of RMB110,417 thousand, with additional credit loss allowance of RMB62 thousand (after tax) recognised against retained profits.
- (d) Other loans and receivables

Investments of RMB759,514 thousand previously classified as other loans and receivables was reclassified to FVTPL upon the application of IFRS 9 based on management's assessment on cash flow characteristics and business model.
- (e) Impairment under ECL model

The Group applied the IFRS 9 simplified approach to measure ECL and recognizes lifetime ECL for account receivables. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost including deposits with exchanges and financial institutions, clearing settlement funds, cash and bank balances, restricted bank deposits, advances to customers, financial assets held under resale agreements, debt instruments measured at amortised cost, and other receivables, and debt instruments at FVTOCI are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for some of these financial assets which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

The loss allowance of those investments which are considered to be low credit risk investments is measured on 12m ECL basis.

As at 1 January, 2018, the additional credit loss allowance of RMB978,264 thousand has been recognised against retained profits. The additional loss allowance is charged against the respective asset except for the debt instruments which is measured at FVTOCI, the loss allowance for which is recognised against the debt investment revaluation reserve.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(Continued)*

(e) Impairment under ECL model *(Continued)*

All loss allowances for financial assets including debt instruments measured at amortised cost, debt instruments at FVTOCI, advances to customers, financial assets held under resale agreements, account receivables and other receivables as at 31 December, 2017 reconcile to the opening loss allowance as at 1 January, 2018 are as follows:

	Account receivables RMB'000	Other loans and receivables RMB'000	Debt instruments at FVTOCI RMB'000	Debt instruments at amortised cost RMB'000	Financial assets held under resale agreements RMB'000	Advances to customers RMB'000
At 31 December, 2017						
- IAS 39	7,819	53,781	-	-	187,351	99,104
Reclassification	-	(4,565)	-	-	-	748
Amounts remeasured through opening retained profits/debt investment revaluation reserve	-	-	100,758	739	805,711	71,056
At 1 January, 2018	7,819	49,216	100,758	739	993,062	170,908

(f) Investments in associates

The net effects arising from the initial application of IFRS 9 resulted in a decrease in the carrying amounts of investments in associates of RMB146,591 thousand with a corresponding adjustments to retained profits and equity investment revaluation reserve by RMB(87,857) thousand and RMB(58,734) thousand respectively.

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	At 31 December, 2017 RMB'000 (audited)	IFRS 9 RMB'000	As at 1 January, 2018 RMB'000 (restated)
Assets			
Cash and bank balances	41,895,955	–	41,895,955
Clearing settlement funds	9,349,322	–	9,349,322
Deposits with exchanges and financial institutions	1,025,096	–	1,025,096
Derivative financial assets	168,719	–	168,719
Financial assets at FVTPL	48,029,447	10,776,917	58,806,364
Advances to customers	12,940,064	(71,056)	12,869,008
Account receivables	962,844	–	962,844
Financial assets held under resale agreements	34,618,491	(805,711)	33,812,780
Restricted bank deposits	449,900	–	449,900
Debt instruments measured at amortised cost	–	5,805,028	5,805,028
Debt instruments measured at FVTOCI	–	49,225,128	49,225,128
Equity instruments measured at FVTOCI	–	7,412,343	7,412,343
Available-for-sale financial assets	72,234,378	(72,234,378)	–
Held-to-maturity investments	110,500	(110,500)	–
Deferred tax assets	150,522	42,824	193,346
Investments in associates	4,005,604	(146,591)	3,859,013
Property and equipment	2,033,609	–	2,033,609
Goodwill	32,135	–	32,135
Other intangible assets	127,939	–	127,939
Other loans, receivables and prepayments	3,725,463	(759,514)	2,965,949
Total assets	231,859,988	(865,510)	230,994,478

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation *(Continued)*

	At 31 December, 2017 RMB'000 (audited)	IFRS 9 RMB'000	As at 1 January, 2018 RMB'000 (restated)
Liabilities			
Short-term financing bills payables	1,810,486	–	1,810,486
Due to banks and other financial institutions	11,200,000	–	11,200,000
Account payables to brokerage clients	28,219,521	–	28,219,521
Financial assets sold under repurchase agreements	56,120,004	–	56,120,004
Financial liabilities at FVTPL	6,059,727	–	6,059,727
Derivative financial liabilities	628,176	–	628,176
Current tax liabilities	433,308	–	433,308
Accrued staff costs	1,852,383	–	1,852,383
Borrowings	2,327,670	–	2,327,670
Bond payables	65,309,687	–	65,309,687
Deferred tax liabilities	82,026	(81,810)	216
Other account payables, other payables and accruals	4,315,525	–	4,315,525
Total liabilities	178,358,513	(81,810)	178,276,703



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation *(Continued)*

	At 31 December, 2017 RMB'000 (audited)	IFRS 9 RMB'000	As at 1 January, 2018 RMB'000 (restated)
Equity			
Share capital	6,993,656	–	6,993,656
Reserves	37,517,315	475,108	37,992,423
Retained profits	8,474,531	(1,257,798)	7,216,733
Equity attributable to shareholders of the Company	52,985,502	(782,690)	52,202,812
Non-controlling interests	515,973	(1,010)	514,963
Total equity	53,501,475	(783,700)	52,717,775
Total equity and liabilities	231,859,988	(865,510)	230,994,478



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

3. KEY SOURCES AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statement for the six months ended 30 June, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December, 2017, except for the key sources of estimation uncertainty about the impairment of financing receivables.

Classification of financial assets

Business model assessment: Classification and measurement of financial assets depends on the results of the solely payments of principal and interest ("SPPI") test and the business model. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Impairment of advances to customers and financial assets held under resale agreement

The Group estimates the amount of loss allowance for ECL on its advances to customers and financial assets held under resale agreements. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of advances to customer and financial assets held under resale agreements. The assessment of the credit risk of customer and financial assets held under resale agreements involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 45 for more details.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

3. KEY SOURCES AND CRITICAL ACCOUNTING JUDGEMENT *(Continued)*

Impairment of advances to customers and financial assets held under resale agreement *(Continued)*

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 45 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to note 45 for more details on ECL and note 46 for more details on fair value measurement.

Forward-looking information

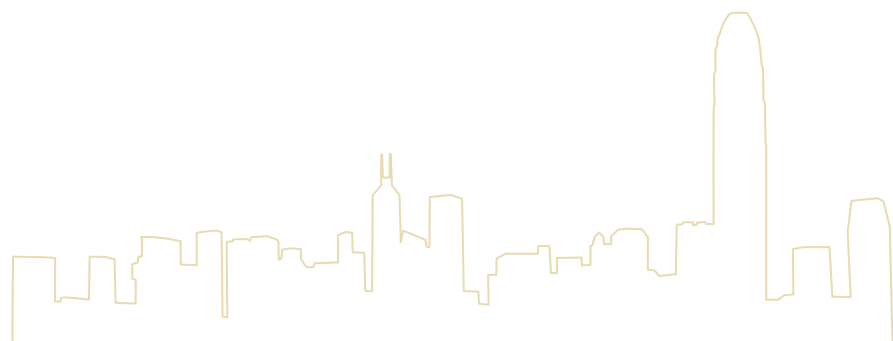
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 45 for more details.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to note 45 for more details.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to note 45 for more details.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

4. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the “CODM”) of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of 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;
- (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, debt underwriting and financial advisory services;
- (e) Headquarters and others, includes head office operations and the overseas business of 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 six months ended 30 June, 2018 and 2017.

Segment profit/loss represents the profit earned by/loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment, excluding deferred tax assets/liabilities. Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities’ carried out by one segment for another segment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

4. SEGMENT REPORTING (Continued)

The segment information provided to the CODM for the six months ended 30 June, 2018 and 2017 are as follows:

Operating segment

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended 30 June, 2018								
Unaudited								
Segment revenue and results								
Segment revenue and net investment (losses)/gains	512,472	1,678,966	2,516,022	652,209	1,014,041	6,373,710	(272,661)	6,101,049
Segment other income and gains	19	27,940	768,002	43,955	45,073	884,989	(10,299)	874,690
Segment revenue, gains/ (losses) and other income	512,491	1,706,906	3,284,024	696,164	1,059,114	7,258,699	(282,960)	6,975,739
Segment expenses	(1,004,812)	(885,991)	(2,145,575)	(361,897)	(2,305,442)	(6,703,717)	57,130	(6,646,587)
Segment results	(492,321)	820,915	1,138,449	334,267	(1,246,328)	554,982	(225,830)	329,152
Share of results of associates	-	504,173	-	-	-	504,173	-	504,173
Profit/(loss) before income tax	(492,321)	1,325,088	1,138,449	334,267	(1,246,328)	1,059,155	(225,830)	833,325
As at 30 June, 2018								
Unaudited								
Segment assets and liabilities								
Segment assets	86,282,353	8,072,701	79,559,300	1,735,269	59,558,051	235,207,674	(14,818,113)	220,389,561
Deferred tax assets								583,641
Group's total assets								220,973,202
Segment liabilities	46,344,747	1,894,917	34,808,133	360,955	87,872,119	171,280,871	(2,089,542)	169,191,329
Deferred tax liabilities								39,134
Group's total liabilities								169,230,463
For the six months ended 30 June, 2018								
Unaudited								
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	1,347	4,129	27,687	3,051	60,262	96,476	-	96,476
Provision for/(reversal of) impairment losses	(275)	(597)	95,706	107	4,041	98,982	(2)	98,980
Capital Expenditure	268	6,595	27,195	2,324	103,596	139,978	-	139,978

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

4. SEGMENT REPORTING (Continued)

Operating segment (Continued)

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended								
30 June, 2017								
Unaudited								
Segment revenue and results								
Segment revenue and net investment gains	2,374,449	838,386	2,521,746	754,962	928,690	7,418,233	(51,326)	7,366,907
Segment other income and gains	1,019	53,009	91,559	35,860	158,496	339,943	(5,253)	334,690
Segment revenue, gains/(losses) and other income	2,375,468	891,395	2,613,305	790,822	1,087,186	7,758,176	(56,579)	7,701,597
Segment expenses	(879,791)	(540,853)	(1,353,644)	(370,889)	(2,581,470)	(5,726,647)	58,886	(5,667,761)
Segment results	1,495,677	350,542	1,259,661	419,933	(1,494,284)	2,031,529	2,307	2,033,836
Share of results of associates	-	148,441	-	-	-	148,441	-	148,441
Profit/(loss) before income tax	1,495,677	498,983	1,259,661	419,933	(1,494,284)	2,179,970	2,307	2,182,277
As at 31 December, 2017								
Unaudited								
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
For the six months ended								
30 June, 2017								
Unaudited								
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	2,792	2,088	26,327	2,915	56,294	90,416	-	90,416
Provision for/(reversal of) impairment losses	32,392	(178)	328	169	2,217	34,928	(386)	34,542
Capital Expenditure	28	7,916	27,700	1,647	47,811	85,102	-	85,102

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

4. 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 six months ended 30 June, 2018 and the year ended 31 December, 2017.

5. COMMISSION AND FEE INCOME

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Commission on securities dealing, broking and handling fee income	771,336	724,573
Underwriting, sponsors and financial advisory fee income	610,749	663,996
Commission on futures and options contracts dealing, broking and handling fee income	118,627	105,505
Asset management fee income	1,503,468	644,707
Fund management fee income	67,514	84,569
Consultancy fee income	91,406	72,177
Others	8,529	8,604
	3,171,629	2,304,131

6. INTEREST INCOME

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Advances to customers and securities lending	479,733	397,032
Financial assets held under resale agreements	942,220	1,087,145
Deposits with exchanges and financial institutions and bank balances	493,773	436,383
Interest from debt instruments at FVTOCI	1,168,971	–
Interest from debt securities measured at amortised cost	128,428	–
Others	17,194	32,574
	3,230,319	1,953,134

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

7. NET INVESTMENT (LOSSES)/GAINS

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net realised gains from disposal of available-for-sale financial assets	–	172,285
Net realised gains from disposal of debt instruments at FVTOCI	22,763	–
Dividend income and interest income from available-for-sale financial assets	–	1,396,057
Net realised losses from disposal of financial assets at FVTPL	(77,191)	(422,017)
Dividend income and interest income from financial assets at FVTPL	738,936	767,841
Net realised gains arising from financial liabilities at FVTPL	11,116	73,354
Interest income from held-to-maturity financial assets	–	5,913
Net realised gains from disposal of associates	–	25,002
Net realised gains/(losses) arising from derivative financial instruments	164,427	(121,815)
Unrealised fair value change of financial assets at FVTPL	(1,529,857)	1,051,125
Unrealised fair value change of financial liabilities at FVTPL	8,095	(98,001)
Unrealised fair value change of derivative financial instruments	360,812	232,882
Others	–	27,016
	(300,899)	3,109,642



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

8. OTHER INCOME AND GAINS OR LOSSES

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Foreign exchange losses	(16,581)	(77,673)
Rental income	8,730	8,022
Government grants (<i>Note</i>)	134,728	306,574
(Losses)/gains on disposals of property and equipment	(536)	518
Bulk commodity trading income and others	748,349	97,249
	874,690	334,690

Note: The government grants were received unconditionally from the local governments to support operations on certain purposes.

9. DEPRECIATION AND AMORTISATION

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Depreciation of property and equipment	65,361	62,486
Amortisation of other intangible assets	31,115	27,930
	96,476	90,416

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB1,574 million (unaudited) and RMB1,821 million (unaudited) for the period ended 30 June, 2018 and 2017 respectively.

11. INTEREST EXPENSES

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest on liabilities wholly repayable within five years:		
– Account payables to brokerage clients	36,514	40,174
– Financial assets sold under repurchase agreements	972,311	906,314
– Borrowings	35,231	25,479
– Due to banks and other financial institutions	137,923	98,958
– Short-term financing bills payables	83,295	80,650
– Bond payables	1,552,924	1,544,331
– Others	58,239	44,506
	2,876,437	2,740,412



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

12. OTHER OPERATING EXPENSES

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Advisory expenses	80,902	70,129
Auditor's remuneration	1,685	4,490
Business travel expenses	43,509	42,449
Communication expenses	37,774	34,750
Electronic equipment operating expenses	74,269	61,601
Entertainment expenses	35,171	35,133
Administrative expenses	94,612	77,256
Operating lease rentals in respect of rented premises	150,358	134,782
Products distribution expenses	422,060	167,928
Securities and futures investor protection funds	22,092	18,637
Stock exchange management fees	19,433	16,051
Sundry expenses	32,653	22,244
Tax and surcharges	43,022	28,501
Donation	17,346	9,157
Bulk commodity trading and others	739,946	84,371
	1,814,832	807,479

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

13. INCOME TAX EXPENSE

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current tax:		
– PRC Enterprise Income Tax	264,217	224,171
– Hong Kong Profits Tax	949	1,377
	265,166	225,548
Adjustments in respect of current income tax in relation to prior years:		
– PRC Enterprise Income Tax	46,449	28,192
Deferred tax	(237,768)	119,934
	73,847	373,674

Under the Enterprise Income Tax of the PRC (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the Company and the Group’s PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period.



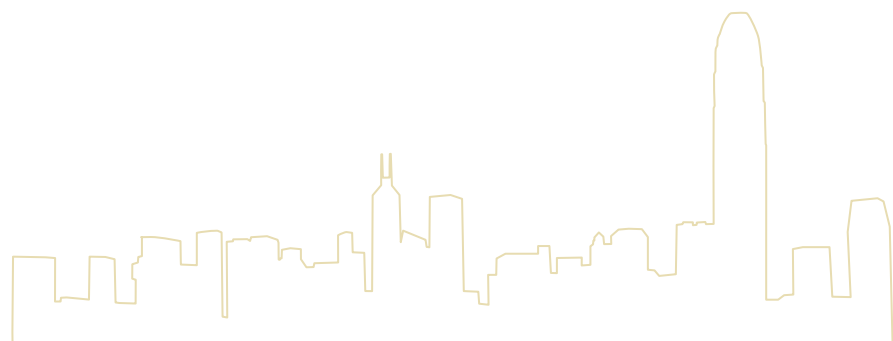
Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

13. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the period can be reconciled to the profit before income tax as follows:

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit before income tax	833,325	2,182,277
Tax at the statutory tax rate of 25%	208,331	545,569
Tax effect of share of results of associates	(45,053)	(37,110)
Adjustments for prior years	46,449	28,192
Tax effect of expenses not deductible for tax purpose	181	3,280
Tax effect of income not taxable for tax purpose	(201,890)	(181,104)
Tax effect of tax losses not recognised	83,809	18,849
Utilisation of tax losses previously not recognised	(17,491)	(3,293)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(489)	(709)
Income tax expense for the period	73,847	373,674



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

14. EARNINGS PER SHARE

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

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Earnings for the purpose of basic earnings per share:		
– Profit for the period attributable to shareholders of the Company	715,589	1,755,242
Number of shares:		
– Weighted average number of ordinary shares in issue (in thousand)	6,993,656	6,215,452
Basic earnings per share (RMB Yuan)	0.10	0.28

For the six months ended 30 June, 2018 and 2017, there were no potential ordinary shares in issue.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

15. 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
Unaudited							
COST							
As at 1 January, 2018	317,338	643,025	35,881	88,746	355,154	1,505,733	2,945,877
Additions	9,559	25,503	1,875	2,746	17,965	62,504	120,152
Disposals	-	(16,686)	(180)	(3,939)	-	-	(20,805)
Transfer during the period	-	32,998	1,002	5,181	-	(39,181)	-
Exchange difference	-	96	5	7	23	24	155
As at 30 June, 2018	326,897	684,936	38,583	92,741	373,142	1,529,080	3,045,379
ACCUMULATED DEPRECIATION							
As at 1 January, 2018	71,682	470,832	23,311	63,026	283,417	-	912,268
Charge for the period	5,118	37,882	1,587	4,214	16,560	-	65,361
Eliminated on disposals	-	(14,609)	(175)	(3,653)	-	-	(18,437)
Exchange difference	-	97	3	7	54	-	161
As at 30 June, 2018	76,800	494,202	24,726	63,594	300,031	-	959,353
CARRYING VALUES							
As at 30 June, 2018	250,097	190,734	13,857	29,147	73,111	1,529,080	2,086,026
Audited							
COST							
As at 1 January, 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 31 December, 2017	317,338	643,025	35,881	88,746	355,154	1,505,733	2,945,877
ACCUMULATED DEPRECIATION							
As at 1 January, 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 31 December, 2017	71,682	470,832	23,311	63,026	283,417	-	912,268
CARRYING VALUES							
As at 31 December, 2017	245,656	172,193	12,570	25,720	71,737	1,505,733	2,033,609

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

16. GOODWILL

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Unit A – securities brokerage branches	18,948	18,948
Unit B – Orient Futures Co., Ltd	13,187	13,187
	32,135	32,135

17. 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 Group's interests in all consolidated asset management products amounted to fair value of RMB3,904 million (unaudited) and RMB4,443 million (audited) at 30 June, 2018 and 31 December, 2017, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the priority tranche investors by holding such subordinated tranche interests.

The financial impact of the results and cash flows of these consolidated asset management products for the six months ended 30 June, 2018 and 2017, are not significant and therefore are not disclosed separately.

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

18. INVESTMENTS IN ASSOCIATES

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Cost of unlisted investments in associates	2,146,422	2,290,525
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,815,475	1,715,079
	3,961,897	4,005,604

At the end of reporting period, the Group has the following associates:

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30 June, 2018 (unaudited)	As at 31 December, 2017 (audited)	
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC 3 February, 2005	35.41%	35.41%	Fund management
上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd.	PRC 7 April, 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 Capital Investment Co., Ltd.*	PRC 12 July, 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 6 May, 2014	22.50%	22.50%	Investment management

* English translated names are for identification purpose only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

18. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30 June, 2018 (unaudited)	As at 31 December, 2017 (audited)	
北京東方智雲股權投資中心 (有限合夥) Beijing Oriental Zhiyun Equity Investment Center LLP.*	PRC 20 August, 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) Oriental Jiashi (Shanghai) Investment Management LLP.*	PRC 15 April, 2015	26.74%	26.74%	Investment management
上海東證遠譽投資中心(有限合夥) Shanghai Oriental Yuanyu Investment Center LLP.*	PRC 25 August, 2015	33.33%	33.33%	Investment management
上海東證今緣股權投資基金合夥企業 (有限合夥) Shanghai Oriental Jinyuan Equity Investment LLP.*	PRC 16 October, 2015	30.00%	30.00%	Equity investment
東證騰駿(上海)投資合夥企業 (有限合夥) Oriental Tengjun (Shanghai) Investment LLP.*	PRC 23 November, 2015	38.69%	38.69%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP.*	PRC 16 December, 2015	45.45%	45.45%	Investment management

English translated names are for identification purpose only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

18. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30 June, 2018 (unaudited)	As at 31 December, 2017 (audited)	
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP.*	PRC 4 February, 2016	34.51%	34.51%	Equity investment
上海東證春醫投資中心(有限合夥) Shanghai Oriental Chunyi Investment Center LLP.*	PRC 3 November, 2015	49.26%	49.26%	Investment management
東證睿波(上海)投資中心(有限合夥) Oriental Ruibo (Shanghai) Investment Center LLP.*	PRC 24 June, 2015	35.69%	35.69%	Investment management
海寧東證藍海併購投資合夥企業(有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	PRC 13 July, 2016	25.85%	25.85%	Investment management
OCI International Holdings Limited	Cayman Islands 6 June, 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 27 March, 2017	36.00%	36.00%	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 11 July, 2016	79.98%	79.98%	Asset management

* English translated names are for identification purpose only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

18. INVESTMENTS IN ASSOCIATES *(Continued)*

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

China Universal

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Total assets	7,606,124	8,989,484
Total liabilities	2,664,113	4,108,008
Net assets	4,942,011	4,881,476

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Total revenue	1,766,292	1,310,841
Profit for the period	466,195	409,624
Other comprehensive income	1,868	17,703
Total comprehensive income	468,063	427,327

Reconciliation of the above consolidated financial information to the carrying amount of the interest in above associate recognised in the financial statements:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Equity attributable to equity holders of the associate	4,796,181	4,746,163
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	1,698,328	1,680,601

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

19. 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 periods. Except for the structured entities the Group has consolidated as disclosed in Note 17, based on the assessment, these collective asset management schemes and investment funds are not controlled by the Group. 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 RMB221,958 million (unaudited) and RMB214,239 million (audited) as at 30 June, 2018 and 31 December, 2017, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as financial assets at FVTPL as at 30 June, 2018 and as available-for-sale financial investments and financial assets at FVTPL as appropriate as at 31 December, 2017. As at 30 June, 2018 and 31 December, 2017, the carrying amounts of the Group's interests in unconsolidated management schemes are RMB641 million (unaudited) and RMB650 million (audited), respectively, which approximates the maximum risk exposure of the Group, and the assets management fee income for the six months ended 30 June, 2018 and 2017, are RMB1,508 million (unaudited) and RMB729 million (unaudited), respectively.

The carrying amount of the structured entities sponsored by third party institutions in the condensed consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June, 2018 and 31 December, 2017, which are set out below:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Financial assets at FVTPL	13,753,951	8,814,957
Available-for-sale financial assets	–	6,980,139
	13,753,951	15,795,096

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

20. OTHER LOANS, RECEIVABLES AND PREPAYMENTS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Non-current		
– Other loans	84,310	–
Less: impairment allowance	(422)	–
	83,888	–
The movements of the impairment allowance are set out below:		
At beginning of the period/year	–	1,098
Charge for during the period/year	422	–
Transfer out during the period/year	–	(1,098)
At end of the period/year	422	–
Current		
– Other receivables	559,398	212,087
– Interest receivable	2,115,162	2,242,935
– Dividends receivable	8,824	–
– Other loans	392,590	1,075,119
– Prepayments	231,003	209,121
– Others	224,259	39,982
Less: impairment allowance	(113,431)	(53,781)
	3,417,805	3,725,463



Notes to the Condensed Consolidated Financial Statements

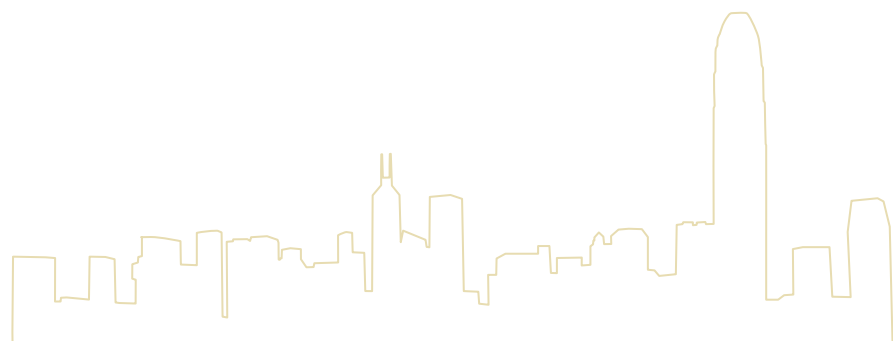
For the six months ended 30 June, 2018

20. OTHER LOANS, RECEIVABLES AND PREPAYMENTS *(Continued)*

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
The movements of the impairment allowance are set out below:		
At end of the prior year	53,781	61,054
Effect of application of IFRS 9	(4,565)	–
At beginning of the period/year	49,216	61,054
Transfer in during the period/year	–	1,098
Charge for during the period/year	64,215	24,818
Written-off	–	(33,189)
At end of the period/year	113,431	53,781

As at 30 June, 2018 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	4,476	109,377	113,853



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Non-current		
Mandatorily measured at FVTPL		
– Debt securities (<i>Note a</i>)	1,384,461	–
– Equity securities	5,040,950	–
– Funds	10,063	–
– Other investments (<i>Note b</i>)	1,885,203	–
	8,320,677	–
Analysed as:		
– Listed (<i>Note c</i>)	1,396,352	–
– Unlisted	6,924,325	–
	8,320,677	–
Current		
Mandatorily measured at FVTPL		
– Debt securities (<i>Note a</i>)	26,771,612	25,791,241
– Equity securities	10,969,629	9,081,033
– Funds	6,559,424	6,618,205
– Other investments (<i>Note b</i>)	5,826,090	2,206,068
Designated at FVTPL		
– Equity securities listed on National Equities Exchange and Quotations	–	3,522,534
– Restricted shares	–	810,366
	50,126,755	48,029,447
Analysed as:		
– Listed (<i>Note c</i>)	24,972,041	25,944,713
– Unlisted	25,154,714	22,084,734
	50,126,755	48,029,447

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Note a: These debt securities including convertible bonds are with contractual terms giving rise to cash flows that are not solely payments of principal and interest on the principal outstanding. Accordingly, they are measured at FVTPL upon the application of IFRS 9.

Note b: Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, 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.

Note c: 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.

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June, 2018 RMB'000 (unaudited)
Non-current	
– Equity securities	1,318,101
– Other investment <i>(Note a)</i>	5,202,021
	6,520,122
Analysed as	
– Listed <i>(Note b)</i>	77,444
– Unlisted	6,442,678
	6,520,122

Note a: Other investment is a special account managed by China Securities Finance Corporation Limited (the “CSFCL”). CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. As at 30 June, 2018, the cost of the investment was RMB4.89 billion and the Company determined the total fair value of the investment according to a valuation report provided by the CSFCL.

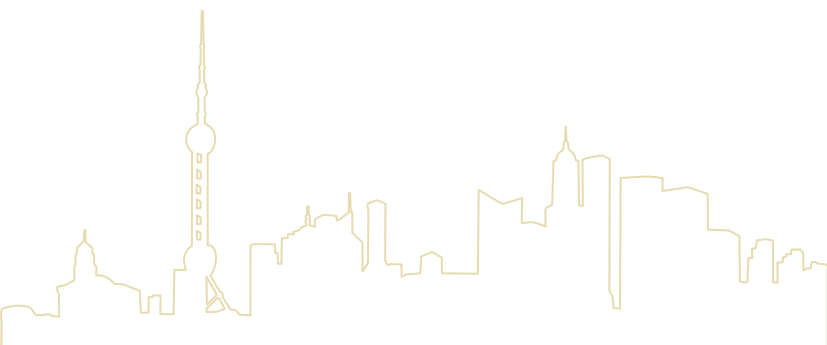
Note b: Securities traded on the Shanghai Stock Exchange are included in the “Listed” category.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

23. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at 30 June, 2018 RMB'000 (unaudited)
Non-current	
– Debt securities (<i>Note a</i>)	7,815,485
Less: impairment allowance	(1,863)
	7,813,622
Analysed as:	
– Listed (<i>Note c</i>)	4,221,668
– Unlisted (<i>Note d</i>)	3,591,954
	7,813,622
Current	
– Debt securities (<i>Note b</i>)	260,818
Less: impairment allowance	(115)
	260,703
Analysed as:	
– Listed (<i>Note c</i>)	201,256
– Unlisted (<i>Note d</i>)	59,447
	260,703



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

23. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (Continued)

The movements of the impairment allowance are set out below:

	As at 30 June, 2018 RMB'000 (unaudited)
At end of the prior year	–
Effect of application of IFRS 9	739
At beginning of the period	739
Charge for during the period	1,239
At end of the period	1,978

As at 30 June, 2018 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,978	–	1,978

Note a: As at 30 June, 2018, the debt instruments measured at amortised cost bore interest ranged from 2.41% to 7.60% per annum and would not be matured within one year.

Note b: As at 30 June, 2018, the debt instruments measured at amortised cost bore interest ranged from 2.95% to 7.23% per annum and would be matured within one year.

Note c: As at 30 June, 2018, the listed debt securities were listed on Shanghai Stock Exchange and Shenzhen Stock Exchange.

Note d: As at 30 June, 2018, the unlisted debt securities were traded on inter-bank market.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Non-current		
Analysed by collateral type:		
– Stock	6,604,015	9,932,998
Less: impairment allowance	(220,113)	–
	6,383,902	9,932,998
Analysed by market:		
– Stock exchange	6,604,015	9,932,998
Less: impairment allowance	(220,113)	–
	6,383,902	9,932,998
Current		
Analysed by collateral type:		
– Stock	20,719,919	21,228,019
– Bond	2,454,130	3,644,825
Less: impairment allowance	(805,989)	(187,351)
	22,368,060	24,685,493
Analysed by market:		
– Stock exchange	22,405,209	21,789,360
– Inter-bank market	768,840	3,083,484
Less: impairment allowance	(805,989)	(187,351)
	22,368,060	24,685,493

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

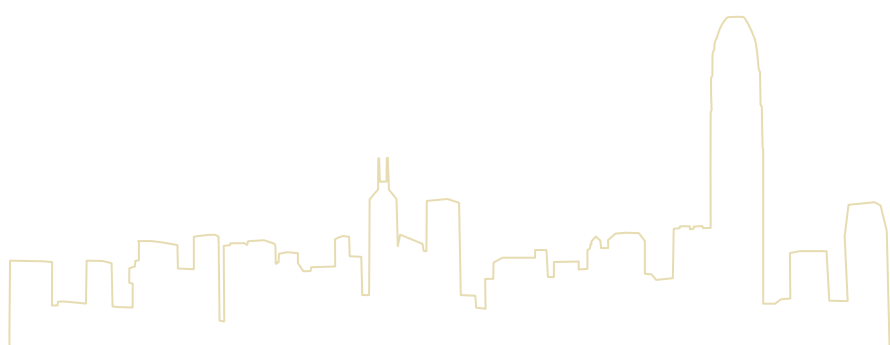
24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

The movements of the impairment allowance are set out below:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
At end of the prior year	187,351	–
Effect of application of IFRS 9	805,711	–
At beginning of the period/year	993,062	–
Charge for during the period/year	33,040	187,351
At end of the period/year	1,026,102	187,351

As at 30 June, 2018 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	48,426	977,676	1,026,102



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

25. ADVANCES TO CUSTOMERS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Current		
– Loans to margin clients	12,035,295	12,624,308
– Other advances to customers	447,565	414,860
Less: impairment allowance	(173,879)	(99,104)
	12,308,981	12,940,064

The movements of the impairment allowance are set out below:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
At end of the prior period/year	99,104	34,227
Effect of application of IFRS 9	71,804	–
At beginning of the period/year	170,908	34,227
Charge for during the period/year	1,474	66,883
Exchange differences	1,497	(2,006)
At end of the period/year	173,879	99,104

As at 30 June, 2018 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,562	172,317	173,879

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

25. ADVANCES TO CUSTOMERS *(Continued)*

Loans to margin clients which are secured by the underlying pledged securities and cash collateral as disclosed in Note 33 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 RMB36,542 million (unaudited) and RMB40,275 million (audited) as at 30 June, 2018 and 31 December, 2017, respectively.

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

26. ACCOUNT RECEIVABLES

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Account receivables from/related to:		
– Clearing house	594,423	244,559
– Brokers	114,193	60,977
– Asset management fee and trading seats commission	517,468	654,542
– Advisory and investment banking commission	12,326	10,585
Less: impairment allowance	(9,093)	(7,819)
	1,229,317	962,844

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

26. ACCOUNT RECEIVABLES *(Continued)*

Movements of the impairment allowance are set out below:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
At beginning of the period/year	7,819	3,174
Charge for the period/year	1,274	4,645
At end of the period/year	9,093	7,819

Aging analysis of account receivables from the trade date is as follows:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Within 1 year	1,146,631	904,984
Between 1 and 2 years	47,225	55,331
Between 2 and 3 years	34,963	2,438
Over 3 years	498	91
	1,229,317	962,844



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

27. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June, 2018 RMB'000 (unaudited)
Current	
– Government bonds	22,531,584
– Bonds issued by policy banks	3,495,877
– Bonds issued by commercial banks and other financial institutions	2,875,245
– Other debt securities (<i>Note a</i>)	19,762,383
Less: provision for impairment losses	(98,075)
	48,567,014
Analysed as	
– Listed (<i>Note b</i>)	23,708,537
– Unlisted	24,858,477
	48,567,014

Note a: Other debt securities mainly comprise of corporate bonds and enterprise bonds.

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 Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

The movements of the impairment allowance are set out below:

	As at 30 June, 2018 RMB'000 (unaudited)
At end of the prior year	–
Effect of application of IFRS 9	100,758
At beginning of the period (Reversal) of the period	100,758 (2,683)
At end of the period	98,075

All of the Group's debt instruments at FVTOCI are bonds that are graded in the senior credit rating among rating agencies as of 30 June, 2018. Therefore, these investments are considered to be low credit risk investments.

As at 30 June, 2018 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	13,415	84,660	98,075

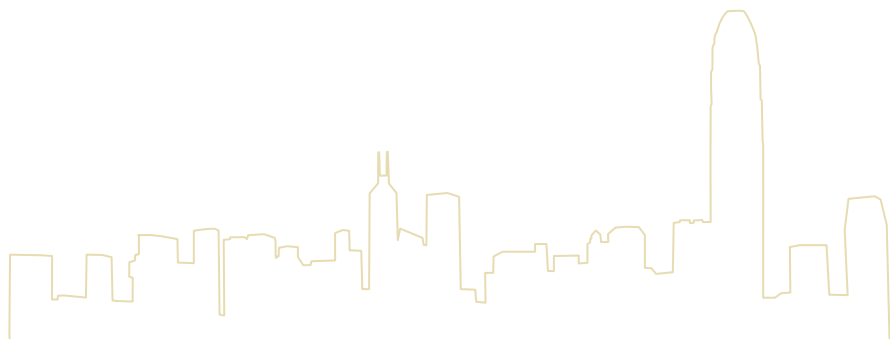


Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

28. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Current		
Deposits with stock exchanges:		
– Shanghai Stock Exchange	60,936	63,731
– Shenzhen Stock Exchange	37,249	44,581
– Hong Kong Futures Exchanges	1,265	1,573
– Others	1,579	2,043
Deposits with futures and commodity exchanges:		
– Shanghai Futures Exchange	42,697	500
– Dalian Commodity Exchange	6,442	753
– Zhengzhou Commodity Exchange	24,037	740
– China Financial Futures Exchange	926,894	300,302
– Shanghai Gold Exchange	136	2,187
Guarantee fund paid to Shanghai Stock Exchange	26,315	11,875
Guarantee fund paid to Shenzhen Stock Exchange	24,489	16,325
Deposits with China Securities Finance Corporation Limited	327,251	356,811
Deposits with Shanghai Clearing House	54,399	79,072
Deposits with other financial institutions	592,915	144,603
	2,126,604	1,025,096



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

29. CLEARING SETTLEMENT FUNDS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Current		
Clearing settlement funds held with clearing houses for:		
House accounts	4,484,476	940,517
Clients	8,285,330	8,408,805
	12,769,806	9,349,322

30. CASH AND BANK BALANCES

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
House accounts	12,042,557	21,834,220
Cash held on behalf of clients	19,726,684	20,511,635
	31,769,241	42,345,855
Less: restricted bank deposits (<i>Note</i>)	(449,900)	(449,900)
	31,319,341	41,895,955

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

Note: The restricted bank deposits are pledged bank deposits due within one year.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Cash and bank balances	12,042,557	21,834,220
Clearing settlement funds	4,484,476	940,517
Less: clearing settlement funds of Orient Futures Co., Ltd restricted bank deposits (<i>Note</i>)	(8,000) (449,900)	(8,000) (449,900)
	16,069,133	22,316,837

Note: The restricted bank deposits are pledged bank deposits due within one year.

32. BORROWINGS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Current		
– Unsecured short-term borrowings repayable within one year (<i>Note a</i>)	1,088,174	1,469,368
– Pledged long-term borrowings repayable within one year (<i>Note c</i>)	426,892	421,576
– Pledged short-term borrowings repayable within one year (<i>Note d</i>)	279,257	52,212
– Secured long-term borrowings repayable within one year (<i>Note b</i>)	387,826	384,514
	2,182,149	2,327,670

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

32. BORROWINGS (Continued)

Note a: Short-term bank borrowings are repayable within one year.

As at 30 June, 2018 and 31 December, 2017, the unsecured bank borrowing, amounting to USD44.5 million (approximately RMB294 million and RMB290 million respectively) and bearing the fixed rate of 3.7% is repayable within one year.

As at 30 June, 2018 and 31 December, 2017, the unsecured bank borrowing, amounting to USD50 million (approximately RMB330 million and RMB326 million respectively) and bearing the fixed rate of 3.7% is repayable within one year.

As at 30 June, 2018, the unsecured bank borrowing, amounting to HKD250 million (approximately RMB211 million) and bearing a floating rate of 1 week HIBOR plus 2.0% per annum is repayable within one year.

As at 30 June, 2018, the unsecured bank borrowing, amounting to HKD300 million (approximately RMB253 million) and bearing a floating rate of 3 month HIBOR plus 1.8% per annum is repayable within one year.

As at 31 December, 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 31 December, 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 31 December, 2017, the unsecured bank borrowing, amounting to HKD250 million (approximately RMB209 million) and bearing a floating rate of 1 week HIBOR plus 2% is repayable within one year.

As at 31 December, 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.

Note b: As at 30 June, 2018 and 31 December, 2017, 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 RMB526 million and RMB606 million as at 30 June, 2018 and 31 December, 2017. The borrowing is denominated in Hong Kong dollar, bearing a floating rate of 1 month HIBOR plus 2.0% per annum.

Note c: As at 30 June, 2018 and 31 December, 2017, the long-term borrowing was pledged by a deposit, of which the carrying amount is RMB450 million. The borrowing amounting to approximately USD65 million (approximately RMB427 million and RMB422 million as at 30 June, 2018 and 31 December, 2017) bears a floating rate of 12 month LIBOR plus 0.75% per annum is repayable on 17 November, 2018.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

32. BORROWINGS (Continued)

Note d: As at 30 June, 2018, the bank borrowing was pledged by deposit, of which the carrying amount is RMB16 million. The pledged bank borrowing amounting to HKD176 million (approximately RMB148 million) and bearing the fixed rate of 3.58% is repayable within one year.

As at 30 June, 2018, the bank borrowing was pledged by deposit, of which the carrying amount is RMB7 million. The pledged bank borrowing amounting to HKD80 million (approximately RMB67 million) and bearing the fixed rate of 2.00% is repayable within one year.

As at 31 December, 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 31 December, 2017 (approximately RMB33 million) bears the fixed 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 31 December, 2017 (approximately RMB20 million) bears the fixed rate of 1.5%, and is repayable within one year.

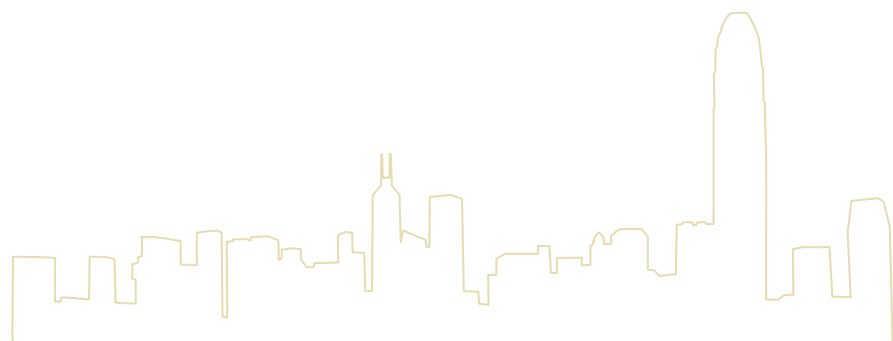
33. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

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 aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

Account payables to brokerage clients mainly include money held on behalf of clients in the banks and clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at 30 June, 2018 and 31 December, 2017, included in the Group's account payable to brokerage clients were approximately RMB1,626 million (unaudited) and RMB1,294 million (audited), respectively, of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

34. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Other account payables		
– Payables for underwriting fees and products distribution fees	260,794	338,521
– Settlement payables	117,348	654,119
Other payables and accruals		
– Other taxes	67,148	184,046
– Interest payable	1,694,490	1,610,026
– Payables for securities and futures investor protection fund	24,323	38,006
– Futures risk reserve	63,688	57,969
– Dividends payable	1,249,007	80
– Advance receipts	2,873	7,673
– Acting underwriting securities	–	264,033
– Performance bond	174,418	260,079
– Others	1,047,630	900,973
	4,701,719	4,315,525

35. BOND PAYABLES

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Current		
– Corporate bonds (Note a)	8,000,000	–
– Subordinated bonds (Note a)	1,399,966	1,999,923
– Income certificates (Note b)	10,420,000	7,358,217
– Offshore bonds (Note a)	974,294	2,281,257
	20,794,260	11,639,397
Non-Current		
– Corporate bonds (Note a)	26,999,565	26,999,407
– Subordinated bonds (Note a)	9,999,858	15,999,782
– Income certificates (Note b)	750,000	7,450,000
– Offshore bonds (Note a)	4,871,468	3,221,101
	42,620,891	53,670,290

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

35. BOND PAYABLES (Continued)

Note a:

Name	Currency	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%
15-2 Offshore USD Bond ⁽³⁾	USD	150,000,000	25/08/2015	25/08/2018	4.09%
15 Corporate Bond ⁽⁴⁾	RMB	12,000,000,000	26/11/2015	26/11/2020	3.90%
16 Orient Subordinated Bond ⁽⁵⁾	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
17-1 Orient Subordinated Bond ⁽⁶⁾	RMB	1,500,000,000	26/04/2017	26/04/2020	4.90%
17-2 Orient Subordinated Bond ⁽⁷⁾	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-3 Orient Subordinated Bond ⁽⁸⁾	RMB	1,500,000,000	15/05/2017	15/05/2020	5.15%
17-4 Orient Subordinated Bond ⁽⁹⁾	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
17-1 Corporate Bond ⁽¹⁰⁾	RMB	4,000,000,000	09/06/2017	09/06/2020	5.30%
17-2 Corporate Bond ⁽¹¹⁾	RMB	1,000,000,000	09/06/2017	09/06/2022	5.50%
17-3 Corporate Bond ⁽¹²⁾	RMB	4,000,000,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond ⁽¹³⁾	USD	500,000,000	30/11/2017	30/11/2022	3.625%
18 Offshore USD Bond ⁽¹⁴⁾	USD	250,000,000	22/03/2018	30/11/2022	3.625%
18 Corporate Bond ⁽¹⁵⁾	RMB	8,000,000,000	13/04/2018	13/04/2019	4.83%

- (1) As approved by the CSRC [2014]816, the Company issued a corporate bond with par value of RMB6 billion on 26 August, 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 17 November, 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 USD150 million (approximately RMB925 million) on 25 August, 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.
- (4) As approved by the CSRC [2015]2406, the Company issued a corporate bond with par value of RMB12 billion on 26 November, 2015. The bond bears an interest rate of 3.90% with a maturity period of 5 years and the interest is paid annually.
- (5) As approved by the CSRC, the Company issued 16 Orient Subordinated Bond with par value of RMB4 billion on 14 November, 2016. The bond bears an interest rate of 3.45% with a maturity period of 5 years and the interest is paid annually.
- (6) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 26 April, 2017. The bond bears an interest rate of 4.90% with a maturity period of 3 years and the interest is paid annually.
- (7) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 26 April, 2017. The bond bears an interest rate of 5.10% with a maturity period of 5 years and the interest is paid annually.
- (8) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 15 May, 2017. The bond bears an interest rate of 5.15% with a maturity period of 3 years and the interest is paid annually.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

35. BOND PAYABLES (Continued)

Note a: (Continued)

- (9) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 15 May, 2017. The bond bears an interest rate of 5.35% with a maturity period of 5 years and the interest is paid annually.
- (10) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 9 June, 2017. The bond bears an interest rate of 5.3% with a maturity period of 3 years and the interest is paid annually.
- (11) As approved by the CSRC, the Company issued a corporate bond with par value of RMB1 billion on 9 June, 2017. The bond bears an interest rate of 5.5% with a maturity period of 5 years and the interest is paid annually.
- (12) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 3 August, 2017. The bond bears an interest rate of 4.98% with a maturity period of 10 years and the interest is paid annually.
- (13) 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 30 November, 2017. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 3.625% and the interest is paid semi-annually.
- (14) Orient HuiZhi Co., Ltd., the Company's subsidiary in Hong Kong, issued a 4-year Offshore USD Bond with par value of USD250 million on 22 March, 2018. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 3.625% and the interest is paid semi-annually.
- (15) As approved by the CSRC, the Company issued a corporate bond with par value of RMB8 billion on 13 April, 2018. The bond bears an interest rate of 4.83% with a maturity period of 1 year.

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 30 June, 2018 and 31 December, 2017, the yields of the outstanding income certificates varied from 3.45% to 6.00% and from 3.60% to 6.30%, respectively per annum.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

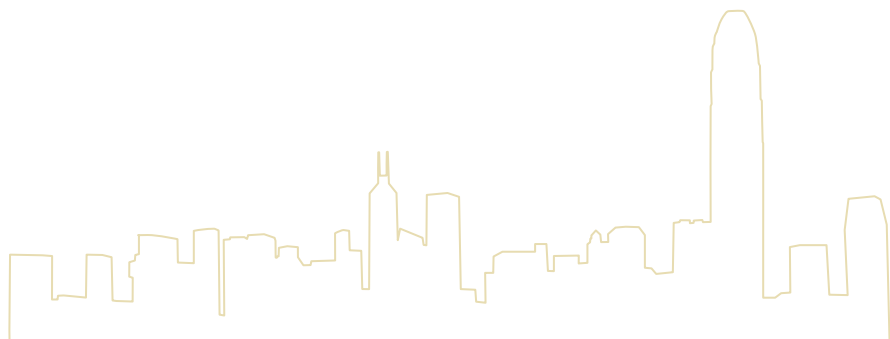
36. SHORT-TERM FINANCING BILLS PAYABLES

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Unsecured and unguaranteed: Income certificates (<i>Note</i>)	5,849,049	1,810,486
Analysed as: Over the counter	5,849,049	1,810,486

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 and the Company has the authorization to conduct income certificate business. As at 30 June, 2018 and 31 December, 2017, the yields of all the outstanding income certificates with original maturities of less than one year were ranged from 1.00% to 7.00% and from 1.00% to 8.00% per annum, respectively per annum.

37. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Coupon bearing bonds	680,775	688,536
Gold borrowings	4,320,861	4,957,680
Designated at fair value through profit or loss – Interests attributable to other holders of consolidated structured entities	792,728	413,511
	5,794,364	6,059,727



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

38. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Current		
Analysed by collateral type:		
– Bonds	41,775,462	44,060,004
– Securities-backed lending repurchase agreement	1,000,000	2,500,000
– Advances to customers backed repurchase agreement	2,370,000	6,620,000
– Others	–	–
	45,145,462	53,180,004
Analysed by market:		
– Stock exchange	15,524,620	18,061,981
– Inter-bank market	23,318,650	21,499,338
– Over the counter	6,302,192	13,618,685
	45,145,462	53,180,004
Non-current		
Analysed by collateral type:		
– Advances to customers backed repurchase agreement	1,970,000	2,940,000
Analysed by market:		
– Over the counter	1,970,000	2,940,000



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

39. 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:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
– Domestic shares	5,966,576	5,966,576
– H shares	1,027,080	1,027,080
	6,993,656	6,993,656

40. DIVIDENDS

	Six months ended 30 June, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Dividends recognised as distribution	1,398,732	932,318

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June, 2018 and 2017.

Pursuant to the resolution of the general meeting of Shareholders held on 25 May, 2018, the Company recognised cash dividends as distribution of RMB2.00 for every 10 shares (tax included) based on 6.99 billion shares held amounting to RMB1.40 billion in total for the year ended 31 December, 2017.

Pursuant to the resolution of the general meeting of Shareholders held on 5 June, 2017, the Company recognised cash dividends as distribution of RMB1.50 for every 10 shares (tax included) based on 6.22 billion shares held amounting to RMB0.93 billion in total for the year ended 31 December, 2016.

Notes to the Condensed Consolidated Financial Statements

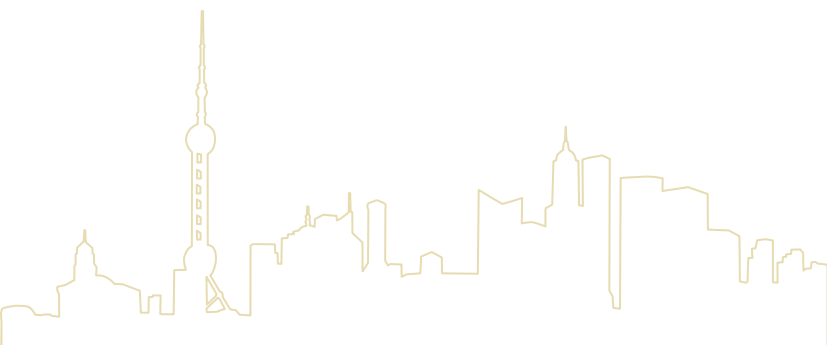
For the six months ended 30 June, 2018

41. RESERVES

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Capital reserve	28,254,931	28,254,931
Revaluation reserve		
– available for sale revaluation reserve	–	(393,660)
Debt investment revaluation reserve	(323,365)	–
Equity investment revaluation reserve	47,723	–
Translation reserve	(22,305)	(34,333)
Surplus reserve	3,052,204	3,052,204
General reserves	6,677,964	6,604,970
Others	33,203	33,203
	37,720,355	37,517,315

42. CAPITAL COMMITMENTS

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	59,737	100,043



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

43. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June, 2018 and 31 December, 2017, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Not later than one year	192,707	207,003
Later than one year and not later than five years	268,652	362,394
Later than five years	–	755
	461,359	570,152

Operating lease payments represent rentals payable by the Group on its office properties.

The Group as lessor

During the six months ended 30 June, 2018 and 2017, the Group did not have material lease commitment as lessor.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

44. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

(1) Relationship of related party

The Group and major shareholders

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

	Percentage of shares held	
	As at 30 June, 2018 (unaudited)	As at 31 December, 2017 (audited)
申能(集團)有限公司 Shenergy (Group) Company Limited	25.27%	25.27%

The Group and associates

The details of the associates of the Group is set out in Note 18.

Other related parties

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

44. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (Continued)

(2) Related party transaction and balances

As at 30 June, 2018 and 31 December, 2017, the Group had the following material balances with major shareholders and entities under their control:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Account payables to brokerage clients		
– Shenergy (Group) Company Limited	12	12
– Shenergy Group Finance Company Limited*	77	1,007
– Shanghai Gas (Group) Co., Ltd.*	2	14,673
– Shanghai Jiu Lian Group Co., Ltd.*	89	16,016
– Shanghai Dazhong Gas Co., Ltd.*	1,444	1,441

For the six months ended 30 June, 2018 and 2017, the Group had the following material transaction with major shareholders and entities under their control:

	Six months ended 30 June, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Commission and fee income		
– Shenergy Group Finance Company Limited*	175	14
– Shanghai Jiu Lian Group Co., Ltd.*	9	–
– Shenergy Company Limited	4,350	–
Interest expenses		
– Shenergy (Group) Company Limited	–	3
– Shenergy Company Limited	–	3
– Shenergy Group Finance Company Limited*	22	60
– Shanghai Gas (Group) Co., Ltd.*	2	–
– Shanghai Jiu Lian Group Co., Ltd.*	4	25
– Shanghai Dazhong Gas Co., Ltd.*	3	1

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

44. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

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

As at 30 June, 2018 and 31 December, 2017, the Group had the following material balances with associates:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Account payables to brokerage clients		
– China Universal	52,036	20,001
– Shanghai Junyu Investment Center LLP.*	982	589
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	861	13
– Shanghai Orient Jinyuan Equity Investment LLP.*	178	–
– Wenzhou Caiyun Asset Management Partnership LLP	534	382
– Shanghai Tengxi Investment LLP	504	–
Other receivables and prepayments		
– Shanghai Orient Securities Chunyi Investment Center LLP.*	–	9,798
– Shanghai Junyu Investment Center LLP.*	–	2,200
– Orient Tengjun (Shanghai) Investment LLP.*	1,940	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 Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

44. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

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

For the six months ended 30 June, 2018 and 2017, the Group had the following material transaction with associates:

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Commission and fee income		
– China Universal	56,422	32,486
– Shanghai Junyu Investment Center LLP.*	2,075	–
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	19,034	18,080
– Orient Jiashi (Shanghai) Investment Management LLP*	–	5,189
– Shanghai Orient Jinyuan Equity Investment LLP.*	–	1,179
Interest expenses		
– China Universal	80	–
– Shanghai Orient Jinyuan Equity Investment LLP.*	–	1
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	–	1,717
– Orient Jiashi (Shanghai) Investment Management LLP*	–	12
– Shanghai Junyu Investment Center LLP.*	1	–
– Wenzhou Caiyun Asset Management Partnership LLP	1	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

44. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

As at 30 June, 2018, the Group had the following material balances with other related parties**:

	As at 30 June, 2018 RMB'000 (unaudited)	As at 31 December, 2017 RMB'000 (audited)
Account payable to brokerage clients:		
– Shanghai Orient Xindeyizhang Public Welfare Foundation*	9	5,236
– Shanghai Construction Group., Ltd.	1	20,058
– Luoyang Hong Ke innovation and Venture Capital Co., Ltd*	40,093	29
– Shanghai Guoxi Equity Investment Management	4,594	–
Account receivable:		
– Citigroup Global Markets Asia Limited	1,223	–
Financial assets at FVTPL:		
Other investments:		
– Haitong Securities Co., Ltd.	10,709	–
Equity securities:		
– China Pacific Insurance (Group) Co.,Ltd	29,807	–
Debt securities:		
– China Pacific Insurance (Group) Co.,Ltd	101,384	–
– Haitong Securities Co., Ltd.	50,000	–



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

44. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the six months ended 30 June, 2018 and 2017, the Group had the following material transaction with other related parties:

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Commission and fee income:		
– Great Wall Fund Management Co.,Ltd	1,553	1,642
– Luoyang Hong Ke innovation and Venture Capital Co., Ltd*	51	–
– Citigroup Global Markets Asia Limited	1,154	–
– Shanghai Guoxi Equity Investment Management	9	–
Interest expenses:		
– Shanghai Orient Xindeyizhang Public Welfare Foundation*	6	9
– Shanghai Construction Group., Ltd.	36	1
– Luoyang Hong Ke innovation and Venture Capital Co., Ltd*	82	–
Advisory expenses:		
– Yun Zhuo capital investment (Beijing) Co., Ltd.	2,100	–
– Yun Zhuo capital investment (Chengdu) Co., Ltd.	2,800	–

* 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 or these related parties are major shareholders of subsidiaries of the Company as at 30 June, 2018.

(3) Key management personnel

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

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Short-term benefits:		
– Salaries, allowance and bonuses	19,892	15,348

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

45. FINANCIAL RISK MANAGEMENT

45.1 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.

(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.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

45. FINANCIAL RISK MANAGEMENT *(Continued)*

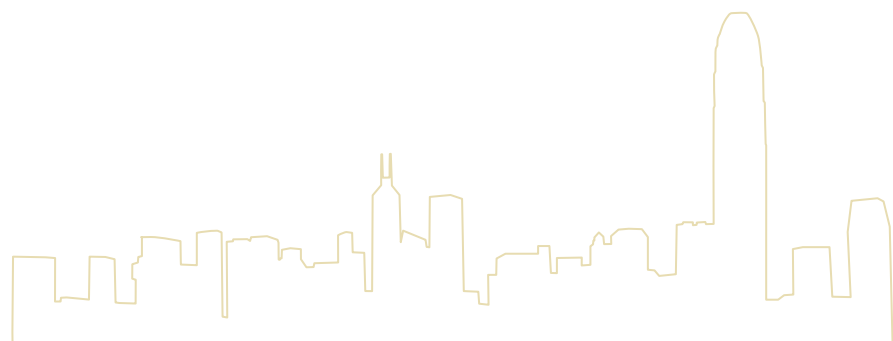
45.2 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. 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.

(1) *Credit risk management*

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.

The Group adopts multi-level credit risk limits to mitigate the exposure of credit risks. Within the risk appetite and risk tolerance levels approved by the Board and according to the characteristics of each credit business, the Group has developed credit limit indicators (including the limits for different business scale, the proportion of investment for low-grade bonds, the financing scale of single client, and the percentage of a single collateral relative to the total market value, etc.), and will make corresponding adjustments depending on the market situation, business development needs and the Company's risk status. Furthermore, the risk management department will monitor, report and provide early warning for the implementation of the credit limits.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.2 Credit risk *(Continued)*

(2) *Significant increase in credit risk*

As explained in note 2 the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group may use an external rating, from global rating agencies, i.e. Moody's, Standard and Poor's for reference. The Group obtains the latest rating result of the obligors to measure credit risk profile of the Group. Besides, the Group has also developed a number of credit risk grades based on the characteristics of different industries and target customer bases. Such credit risk framework perform corporate rating and debt rating for borrowers or bond issuers, and gradually apply the credit results to business authorization, limit measurement, quota approval, risk monitoring, asset quality management and etc., which have become important tools for decision-making and risk management in credit business.

The Group focuses on using collaterals as the guarantee for the creditor's rights of the Group. The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

On the basis of credit rating for counterparties, qualification assessment for borrowers, and the quantitative management for collaterals, the Group fully considers the customer structure of each credit related transaction, the amount of single debt, the term of borrowing, the maintenance of guarantee rate and the degree of collateral concentration, etc., and makes sure the above factors are reflected in parameters such as probability of default (PD), loss given default (LGD) and maturity (M) of borrowers,. The potential default losses of credit business are measured on a transaction-to-transaction basis, then the Group 's overall credit risk exposure are summarized, with stress testing and sensitivity analysis as supplement for the measuring of credit risks.

The Group is using the following criteria to determine significant increase in credit risks:

1. The debt rating of foreign bonds is lowered to the level below BBB- (not included), the debt rating of domestic bonds is lowered to the level below AA (not included), or the original debt rating is below AA but has not been identified as a significant increase in credit risks, and there is an external rating downgrade.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.2 Credit risk *(Continued)*

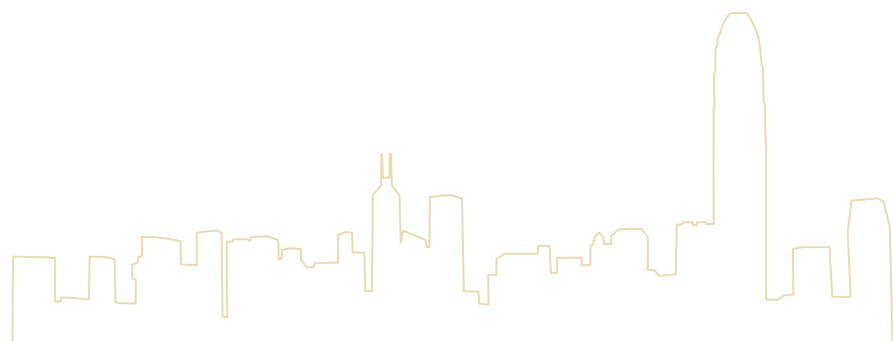
(2) **Significant increase in credit risk** *(Continued)*

2. Other events being identified as significant increase in credit risks, for example:

- (1) The significant adverse changes in the industry or policy environment, geographical environment of issuers, or deterioration of the issuers' own business operations;
- (2) The significant adverse changes in main operations or financial indicators as reflected in the condensed consolidated financial statements of issuers.
- (3) The significant adverse changes (if any) in the effectiveness of credit enhancement measures;
- (4) The issuers and the credit enhancement institutions are listed as credit disciplinary targets such as defaulters and discredit units in the field of environmental protection or safety production, or other important situations that may affect debt repayment ability have occurred; the credit enhancement institutions have delayed and refused to bear the liability for credit enhancement in other debts;
- (5) Other important events identified by the Group.

According to the Guidance on Impairment of Financial Instruments of Securities Companies issued by the China Securities Regulatory Commission (CSRC), the criteria for low credit risks (not equivalent to the determination in the first stage) are shown as follows:

- (1) The debt rating of foreign bond investment is rated as the level above BBB- (included) of international external rating;
- (2) The debt rating of domestic bond investment is rated as the level above AA (included) of domestic external rating;



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

45. FINANCIAL RISK MANAGEMENT *(Continued)*

45.2 Credit risk *(Continued)*

(3) *Measurement of ECL*

The Group applies a three-stage approach to measuring ECL on financial assets accounted for at amortised cost except account receivables. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events, occurring within the next 12 months, is recognised;

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised;

Stage 3: Lifetime ECL – credit impaired

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For financial assets that are credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount. The Group identifies financial assets as being credit impaired when one or more events that could have a detrimental impact on future cash flows of the financial asset have occurred.

The Group uses the expected credit loss model to measure the expected credit losses for applicable financial assets. Factors considered in the assessment using the expected credit loss model mainly includes asset categories, probability of default, loss given default, exposure, discount rate and adjustment factors, significant increase in credit risks and judgment for low risk assets, and the loss provision for applicable financial assets are determined on the basis of the projected future cash inflow.

The probability of default will be adjusted in the light of macroeconomic environment and the specific situation of bond investments, and determined after considering prospective adjustment factors and adjustment factors of bond investments. The prospective adjustment factors are evaluated mainly based on analysing the relationship between the default rate and the long-term average default rate under different economic environments (or macro factors) in China and other countries, and determined through predicting the economic environment; the adjustment factors of bond investments focus on different industries and risk mitigation measures, which will be adjusted based on specific situations.

The loss given default is estimated based on historical data and subject to a prospective adjustment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. 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 determined by the active market quotation or estimated using discounted cash flow method.

The main parameters used in valuation techniques for financial instruments held by the Group that are not measured on a recurring basis include interest rates, foreign exchange rates, early repayment rates and counterparty credit spreads, which are all observable and obtainable from open market.

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

	As at 30 June, 2018		As at 31 December, 2017	
	Carrying amount RMB'000 (unaudited)	Fair value RMB'000 (unaudited)	Carrying amount RMB'000 (audited)	Fair value RMB'000 (audited)
Financial assets				
Debt instruments measured at amortised cost	8,074,325	7,871,179	–	–
Held-to-maturity investment	–	–	110,500	110,904
Total	8,074,325	7,871,179	110,500	110,904
Financial liabilities				
Bond payables				
Corporate bonds	34,999,565	34,852,979	26,999,407	26,607,628
Subordinated bonds	11,399,824	11,400,000	17,999,705	17,999,328
Income certificates	11,170,000	11,133,584	14,808,217	14,747,880
Others	5,845,762	5,587,565	5,502,358	5,260,974
Total	63,415,151	62,974,128	65,309,687	64,615,810

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

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

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

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's condensed consolidated statements of financial position approximate their fair values.

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 period. For financial reporting purposes, fair value measurements are categorized 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.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The following 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
	30 June, 2018 RMB'000 (unaudited)	31 December, 2017 RMB'000 (audited)				
1) Available-for-sale financial assets						
Debt securities						
– Traded on stock exchanges	–	32,047,973	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on inter-bank market	–	23,348,585	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	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	–	388,352	Level 2	Recent transaction prices.	N/A	N/A
– Restricted shares	–	40,880	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	–	408,683	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	–	1,462,816	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	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				

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. 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
	30 June, 2018 RMB'000 (unaudited)	31 December, 2017 RMB'000 (audited)				
2) Debt instruments measured at FVTOCI						
Debt securities						
- Traded on stock exchanges	23,708,537	-	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on inter-bank market	24,858,477	-	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
	48,567,014	-				
3) Equity instruments measured at FVTOCI						
Equity securities						
- Traded on stock exchanges	77,444	-	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	1,131,318	-	Level 2	Recent transaction prices.	N/A	N/A
- Private equity investments	109,339	-	Level 3	Calculated based on pricing/yield such as price-to earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability.	P/E multiples P/B multiples P/S multiples Discounted for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.
Other investments						
- Investment in a special account managed by CSFCL	5,202,021	-	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment and adjustment of related expenses.	N/A	N/A
	6,520,122	-				

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. 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
	30 June, 2018 RMB'000 (unaudited)	31 December, 2017 RMB'000 (audited)				
4) Financial assets at FVTPL						
Debt securities						
– Traded on stock exchanges	14,684,858	14,583,654	Level 1	Quoted bid price in an active market.	N/A	N/A
– Trade on inter-bank market	13,471,214	11,207,587	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
Equity securities						
– Traded on stock exchanges	6,920,023	9,081,033	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	1,719,364	3,522,534	Level 2	Recent transaction prices.	N/A	N/A
– Restricted shares	4,049,607	810,366	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.
– Private equity investments	3,321,586	–	Level 3	Calculated based on pricing/yield such as price-to earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability.	P/E multiples P/B multiples P/S multiples Discounted for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.
Funds						
– Traded on stock exchanges	702,015	1,469,660	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	5,867,472	5,148,545	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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. 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
	30 June, 2018 RMB'000 (unaudited)	31 December, 2017 RMB'000 (audited)				
4) Financial assets at FVTPL <i>(Continued)</i>						
Other investments						
- Collective assets management schemes issued by financial institutions	7,711,293	2,206,068	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
	58,447,432	48,029,447				
5) Financial liabilities at FVTPL						
Debt securities						
- Trade on inter-bank market	680,775	688,536	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
Gold borrowing	4,320,861	4,957,680	Level 1	Quoted bid price in an active market.	N/A	N/A
Interests attributable to other holders of consolidated structured entities	792,728	413,511	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
	5,794,364	6,059,727				

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. 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
	30 June, 2018 RMB'000 (unaudited)	31 December, 2017 RMB'000 (audited)				
6) Derivative financial instrument						
Interest rate swaps – assets	6,480	5,344	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
Commodity forwards – Assets	405	68	Level 2	Recent transaction prices.	N/A	N/A
Equity return swaps – liabilities	(46,177)	-	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
Equity return swaps – assets	4,328	16,189	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	60,497	10,763	Level 2	Recent transaction prices.	N/A	N/A
Stock options – liabilities	(49,618)	(20,995)	Level 2	Recent transaction prices	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. 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
	30 June, 2018 RMB'000 (unaudited)	31 December, 2017 RMB'000 (audited)				
6) Derivative financial instrument (Continued)						
Equity linked derivatives – assets	42,398	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
Equity linked derivatives – liabilities	(70,624)	(509,179)	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	(869)	(332)	Level 2	Calculated based on contracted interest rates with reference to the market prices of underlying assets.	N/A	N/A
Gold swaps – liabilities	(46,824)	(58,365)	Level 2	Calculated based on the quoted price of the underlying gold	N/A	N/A
Gold forwards – liabilities	(21,675)	(24,430)	Level 2	Calculated based on the quoted price of the underlying gold	N/A	N/A
Currency swaps – assets	12,438	-	Level 2	Discounted cash flows. Future cash flows are estimated based on spot exchange rates from observable spot exchange rates at the end of the reporting period) and spot exchange rates.	N/A	N/A



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. 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
	30 June, 2018 RMB'000 (unaudited)	31 December, 2017 RMB'000 (audited)				
6) Derivative financial instrument (Continued)						
Credit default swap – liabilities	(4,524)	(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
Gold option arrangement – liabilities	(1,058,600)	-	Level 2	Discounted cash flows. Future cash flows represents the difference exercise prices of gold option purchased and sold under the arrangement and discounted by oversell yield curve.	N/A	N/A
	(1,172,365)	(459,457)				

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46. 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 30 June, 2018 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	23,708,537	24,858,477	–	48,567,014
Equity instruments at FVTOCI				
– Equity investments	77,444	1,131,318	109,339	1,318,101
– Others	–	5,202,021	–	5,202,021
Financial assets at FVTPL				
– Debt securities	14,684,858	13,471,214	–	28,156,072
– Equity investments	6,920,023	1,719,364	7,371,193	16,010,580
– Funds	702,015	5,867,472	–	6,569,487
– Others	–	7,711,293	–	7,711,293
Derivative financial assets	–	126,546	–	126,546
Total	46,092,877	60,087,705	7,480,532	113,661,114
Financial liabilities:				
Financial liabilities at FVTPL	4,320,861	1,473,503	–	5,794,364
Derivative financial liabilities	68,499	1,298,911	–	1,298,911
Total	4,320,861	2,772,414	–	7,093,275



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For the six months ended 30 June, 2018

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

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

As at 31 December, 2017 (audited)

	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 asset	–	168,719	–	168,719
Total	58,264,756	58,628,767	851,246	117,744,769
Financial liabilities:				
Financial liabilities at FVTPL				
Derivative financial liabilities	–	628,176	–	628,176
Total	4,957,680	1,730,223	–	6,687,903

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

Equity instruments at FVTOCI:

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
At the end of the prior year	–	–
Effect of application of IFRS 9	130,160	–
At the beginning of the period	130,160	–
Changes in fair value recognised in other comprehensive income	(20,821)	–
At the end of the period	109,339	–

Financial assets at FVTPL:

	Six months ended 30 June,	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
At the end of the prior year	810,366	187,077
Effect of application of IFRS 9	2,580,462	–
At the beginning of the period	3,390,828	187,077
Changes in fair value recognised in profit or loss	12,962	(63,672)
Purchases	4,817,198	–
Transfer out of Level 3 (Note)	(613,733)	–
Disposal	(236,062)	–
At the end of the period	7,371,193	123,405

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.

The fair value gains or losses relating to financial assets that are measured at FVTPL at the end of each reporting period are included in “net investment (losses)/gains”.

All unrealised gains and losses included in other comprehensive income relate to equity investment at FVTOCI held at the end of the reporting period are included in other comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

47. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

48. SUBSEQUENT EVENT

As approved by the CSRC [2018] No. 205, the Company issued a subordinated bond with par value of RMB6.4 billion on 12 July, 2018. The bond bears an interest rate of 5.18% with a maturity period of 2 years and the interest is paid annually.

As at 16 August, 2018, Orient ZhiSheng Limited, the Company's subsidiary in Hong Kong, issued an Offshore EUR Bond with par value of EUR62.5 million. The Offshore EUR Bond is guaranteed by Orient Finance Holdings (Hong Kong) Limited with the benefit of a keepwell deed by the Company. The bond bears an annual coupon rate of 1.61% and the interest is paid upon maturity.

