



# 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

## 2018 Annual Report

## Important Notice

- I. The Board, the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that the information contained herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this annual report, and severally and jointly accept legal liability.
- II. This report has been considered and approved at the tenth meeting of the fourth session of the Board of the Company. All the Directors attended the Board meetings.
- III. No objection from the Directors or Supervisors was raised to this report.
- IV. The 2018 annual financial report of the Company, prepared in accordance with the China Accounting Standards for Business Enterprises (“CASBE”) and the International Financial Reporting Standards (“IFRS”), was audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu respectively, who each issued a standard unqualified audit report to the Company. Unless otherwise stated, all data included in this report are denominated in RMB.
- V. Mr. Pan Xinjun, the chairman of the Company, and Mr. Zhang Jianhui, the accounting chief and person-in-charge of the accounting department (head of the accounting department), warrant the truthfulness, accuracy and completeness of the financial report set out in the annual report.
- VI. The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period has been reviewed by the Board  

The profit distribution proposal of the Company for 2018: Based on the total share capital of 6,993,655,803 Shares (A Shares and H Shares) as at the end of 2018, a cash dividend of RMB1.00 (inclusive of tax) for every 10 Shares will be distributed by the Company to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date, with a total cash dividend of RMB699,365,580.30.
- VII. 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.
- VIII. No appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their respective related parties has occurred during the Reporting Period.
- IX. The Company did not provide any external guarantee in violation of the decision-making procedures during the Reporting Period.
- X. Chinese and English versions of this report are provided by the Company. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.
- XI. Unless otherwise stated, all analysis and explanations contained in this report are prepared on a consolidated basis.

## Important Notice

### XII. MATERIAL RISK WARNINGS

The business of the Company is highly dependent on economic and market conditions in the PRC 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 operation, business performance, financial conditions and development 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 the Company's 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 great impact 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. If the Company fails to effectively compete, the business operation, financial conditions, business performance and development prospects of the Company would be materially and adversely affected.

The Company relies on bond issuances, banks and other external financing channels to fund the majority portion of its business operation. The financial conditions, liquidity and business operations of the Company will be adversely affected in the event that the Company is not able to service or repay its debts 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; rendering the Company lacking in flexibility planning the business or reacting to business changes; 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 financing cost; making the Company more vulnerable to a downturn in its business or the overall economy; 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.

# Chairman's Statement

Two decades ago, we sprouted along the Huangpu River with the rising sun, now we have blossomed out in the east of the Bund.

Back then, we were a small local securities firm with a registered capital of RMB1.0 billion, total assets of RMB2.1 billion, 36 branches and 586 employees. After 20 years of surging, we have grown into a national securities firm with a net capital of more than RMB50.0 billion, total assets more than RMB200.0 billion, 153 branches and 5,157 employees. The brilliant achievement is inseparable from the favourable environment of reformation and opening up in the country, and the development of the capital markets and the construction of international financial center in Shanghai. It is also inseparable from the concerted and strenuous efforts of our employees, Shareholders, customers and all circles of the society.

In 2018, facing with the complicated international and domestic situation, we adhered to the general tone of striving for progress, improving quality and efficiency, consolidating the development of advantageous businesses, consolidating the basic business, enhancing the application of financial technology, deepening the integration of industry and finance, and achieved steady development with pragmatic attitude; our governance system has been continuously improved, and compliance control has been effective, with AA or A rating for ten consecutive years; we practise "Party building and corporate culture is productivity", deepen DFZQ's "Home" culture, and further enhance the cohesiveness and sense of belonging of employees.

Not afraid of the clouds to cover the eyes. Looking forward to the future, we must continue to uphold the core values of Customer First, People Oriented, Professionalism Based and Innovation Centred, practicing the spirit of unity, enterprising, pragmatic and efficient, and carrying forward the Oriental temperament of tenacity, perseverance, enduring loneliness, low-key and pragmatic, unobtrusive, unyielding, and never doing senseless things. With stronger beliefs, greater courage, higher wisdom, more actions, and more patience, we face those difficulties to work hard, serve the development of real economy and social wealth management, and strive to create a modern investment bank with first-class core competitiveness and providing comprehensive financial services to customers.

**Pan Xinjun**

*Party Committee Chief and Chairman*

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## Section I Definitions

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

### Definitions of the frequently used terms

“A Share(s)”	the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE
“Articles of Association”	the articles of association of DFZQ
“Board” or “Board of Directors”	the board of directors of DFZQ
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, the Special Administrative Region of Macau of the PRC 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
“ChinaBond”	China Central Depository and Clearing Co., Ltd. (中央國債登記結算有限責任公司)
“Citigroup Asia”	Citigroup Global Markets Asia Limited
“Citi Orient”	Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a controlling subsidiary of the Company
“Company Law”	the Company Law of the People’s Republic of China
“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
“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of DFZQ

## Section I Definitions

“Group” or “the Group” or “We”	DFZQ and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange
“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	Initial Public Offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Orient Finance Holdings”	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Orient 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
“Reporting Period”	January 1, 2018 to December 31, 2018
“RMB, RMB’000, RMB’0000, RMB million, RMB100 million”	Renminbi Yuan, Renminbi’000, Renminbi’0000, Renminbi million, Renminbi 100 million (unless otherwise specified)
“Securities Law”	the Securities Law of the People’s Republic of China

## Section I Definitions

“SFC”	Hong Kong Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Bureau of the CSRC”	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
“Shanghai Haiyan Investment”	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)
“Shenergy Group”	Shenergy (Group) Company Limited (申能(集團)有限公司)
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“SSE”	the Shanghai Stock Exchange
“SSE Composite Index”	Shanghai Stock Exchange Composite Index
“Supervisor(s)”	the supervisor(s) of DFZQ
“Supervisory Committee”	the supervisory committee of DFZQ
“SZSE Component Index”	Shenzhen Stock Exchange Component Index



## Section II Company Profile and Key Financial Indicators

### I. COMPANY INFORMATION

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

#### Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

	As at the end of this Reporting Period	As at the end of last year
Registered capital	6,993,655,803.00	6,993,655,803.00
Net capital	40,235,401,281.79	43,731,920,126.18

#### Business scope of the Company

Securities brokerage; margin financing and securities lending; securities investment advisory; financial advisory related to securities trading and securities investing activities; proprietary trading of securities; proxy sale of securities investment funds; intermediary introduction business for futures companies; proxy sale of financial products; securities underwriting (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing products governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)); stock options market-making business and custodian business for securities investment funds. 【For items subject to approval pursuant to laws, its operations could only be commenced upon approval by relevant authorities】

## Section II Company Profile and Key Financial Indicators

### Each individual business qualification of the Company

No.	Name of business qualification	Approval authority and approval number
1	Permit to operate securities and futures business	CSRC (No.: 913100001322947763)
2	Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business	Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108)
3	Qualification for conducting online securities commissioning	CSRC (Zheng Jian Xin Xi Zi [2001] No. 8)
4	Qualification for conducting distribution business of open-ended securities investment funds	CSRC (Zheng Jian Ji Jin Zi [2004] No. 50)
5	Qualification for conducting SSE Fund Connect business	SSE Membership Department (SSE [2005])
6	Qualification for conducting underwriting business of short term financing bills	People's Bank of China (Yin Fa [2005] No. 275)
7	Pilot securities companies conducting relevant innovative businesses	Securities Association of China (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	CSDCC (Zhong Guo Jie Suan Han Zi [2008] No. 25)
13	Qualification for clearing business of financial futures transaction	CSRC (Zheng Jian Xu Ke [2008] No. 684)
14	Qualification for trial operation of direct investment business	CSRC (Ji Gou Bu Bu Han [2009] No. 475)
15	Qualification for provision of intermediary and referral services to futures companies	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 132)

## Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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 Type 4 Licence – Advising on securities	Securities and Futures Commission of Hong Kong (CE No. AVD362)
19	Type 9 Licence – Asset management	Securities and Futures Commission of Hong Kong (CE No. AVH864)
20	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
21	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
22	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)
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)

## Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
31	Permit to operate securities and futures business	CSRC (No.: 913100001321109141)
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	CSDCC (Confirmation on Qualification for Securities Pledge Registration Agency Business)
39	Qualification for management business of publicly offered securities investment fund	CSRC (Zheng Jian Xu Ke [2013] No. 1131)
40	Qualification for equity-based return swaps and OTC options business	Securities Association of China (Zhong Zheng Xie Han [2013] No. 923)
41	Qualification for conducting pilot securities refinancing business	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227)
42	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
43	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
44	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)
45	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])
46	Type 6 Licence – Advising on corporate finance	Securities and Futures Commission of Hong Kong (CE No. BDN128)
47	Permit to conduct Shanghai-Hong Kong Stock Connect business	SSE (Shang Zheng Han [2014] No. 626)

## Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
48	Qualification for pilot OTC market business	Securities Association of China (Zhong Zheng Xie Han [2014] No. 632)
49	Qualification for pilot proprietary business of gold spot contract	CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)
50	Pilot online securities business	Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))
51	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)
52	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)
53	Qualification for conducting transfer and deposit service of clients' deposits	China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11) China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67)
54	Qualification for stock and options market making business	CSRC (Zheng Jian Xu Ke [2015] No. 163)
55	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)
56	Qualification for sales of securities investment fund	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)
57	Qualification for company conducting pilot market making business for quotation system	China Securities Internet System Co., Ltd.
58	Permit to operate securities and futures business, with business scope of underwriting and sponsoring of securities (excluding government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	CSRC (No.: 913100007178330852)
59	Qualification for funds sales business	CSRC (No.: 000000519)
60	Contractor of service in relation to private equity fund business	Asset Management Association of China

## Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
61	Qualification for issue of short-term financing bills	CSRC (Ji Gou Bu Han [2015] No. 3337)
62	License of Money Lenders	Eastern Magistrates' Courts of Hong Kong (No. 0048/2016)
63	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326)
64	Qualification for inter-bank Gold Price Asking Transactions	Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81)
65	Qualification of stock options transaction participants of Shanghai Stock Exchange	SSE (Shang Zheng Han [2017] No. 165)
66	Authorised for pledge-type dealer-quoted repurchase transactions of Shenzhen Stock Exchange	Shenzhen Stock Exchange (Shen Zheng Hui [2017] No. 371)
67	Qualification for primary market makers of SSE 50ETF Options	SSE (Shang Zheng Han [2018] No. 430)
68	Qualification of the custodian business for securities investment funds	CSRC (Zheng Jian Xu Ke [2018] No. 1686)
69	Qualification for conducting securities underwriting business (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing instruments governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions))	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2019] No. 8)

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 CSDCC and a member of the Asset Management Association of China.

## Section II Company Profile and Key Financial Indicators

### II. CONTACT PERSONS AND CONTACT METHODS

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

### III. BASIC COMPANY INFORMATION

Registered address	22/F, 23/F and 25-29/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Postal code of registered address	200010
Business address	Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC, 3-6/F, 12/F, 13/F, 22/F, 25-27/F, 29/F, 32/F, 36/F and 38/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Postal code of business address	200010
Place of business in Hong Kong	28-29/F, No. 100 Queen's Road Central, Central, Hong Kong
Internet website	<a href="http://www.dfzq.com.cn">http://www.dfzq.com.cn</a>
E-mail	ir@orientsec.com.cn

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of annual reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of annual reports	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where the annual reports of the Company are available	11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC

## Section II Company Profile and Key Financial Indicators

### V. BRIEF INFORMATION ON SHARES OF THE COMPANY

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

### VI. OTHER INFORMATION OF THE COMPANY

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

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

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

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



## Section II Company Profile and Key Financial Indicators

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

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

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

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

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

## Section II Company Profile and Key Financial Indicators

### (ii) Organizational structure of the Company

#### 1. *Organizational structure of the Company*

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

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

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

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

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

## Section II Company Profile and Key Financial Indicators

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

(1) *Orient Futures Co., Ltd*

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

Date of incorporation: December 8, 1995

Registered capital: RMB2.3 billion

Percentage of shareholding: 100%

Legal representative: Lu Dayin

Tel: +86-021-68400610

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

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

Date of incorporation: February 8, 2010

Registered capital: RMB4 billion

Percentage of shareholding: 100%

Legal representative: Jin Wenzhong

Tel: +86-021-63325888

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

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

Date of incorporation: February 17, 2010

Registered capital: HKD2.1 billion

Percentage of shareholding: 100%

Chairman: Yang Yucheng

Tel: +852-35191188

## Section II Company Profile and Key Financial Indicators

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

Address: 31/F, Building 2, No. 318 South Zhongshan Road,  
Huangpu District, Shanghai, the PRC

Date of incorporation: June 8, 2010

Registered capital: RMB0.3 billion

Percentage of shareholding: 100%

Legal representative: Pan Xinjun

Tel: +86-021-63325888

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

Address: 12/F, Building 2, No. 318 South Zhongshan Road,  
Huangpu District, Shanghai, the PRC

Date of incorporation: November 19, 2012

Registered capital: RMB3 billion

Percentage of shareholding: 100%

Legal representative: Zhang Jianhui

Tel: +86-021-63325888

(6) *Citi Orient Securities Co., Ltd.*

Address: 24/F, Building 2, No. 318 South Zhongshan Road,  
Huangpu District, Shanghai, the PRC

Date of incorporation: June 4, 2012

Registered capital: RMB0.8 billion

Percentage of shareholding: 66.67%

Legal representative: Ma Ji

Tel: +86-021-23153888

## Section II Company Profile and Key Financial Indicators

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



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

### (iv) Number and distribution of other branches

During the Reporting Period, Orient Futures, a wholly-owned subsidiary of the Company, established seven futures branches. As at the end of the Reporting Period, the total number of the futures branches of the Company amounted to 31, including 3 in each of Shanghai City and Hangzhou City, Zhejiang Province, 2 in each of Beijing City and Ningbo City, Zhejiang Province, and 1 in each of Chongqing City, Tianjin City, Shenzhen City, Guangdong Province, Guangzhou City, Guangdong Province, Shantou City, Guangdong Province, Shenyang City, Liaoning Province, Dalian City, Liaoning Province, Zhengzhou City, Henan Province, Changsha City, Hunan Province, Suzhou City, Jiangsu Province, Changzhou City, Jiangsu Province, Nantong City, Jiangsu Province, Taiyuan City, Shanxi Province, Qingdao City, Shandong Province, Dongying City, Shandong Province, Chengdu City, Sichuan Province, Xi’an City, Shaanxi Province, Xiamen City, Fujian Province, Quanzhou City, Fujian Province, Harbin City, Heilongjiang Province, Nanning City, Guangxi Zhuang Autonomous Region. (Please refer to “Appendix III” to this report for details)

## Section II Company Profile and Key Financial Indicators

### VII. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所)
	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	Jin Licheng, Xu Lan
	Period of continuous supervision	April 19, 2017 to December 31, 2018
	Name	Citi Orient Securities Co., Ltd.
	Office address	24/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
	Name of the signing sponsor representatives	Su Yuexing, Sun Xiaoqing
	Period of continuous supervision	April 19, 2017 to December 31, 2018

## 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 <sup>Note</sup>	Anglo Chinese Corporate Finance, Limited
A Share Registrar	Shanghai Branch of CSDCC
H Share Registrar	Computershare Hong Kong Investor Services Limited

*Note:* Pursuant to Rule 3A.19 of the Hong Kong Listing Rules, the Company appointed Anglo Chinese Corporate Finance, Limited as its compliance advisor from the listing date, i.e. July 8, 2016 to April 27, 2018. The service tenure of the compliance advisor expired on April 27, 2018 and the Company will not appoint any compliance advisor.

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

#### (i) Key accounting data

Unit: '000 Currency: RMB

Items	2018	2017	Change over the previous year	2016
<b>Operating results</b>				
Total revenue and other income	15,701,948	16,679,385	-5.86%	12,242,382
Profit before income tax	1,331,305	4,388,513	-69.66%	2,813,323
Profit for the year				
– attributable to Shareholders of the Company	1,231,013	3,553,626	-65.36%	2,313,975
Net cash from/(used in) operating activities	2,290,157	(6,812,997)	N/A	3,612,152
Other comprehensive expenses, net of income tax	(295,615)	(1,122,988)	N/A	(1,333,907)
<b>Earnings per share (RMB/share)</b>				
Basic earnings per share	0.18	0.57	-68.42%	0.41
Diluted earnings per share	N/A	N/A	N/A	0.41
<b>Indicator of profitability</b>				
Weighted average returns on net assets (%)	2.37	8.62	Down by 6.25 percentage points	6.25

## Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

	As at the end of 2018	As at the end of 2017	Change as at the end of this year over the previous year	As at the end of 2016
<b>Indicators of scale</b>				
Total assets	<b>226,869,673</b>	231,859,988	-2.15%	212,411,087
Total liabilities	<b>174,597,221</b>	178,358,513	-2.11%	171,473,262
Account payables to brokerage clients	<b>32,059,065</b>	28,219,521	13.61%	35,651,787
Equity attributable to Shareholders of the Company	<b>51,739,478</b>	52,985,502	-2.35%	40,482,898
<b>Total share capital ('000)</b>	<b>6,993,656</b>	6,993,656	0.00%	6,215,452
<b>Net assets per share attributable to Shareholders of the Company (RMB/share)</b>	<b>7.40</b>	7.58	-2.37% Down by 0.52 percentage point	6.51
Gearing ratio (%)	<b>73.17</b>	73.69		76.76

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



## Section II Company Profile and Key Financial Indicators

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

#### 1. Profit

Unit: million Currency: RMB

Items	2018	2017	2016	2015	2014
Total revenue and other income	15,702	16,679	12,242	20,459	7,888
Total expenses	15,035	12,768	9,828	11,396	5,090
Share of results of associates	664	477	399	436	136
Profit before income tax	1,331	4,389	2,813	9,499	2,934
Profit for the year – attributable to Shareholders of the Company	1,231	3,554	2,314	7,325	2,342

#### 2. Assets

Unit: million Currency: RMB

Items	As at the end of 2018	As at the end of 2017	As at the end of 2016	As at the end of 2015	As at the end of 2014
Share capital	6,994	6,994	6,215	5,282	4,282
Total equity	52,272	53,501	40,938	35,376	18,625
Equity attributable to Shareholders of the Company	51,739	52,986	40,483	34,958	18,353
Total liabilities	174,597	178,359	171,473	172,522	88,905
Account payables to brokerage clients	32,059	28,220	35,652	43,193	21,783
Total assets	226,870	231,860	212,411	207,898	107,530

## Section II Company Profile and Key Financial Indicators

### 3. Key financial indicators

Items	2018	2017	2016	2015	2014
Basic earnings per share (RMB/share)	0.18	0.57	0.41	1.46	0.55
Diluted earnings per share (RMB/share)	N/A	N/A	0.41	N/A	N/A
Weighted average returns on net assets (%)	2.37	8.62	6.25	25.11	13.81
Gearing ratio (%)	73.17	73.69	76.76	78.52	78.28
Net assets per share attributable to Shareholders of the Company (RMB/share)	7.40	7.58	6.51	6.62	4.29

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

Unit: '000 Currency: RMB

Items	As at the end of 2018	As at the end of 2017
Net capital	40,235,401	43,731,920
Net assets	48,292,941	49,984,782
Risk coverage rate (%)	289.74	290.25
Capital gearing ratio (%)	16.31	18.89
Liquidity coverage ratio (%)	290.43	247.63
Net stable funding ratio (%)	151.97	147.55
Net capital/net assets (%)	83.32	87.49
Net capital/liabilities (%)	31.86	32.90
Net assets/liabilities (%)	38.24	37.60
Proprietary equity-based securities and its derivatives/net capital (%)	22.18	39.97
Proprietary non-equity securities and its derivatives/net capital (%)	254.41	189.18

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

## Section II Company Profile and Key Financial Indicators

### IX. DIFFERENCES BETWEEN IFRS AND CASBE

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

### X. ITEMS MEASURED AT FAIR VALUE

Unit: '000 Currency: RMB

Items	Closing balance	Opening balance	Current changes	Effects on current profits
1. Financial assets at fair value through profit or loss	<b>52,035,347</b>	48,029,447	4,005,900	(1,091,828)
2. Derivative financial instruments	<b>(587,319)</b>	(459,457)	(127,862)	854,671
3. Available-for-sale financial assets	–	72,234,378	(72,234,378)	–
4. Debt instruments at fair value through other comprehensive income	<b>62,209,436</b>	–	62,209,436	2,537,186
5. Equity instruments at fair value through other comprehensive income	<b>9,316,262</b>	–	–	428,057
6. Financial liabilities at fair value through profit or loss	<b>6,834,381</b>	6,059,727	774,654	(292,518)
<b>Total</b>	<b>129,808,107</b>	125,864,095	(5,372,250)	2,435,567

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

## Section III 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 engages in the following five business sectors during the Reporting Period:

- **Securities Sales and Trading**

The Company conducts securities sales and trading business with its own capital, including equity investment and trading business, fixed income investment and trading business, 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 flexibly utilizing derivatives and quantitative trading strategies to obtain absolute income with low risk exposure.
- The Company conducts NEEQ market-making business through selecting high quality targets in a professional way, aiming to obtaining bid-ask spread arising from share trading.
- The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include equity investment, special assets investment and others.
- The Company provides its institutional clients with research services. The clients allocate funds to the seats through the Company and, based on the quality of the research services, determine the lease of special unit trading seats from the Company and the allocation of trading volume.

## Section III Summary of the Company's Business

- **Investment Management**

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

- The Company conducts asset management business through Orient Securities Asset Management, a wholly-owned subsidiary of the Company, providing a complete product line of asset management business including collective asset management, 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 such services as margin financing and securities lending business, collateralized stock repurchase business, OTC trading and custodian business.

- The Company's securities brokerage business primarily focuses on accepting entrustment from clients through authorized branches or trading stocks, funds and bonds on behalf of its clients according to the given instructions.
- 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 provides OTC financial products and also provides transfer, market making quotation and other services to its clients.
- The custodian business of the Company mainly includes providing asset custody and fund services to private equity investment funds, publicly offered funds and various asset management institutions.
- **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 underwriting and sponsorship services of IPOs, and refinancing projects including non-public offerings and rights issue.
  - The Company provides debt underwriting services, 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 and acquisitions and restructuring, NEEQ securities recommendation and listing as well as enterprise reform.
- **Headquarters and Others**

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

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

## Section III Summary of the Company's Business

In 2018, the complicated and changing economic conditions at home and abroad were marked by escalated Sino-US trade friction and significant pressure on the capital market. During the Reporting Period, the securities industry achieved operating revenue of RMB266.287 billion, representing a decrease of 14.47% from the same period of last year, and net profit of RMB66.62 billion, down by 41.04% over the corresponding period of last year. In terms of operating revenue, the securities industry achieved RMB62.342 billion of the net income from brokerage trading of securities business (including seats lease income), a year-on-year decrease of 24.06%. Securities underwriting and sponsoring business realized net income of RMB25.846 billion and the financial consultation business achieved net income of RMB11.15 billion, representing a year-on-year decrease of 32.74% and 11.07%, respectively. Securities investment gains (including those from fair value change) reached RMB80.027 billion, representing a year-on-year decline of 7.05%. The asset management business achieved net income of RMB27.5 billion, a year-on-year decrease of 11.35%. Net interest income amounted to RMB21.485 billion, representing a year-on-year decrease of 38.28%. In terms of capital scale, the securities industry continued to consolidate its capital strength. As at the end of the Reporting Period, the securities industry achieved total asset of RMB6.26 trillion and net asset of RMB1.89 trillion, representing an increase of 1.86% and 2.22%, respectively from the beginning of the year.

During the Reporting Period, the Company maintained sound performance in overall strength with stable industry position and desirable financial condition. Our investment management business maintained its leading position among peers while the private equity investment fund business recorded substantial growth. Securities sales and trading, investment bank and brokerage and securities financing business achieved progress amid stability. The Company strictly adhered to the bottom line of risk control and was rated Grade AA of Class A companies, being one of the 12 brokers granted such rating.

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

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

In particular: offshore assets amounted to RMB17.567 billion, accounting for 7.74% of the total assets.

## Section III Summary of the Company's Business

### III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company has established strong competitiveness in areas such as talent, capital, business, risk control and party building culture.

#### (i) Professional and Stable Personnel

The senior management team, personnel and talent mechanism and other aspects of the Company boast relatively strong competitiveness in the industry.

The Company has a cohesive, stable, aggressive and tolerant senior management team. With an average of over 15 years of experience in securities and financial industry, it owns profound management experience in the industry. Our senior management team holds a philosophy which is united, aggressive, practical, professional, responsible, stable and harmonious, which provides a safeguard for our long-term sustainable development.

The Company has a professional, high-quality and relatively stable business team. Our business team has accumulated practical experience through years of struggle in the market, improved its professional ability, achieved remarkable performance and formed our business brand. In recent years, the Company's talent structure has witnessed continuous optimization, and the workforce tends to be more competent, young and professional. Our business team is of an average age of about 34 years old and those under 35 account for 67% while those with a master's degree or above account for 34%.

The Company has established a progressive personnel system. The Company attaches great importance to the cultivation of talents, scientifically formulates talent development plans, broadens talent growth channels and develops and enriches talent pools. The Company focuses on the construction of the market-oriented incentive mechanism, the market-oriented remuneration benchmarking, reform on the wealth management division and the employee stock ownership plan for China Universal. In 2018, the Company continuously improved the talent selection and training mechanism. It successively launched the open recruitment of management personnel at the level of assistant general manager of the headquarters, the selection of the candidate managers of the business department, the Oriental Elite, the Oriental Star and other multi-level personnel training projects, which effectively mobilized the initiative of employees and tapped their potential.



## Section III Summary of the Company's Business

### (ii) Long-term and Efficient Capital Supplement Mechanism

The securities industry is a capital-intensive industry where capital strength is the basis for the innovation and development of securities companies.

In recent years, the Company expanded its financing channels, reduced the financing costs and significantly improved its capital strength through several rounds of equity financings, namely A Share listing, H Share listing and non-public issuance of A Shares, as well as domestic and overseas bonds and other forms of bonds financing instruments, so as to lay a solid capital foundation for the business transformation, innovation and development as well as business growth of the Company, thereby effectively improving the market competitiveness and anti-risk capability of the Company. As at the end of the Reporting Period, the total assets and net assets of the Company amounted to RMB226.87 billion and RMB52.272 billion, respectively.

### (iii) Consolidating Advantageous Business

After years of cultivation, the Company has established brand effects and competitive advantages in many business areas.

The Company's asset management business has registered excellent long-term performance. The "Dong Fang Hong" brand enjoys a good reputation in the market. China Universal has become the leading fund company with the largest scale of public asset management and leading ability in innovation in Shanghai and has won the Shanghai Financial Innovation Award for many times. The investment income from the Company's fixed income businesses remained stable from a long-term view, and the bond underwriting and issuing ability enjoyed a good reputation in the industry. The Company's investment banking business bears distinct features, and the quality of the sponsoring business has always maintained its leading position in the industry.

### (iv) Standardized Governance Structure and Effective Compliance and Risk Control

The Company's corporate governance structure is sound and operates effectively. In accordance with the governance requirements of both A share and H share listed companies, the Company has improved the corporate governance structure, compliance and risk control and internal control management system, forming a corporate governance structure featuring the separation of shareholders' meeting, the Board, the Supervisory Committee and management that check and balance each other. In strict accordance with the governance requirements of domestic and foreign listed companies, the Company has conducted effectively information disclosure and investor relations management and therefore obtained the highest evaluation on the information disclosure of listed companies from SSE for three consecutive years. The Company was elected to be set on the SSE Corporate Governance Index and SSE 180 Corporate Governance Index.

## Section III Summary of the Company's Business

Compliance and risk control of the Company achieve comprehensive effectiveness. The Company adheres to the concept of compliance creating value, continues to improve comprehensive risk management systems, carries out the compliance and risk management system where compliance management, risk management and internal control are organically integrated. The Company focuses on the organic integration of information technology and business development, strengthens software independent research and development and operation and maintenance management to ensure information system and operation security. The Company establishes a fund management system to strengthen protection of business development fund and liquidity management. In recent years, the Company's risk management and operation system has withstood the test of the market and it was rated Grade AA of Class A companies or Grade A of Class A companies by the CSRC for ten consecutive years.

### (v) Excellent Party Building and Distinct Corporate Culture

The Company places great emphasis on Party building and corporate culture construction and believes that Party building and corporate culture is productivity. It is committed to enhancing the core foundation through party building and cultivating the corporate spirit by means of culture. The Company focuses on the organic integration and effective balance between excellent party building and corporate culture as well as marketization mechanism. It is convinced of the "power of persistence" to achieve success in the long run. The Company upholds the people-oriented "Home" culture, where the warm and powerful corporate atmosphere can be felt anywhere and at any time. It creates precise and fine cultural products to naturally integrate the concept and atmosphere into the work life, influence the employees' thoughts and behaviors and form the common value, career and responsibility of all the management staff and employees, thereby exploring a sustainable development path with unique DFZQ characteristics.

## Section IV Report of the Board

### I. DISCUSSION AND ANALYSIS OF OPERATION

In 2018, China's economic reform and transformation entered into the "deep water zone". Against the backdrop of intensified external uncertainties and the escalating Sino-US trade friction, the exchange rate of Renminbi was held in check and GDP growth suffered a decline. Faced with various internal and external pressures, the government adhered to the macro policy keynote of "advancing with stability" to enhance the support of financial industry to the real economy, while guarding against various market risks. Under multiple pressures from economic fundamentals and macro policies, the performance of stock and bond market varied significantly in 2018. In particular, trading volume in A share market showed a decline with SSE Composite Index registering a decrease of 24.59%, SZSE Component Index registering a fall of 34.42% and daily average trading turnover in Shanghai and Shenzhen Stock Exchange reaching approximately RMB369.1 billion, a year-on-year decrease of 19.45%. In contrast, the bond market recorded exceptional results with inter-bank interest rate dropping by approximately 100 BP and yields of one-year treasury bonds decreasing from 3.68% to 2.60%.

During the Reporting Period, facing such severe market environment, the Company rose to the challenges while several businesses grew against headwinds. Orient Securities Asset Management ranked 1st among peers in terms of income from custodian asset management business and its active management capability and brand recognition captured dominance in the industry. Approval ratio of IPO and M&A projects of Citi Orient continued to achieve 100%, rising to the top 10 in the industry. Publicly offered funds managed by China Universal amounted to RMB462.874 billion, representing an increase of 43.22% from the beginning of the year. In addition, the Company pressed ahead with asset management transformation and vigorously explored and promoted transaction business, seed funds incubation, main brokerage business, allocation of major classes of assets and other new businesses that aligned with our transformation. Our fixed income business took advantage of the investment opportunities in the bond market to harvest returns while bond underwriting volume achieving desirable performance. Underwriting amount of bonds issued by China Development Bank, Agricultural Development Bank as well as Book-entry T-bonds and municipal bonds on the stock exchange remained at top three and Inter-bank market making was also among the top three. Volume of custodian business exceeded RMB110 billion and the qualification for custodian business of publicly offered funds was obtained. Transaction volume of OTC market making continued to record significant upsides with growth rate of OTC accounts surpassing 20% for three consecutive years. Our research business ensured steady mutual funds commissions and internal services were advanced, thereby intensifying resource sharing.

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During the Reporting Period, the Company did not encounter any material risks or violation of laws and regulations. It has obtained “Grade A of Class A” or “Grade AA of Class A” rating for ten consecutive years in a row. The governance structure of the Company continued to be improved, change of term of office was completed successfully and it secured SSE information disclosure “Grade A” rating for three consecutive years. The new accounting policies were smoothly introduced, and liquidity indicators always complied with regulatory requirements. Besides, the Company kept up the promotion of industry and finance integration, thereby effectively enhancing the synergy effect. The Company pushed forward with financial technology and its IT operation and maintenance was further strengthened. The Company’s management efficiency was constantly enhanced and welfare and poverty alleviation witnessed remarkable results. Party building and corporate culture construction gained plentiful achievements with mass unity consolidating strength from all sides.

### II. PRINCIPAL OPERATING DURING THE REPORTING PERIOD

As at the end of the Reporting Period, total asset of the Company amounted to RMB226.87 billion, down by 2.15% over the end of last year; equity attributable to Shareholders of the Company reached RMB51.739 billion, a decrease of 2.35% over the end of last year; the net capital of parent company amounted to RMB40.235 billion, down by 8.00% over the end of the year. The revenue and other income amounted to RMB15.702 billion, a year-on-year decrease of 5.86%, net profit attributable to Shareholders of the Company was RMB1.231 billion, down by 65.36% year-on-year and weighted average net asset yield was 2.37%, down by 6.25 percentage points year-on-year during the Reporting Period. The Company’s profitability during the year was mainly affected by a sharp decline year-on-year in net investment gains of the proprietary equity investment of the Company as a result of the significant volatility and substantial adjustment in the securities market. In addition, as a A and H share listed broker, the Company has implemented the new standards for financial instruments since 1 January 2018, whereby price fluctuations of equity instruments held by the Company are directly included in profit, which enhanced the market effect on our results.

The Company realized RMB15.702 billion of revenue and other income, of which securities sales and trading business realized RMB1.030 billion, taking up 6.33% of the total; investment management business realized RMB3.741 billion, taking up 23.00% of the total; brokerage and securities financing business realized RMB8.259 billion, taking up 50.76% of the total; investment banking business realized RMB1.238 billion, taking up 7.60% of the total and headquarters and others business realized RMB2.002 billion, taking up 12.31% of the total. (Calculation of segment operating income, segment expenditure and relevant proportions have not taken account of any consolidation and offsetting factor; the same approach is adopted below)

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### (i) Table on the principal business of the Group and its analysis

Unit: '000 Currency: RMB

Segment	Segment of the principal business			Change in segment revenue and other income over last year (%)	Change in segment expenditure over last year (%)	Change in profit margin over last year (%)
	Segment revenue and other income	Segment expenditure	Profit margin (%)			
Securities sales and trading	1,029,867	1,904,808	(77.61)	(80.24)	0.59	Down by 141.56 percentage points
Investment management	3,741,262	1,506,483	74.94	54.64	7.11	Up by 14.01 percentage points
Brokerage and securities financing	8,259,013	6,107,669	26.04	47.45	98.45	Down by 19.01 percentage points
Investment banking	1,237,530	702,721	43.22	(20.94)	(16.23)	Down by 3.19 percentage points
Headquarters and others	2,002,089	4,929,439	(146.21)	(4.99)	(13.46)	Up by 24.12 percentage points

#### 1. *Securities Sales and Trading*

The Company conducts securities sales and trading business with its own capital, including proprietary trading (equity investment and trading, fixed income investment and trading, financial derivatives trading business), NEEQ market-making business, innovative investment and securities research services. During the Reporting Period, the securities sales and trading business segment realized segment revenue and other income of RMB1.030 billion, accounting for 6.33% of the total income.

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### Proprietary trading

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

<b>(in RMB million)</b>	<b>As at December 31, 2018</b>	<b>As at December 31, 2017</b>
Stocks	<b>3,451.98</b>	11,912.00
Funds	<b>3,041.08</b>	4,173.50
Bonds	<b>77,591.00</b>	56,593.78
Others <sup>Note</sup>	<b>1,866.90</b>	2,273.07
<b>Total</b>	<b>85,950.96</b>	74,952.35

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

Since 2018, influenced by the Sino-US trade war and the financial deleveraging policy, the domestic real economy slowed down and the securities market experienced a unilateral decline. Global risk aversion warmed up, and the bond market returned to the bull market.

In the aspect of equity proprietary trading business, great losses were recorded due to undesirable performance amid the continuous market dip. The Company has actively adjusted its investment strategy, strictly controlled its scale, and sought for suitable investment opportunities. The Company will carry out investment work with more cautiousness, select high-quality investment targets on the basis of strict control of risks, while continuing to conduct better global asset allocation, reducing risks of single market, developing more investment strategies and diversifying the income sources.

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During the Reporting Period, for the fixed income proprietary trading business, the Company seized market opportunities, increased investment scale, and timely adjusted the position structure while strengthening bond credit risk management. During the Reporting Period, the volume of spot transaction of bonds in the inter-bank market increased by 15% year-on-year, and the total amount of bond delivery increased by 12% year-on-year, both of which ranked the front among securities companies. During the Reporting Period, the Company was awarded the “Core Trader”, “Outstanding Bond Dealer” and “Best Technology Award” by China Foreign Exchange Trade System & National Interbank Funding Center; the “Excellent Proprietary Institution Prize” by the ChinaBond; the “Five-Year Best Contribution to National Debt and Futures Award” and the “Excellent Trading Team Award (Proprietary category)” by China Futures Exchange.

During the Reporting Period, the Company’s inter-bank bond market-making business achieved outstanding performance. In 2018, the trading volume of the Company’s inter-bank spot bond market-making increased by 68% year-on-year. The ranking of market-making has remained at the top three in the trial market makers, and that of trading in the “Bond Connect” has also maintained the forefront. During the Reporting Period, the Company won the “Excellent Comprehensive Market-making Organization”, “Excellent Trial Market Maker for Interest Rate Debt” and “Outstanding Trial Market Maker for Credit Debt” issued by National Association of Financial Market Institutional Investors; “Excellent Quotation Organization in Bond Connect” jointly issued by China Foreign Exchange Trading Center, the Hong Kong Stock Exchange and Bond Connect Company Limited and “Excellent Market Maker” issued by China Development Bank (“CDB”).

During the Reporting Period, the Company steadily promoted the innovation and transformation of FICC business, rapidly developed the bulk commodity business, continued to expand the product scale, and actively made preparation for foreign exchange business. After a strict period of deleveraging, various flexible credit policies deployed by the Central Economic Work Conference are expected to be gradually implemented at the end of 2018, and the bond market will be more volatile in 2019. The Company’s fixed income business will further promote the transformation of sales transaction business and the improvement of FICC industry chain, thus continuously improving the income structure.

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The Company's financial derivatives business includes sales transactions represented by stock block transactions and OTC derivatives, and trading business represented by options market making, fund market making and on-exchange quantitative investment. During the Reporting Period, the Company made progress in market making transactions, obtained the qualification for primary market makers of SSE 50ETF Options, was rated Class A for several consecutive months and was among the first batch to be qualified for primary fund market makers of SSE. The commodity futures market making was awarded the "2018 Excellent Market-makers" and "2018 Outstanding Performance Award in Market-making Business" by Shanghai Futures Exchange. The financial derivatives business will further enrich the sales transaction business, explore artificial intelligence investment strategies, actively study cross-border trading business and expand business models and revenue sources.

### *NEEQ market making*

In 2018, NEEQ Market Making Component Index accumulated a decline of 27.65%. Facing a severe market, the Company continued to implement its refined market making strategy of whole industry chain service, focused on two themes, namely "de-stocking and adjusting structure" to carry out work, enhanced post-investment management of existing shares under its scope, and further optimized share investment portfolio. The Company strengthened the screening of incremental market-making stocks, and focused more on the sustainable potential, core competitiveness and valuation safety margin of the targets.

As at the end of the Reporting Period, the Company invested in 118 NEEQ listed enterprises. Out of these investments, 59 were qualified to transfer to NEEQ innovation board (創新層), accounting for 41.28% of the total market value of assets held by the Company. The Company offered the NEEQ market making service for 70 enterprises, and the balance of the market making business amounted to RMB1.716 billion. During the Reporting Period, the Company was recognized as the "2018 China's Best Market Maker" by the second Dianjin Award.

### *Innovative investment*

The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company. During the Reporting Period, Orient Securities Innovation Investment steadily promoted the acquisition and disposal of special assets. During the Reporting Period, it invested in 19 new special asset projects, with a total new investment of RMB1.246 billion.



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With the development direction of “financing serves real economy”, Orient Securities Innovation Investment seized market opportunities through deep research of the biomedicine, high-end manufacturing and education fields, continued to pay attention to the new economy, set the strategic layout to prepare for the establishment of the science and technology innovation board and seek suitable investment targets for developing equity investment business. As at the end of the Reporting Period, Orient Securities Innovation Investment had 74 existing projects with the existing investment scale of RMB2.846 billion.

### *Securities research*

The securities research business of the Company continued to deeply glow the publicly offered fund market. Based on institutional clients, the Company strived to increase market share, expanded customer coverage and actively developed its non-publicly offered fund clients. During the Reporting Period, the research institute of the Company achieved a commission income of RMB266 million, of which RMB248 million were the commission income from publicly offered funds research (including special proceeds account, social security and annuity seats), representing a market share of 2.87%. The Company obtained a rising ranking in respect of core mutual fund client research. In addition, the securities research business conducted transformation actively, reinforced synergy within the Group and helped the Group to realize integrated financial service. The Company explored the service method of institutional clients utilizing its core research and development capability, so as to provide service of high value to a broader industry capital. Besides, the Company created and constantly deepened in strategic research and continued to improve the allocation and cultivation of oversea research capability, aiming to develop new competitive edge in the relevant area. As at the end of the Reporting Period, there are 78 employees in the research positions of the securities research business, of which 56 are with analyst qualification and 21 are with investment consultant qualification, publishing 2,244 research reports of various kinds during the year. During the Reporting Period, the Company won nine awards including “Best Analyst Team” and “Best Sales Team” in the mainland in the “II-Caixin” selection.

The research institute of the Company will continue to strike a balance between external commissions and internal services and enhance the ability to acquire external commissions by continuously strengthening its core competitiveness. Furthermore, the Company will focus on research and actively bring into full play the synergy of the Group to provide comprehensive financial services to various clients.

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### 2. *Investment Management*

The Company provided clients with asset management schemes, publicly offered fund products and private equity investment business. During the Reporting Period, the investment management business realized segment revenue and other income of RMB3.741 billion, accounting for 23.00% of the total income.

#### *Asset management*

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

In 2018, affected by internal and external factors, the capital market showed a downward trend. The intensive implementation of new regulations and supporting rules for asset management further guides the industry to return to its nature and reshapes the competitive pattern of the industry. In the face of such changes, Orient Securities Asset Management has been adhering to initiative management, actively grasped the development opportunities, followed the long-term value investment philosophy and pursued absolute returns, thereby continuously strengthening and enhancing its core competitiveness. Orient Securities Asset Management has always focused on the cultivation of core competitiveness so as to bring long-term and stable investment returns to its holders, provide multi-layered and multifaceted investment and asset management solutions for its clients and establish a professional asset management platform through dedicated business, professional team, competitive products and qualified services. In addition, Orient Securities Asset Management has been devoted to the education of investors and guide investors to establish correct investment concept through “Dongfanghong Wanlixing” activity with a total of 2,055 “Dongfanghong Wanlixing” investment and educational activities launched in 2018.

As at the end of the Reporting Period, the assets under custody of Orient Securities Asset Management reached RMB200.144 billion, of which the discretionary management assets accounted for 98.50%, far above the average level of asset management business of securities firm. During the Reporting Period, Orient Securities Asset Management ranked 1st in the industry in terms of the net income from custodian asset management business (source: Securities Association of China). From 2005 to the end of the Reporting Period, the average annualized return of the discretionary management equity products of Orient Securities Asset Management was 18.89% while the average annualized return of CSI 300 Index was 9.41% for the same period. The absolute yields, excess returns of the equity funds of Orient Securities Asset Management was 14.76%, 27.65%, respectively in recent three years, ranking first in the industry (source: Financial Products Research Center of Haitong Securities), and the performance for the medium and long-term business continued to maintain a leading advantage.

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

(in RMB million)	As at December 31, 2018	As at December 31, 2017
Collective asset management scheme	42,406.07	51,544.49
Targeted asset management scheme	59,257.90	75,459.66
Specialized asset management scheme	12,839.58	12,054.49
Publicly offered funds issued by securities dealer	85,640.15	75,333.28
<b>Total</b>	<b>200,143.70</b>	214,391.92

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

(in RMB million, except for percentage)	As at December 31, 2018		As at December 31, 2017	
	AUM	Percentage	AUM	Percentage
Discretionary management products	197,141.55	98.50%	210,145.71	98.02%
Non-discretionary management products	3,002.15	1.50%	4,246.21	1.98%
<b>Total</b>	<b>200,143.70</b>	<b>100.00%</b>	214,391.92	100.00%

As the bellwether in the asset management industry, Orient Securities Asset Management will continue to focus on the origin of the asset management industry, adhere to the customer-oriented development philosophy, continue to broaden investment research coverage, vigorously enhance customer service capabilities, and strengthen business innovation and forward-looking layout. Combining customer needs and structural changes, it will optimize product line layout, continuously enrich product forms to meet the long-term wealth value-added needs of segment customer groups, improve customer service system, and explore the use of financial technology to provide customers with more convenient and personalized investment services.

During the Reporting Period, Orient Securities Asset Management won more than 40 awards including the “Junding Award for 2018 Best Wealth Management Institution in China” (“2018 中國優秀財富管理機構君鼎獎”) organized by Securities Times, the 15th “Golden Funds” organized by Shanghai Securities News and the 15th “Golden Bull Award for Fund Industry in China” (“中國基金業金牛獎”) organized by China Securities Journal.

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### *Fund management through China Universal*

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

By bearing the value of “Customer First (客戶第一)” and the operating philosophy of “All for the Long Term (一切從長期出發)” in mind, China Universal continued to reinforce the four-core capability of investment management, risk management, customer service and product innovation, aiming to create the most recognized asset management brand in the PRC.

As at the end of the Reporting Period, the publicly offered funds managed by China Universal amounted to RMB462.874 billion, representing an increase of 43.22% as compared to that of the beginning of the year, after excluding the currency fund and short-term financial management debt base of RMB173.878 billion, ranking eighth in the industry. Proprietary equity-based asset management amounted RMB74.73 billion, ranking first in the industry (source: Galaxy Securities Fund Research Center, “proprietary equity-based” represents the proportion of stocks (equity) among performance benchmarks is over or equal to 60%); special proceeds accounts and pension business developed steadily. Three pension funds were approved during the Reporting Period; e-commerce business grew rapidly and the Company actively explored investment and consultant services; the Company continued to extend the international business and continue to improve the Hong Kong stock connect and the “global” series of product lines.

As at the end of the Reporting Period, the investment performance of China Universal remained stable and excellent. The return rate of discretionary management for the last five years of China Universal’s investment equity funds was 72.06%, ranking first in the top ten fund companies for the scale of public offering management (excluding monetary funds and short-term financial management debt base) (source: Galaxy Securities Fund Research Center).

During the Reporting Period, China Universal was awarded the “Excellent Fund Management Company (7-15 Years Category) and Management for the 20th Anniversary of China Fund Industry” by the Asset Management Association of China, 20-Year “Gold Fund” of TOP Fund Company by Shanghai Securities News, “Top 10 Best Fund Manager” of 20-Year publicly offered funds and “Best Active Equity Fund Manager” by China Fund News; its “Tian Fu Zhi Tou (添富智投)” won the 2017 Shanghai Financial Innovation Award (nomination award).

### *Private equity investment*

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

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The private equity investment fund business of Orient Securities Capital Investment mainly covers various types such as equity investment, mergers and acquisitions, cross-border investment and financial consultant related to equity investment, in which the cross-border M&A is leading in the industry; and investment fields are diversified with various industries involved, such as big consumption, big health, big entertainment, big finance, high-end equipment manufacturing. In recent years, Orient Securities Capital Investment has successfully listed the projects of Freely Communication, Chunqiu Electronic and Huabao Flavours, and will actively explore strategic emerging industries, pay attention to overseas asset management and early investment business to further enrich the business chain and develop the real economy in relation to financial services with focus on consolidating existing large-scale M&A investment and pre-IPO investment.

As at the end of the Reporting Period, Orient Securities Capital Investment managed 46 funds with a scale of RMB23.925 billion. The total investment of Orient Securities Capital Investment and funds managed by it reached 128 with the accumulated investment of RMB22.44 billion, of which 25 projects have been withdrawn; a total of 103 projects have been under investment, involving an investment amount of RMB11.358 billion and USD97.55 million; and 8 reserve projects.

### 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 and other income of RMB8.259 billion, accounting for 50.76% of the total income.

#### *Securities brokerage*

During the Reporting Period, the Company continued to promote the transformation from traditional brokerage business to wealth management. With a focus on customers, it provided value-added services of differentiation and personalization according to customers' needs through the layout of business outlets featuring low-cost, high-efficiency and "light-weight" and the expansion of online service platforms with an aim to creating a diversified integrated financial service platform covering the "full business chain". As at the end of the Reporting Period, the Company had 153 securities branches in total, covering 76 cities in 31 provinces, autonomous regions and municipalities directly under the central government. Meanwhile, during the Reporting Period, the Company was approved to establish 15 new branches, thereby further consolidating its layout.

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The Company explores innovative profit models on the basis of business transformation and enhancing core competitiveness. The Company improves the professionalism and added value of transaction execution service, actively serves institutional and corporate customers such as companies held by state-owned and local governments, private equity investment funds, listed companies and strategic customers. The Company leverages its advantages in full business chain, expands the breadth and depth of businesses, strengthens customer stickiness, improves trust and satisfaction of customers and enhances the ability of integrated financial service. The Company vigorously expanded private equity business with 116 products successfully landed and 55 managers newly introduced for the main brokerage business; promoted the contracting of other businesses of the Group, enhanced the income of non-channel businesses; strengthened cooperation with fund companies, various asset management companies and private equity fund managers, and expanded seed fund cultivation business. During the Reporting Period, the Company successfully held the “DFZQ Cup” private equity dream venture camp, to incubate and cultivate excellent private equity managers, promote business transformation and enhance the brand influence of the Company, thereby achieving mutual support and synergy between the business and the brand. The Company attaches great importance to investor education and actively develops the base for investment and education. In the evaluation of the provincial-level investment and education base in Shanghai in 2017-2018, the Company’s Internet investment and education base received an “excellent” rating.

During the Reporting Period, the market share of the Company’s net income from brokerage trading of securities was 1.54%, rising to the 20th in the industry (source: Monthly Journal of Securities Association of China). As of the end of the Reporting Period, the Company had a total of 1.4743 million brokerage clients with total value of assets under custody reaching RMB445.964 billion, of which high net worth individuals were 8,109 and institutional clients were 4,937, with total value of assets under custody of institutional clients reaching RMB343.974 billion at the end of the Reporting Period, which accounted for 77.13% of the total assets under custody of brokerage clients, representing a significant year-on-year growth.

The Company capitalized on its advantages in assets and customers. Targeting at the allocation of major classes of assets, the Company established diversified product lines in order to cater to the needs of its clients. Through in-depth due diligence and selection of excellent managers, the Company strengthened product marketing training, emphasized product diversification and enrichment, established product lines with different risk and return levels, to solidly promote the upgrading and transformation of wealth management business. In 2018, the distribution of financial products business of the Company ranked 11th in the industry (source: Monthly Journal of Securities Association of China), which was the best ever.

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During the Reporting Period, the Company was awarded the “2018 Junding Award for Excellent Wealth Management Agency in China” by Securities Times, “2018 Pioneer Service Provider for High Net Worth Individuals in China” by International Finance News, the “Most Powerful Wealth Management Brokerage” by National Business Daily (《每日經濟新聞》), “Orient Winners” was awarded “2018 Pioneer Wealth Management Brand in China” by International Finance News.

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

(in RMB million)	As at December 31, 2018	As at December 31, 2017
Publicly offered funds	100,429.08	110,379.52
Collective asset management products	900.00	5,149.54
Trust schemes	1,134.32	167.54
Private equity investment fund products	578.30	1,292.88
Other financial products	17,793.53	21,341.89
<b>Total</b>	<b>120,835.23</b>	<b>138,331.37</b>

### *Internet Finance*

During the Reporting Period, mainly empowered with financial technology, the Company continuously improved and optimized the unified internet portal “Orient Winners Wealth APP (東方贏家財富版APP)”, to create an integrated financial service platform that is data-based and intelligent. It actively promoted service upgrade and generally realized account integration and rendered the integrated mobile and Internet services more platform-oriented and various business of the Company more Internet-based. In addition, the Company launched the “Orient Tianji (東方天璣)” intelligent service system, which, with intelligent investment as its core, focusing on intelligent asset management, intelligent information and smart accounts to meet the needs of diversified services from customers, thus significantly improving user experience. As at the end of the Reporting Period, the Company had more than 410,000 active brokerage clients on the Internet and mobile platforms, with trading volume of equity funds of RMB2,001.631 billion. The number of customers trading through the Internet and mobile phone terminals accounted for 95.49% of the Company’s stock and fund brokerage customers, and the number of new online accounts accounted for 95.54% of the total number of accounts opened during the same period. The stock and fund brokerage transactions through the Internet and mobile platforms accounted for 74.92% of the total stock and fund brokerage transactions of the Company.



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During the Reporting Period, “Orient Winners Wealth APP” was awarded the “Securities Firm in China, APP Innovation Breakthrough Award of Securities Firm in 2018”, “2018 Platinum Award for Best-looking APP” and “2018 Excellent Sample Award for Brokerage APP” in the event of “Securities Firm in China • 2018 Outstanding APP of Securities Firm (券商中國 • 2018優秀證券公司APP評選)” for its outstanding performance in the financial technology field and won wide attention in the industry.

### *Futures brokerage*

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

During the Reporting Period, Orient Futures vigorously promoted the construction of branches with 8 new branches established throughout the year. As at the end of the Reporting Period, Orient Futures had 31 branches and recorded a significant increase in the number of valid accounts for Internet business. Orient Futures fully leveraged the Group’s synergy and enhanced its institutional business service capabilities, which resulted in the number of institutional customers increasing by more than 21% year-on-year. The Company established Orient Securities Innovation and Technology Research Institute, and integrated its technology capabilities in securities and futures, which rose to be the pioneer of the industry, and the brand advantage of Orient Securities Derivatives Research Institute gradually emerged. The business scale of the risk management subsidiaries under Orient Futures developed rapidly with the operating income increasing by sevenfold year-on-year and the Company newly established Singapore subsidiary to strengthen the international layout.

As at the end of the Reporting Period, Orient Futures had 48,049 clients, with the size of client equity amounting to RMB17.984 billion and average daily size of client equity for the year amounting to RMB11.813 billion. During the Reporting Period, Orient Futures completed 263.36 million trading turnover on behalf of clients with a trading volume of RMB17,502.418 billion, of which the trading volumes of commodity futures (including commodity options) and financial futures were RMB15,892.865 billion and RMB1,609.553 billion, respectively.

During the Reporting Period, Orient Futures received plenty of awards, namely the “Best Futures Company in China (中國最佳期貨公司)”, the “Gold Management Team of Futures Company in China (中國期貨公司金牌管理團隊)” and the “Gold Futures Research Institute in China (中國金牌期貨研究所)”, the “Best Precise Poverty Alleviation Charity Award”, the “Best Leader of Futures Companies in China” and the “Best Risk Management Subsidiary Service Award” in the 11th China Best Futures Operating Organization and Best Futures Analyst and was awarded the “2018 Jun Ding Award for Excellent Futures Company in China (2018中國優秀期貨公司君鼎獎)” by Securities Times and “2018 Poverty Alleviation Financial Enterprises – Poverty Alleviation and Innovation Prize (2018扶貧金融企業–扶貧創新獎)” by Sina.com.



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### *Securities financing*

In 2018, the balance between margin financing and securities lending and collateralized stock in the whole market contracted significantly, and financial risks were further exposed. The Company's securities financing business continued to maintain steady development.

As at the end of the Reporting Period, the balance of margin financing and securities lending in the whole market amounted to RMB755.704 billion, a decrease of 26.36% as compared to that of the beginning of the year. The balance of margin financing and securities lending of the Company was RMB9.746 billion, a decrease of 23.01% as compared to that of the beginning of the year. Such decrease was less than the market with a market share of 1.29%, representing an increase from the beginning of the year.

As at the end of the Reporting Period, the balance of collateralized stock in the whole market amounted to RMB1,165.913 billion (source: Securities Association of China), a decrease of 25.27% as compared to that of the beginning of the year. During the Reporting Period, since collateralized stock default incidents occurred frequently in the whole market and business risks intensified, the Company actively responded to the changes of the market. With the philosophy of "scale control, structural adjustment and risk clearance", the Company strictly implemented the new regulatory requirements for collateralized stock, proactively inspected business risks, controlled the scale of collateralized stock and improved the risk control requirements. On the one hand, the Company improved the project access system, strengthened the audit, due diligence and approval mechanism to ensure the quality of new projects; on the other hand, the Company optimized the management mechanism for stock projects, closely tracked the progress of the projects, strengthened post-lending tracking and adopted various channels to actively resolve risks of the projects, which produced effective risk control outcome. As at the end of the Reporting Period, the balance of collateralized stock of the Company amounted to RMB25.589 billion, representing a decrease of 23.25% as compared to that of the beginning of the year, securing remarkable results in active scale control and risk clearance.

In the past five years of securities financing business development, the Company has cultivated a considerable number of high quality customers. The Company will adjust its business development strategy in a timely manner according to changes in the market situation, further enhance the risk management level, deepen business brand building and build core competitiveness, thus providing comprehensive financial services for more quality customers.

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### *Other business*

In 2018, amidst the complex and volatile market environment, in terms of the OTC business, the Company constantly looked for business opportunities and breakthroughs, ensured smooth and orderly business development and continuously optimized product structure; leveraged advantages of the Group to promote win-win cooperation; animated transactions of the OTC market, brought into play the function advantages of the OTC; actively explored the external market and promoted the introduction of external products; continued to explore business innovation, enhanced market competitiveness; improved customer service system and provided support for the Company's wealth management business.

The Company's OTC market business is based on the OTC platform. The Company continuously developed product systems and channel construction, continued to participate in industry research, actively interacted with the regulatory authorities and peers, and explored industry development plans, thereby building a first-class OTC market business platform.

As at the end of the Reporting Period, the total value of the Company's OTC market business amounted to RMB22.242 billion, of which the issuance value (including subscription) amounted to RMB19.313 billion, and the value of the market-making transactions was RMB266 million, representing a five-fold increase as compared to that of the same period of the previous year. The value of other OTC businesses was RMB2.662 billion.

In 2018, the Company's custody business made breakthrough progress. Based on the needs of institutional customers, the Company further enriched the content of entrusted and operation outsourcing business services, enhanced its comprehensive financial services capabilities, and actively participated in the construction of the service ecosystem for private equity customers. As at the end of the Reporting Period, the business value exceeded RMB110 billion, and there were 1,311 online custodian and outsourcing operation product portfolio with the cumulative number of institutional customers exceeding 550. The business value, product quantity and number of customers increased by 60.60%, 30.31% and 48.67% respectively as compared with those of the beginning of the year. Such increases were far above the average level of the industry. The Company accelerated the integration of financial technology with custodian and operation outsourcing business, achieved online-based customer service from all aspects, which resulted in the significant improvement in the operational quality and efficiency and continuous optimization in customer experience.

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During the Reporting Period, the Company was approved of the qualification for securities investment fund custody, becoming the third securities company that obtained the qualification of publicly offered funds custody business in the past three years. Its fund service business passed ISAE3402 international certification, and internal control, security assurance, operational efficiency and service quality met international authoritative standards. Market reputation and business brand image continued to improve, laying a solid foundation for the long-term development of the custody business. During the Reporting Period, the Company was awarded the “Best Innovative Service Agency for Private Equity Fund (私募基金最佳創新服務機構)” by Shanghai Equity Investment Association, the “Best Securities Firm for Private Equity Service (最佳私募基金服務券商)” by China Financial Innovation Ranking of Yicai Financial, and the “Excellent Member Unit (優秀會員單位)” by Shanghai Pudong International Finance Institute and the “Best Securities Firm for Private Equity Service (最佳私募基金服務券商)” by 2018 China Asset Management Summit Forum of “Time Weekly”.

In terms of the custodian business, under the guidance of the Company’s strategy and based on customer needs, the Company will adhere to the “cooperation, synergy” concept and focus on comprehensive services to enhance capacity improvement, service optimization, market expansion and resource integration, thus building a comprehensive service platform for private equity institutions and boosting the development of the Company’s various businesses.

#### 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 mainly engaged in underwriting and acting as sponsor of stocks and corporate 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 mainly engaged in underwriting services for government bonds and financial bonds. During the Reporting Period, investment banking business realized segment revenue and other income of RMB1.238 billion, accounting for 7.60% of the total income.

##### *Stock underwriting*

In 2018, equity financing in the primary market slowed down as compared with previous years, IPO review process continued to be stringent with new listing rate dropping significantly, private placement of shares reduced sharply while the debt financing recorded a growth against headwinds. During the Reporting Period, 105 IPO projects were issued in the whole market, with total proceeds of RMB137.8 billion raised, representing a decline of 40% compared with that of the previous year. Total proceeds raised from secondary offering were RMB1.01 trillion, representing a decrease of 26% compared with that of the previous year.

## Section IV Report of the Board

Facing the complex market environment, various segments of Citi Orient secured advance amid stability and achieved all-round progress. During the Reporting Period, Citi Orient completed 8 equity financing projects with total lead underwriting amount of RMB7.125 billion. The Company ranked 16th in terms of the number of lead underwriting transactions, of which the number of IPO lead underwriting transactions ranked 11th (according to the statistics of Wind). Citi Orient commenced strict quality control on the quality of its customers and the implementation of projects, with successful ratio for IPO projects ranking the first batch of securities companies for two years in a row. During the Reporting Period, all of the six IPO projects underwritten were approved. As at the end of the Reporting Period, among Citi Orient's reserve underwritten projects, four IPO projects were approved and six projects were under review; two refinancing projects were approved and one project was under review.

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

(in RMB million)	As at December 31, 2018	As at December 31, 2017
<b>IPO:</b>		
Number of issuance	3	9
Lead underwriting amount	1,884.32	3,991.13
<b>Secondary offering:</b>		
Number of issuance	5	7
Lead underwriting amount	5,241.16	19,475.63
<b>Total:</b>		
Number of issuance	8	16
Lead underwriting amount	7,125.48	23,466.76

With the launch of a series of new initiatives such as the establishment of the science and technology innovation board and the pilot registration system, the capital market will face more opportunities and challenges. Citi Orient will also actively implement innovative financial services to help outstanding enterprises in the PRC achieve better and faster development through the capital market.

## Section IV Report of the Board

### *Bond underwriting*

In 2018, the bond market gradually warmed up, while the structural trend remained still. The market environment of interest rate bonds and high-grade credit bonds market were sound and the overall credit bond issuance was obviously restored as compared with that of 2017. During the Reporting Period, the market-wide bond financing amounted to RMB43.72 trillion, representing a year-on-year increase of 7% from the previous year, of which the total proceeds of credit bonds was RMB32.49 trillion, representing a year-on-year increase of 11%.

During the Reporting Period, the lead underwriting amount of debt underwriting business of the Company amounted to RMB95.072 billion. In particular, Citi Orient completed 46 debt underwriting projects with lead underwriting amount amounting to RMB67.798 billion. It ranked 20th in the industry and 1st among joint venture securities companies in terms of lead underwriting amount (according to the statistics of Wind). As at the end of the Reporting Period, 23 debt underwriting projects of Citi Orient have been approved, and 14 projects were under review.

During the Reporting Period, the interest rate bonds of the Company continued its leading position among peers and the underwriting amount of book-entry treasury bonds, financial bonds of CDB and financial bonds of Agricultural Development Bank of China (“ADB”) ranked in the top two among peers. The Company actively conducted underwriting of local bonds. In particular, inter-bank local bonds underwriting and SSE local bonds underwriting ranked top 3 in the industry while Shenzhen Stock Exchange local bonds underwriting ranked top 2 in the industry. The Company ranked top 10 among securities companies acting as lead underwriters of debt financing instruments issued by non-financial enterprises. In addition, the Company actively participated in lead underwriting concerning Bond Connect, CDB exchange bonds, CDB tier-two capital bonds, ADB exchange bonds and green bonds. During the Reporting Period, the Company was awarded the “Excellent Underwriting Institution Award (優秀承銷機構獎)”, the “Contribution Award for Non-bank Local Bond Underwriter (地方債非銀類承銷商最佳貢獻獎)”, “ChinaBond Green Bond Index Sample Excellent Underwriting Institution Award (中國綠色債券指數樣本券優秀承銷機構)” by ChinaBond; the “Excellent Underwriter in Inter-bank Market (銀行間市場優秀承銷商)”, the “Innovation Award for Underwriters of Financial Bonds issued by China Development Bank (國家開發銀行金融債券承銷商創新獎)” and other special awards by CDB, the “Outstanding Underwriting Award for Local Bonds (地方政府債券優秀承銷獎)” by SSE and “Outstanding Underwriting Institution Award for Interest Rate Bonds (優秀利率債承銷機構獎)” by Shenzhen Stock Exchange.

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

<b>(in RMB million)</b>	<b>As at December 31, 2018</b>	<b>As at December 31, 2017</b>
Corporate debentures:		
Times of lead underwriting	22	28
Amount lead underwritten	31,786.00	30,280.00
Corporate bonds:		
Times of lead underwriting	8	19
Amount lead underwritten	7,900.00	15,765.00
Financial bonds:		
Times of lead underwriting	20	28
Amount lead underwritten	22,329.69	26,624.00
Asset backed securities:		
Times of lead underwriting	6	8
Amount lead underwritten	15,362.00	11,612.00
Debt financing instruments for non-financial enterprises:		
Times of lead underwriting	32	19
Amount lead underwritten	17,694.13	11,430.33
<b>Total:</b>		
Times of lead underwriting	<b>88</b>	102
Amount lead underwritten	<b>95,071.82</b>	95,711.33

## Section IV Report of the Board

### *Financial advisory services*

During the Reporting Period, Citi Orient's financial advisory services performed well. Citi Orient acted as an independent financial advisor for two major assets restructuring projects of listing companies (according to the statistics of merger and restructuring committee of the CSRC), with a total amount of RMB54.025 billion, of which Wanhua Chemical Project was the largest merger and restructuring project in the domestic capital market during the Reporting Period (restructuring amount reaching RMB52.212 billion), which was also the largest cross-border merger and restructuring project carried out by domestic enterprises along the "Belt and Road" initiative in Central and Eastern Europe. Citi Orient completed two successful listings on NEEQ in its financial advisory services, with a cumulative number of 122,058,800 shares listed. Citi Orient conducted private placement for 5 issuers with a cumulative amount of RMB997 million, and two new NEEQ stocks were under review. As at the end of the Reporting Period, Citi Orient supervised 42 listing companies accumulatively.

During the Reporting Period, Citi Orient was honored two awards including "2018 Jun Ding Award for Outstanding Investment Banking in China Region (2018中國區優秀投行君鼎獎評選)" by Securities Times, two "Best" honors in the 11th New Fortune Best Investment Bank Awards selection and "Golden Sail IPO IB Prize 2018 (2018年度金帆IPO投行獎)" at the 21st Century International Financial Summit sponsored by 21st Century Business Herald.

### **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 segment revenue and other income of RMB2.002 billion, accounting for 12.31% of the total income.

### *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 continuously enhanced its liquidity risk management system, strengthened the meticulous management of financing and continuously improved the management of liquidity risk through institutional construction and system development. Besides, the Company improved the safety margin of liquidity by raising the level of reserve asset management, thereby achieving the goal of the integration of capital safety, liquidity and profitability.

During the Reporting Period, our liquidity reserve was reasonably abundant and liquidity indicators continued to meet regulatory requirements. As at the end of the the Reporting Period, liquidity coverage ratio and net stable funding ratio of the Parent Company were 290.43% and 151.97%, respectively, leaving much space from the regulatory alert amount.

## Section IV Report of the Board

The Company will continue to improve the liquidity management system, give full play to the leading role of internal fund transfer pricing to business and rationally guide the effective allocation of resources. It will steadily promote the centralized management of the Company's debt financing instruments and strive to seize the peak of interest rate fluctuations to effectively reduce the financial expenditure. Furthermore, the Company will focus on improving the synergy effect of the Group and continuously improve the comprehensive management capabilities on and off balance sheet, local and foreign currency and domestic and foreign funds.

### *Overseas business*

The Company engages in overseas business through Orient Finance Holdings, a wholly-owned subsidiary of the Company, and its subsidiaries. Orient Finance Holdings is the overseas comprehensive business platform of the Company to carry out overseas business and implement an internationalization strategy. It provides a strong guarantee for the Company's common development in domestic and overseas markets, enriching revenue sources and optimizing income structure. Orient Finance Holdings, through its wholly-owned subsidiaries, holds business licenses including dealing in securities, advising on securities, dealing in futures contracts, asset management, advising on corporate finance. It has set up a relatively comprehensive overseas business platform. During the Reporting Period, various businesses of Orient Finance Holdings and its subsidiaries developed in a balanced manner. According to Bloomberg data, in 2018, the total underwriting amount of Orient Finance Holdings and its subsidiaries in terms of bond underwriting business ranked 4th among Chinese brokers in Hong Kong. Orient Finance Holdings actively participated in the subscription of the first listed new shares in the D-share market, "Qingdao Haier", as its gesture of supporting the "going global" strategy of PRC enterprises. It launched the first publicly offered fund "Boshi-Dong Fang Hong Greater China Bond" and boosted "Dong Fang Hong" brand in overseas market. Meanwhile, it was the first to launch the mobile phone online account opening system for Hong Kong and US stocks to actively promote the innovation and development in the Internet finance sector.

In 2018, Orient Finance Holdings was chosen the "Best Investment Institution of G3 Bonds in Asia" by the "The Asset", the authoritative magazine in Asia for the second consecutive year; it was awarded the "Excellent Enterprise Award" honorary title by "2018 CCTV Finance and Economic Forum" jointly sponsored by CCTV Financial Channel and Hong Kong Ta Kung Pao; it won the 2nd "One-year Overseas Golden Bull Private Investment Manager Award" chosen by China Securities Journal.

Orient Finance Holdings will continue to optimize the construction of overseas platforms, deepen cross-border business collaboration, expand the Company's brand awareness and influence and enhance its comprehensive financial services capabilities.



## Section IV Report of the Board

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

#### 1. Revenue and other income

During the Reporting Period, the Group realized RMB15.702 billion of revenue and other income, down by RMB977 million or 5.86% over the same period of last year. The change in revenue and other income was mainly attributable to: a decline in income from proprietary equity investment due to market influence, the full inclusion of the price volatility from equity instruments held by the Company into the operating income as a result of the implementation of the new standards for financial instruments, and an increase in income from bulk commodities of fellow subsidiaries. Details were as follows:

Commission and fee income amounted to RMB5.419 billion, accounting for 34.51% of the total and representing an increase of 0.75%, which was primarily attributable to the Company's increased average custodian assets under management, resulting in a significant increase in the revenue of asset management business.

Interest income amounted to RMB6.374 billion, accounting for 40.59% of the total and representing an increase of 62.16%, which was primarily attributable to the inclusion of interest from debt instrument measured at amortized cost and debt instrument at fair value through other comprehensive income into interest income upon the implementation of the new standards for financial instrument. After excluding the impact of the standards adjustment, interest income was RMB3.647 billion, down by 7.22%, which was mainly due to bond interest decrease in collateralized stock repurchase financing.

Net investment gains amounted to RMB-2 million, which was mainly attributable to the inclusion of interest from debt instrument measured at amortized cost and debt instrument at fair value through other comprehensive income into interest income upon the implementation of the new standards for financial instrument and the decline in gains from disposal of and fair value change on financial assets at fair value through profit or loss. After excluding the impact of the standards adjustment, net investment gains were RMB2.725 billion, down by 59.56%, which was mainly due to decrease in gains from disposal and change in fair value of financial assets at fair value through profit or loss.

Other revenue and income amounted to RMB3.911 billion, accounting for 24.91% of the total and representing an increase of 518.73%, which was mainly attributable to increased sales revenue of bulk commodities of fellow subsidiaries.

## Section IV Report of the Board

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

Unit: '000 Currency: RMB

Items	From January to December 2018		From January to December 2017		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Commission and fee income	5,418,316	34.51%	5,377,803	32.24%	40,513	0.75%
Interest income	6,374,389	40.59%	3,930,852	23.57%	2,443,537	62.16%
Net investment gains	(2,107)	-0.01%	6,738,575	40.40%	(6,740,682)	-100.03%
Other income and gains	3,911,350	24.91%	632,155	3.79%	3,279,195	518.73%
Total revenue and other income	15,701,948	100.00%	16,679,385	100.00%	(977,437)	-5.86%

### 2. Total expenses

During the Reporting Period, total expenses of the Group reached RMB15.035 billion, up by RMB2.267 billion or 17.76% year-on-year, which was mainly attributable to increase in sales cost of bulk commodities trading conducted by fellow subsidiaries. Details were as follows:

Staff costs were RMB2.831 billion, down by 21.33%, which was mainly attributable to the corresponding decline in salary expenses as a result of a decrease in the Company's business revenue.

Interest expenses were RMB5.504 billion, down by 7.36%, which was mainly attributable to the corresponding decline in interest expense as a result of the decrease in bonds sold under repurchase agreement and bonds payables.

Commission and fee expenses were RMB429 million, up by 15.62%, which was mainly attributable to an increase in fee expenses from proprietary investment business.

Depreciation and amortization expenses were RMB207 million, up by 14.57%, which was mainly attributable to an increase in property and equipment depreciation.

Other operating expenses, including operation expense, and tax and surcharges, amounted to a total of RMB5.907 billion, up by 163.50%, which was mainly attributable to increase in sales cost of bulk commodities trading conducted by fellow subsidiaries.

## Section IV Report of the Board

Impairment losses amounted to RMB157 million, representing a decrease of 63.81%, which was mainly attributable to a decline in provision for debt instruments at fair value through other comprehensive income, funds and financial assets held under resale agreements.

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

Unit: '000 Currency: RMB

Items	2018	2017	Changes	
			Amount	Percentage
Staff costs	<b>2,830,844</b>	3,598,494	(767,650)	-21.33%
Interest expenses	<b>5,503,768</b>	5,941,311	(437,543)	-7.36%
Commission and fee expenses	<b>429,342</b>	371,323	58,019	15.62%
Depreciation and amortization	<b>206,931</b>	180,611	26,320	14.57%
Other expenses	<b>5,906,908</b>	2,241,740	3,665,168	163.50%
Impairment losses	<b>157,114</b>	434,176	(277,062)	-63.81%
<b>Total</b>	<b>15,034,907</b>	12,767,655	2,267,252	17.76%

### 3. *Research and development investment*

#### *Research and development investment*

Unit: '000 Currency: RMB

Expenses of Research and Development Investment of current period	160,170
Capitalized of Research and Development Investment of current period	52,535
Total Research and Development Investment	212,705
Percentage of Research and Development Investment of Operating Income (%)	2.06
Number of Research and Development Staff (person)	168
Percentage of staff of Research and Development of total number of staff of the Company (%)	3.26
Percentage of capitalized Research and Development Investment (%)	24.70

## Section IV Report of the Board

### 4. *Contribution to social welfare*

In 2018, the Group contributed a total of RMB28.2675 million to charitable donations and other public welfare events.

### 5. *Cash flow*

During the Reporting Period, the Company recorded RMB8.803 billion of net decrease in cash and cash equivalents, including:

- (1) Net cash from operating activities amounted to RMB2.29 billion, which was mainly attributable to:
  - 1) RMB8.842 billion of net cash inflow was attributable to decrease in advance to financing customers and financial assets held under resale agreements;
  - 2) RMB3.84 billion of net cash inflow was attributable to increase in account payables to brokerage clients;
  - 3) RMB3.43 billion of net cash outflow was attributable to decrease in cash held on behalf of customers and clearing settlement funds;
  - 4) RMB6.986 billion of net cash outflow was attributable to decrease in financial assets sold under repurchase agreements and funds due to banks and other financial institutions.
- (2) Net cash used in investment activities was RMB7.134 billion, which was primarily attributable to:
  - 1) RMB10.441 billion of net cash outflow caused by investment and disposal of financial investment;
  - 2) RMB3.614 billion of net cash inflow caused by dividends and interests received from investments;
- (3) Net cash used in financing activities amounted to RMB3.959 billion, which was mainly attributable to:
  - 1) RMB3.426 billion of net cash outflow from bonds payment, short-term bills payable and interest of borrowings;
  - 2) RMB1.42 billion of net cash outflow from payment of dividends of shareholders.

## Section IV Report of the Board

### (iii) Analysis on principal components of consolidated statement of financial position

#### 1. Overview of consolidated statement of financial position

As at the end of the Reporting Period, the Group achieved total assets of RMB226.87 billion, total liabilities of RMB174.597 billion and total equity of RMB52.272 billion.

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

Unit: '000 Currency: RMB

Items	December 31,		December 31,		Changes	
	2018	Proportion	2017	Proportion	Amount	Proportion
<b>Total assets</b>	<b>226,869,673</b>		231,859,988		(4,990,315)	-2.15%
Cash and bank balances	36,764,639	16.21%	41,895,955	18.07%	(5,131,316)	-12.25%
Clearing settlement funds	9,354,272	4.12%	9,349,322	4.03%	4,950	0.05%
Deposits with exchanges and non-bank financial institutions	1,025,365	0.45%	1,025,096	0.44%	269	0.03%
Derivative financial assets	318,490	0.14%	168,719	0.07%	149,771	88.77%
Advance to financing customers	10,276,755	4.53%	12,940,064	5.58%	(2,663,309)	-20.58%
Account receivables	668,408	0.29%	962,844	0.42%	(294,436)	-30.58%
Restricted bank deposit	-	0.00%	449,900	0.19%	(449,900)	-100.00%
Financial assets held under resale agreements	28,168,584	12.42%	34,618,491	14.93%	(6,449,907)	-18.63%
Financial assets at fair value through profit or loss	52,035,347	22.94%	48,029,447	20.71%	4,005,900	8.34%
Debt instruments at fair value through other comprehensive income	62,209,436	27.42%	-	0.00%	62,209,436	N/A
Equity instruments at fair value through other comprehensive income	9,316,262	4.11%	-	0.00%	9,316,262	N/A
Debt instruments at amortized cost	7,912,596	3.49%	-	0.00%	7,912,596	N/A
Available-for-sale financial assets	-	0.00%	72,234,378	31.15%	(72,234,378)	N/A
Held-to-maturity investments	-	0.00%	110,500	0.05%	(110,500)	N/A
Other account receivables, other receivables and accruals	1,506,381	0.66%	3,725,463	1.61%	(2,219,082)	-59.57%

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Unit: '000 Currency: RMB

Items	December 31,		December 31,		Changes	
	2018	Proportion	2017	Proportion	Amount	Proportion
Deferred tax assets	895,832	0.39%	150,522	0.06%	745,310	495.15%
Investments in associates	4,015,263	1.77%	4,005,604	1.73%	9,659	0.24%
Properties and equipments	2,237,568	0.99%	2,033,609	0.88%	203,959	10.03%
Other intangible assets	132,340	0.06%	127,939	0.06%	4,401	3.44%
Goodwill	32,135	0.01%	32,135	0.01%	-	0.00%
<b>Total liabilities</b>	<b>174,597,221</b>		<b>178,358,513</b>		<b>(3,761,292)</b>	<b>-2.11%</b>
Due to banks and other financial institutions	11,027,067	6.32%	11,200,000	6.28%	(172,933)	-1.54%
Short-term financing bills payables	12,411,606	7.11%	1,810,486	1.02%	10,601,120	585.54%
Account payables to brokerage clients	32,059,065	18.36%	28,219,521	15.82%	3,839,544	13.61%
Accrued staff cost	1,249,289	0.72%	1,852,383	1.04%	(603,094)	-32.56%
Other account payables, other payables and accruals	1,485,790	0.85%	4,315,525	2.42%	(2,829,735)	-65.57%
Current tax liabilities	371,510	0.21%	433,308	0.24%	(61,798)	-14.26%
Financial liabilities at fair value through profit or loss	6,834,381	3.91%	6,059,727	3.40%	774,654	12.78%
Derivative financial liabilities	905,809	0.52%	628,176	0.35%	277,633	44.20%
Contractual liabilities	134,897	0.08%	-	0.00%	134,897	N/A
Financial assets sold under repurchase agreements	49,415,677	28.30%	56,120,004	31.46%	(6,704,327)	-11.95%
Borrowings	1,653,162	0.95%	2,327,670	1.31%	(674,508)	-28.98%
Bond payables	57,048,968	32.67%	65,309,687	36.62%	(8,260,719)	-12.65%
Deferred tax liabilities	-	0.00%	82,026	0.05%	(82,026)	-100.00%
<b>Total equity</b>	<b>52,272,452</b>		<b>53,501,475</b>		<b>(1,229,023)</b>	<b>-2.30%</b>

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

## Section IV Report of the Board

### 2. *Assets*

As at the end of the Reporting Period, the Group's total assets reached RMB226.87 billion, a decrease of RMB4.99 billion or 2.15% from the end of last year, which was mainly attributable to a decline in self-owned bank balances, funds and funds from repurchase agreements. In the Group's assets, currencies, clearing settlement funds, deposits with exchanges and non-bank financial institutions and restricted bank deposits amounted to RMB47.144 billion, a decrease of RMB5.576 billion from the end of last year, accounting for 20.78% of total assets. Financial investment and derivative financial assets amounted to RMB131.792 billion, an increase of RMB11.249 billion from the end of last year, accounting for 58.10% of total assets. Financing funds, financial assets held under resale agreements and account receivables amounted to RMB39.114 billion, a decrease of RMB9.408 billion from the end of last year, accounting for 17.24% of total assets. Long-term equity investment, fixed assets and others amounted to RMB8.820 billion, a decrease of RMB1.256 billion from the end of last year, accounting for 3.88% of total assets. During the Reporting Period, the Company maintained stable asset scale with rational structure and sufficient liquidity.

### 3. *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities reached RMB174.597 billion, a decrease of RMB3.761 billion or 2.11% from the end of last year. The gearing ratio, net of account payables to brokerage clients and funds payable to securities issuers, was 73.17%, a decrease of 0.52 percentage point from the end of last year. In the Group's liabilities, borrowings, short-term financing bills payables, funds due to banks and other financial institutions, bond payables and financial assets sold under repurchase agreements amounted to RMB131.557 billion, a decrease of RMB5.211 billion from the end of last year, accounting for 75.35% of total liabilities. Financial liabilities held for trading and derivative financial liabilities amounted to RMB7.74 billion, an increase of RMB1.052 billion from the end of last year, accounting for 4.43% of total liabilities. Account payables to brokerage clients and funds payable to securities issuers amounted to RMB32.059 billion, an increase of RMB3.84 billion from the end of last year, accounting for 18.36% of total liabilities. Accrued staff cost, current tax liabilities, contractual liabilities and others amounted to RMB3.241 billion, a decrease of RMB3.442 billion from the previous year, accounting for 1.86% of total liabilities.

## Section IV Report of the Board

### 4. Borrowings and bond financing

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB82.141 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

Items	December 31, 2018	December 31, 2017
Due to banks and other financial institutions	11,027,067	11,200,000
Short-term financing bills payables	12,411,606	1,810,486
Borrowings	1,653,162	2,327,670
Bond payables	57,048,968	65,309,687
Total	82,140,803	80,647,843

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 39, 40, 46 and 47 to the consolidated financial statements herein.

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



## Section IV Report of the Board

### (iv) Explanations on change in the scope of consolidation of the statements

1. As compared with the end of last year, the Group added nine entities into its scope of consolidation, which included one subsidiary newly consolidated by each of Orient Securities Capital Investment, Orient Securities Innovation Investment, Orient Futures, and Orient Finance Holdings, two structured entities newly consolidated by the Parent Company and three structured entities newly consolidated by Orient Finance Holdings.
2. As compared with the end of last year, the Group excluded 19 entities from its scope of consolidation, which included closure of 13 subsidiaries by Orient Securities Capital Investment; closure of five structured entities by the Parent Company; and closure of one structured entity by Orient Securities Innovation Investment.

### (v) Analysis on industrial operations

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

##### (1) *Capital increase into subsidiaries*

In August 2018, the Company increased capital in the amount of RMB0.5 billion to Orient Futures and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Futures to RMB2.0 billion. This capital increase has been considered and approved at the president working meeting of the Company.

In March 2019, the Company increased capital in the amount of RMB0.3 billion to Orient Futures and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Futures to RMB2.3 billion. This capital increase has been considered and approved at the president working meeting of the Company.

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

According to the Reply on Approving Establishment of 15 Securities Branches by 東方證券股份有限公司 (Hu Zheng Jian Xu Ke [2018] No. 73) from Shanghai Bureau of the CSRC, the Company was approved to establish one securities branch in each of the 15 cities including Nanjing City, Jiangsu Province, Yixing City, Jiangsu Province, Weihai City, Shandong Province, Weifang City, Shandong Province, Beijing City, Shenzhen City, Guangdong Province, Hangzhou City, Zhejiang Province, Ningbo City, Zhejiang Province, Zhengzhou City, Henan Province, Changsha City, Hunan Province, Wuhan City, Hubei Province, Bengbu City, Anhui Province, Jinzhong City, Shanxi Province, Xi'an City, Shaanxi Province and Jiujiang City, Jiangxi Province, of which the establishment model of the information system is B-type. The business scope of the abovementioned branches would be securities brokerage; margin financing and securities lending; securities investment advisory; financial consultancy in relation to securities transactions and securities investment activities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products. As at the end of the Reporting Period, the Company did not complete the establishment of the aforementioned branches.

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### (3) *Relocation of the Company's securities branches*

- 1) Shanghai Baoshan District Changjiang West Road Securities Branch of DFZQ was relocated within the city, from No. 1788, Changjiang West Road, Baoshan District, Shanghai to No. 2, Lane 1952, Changjiang West Road, Baoshan District, Shanghai. The name was not changed.
- 2) Nanning Minzhu Road Securities Branch of DFZQ was relocated within the city, from the 4th floor, Dushi Huating, No. 6-8, Minzhu Road, Nanning, Guangxi Zhuang Autonomous Region to No. 10 store on the first floor and No. 2A4/2A5 on the second floor, Oriental Business Port, No. 26-1, Jinhu Road, Nanning, Guangxi Zhuang Autonomous Region. The name of the branch was changed to Nanning Jinhu Road Securities Branch of DFZQ.
- 3) Shanghai Pudong New Area Pudong South Road Securities Branch of DFZQ was relocated within the city, from No. 1658, Pudong South Road, Pudong New Area, Shanghai to 3rd Floor, Ping An Fortune Building, No. 1088 Yuanshen Road, Pudong New Area, Shanghai. The name of the branch was changed to Yuanshen Road Securities Branch of DFZQ.
- 4) Xi'an Jinye Road Securities Branch of DFZQ was relocated within the city, from 716-719, Tower C, City Gate, No.1 Jinye Road, Yanta District, Xi'an, Shaanxi province to Room 0501, Unit 2, Building 1, Tang Yan International Center, No. 3 Tangyan Road, High-tech Zone, Xi'an, Shaanxi province. The name of the branch was changed to Tangyan Road Securities Branch of DFZQ.
- 5) Chunxiao Road Securities Branch in Shanghai Pudong New Area of DFZQ was relocated within the city, from Room 102, South Building, No. 350 Chunxiao Road, Zhangjiang Hi-Tech, Pudong New Area, Shanghai to Room 216, Building 2, No. 2966 Jinke Road, Pudong New Area, Shanghai. The name of the branch was changed to Shanghai Pudong New Area Jinke Road Securities Branch of DFZQ.
- 6) Shanghai Yangpu District Siping Road Securities Branch of DFZQ was relocated within the city, from No. 999, Siping Road, Yangpu District, Shanghai to Room 101, Room 2508, No. 1555 Kongjiang Road, Yangpu District, Shanghai. The name of the branch was changed to Shanghai Yangpu District Kongjiang Road Securities Branch of DFZQ.

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- 7) Shanghai Putuo District Lanxi Road Securities Branch of DFZQ was relocated within the city, from Lanxi Road, Putuo District, Shanghai to Room 202, 2nd Floor, No. 235 & No. 245 Yunling East Road, Putuo District, Shanghai. The name of the branch was changed to Shanghai Putuo District Yunling East Road Securities Branch of DFZQ.
- 8) Shanghai Minhang District Dushi Road Securities Branch of DFZQ was relocated within the city, from No. 3898 Dushi Road, Minhang District, Shanghai to Room 107, 1st Floor, No. 27 & Room 310, 3rd Floor, No. 13 Lane 2635, Dushi Road, Minhang District, Shanghai. The name of the branch was changed to Shanghai Minhang District Dushi Road Securities Branch of DFZQ.
- 9) Shanghai Zhabei District Zhongxing Road Securities Branch of DFZQ was relocated within the city, from No. 457, Zhongxing Road, Zhabei District, Shanghai to 102-1, 703-2 & 703-3, Building 1, Lane 777, Wanrong Road, Jing'an District, Shanghai. The name of the branch was changed to Shanghai Jing'an District Wanrong Road Securities Branch of DFZQ.

### 2. *Specific explanation on account standardization*

In strict compliance with the relevant requirements on account management by the CSRC and CSDCC, the Company further optimized its long-term account management mechanism, and made further clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which had been reserved separately. During the Reporting Period, the Company has totally cleaned up 34 unqualified capital accounts, 14 unqualified securities accounts; 358 activated small-amount-dormant capital accounts, 631 small-amount-dormant securities accounts; 18 activated dormant capital accounts without risk management, and 14 dormant securities accounts without risk management.

As at the end of the Reporting Period, the Company had 1,801,193 capital accounts and 2,940,003 securities accounts, with 1,474,270 and 2,634,142 of which were qualified capital accounts and qualified securities accounts. The Company still had 10,348 unqualified capital accounts, 1,247 unqualified securities accounts, 282,880 small-amount-dormant capital accounts, 290,172 small-amount-dormant securities accounts, 33,695 dormant capital accounts without risk management and 14,442 dormant securities accounts without risk management.

## Section IV Report of the Board

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

#### (1) *Analysis on development of innovative business*

With years of efforts and accumulation, innovation business has become the Company's core competitiveness and made progressive achievement. The main innovative results made in 2018 are as follows:

- 1) The proportion of the Company's innovative business in total operating income has increased significantly. After years of cultivation, the innovative business has developed new revenue sources and profit drivers for the Company. In 2018, innovative business accounted for 37% in the Company's total income, effectively mitigating the impact of stock market volatility on the Company's operating performance.
- 2) Partial innovative business of the Company has established its branding and enjoyed first-mover advantages. The Company established its branding and enjoyed first-mover advantages in asset management, cross-border investment and mergers and acquisitions, asset securitization, block trade business, OTC market and internet financing.
- 3) Innovative business continued to obtain awards for the Company. In 2018, the Company won the first and second prize as well as making the finalist of the 2017 Shanghai Financial Industry Reform and Development Outstanding Research Results, and was nominated by the 2017 Shanghai Financial Innovation Award.

#### (2) *Risk control for innovative business*

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

- 1) In terms of organizational structure, the risk management business headquarters strengthened the communications with the business department, kept track of and monitored innovative business, and also actively conducted risk identification and assessment. To prevent business risk jointly with various departments, the Company had its business department, branches and subsidiaries together served as the first defense line, while the risk management function departments and the risk regulatory and management department served as the second and third lines of defense respectively.

## Section IV Report of the Board

- 2) In terms of management procedures, the Company further improved the synchronous risk management system of innovative business, and closely kept up with the compliance and risk management of its innovative business. The Company also established a new assessment and verification mechanism of innovative business to keep track of the entire process of framework design, innovation declaration and business development of innovative business.
- 3) In terms of risk identification and assessment, the Company earnestly performed its duties for risk verification of innovative products, and formulated independent professional risk verification opinions on the option pricing for products including income receipts of OTC options and embedded options, hedging strategies and testing results. The Company also constantly improved the stress testing mechanism so as to firmly guarantee the successful carrying out of complicated financial derivatives business.
- 4) In terms of risk report, the Company integrated the risk measurement and the progress of innovative business into the overall risk management report system to earnestly summarize risk management experience in innovative business.
- 5) In terms of system building, the Company included innovative business into the building of an overall risk management report system. The Company steadily conducted its innovative business under controllable, measurable and endurable risks.

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

##### *(1) Establishment of dynamic monitoring mechanism of risk control indicators*

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

## Section IV Report of the Board

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

(2) *Capital replenishment mechanism*

Based on the risk control requirements of regulatory authorities on security companies and our own risk tolerance ability, the Company has made dynamic adjustments to its business scope, its scale and structure of various business sectors, and also replenished or increased net capital according to its business development as and when appropriate.

The Company formulates allocation of assets and liabilities as well as risk appetite and limitation indicators at the beginning of each year, and the risk management department is responsible for the dynamic monitoring and report on risk control indicators. Upon discovery of any risk control indicators triggering the Company's layered alert standard, the Company will adopt risk disposal measures according to the alert level, including strictly controlling investment products with relatively high risk exposures or its business scale, adjusting investment structure of financial assets, hedging against risk exposures and through various financing channels including borrowing long-term subordinated bonds, capital increase and rights issue to replenish its net capital in a timely manner.

(3) *Establishment of stress testing mechanism*

The Company has established the stress testing mechanism to ensure its risks are predictable, controllable and endurable under pressure, guaranteeing the sustainable operation of the Company. The Company has specified in the rules and regulations that a special or comprehensive stress test would be applied at the time that the risk control indicators of net capital, liquidity and etc. go through obvious adverse changes or approaches triggering level, or that the company determines the scale of material business, commences material innovative business and etc.. Suggestions on adjustment to business scale based on the testing result would be put forward, which would become an important reference for the Company's management to make decisions.

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

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

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

### 5. *Explanations on financing*

(1) *Financing channels of the Company*

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

(2) *Analysis on financing capability*

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

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

(3) *The Company's liabilities structure*

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

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

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

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

During the Reporting Period, the Company actively broadened short-term and long-term financing channels, strengthened the Group's liabilities management, and enhanced the diversification of internal and external liabilities types, terms, financing market, counterparty and financing collaterals. The Company constantly optimized its debt structure and term to meet the capital needs of the Company for ordinary operations and to facilitate the rapid development of partial heavy capital business. The Company valued maintaining sound partnerships with all its financing counterparties including various commercial banks, and had in place abundant bank facilities with strong short-term and middle-to-long term financing capability.

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

### (vi) Analysis on investments

1. *Overall analysis on external equity investments*

As at the end of the Reporting Period, the long-term equity investment of the Group amounted to RMB4,015 million, representing an increase of RMB10 million, or 0.24%, as compared with the end of last year. During the Reporting Period, net investment decreased by RMB109 million, cash dividend or profit declared amounted to RMB335 million, change in investment gains and other income recognized under the equity method amounted to RMB664 million and the opening carrying amount upon adjustment by the new standards for financial instruments amounted to RMB147 million. For details of investment in subsidiaries, please refer to Note 36 to the consolidated financial statement herein.



## Section IV Report of the Board

### (1) Material equity investments

Unit: '000 Currency: RMB

Name of targets 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%	1,817,621	360,466	3,626

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

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

### (2) Significant non-equity investments

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

### (3) Financial assets at fair value

Unit: '000 Currency: RMB

Items	Investment cost as at the end of the year	Book value as at the end of the year	Net amount purchased or sold during the year	Changes of fair value during the year	Investment income during the year
1. Financial assets at fair value through profit or loss	52,327,242	52,035,347	(5,152,324)	(1,914,422)	(1,091,829)
2. Debt instruments at fair value through other comprehensive income	60,892,997	62,209,436	10,663,144	1,188,856	99,511
3. Equity instruments at fair value through other comprehensive income	9,933,192	9,316,262	3,417,837	(1,513,894)	428,057
4. Derivative financial instruments	(1,021,121)	(587,319)	(516,206)	256,136	854,671

### (vii) Material assets and equity disposal

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

## Section IV Report of the Board

### (viii) Analysis on major controlling/investee companies

1. The registered capital of Orient Futures Co., Ltd was RMB2.3 billion and it was 100% owned by the Company. As at December 31, 2018, total assets of Orient Futures amounted to RMB20,983,801.8 thousand, and its net assets amounted to RMB3,038,069.2 thousand. In 2018, its operating income and net profit amounted to RMB4,338,678.6 thousand and RMB111,178.6 thousand, respectively.

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

2. The registered capital of Shanghai Orient Securities Capital Investment Co., Ltd. was RMB4.0 billion and it was 100% owned by the Company. As at December 31, 2018, total assets of Orient Securities Capital Investment amounted to RMB5,165,282.3 thousand, and its net assets amounted to RMB4,542,425 thousand. In 2018, its operating income amounted to RMB951,013.5 thousand, of which the income from principal businesses was RMB949,429.6 thousand, the profit from principal businesses and net profit was RMB739,724.1 thousand and RMB562,629.6 thousand, respectively.

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

3. The registered capital of Shanghai Orient Securities Asset Management Co., Ltd. was RMB0.3 billion and it was 100% owned by the Company. As at December 31, 2018, total assets of Orient Securities Asset Management amounted to RMB3,301,429.3 thousand, and its net assets amounted to RMB2,403,131.7 thousand. In 2018, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB2,468,628.5 thousand, RMB1,220,239.2 thousand and RMB942,025.9 thousand, respectively.

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

4. The registered capital of Citi Orient Securities Co., Ltd. was RMB0.8 billion and it was 66.67% owned by the Company. As at December 31, 2018, total assets of Citi Orient amounted to RMB1,828,325.3 thousand, and its net assets amounted to RMB1,426,751.7 thousand. In 2018, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB802,735.5 thousand, RMB180,372 thousand and RMB131,805.1 thousand, respectively.

## Section IV Report of the Board

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

5. The registered capital of Shanghai Orient Securities Innovation Investment Co., Ltd. was RMB3.0 billion and it was 100% owned by the Company. As at December 31, 2018, total assets of Orient Securities Innovation Investment amounted to RMB3,353,689.6 thousand, and its net assets amounted to RMB3,285,495.3 thousand. In 2018, its operating income and net profit amounted to RMB218,405.6 thousand and RMB102,693.2 thousand respectively.

Principal businesses: venture capital, financial products investment, investment management and investment consultancy.

6. The registered capital of Orient Finance Holdings (Hong Kong) Limited was HKD2.1 billion and it was 100% owned by the Company. As at December 31, 2018, total assets of Orient Finance Holdings amounted to HKD18,040,500.4 thousand, and its net assets amounted to HKD1,380,926.1 thousand. In 2018, its operating income and net loss amounted to HKD-204,983.9 thousand and HKD416,435.5 thousand respectively.

Principal businesses: investment holding, in particular, operation of brokerage business, corporate financing and asset management business as regulated by the SFC in line with SFO 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 December 31, 2018, total assets of China Universal amounted to RMB7,239,199.1 thousand, and its net assets amounted to RMB5,279,581.5 thousand. In 2018, its operating income amounted to RMB3,558,922.6 thousand, of which the income from principal businesses was RMB3,484,583.7 thousand, the profit from principal businesses and net profit was RMB1,266,610.9 thousand and RMB1,029,097.9 thousand, respectively.

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

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

## Section IV Report of the Board

### (ix) Structured Entities Controlled by the Company

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

During the Reporting Period, five structured entities were newly included in consolidation and six structured entities were excluded due to loss of controlling rights or liquidation caused by changes in shareholding or other reasons.

Details of structured entities included in consolidation during the Reporting Period:

Unit: '000 Currency: RMB

<b>Items</b>	<b>December 31, 2018 or the year of 2018</b>
Total assets	7,456,953
Total liabilities	1,462,869
Total net assets	5,994,084
Operating income	(103,434)
Net profit	(155,554)

The accounting statistics of the above-mentioned structured entities are based on CASBE.

### (x) Capital raising

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

As approved by the “Reply on Approval for the Non-public Issuance of Shares by Orient Securities Company Limited (Zheng Jian Xu Ke [2017] No. 1940)” (《關於核准東方證券股份有限公司非公開發行股票的批覆》(證監許可[2017]1940號)) issued by the 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 has reviewed and verified with issuance of the capital verification report numbered as De Shi Bao (Yan) Zi (17) No. 00593. After deducting the issuance expenses of RMB101,095,545.51 from the said total proceeds, the actual net proceeds was RMB10,957,180,338.81.

## Section IV Report of the Board

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

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

As at the end of the Reporting Period, RMB2.5 billion was utilized by the Company for brokerage and securities financing business development; RMB3 billion for investing in securities sales and trading business development; RMB1.25 billion for improving investment management service capacity; RMB2 billion for expanding innovative business investment; RMB1.8 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 RMB10.75 billion. Save for the above use of funds, approximately RMB240 million (including the interests thereof) of the proceeds remains unused. The Company will use the remaining proceeds to enhance investment management service capacity and push ahead the collectivized development strategy of the Company in line with the disclosure in the prospectus and the Company's development strategy.

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

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 raised a cumulative of HKD7,131,148,545.29 through H shares. Save for the above use of funds, approximately HKD271,892,561.75 (including the interests and exchange gains or losses thereof) of the proceeds remains unused. The Company will use the remaining proceeds for capital expenditure in line with the disclosure in the prospectus and the Company's development strategy and actual requirements.

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

## Section IV Report of the Board

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

#### (i) Industrial layout and trend

In recent years, the differentiation of the securities industry intensified and the Matthew effect became obvious. In the future, the securities industry will be forging ahead towards comprehensive business, large-scale operation, differentiated competitive advantages, technological operations and international layout.

The differentiation of the securities industry intensified, from which large-scale brokers get benefited. The industry integration may be intensified and therefore growth potential for middle and small-sized brokers will be further squeezed. From policy perspective, support for large-scale brokers intensified. In 2018, the new rules for OTC options further managed the brokers hierarchically by specifying that only AA-class brokers might become primary dealers. The CDR sponsor qualifications, cross-border brokers qualifications, the revised classification evaluation bonus standard, the net capital linked stock pledge qualifications and measures benefited large-scale brokers, prioritizing resources to large-scale brokers. From the performance level, the proportion of the operating income of top ten brokers in 2018 increased significantly in the securities industry.

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

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

## Section IV Report of the Board

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

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

Economic globalization has driven the impetus of globalization of the securities industry. Domestic investors have increasing demands for cross-border investment and financing, cross-border hedge and cross-border asset management services. Securities companies are expanding resource input in international business to speed up globalization. With the broadening of China's opening-up and the entrance of foreign investment banks into the PRC market, domestic brokers are facing head-on competition with the international brokers. The securities companies will fully utilize the advantages of network and customer resources, to realize the collaborative development between the domestic and international business. Being the springboard to the international securities market, Chinese investment banks in Hong Kong have emerged and would gain great development potential in their overseas layout, with a wider and deeper two-way expansion in the aspects of mutual investment, such as stocks, bonds, funds and other fields of the PRC and Hong Kong markets.



## Section IV Report of the Board

### (ii) The Company's development strategy

According to the spirit of the 2018 Central Economic Work Conference, at present, the PRC's development is still at and will be at the important strategic opportunity period for a long time. Under the premise of such basic pre-condition, it also should be noted that the PRC's economic operation encounters changes amid stability and concern while the external environment is complex and severe and the economy faces downward pressure, which is the external environment facing the Company's future development. In the new environment, the Company will, under the guide of the 19th National Congress report in the next three years, strive to strike a balance between innovative development and risk control and adhere to the principle of quality and efficiency first, so as to achieve stable and sustainable development.

In 2018, the Company issued and implemented the strategic plan for 2018-2020. In line with the new round of strategic planning, the Company is committed to "providing quality integrated financial services to the entity economy and social wealth management, creating a happy life for staff and providing both material and spiritual returns to shareholders, employees and society", bears a core vision of "becoming a modern investment bank with first class core competitiveness in China that provides integrated financial services for customers" and adheres to the core values of "customer-first, person-oriented, professional services, development and innovation", striving to achieve the new round of strategic development goals.

The 2018-2020 strategic plan of the Company is: to strive for fully ranking top ten in the industry in terms of all major operating indicators and top five in terms of some leading businesses and innovative businesses on an ongoing basis through insisting upon the general direction of progress amid stability and improvement in both quality and efficiency, with a view to become the leader in the market-oriented system innovation conducted by Shenergy Group as well as a pioneer in the construction of Shanghai International Financial Center.

Focusing on the above strategic objectives, the Company will follow the four strategic principles of driving by customers, talents, capital and innovation. Sticking to the previous strategic plan path, the Company will implement the overall strategic plan of "top-level design + four beams and eight pillars + six major tasks" in this planning period, namely: (top-level design) customer-oriented, enhancing synergy within the Group, promoting digital transformation and strengthening integrated financial services; (four beams and eight pillars) advancing business development amid stability, improving management quality and efficiency, gathering concerted efforts through party building and ensuring long-term development with compliance and risk control; (six tasks) consolidating the development of advantageous business, enhancing the competitiveness of basic businesses, promoting the application of financial technology, deepening the integration of industry and finance, boosting synergy within the Group and practicing the ideology of "Party building and corporate culture is productivity."

## Section IV Report of the Board

### (iii) Business plan

In 2019, the Company will adhere to the keynote of “risk prevention and growth stabilization” in its operation and management. The Company will uphold its strategies, enhance risk control and put efforts in bolstering weak spots, strengthening foundation, consolidating advantages and improving management, so as to optimize the business structure and synergy among front-, mid- and back-offices and boost its performance on the precondition of no material risks.

The Company will focus on the following aspects: sticking to the bottom line of risk control by enhancing precaution and strict implementation; following the principle of prudence in asset allocation to timely adjust and optimize structure; giving priority to customer needs to consolidate transition of asset management; taking advantage of the launch of the science and technology innovation board and the registered system to establish a new and modern investment bank operation model; improving overall investment segment to enhance risk aversion capacity and enrich revenue sources; strengthening synergy between subsidiaries and various business segments of the Group to diversify Group product portfolio and join with the parent company to promote the collectivized development; sharpening competitiveness of research, OTC and custodian business to bring into play synergic effects; boosting support of management and operation in mid- and back-office to business development and maintaining the edges in party building and corporate culture.

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

#### 1. Major risks of the Company and counter measures

The risks which the Company is exposed to of its operations are mainly market risk, credit risk, liquidity risk, operational risk and reputational risk. Specifically, such risks and respective countermeasures areas follows:

##### (1) Market risk

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

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

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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 follow 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. The Company establishes decision-making, implementation and accountability systems relating to material issues and develops contingency plans for different predictable extreme situations, under which material issues will be categorized and managed according to the level of seriousness.

### 1) Securities assets price risk

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

In 2018, the stock market fell sharply due to factors such as domestic macroeconomic downturn, trade conflict and fluctuations in overseas markets. The SSE Composite Index closed at 2,493.90 points at the end of the year, down by 24.59% from 3,307.17 points in the same period last year and the SZSE Composite Index fell by 34.42%.

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

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

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### 2) Interest rate risk

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

In 2018, the monetary policy remained steady, where a moderate degree of tightness was maintained and liquidity was reasonable and sufficient while the yield curve obviously moved downwards, recording a continuous hike in debt market. The Company had a moderate increase in position holding of debt and the debts accounting for 77% of the market value of the total position held by the Company are related to those with a term of 0 to 5 years. The weighted average term of debt portfolio saw a slight increase as compared with the end of last year, to 3.7 years. As at the end of the Reporting Period, the basic point of value was RMB30 million, representing an increase from the end of last year.

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

### 3) Value-at-Risk

Value-at-Risk ("VaR") refers to the potential loss of the investment portfolio arising from future movement in market price under a certain confidence level. The Company adopts a VaR with a confidence level of 95% and a holding period of one day to measure the market risk condition of its financial products investment portfolio. In 2018, the VaR of the Company's equity assets fluctuated, to certain extent, due to market environment and allocation of trading positions. At the end of the Reporting Period, the overall VaR of the Company's market risk of 95% were RMB89 million.

### (2) Credit risk

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

## Section IV Report of the Board

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

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

### (3) *Liquidity risk*

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

During the Reporting Period, according to the Guideline on Liquidity Risk Management of Securities Companies and the new rules on the administrative measures for risk control indicators, the Company continuously refined the liquidity risk management system and internal management system and set up special position to be responsible for dynamic monitoring, precaution, analysis and reporting of the Company's liquidity risk. At the beginning of each year, the Company carefully determines the qualitative principles and quantitative standards of liquidity risk preferences and adjusts relevant liquidity risk control indicators according to market changes and business development as and when appropriate. The Company conducts regular liquidity stress testing and emergency exercise; meanwhile, it submits the indicators including liquidity coverage and net stable capital rate pursuant to the regulatory requirements on a daily basis, with a view to make sure that the Company is able to meet its liquidity requirements with reasonable cost in a timely manner, and control the liquidity risk within an acceptable range.

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(4) *Operational risk*

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

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

During the Reporting Period, the Company completed the implementation of operational risk management for wholly-owned and controlling subsidiaries, and maintained synergy with the parent company within the Group.

(5) *Reputational risk*

Reputational risk mainly refers to the risk of a negative evaluation of the Company's reputation caused by the Company's operations, management and other actions or external events.

## Section IV Report of the Board

During the Reporting Period, the Company did not encounter any material events that had an impact on the reputation of the Company, certain sensitive matters had been addressed efficiently and appropriately and therefore no reputational risk was incurred. The Company primarily managed its reputational risk by the following means: 1. strictly implementing the Administrative Measures on Reputational Risk, whereby each department, branch and subsidiary shall report to the reputational risk governing body and the reputational risk functional body once it is aware of any reputational risk or potential reputational risk, so as to guard against and address reputational risks in an active and effective manner; 2. further strengthening supervision on public sentiment by conducting all-around and all-day inspection on major search engines, about 300 mainstream media, over 1,000 mainstream financial and local sites, more than 1,500 mainstream financial Weibo accounts, nearly 300 mainstream WeChat official accounts and over 10 overseas media, as well as the establishment of monthly inspection report on public sentiment and monthly brief report on reputational risk of the Company, with a view to getting informed of the public sentiment of the Company and laying a solid foundation for effectively preventing reputational risk; 3. strictly practicing the Administrative Measures on Advertising and Visual Design, whereby the propaganda materials shall be reviewed by the governing office, risk management department, compliance and legal management department as well as the Board office before preparation, so as to eradicate reputational risk through strict control.

### **2. Overall implementable of risk management**

The Company has always implemented the “compliance by all staff and risk control-oriented” risk management concept, and strived to realize the organic integration and convergence between risk management, compliance management and internal control, so as to build a comprehensive and endogenous comprehensive risk management system and internal control system, which is put into operation throughout various aspects of decision-making, implementation, supervision and feedback, thus effectively ensuring that the Company’s overall risk is measurable and controllable.

The company has established a clear and reasonable risk management organization structure. The Company set up the strict and effective comprehensive risk management featured with “three defenses” composed of various business departments, branches and subsidiaries, relevant functional management departments and risk supervision and management departments, which clarifies the division of responsibilities between the Board, the supervisor committee, management level and various subsidiaries and functional departments to ensure the effective operation of the risk management system.

## Section IV Report of the Board

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

The Company has established risk management mechanisms for risk identification and assessment, risk monitoring and measurement, risk analysis and response, and adopts a combination of qualitative and quantitative risk measurement methods to enhance the professional management capabilities of various risks. Through the establishment of risk management cockpit, comprehensive risk management system, risk management index dynamic management system and various special risk management information systems, the Company will continue to promote the practical application of information technology in risk management; implement the risk review mechanism of multi-perspective comprehensive risk management, conduct strict audits on various new businesses and new products, and dynamically monitor all important risk links in daily business operations; dynamically monitor and evaluate various types of risks and tolerance in the Company’s business process through sensitivity analysis and stress testing; strengthen risk response mechanism construction and risk resilience through multiple channels, focus on pre-judgment of risk response and disposal, so as to effectively control various risks, establish a smooth risk information communication mechanism to ensure timely, accurate and complete information transmission and feedback.

### **3. *Investment in compliance risk control and information technology***

The Company attaches great importance to the construction of compliance risk management information system, builds a proactive and effective comprehensive risk management system, continuously improves the compliance risk system, constantly optimizes the compliance risk management level, and builds a group compliance and risk management system to ensure compliance of business operations. The Company’s compliance risk control investments mainly include the procurement and development expenditures of compliance risk control related systems, the daily operation expenses of the compliance risk control department, and the input of compliance risk control personnel. During the Reporting Period, the total compliance control investments was RMB127,381.9 thousand.



## Section IV Report of the Board

The Company invested significant resources to enhance the Company's information technology, to provide safe, stable and personalized services to protect the Company's business development. The Company's information technology investment (based on the information system construction input indicators of securities companies) mainly includes: IT investment, depreciation and amortization expenses of fixed assets and intangible assets, IT daily operating expenses, computer room rental or depreciation expenses, IT line leasing, IT independent R&D expenses and IT staff investment. During the Reporting Period, the Company's IT investment totaled RMB362,871.0 thousand.

### (v) OTHERS

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

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

#### 2. *Pre-emptive rights*

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

#### 3. *Sufficient public float*

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

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

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

#### 5. *Service contracts of Directors and Supervisors*

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

## Section IV Report of the Board

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

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

**7. *Share option scheme***

The Company did not set any share option scheme.

**8. *Major clients and suppliers***

The Company serves a diverse base of institutional and retail clients across a spectrum of industrial sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high net worth individuals and retail clients. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide overseas services and expand its clients' source. In 2018, revenue attributable to the five largest clients of the Company accounted for not exceeding 5% of the Group's revenue and other income.

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

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

For the details of the remuneration and training plans of employees of the Company, please refer to "Section VIII, Directors, Supervisors, Senior Management and Staff" of this report. For the relationships between the Company and its major customers and suppliers, please refer to "Section IV, III, (v), 8. Major clients and suppliers" of this report.

**10. *Proposal on profit distribution***

For the proposal on profit distribution, please refer to "Section V, I. Proposal on Profit Distribution for Ordinary Shares or on Transfer of Capital Reserve Fund into Share Capital" of this report.

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### 11. Tax relief

#### (1) Holders of A Shares

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

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

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

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

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### (2) *Holders of H Shares*

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

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

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

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

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

### **12. Contract of significance**

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

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### 13. *Management contract*

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

### 14. *Permitted indemnity provision*

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

### 15. *Equity-linked agreement*

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

### 16. *Issuance of equity, stock and bond*

For the issuance of equity, stock and bond by the Company as of December 31, 2018, please refer to “Section VI, I. Changes in Share Capital of Ordinary Shares” and “Section VI, II. Issue and Listing of Securities”, “Section VII, Preferred Shares” and “Section X, Corporate Bonds” of this report.

### 17. *Environmental policies and performance of the Company*

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

### 18. *Compliance with relevant laws and regulations*

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

### 19. *Review of annual results*

The audit committee of the Board has reviewed the audited annual financial statements and annual report of the Company for the year ended December 31, 2018, and did not raise any objection to the accounting policies and practices adopted by the Company.

### 20. *Subsequent events*

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

## Section IV Report of the Board

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

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

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

The Group commenced the implementation of CAS22, CAS23, CAS24 and CAS37 (“New Standards for Financial Instruments”) from January 1, 2018. The Group classified and measured financial instruments in accordance with the revised requirements of CAS22. The difference of new carrying amount between previous comparative financial data with those upon implementation of the new standards is included in the opening retained earnings and other comprehensive income. The New Standards for Financial Instruments have a material impact on the Group mainly in the following two aspects:

1. Using the “business model” and “contractual cash flow characteristics” as the basis of determination, financial assets shall be classified into three types, namely, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.
2. Accounting policy for provision for impairment losses on financial assets shall be changed to “expected loss” (considering the future expected credit loss of financial assets), and the scope of impairment provision shall also be enlarged.



## Section V Significant Events

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

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

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

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

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

## Section V Significant Events

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

The implementation of the Company's profit distribution plan for the year 2017 was accomplished on July 10, 2018. On the basis of the total share capital of 6,993,655,803 shares of the Company, cash dividends of RMB2.00 (tax inclusive) per ten shares were distributed, and the cash dividends distributed amounted to RMB1,398,731,160.60.

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

Unit: Yuan Currency: RMB

Year of distribution	Amount of bonus shares per ten shares (share)	Amount of dividends per ten shares (tax inclusive) (RMB)	Number of shares transferred per ten shares (share)	Amount of cash dividends (tax inclusive)	Net profit for the year	Percentage of net profit
					attributable to the shareholders of ordinary shares of the listed company in the consolidated statements during the year of distribution	for the year attributable to the shareholders of ordinary shares of the listed company in the consolidate statements (%)
2018		1.00		699,365,580.30	1,231,013,208.91	56.81
2017		2.00		1,398,731,160.60	3,553,626,384.73	39.36
2016		1.50		932,317,801.65	2,313,974,857.75	40.29

As audited, the net profit attributable to the owners of the parent company in 2018 consolidated statements of the Group was RMB1,231,013,208.91 and the net profit of the parent company in 2018 was RMB221,160,340.08.

## Section V Significant Events

In accordance with the Company Law, the Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association and other relevant rules, the Company may appropriate statutory reserve fund, discretionary reserve fund, general risk reserve fund and transaction risk reserve, respectively, at 10%, 5%, 11% and 15% of the net profit of the Parent Company realized in 2018, which amounted to RMB90,675,739.43, and the net profit of the parent company distributable to investors of the year was RMB130,484,600.65. Together with the undistributed profit outstanding in the previous year of RMB5,384,061,172.18, deducting the dividends distributed of RMB1,398,731,160.60 according to the profit distribution scheme of 2017 implemented, and deducting the retained profit of RMB61,387,230.89 transferred out upon disposal of the designated non-trading equity instruments in 2018, the accumulated distributable profit in cash of the year amounted to RMB4,054,427,381.34.

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

1. Ways of cash dividend distribution for 2018 profit of the Company: based on the total share capital of 6,993,655,803 shares as at the end of 2018, a cash dividend of RMB1.00 (tax inclusive) for every 10 shares will be distributed to A shareholders and H shareholders who are registered on the date of cash distribution in 2018, with a total cash dividend of RMB699,365,580.30, accounting for 56.81% of the net profit attributable to the Parent Company in the consolidated statements in 2018.
2. Cash dividend will be denominated and distributed in RMB and paid in RMB to A shareholders but paid in HK dollars to H shareholders. The actual amount of distribution in HK dollars will be converted into HK dollars based on the average benchmark exchange rate published by the People's Bank of China five working days prior to the date of 2018 annual general meeting.

Cash dividends will be distributed within two months after the date of the annual general meeting, following the approval of the profit distribution proposal for 2018 by the 2018 annual general meeting.

The Company will announce, in due course, the date of convening the 2018 annual general meeting, and for the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed. The Company will give further notice on the record date and book closure date for the dividend of H Shares.

## Section V Significant Events

### (iii) Cash repurchase offer which is credited to cash dividends

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

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

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

## II. PERFORMANCE OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform	Follow up plan for failure to perform timely
Undertakings in relation to IPO of A Shares	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 A Shares of the Company	Yes	Yes	/	/
Undertakings in relation to IPO of A Shares	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 A Shares of the Company	Yes	Yes	/	/

## Section V Significant Events

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform	Follow up plan for failure to perform timely
Undertakings in relation to IPO of A Shares	Others	Listed company	The Company undertook that, during the three years from the listing of A Shares, in the event that the closing price of shares falls below the latest audited net assets per share for 20 consecutive trading days, the Company would stabilize the price of share through share repurchase	Within 36 months from the public offering and listing of A Shares of the Company	Yes	Yes	/	/
Undertakings in relation to secondary offering of A Shares	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	/	/

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

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

## Section V Significant Events

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

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

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

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

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

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

During the Reporting Period, details of the impact of implementation of new revisions and newly issued standards by the Ministry of Finance on the Group are set out in note 2 in the notes to the consolidated financial statements (change in material accounting policies and accounting estimates).

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

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

#### (iii) Communication with the previous accounting firm

During the Reporting Period, the Company did not change accountant firm.

#### (iv) Other explanations

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

## Section V Significant Events

### VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: '0000 Currency: RMB

#### Currently engaged

Name of the domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP	
Remuneration of the domestic accounting firm		119
Term of the audit services provided by the domestic accounting firm (year)		2
Name of the overseas accounting firm	Deloitte Touche Tohmatsu	
Remuneration of the overseas accounting firm		119
Term of the audit services provided by the overseas accounting firm (year)		3

Unit: '0000 Currency: RMB

	Name	Remuneration
Accounting firm engaged for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	37

#### Explanations on appointment and dismissal of accounting firms

During the Reporting Period, as approved upon consideration at the Company's 2017 annual general meeting, the Company re-appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its domestic auditor for 2018, who was responsible for provision of relevant domestic audit services in accordance with CASBE for a term of one year, with annual auditing fees for finance and special supervision report of RMB1.19 million. The Company also reappointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its internal control auditor for 2018, with internal control auditing fees of RMB0.37 million. The Company appointed Deloitte Touche Tohmatsu as the Company's offshore auditor for 2018 for a term of one year, who was responsible for provision of relevant audit and review services in accordance with IFRS, with annual auditing fees of RMB1.19 million and interim reviewing fees of RMB0.45 million. Deloitte Touche Tohmatsu Certified Public Accountants LLP provides auditing services to subsidiaries of the Group, and the auditing fees in total amounted to RMB0.7702 million.

## Section V Significant Events

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

### Accounting firm appointed by the Company in the past three years

	2018	2017	2016
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP	Deloitte Touche Tohmatsu Certified Public Accountants LLP <i>(Note)</i>	BDO China Shu Lun Pan Certified Public Accountants LLP
Name of overseas accounting firm	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu

*Note:* Due to the expiration of the employment period of the Company's 2016 domestic audit firm, BDO China Shu Lun Pan Certified Public Accountants LLP, the Company adopted the invitation and bidding method, and with approval of the Board and general meeting upon consideration, engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic audit firm for the year of 2017.

## VII. RISK OF SUSPENSION OF LISTING

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

## VIII. DELISTING AND REASONS

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

## IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

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



## Section V Significant Events

### X. MATERIAL LITIGATIONS AND ARBITRATIONS

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

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

Plaintiff (applicant)	Defendant (respondent)	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
DFZQ	大連長富瑞華 集團有限公司	Litigation	<i>Note 1</i>	RMB800,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights.	No	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
DFZQ	Jia Yueting	Litigation	<i>Note 2</i>	RMB200,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights.	No	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
DFZQ	Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (上海郁泰登碩 投資中心 (有限合夥))	Litigation	<i>Note 3</i>	RMB170,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights.	No	<i>Note 3</i>	<i>Note 3</i>	<i>Note 3</i>
DFZQ	Beijing Honggao Zhongtai Investment Co., Ltd. (北京弘高中太 投資有限公司)	Litigation	<i>Note 4</i>	RMB110,000,000.00 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights.	No	<i>Note 4</i>	<i>Note 4</i>	<i>Note 4</i>

## Section V Significant Events

Plaintiff (applicant)	Defendant (respondent)	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	Shanghai InfoTM Microelectronics Co., Ltd. (上海盈方微電子 技術有限公司)	Litigation	<i>Note 5</i>	RMB19,000,000 and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors' rights.	No	<i>Note 5</i>	<i>Note 5</i>	<i>Note 5</i>
			Case closed. For details, please refer to note 5.	Case closed. For actual amount involved, please refer to note 5.		Case closed. For details, please refer to note 5.	Debt compensation with stocks. For details, please refer to note 5.	The subject pledged stocks have been transferred to the Company. For details, please refer to note 5.
DFZQ	Li Jianguo	Litigation	Case closed. For details, please refer to note 6.	Case closed. For actual amount involved, please refer to note 6.	No	Case closed. For details, please refer to note 6.	Debt compensation with stocks. For details, please refer to note 6.	The subject pledged stocks have been transferred to the Company. For details, please refer to note 6.
DFZQ	Jia Yuemin	Litigation	Case closed. For details, please refer to note 7.	Case closed. For actual amount involved, please refer to note 7.	No	Case closed. For details, please refer to note 7.	Debt compensation with stocks. For details, please refer to note 7.	The subject pledged stocks have been disposed. For details, please refer to note 7.

## Section V Significant Events

- Note 1:* 大連長富瑞華集團有限公司 (“長富瑞華”) and the Company entered into four collateralized stock repurchase transactions in June 2014, pursuant to which 長富瑞華 pledged the restricted shares held by it under ST大控 (600747) to the Company at an initial transaction amount of RMB800 million. The repurchase date was agreed on June 23, 2017. The certificates for the transaction agreement whereof were issued by the notary office of Shanghai Huangpu. In view of 長富瑞華 was in judicial moratorium and did not pay interest on schedule, the Company issued a formal early repurchase application to 長富瑞華 on September 21, 2016 according to the requirements under the agreement. 長富瑞華 did not repurchase duly constitutes a breach of contract. Subsequently, the Company applied for the issuance of a compulsory certificate to the notary office of Shanghai Huangpu and obtained the same on February 16, 2017. On March 21, 2017, the Company applied to Shanghai High People’s Court for enforcement and was executed by the court. Due to changes in the relevant rules of jurisdiction, the Company withdrew the enforcement application from the Shanghai High People’s Court in May 2017. On June 7, 2017, the Company applied to Liaoning People’s High Court for filing the case. On July 6, 2017, Liaoning High People’s Court ruled that the case should be delegated to Dalian Intermediate People’s Court. On August 1, 2017, Dalian Intermediate People’s Court filed the case in accordance with the law, subsequently, Dalian Intermediate People’s Court froze all the ST大控 (600747) shares held by 長富瑞華 and petitioned to transfer the executive powers for the pledged shares to Liaoning High People’s Court and Shenyang Intermediate People’s Court, the two first place seizure courts. As of the end of the Reporting Period, Dalian Intermediate People’s Court has obtained the executive powers for all the pledged shares and the Company is taking enforcement measures on the major assets (namely, pledged shares) of the case.
- Note 2:* By virtue of the shares subject to selling restrictions attributable to executives under 樂視網(300104), Jia Yueting, a natural person, and the Company entered into a collateralized stock repurchase transactions in July 2014. The repurchase date was agreed on June 30, 2017. The certificates for the relevant transaction agreement whereof were issued by Beijing Fangzheng Notary Public Office. In view of Jia Yueting did not pay full interest on schedule or repurchase duly as required under the agreement, which constituted a breach of contract. The Company applied for the issuance of a compulsory certificate to Beijing Fangzheng Notary Public Office and obtained the same on August 2, 2017. The Company applied to the Third Intermediate People’s Court of Beijing for enforcement the next day, requiring Jia Yueting to pay RMB200 million and financing interests due and payable interest, penalty interest, default penalty, and expenses for the realization of creditors’ rights and was executed by the court. Subsequently, the Third Intermediate People’s Court of Beijing froze the shares pledged to the Company by Jia Yueting, certain bank accounts, unlisted shares and real estates, and petitioned to transfer the executive powers for the subject pledged shares of the first place seizure court. As of the end of the Reporting Period, the Third Intermediate People’s Court of Beijing has obtained the execution rights of all the pledged shares and the Company is in the process of disposing the main property of the case (the pledged shares) in accordance with the judicial assistance execution notice issued by the Third Intermediate People’s Court of Beijing.
- Note 3:* By virtue of the shares subject to selling restrictions under 堅瑞沃能(300116), Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (“Yutai Dengshuo”) and the Company entered into a collateralized stock repurchase transaction in September 2016, and provided a joint and several liability guarantee. The certificates for the relevant transaction agreement and guarantee agreement whereof were issued by the notary office of Shanghai Huangpu. In July 2018, due to the trading default by Yutai Dengshuo, the Company applied for the issuance of a compulsory certificate to the notary office of Shanghai Huangpu against Yutai Denngshuo (as the debtor) and its guarantee (both as the executed). In August 2018, the Company applied to the Second Intermediate People’s Court of Shanghai for enforcement, demanding the executed to pay the outstanding financing principal of RMB170 million and the corresponding interest, penalty interest, liquidated damages and other related expenses arising from the realization of the creditor’s rights. In September 2018, the Second Intermediate People’s Court of Shanghai first seal frozen all the pledge stocks involved in the case. The Company is seeking for enforcement measures against the main property of the case (being the pledged shares).

## Section V Significant Events

*Note 4:* By virtue of the shares subject to selling restrictions under 弘高創意(002504), Beijing Honggao Zhongtai Investment Co., Ltd. (“Honggao Zhongtai”) and the Company entered into a collateralized stock repurchase transaction in April 2016. Due to the trading default by Honggao Zhongtai, the Company filed a lawsuit with the Shanghai Financial Court on August 21, 2018, demanding Honggao Zhongtai to pay the outstanding financing principal of RMB110 million and the corresponding interest, penalty interest, liquidated damages and other related expenses arising from the realization of the creditor’s rights. The Shanghai Financial Court held a trial on the case on October 18, 2018, and made the judgement of first instance on November 12, 2018 that the Company won the case and all the petitions were supported. On December 5, 2018, Honggao Zhongtai filed an appeal with the Shanghai Higher Court. The Shanghai High Court has not accepted its appeal application.

*Note 5:* Shanghai InfoTM Microelectronics Co., Ltd. (“InfoTM”) and the Company entered into 3 collateralized stock repurchase transactions in September, December 2014 and March 2015 respectively, pursuant to which InfoTM pledged the restricted shares held by it under 盈方微(000670) to the Company. The repurchase date was agreed on September 8, 2017, December 22, 2017 and March 9, 2018, respectively. The certificates for the transaction agreement whereof were issued by the notary office of Shanghai Huangpu. The outstanding principal of the financing has not yet been repurchased by InfoTM was RMB324 million. In view of the pledged shares was in judicial moratorium and InfoTM did not pay interest on schedule, the Company issued a formal early repurchase application to InfoTM on April 14, 2017. InfoTM did not repurchase duly constitutes a breach of contract. Subsequently, the Company applied for the issuance of a compulsory certificate to the notary office of Shanghai Huangpu with respect to the above three transactions and obtained the same on May 16, 2017.

The case involving two of the transactions (corresponding to a financing principal of RMB305 million) was executed by the First Intermediate People’s Court of Shanghai. 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. In June 2017, InfoTM filed an implementation objection to the First Intermediate People’s Court of Shanghai. In late July, the First Intermediate People’s Court of Shanghai ruled to dismiss objection. In August 2017, InfoTM submitted a reconsideration to the Shanghai Supreme People’s Court and a dismiss verdict was rendered by the Shanghai Higher People’s Court on September 15. In November 2017, the First Intermediate People’s Court of Shanghai obtained the right of execution corresponding to the pledged shares. From March to April 2018, the First Intermediate People’s Court of Shanghai conducted two online judicial auctions on the stocks involved in the case, and the auction flowed. On May 9, 2018, the First Intermediate People’s Court of Shanghai issued a ruling that the 69 million shares held by InfoTM shall be delivered to the Company for debt repayment, and the Company reserved the right to recourse for the portion of its debt that is insufficiently settled. On May 18, 2018, the above 69 million shares of 盈方微(000670) were transferred to the Company.

On December 11, 2017, the Company sued and filed a case against InfoTM Microelectronics in the People’s Court of Huangpu District of Shanghai for another transaction (corresponding to a financing principal of RMB19 million). On January 8, 2018, the People’s Court of Huangpu District of Shanghai hold a hearing to the case. On February 23, 2018, People’s Court of Huangpu District of Shanghai made the judgement of first instance that the Company was supported according to the law to demand InfoTM Microelectronics to repay the principal of the loans and pay the interest, deferment interest, and penalty according to the agreement, and compensate the losses of notary fees, legal fees, and demand to enforce the right of pledge according to the law. In June 2018, the People’s Court of Huangpu District of Shanghai obtained the obtained the right of execution corresponding to all pledged shares, and the subsequently will seek for enforcement measures against the main property of the case (being the pledged shares).

## Section V Significant Events

*Note 6:* By virtue of the shares subject to selling restrictions under 皇氏集團 (002329), Li Jianguo, a natural person, and the Company entered into five collateralized stock repurchase transactions in February, March, September and December 2015 successively. The certificates for the relevant transaction agreement whereof were issued by the notary office of Shanghai Huangpu. In view of the pledged shares was in judicial moratorium and Li Jianguo did not pay interest on schedule, the Company issued a formal early repurchase application to Li Jianguo in April 2017. Li Jianguo did not repurchase duly constitutes a breach of contract. The Company applied for the issuance of a compulsory certificate to the notary office of Shanghai Huangpu and obtained the same in July 2017. In August 2017, the Company applied to the Beijing Higher People's Court for enforcement, demanding Li Jianguo to pay the outstanding financing principal of RMB405 million and the corresponding interest, penalty interest, liquidated damages and other related expenses arising from the realization of the creditor's rights. The Beijing Higher People's Court accepted the case and delegated it to the Second Intermediate People's Court of Beijing. In December 2017, the Second Intermediate People's Court of Beijing obtained the right of execution corresponding to pledged shares. In August 2018, the Second Intermediate People's Court of Beijing conducted an online judicial auction on the stocks involved in the case, and the auction flowed. In September 2018, the Second Intermediate People's Court of Beijing issued a ruling that 58.41 million shares of 皇氏集團 (002329) held by Li Jianguo shall be delivered to the Company for debt repayment, and the Company reserved the right to recourse for the portion of its debt that is insufficiently settled. On September 12, 2018, the above 58.41 million shares of 皇氏集團 (002329) were transferred to the Company.

*Note 7:* By virtue of the circulating shares under 樂視網 (300104), Jia Yuemin, a natural person, and the Company entered into a collateralized stock repurchase transactions in May 2016. The repurchase date was agreed on May 4, 2017. Given that Jia Yuemin failed to repay the debts when falling due, the Company started a sue to the Second Intermediate People's Court of Shanghai on June 27, 2017. On July 6, 2017, the Second Intermediate People's Court of Shanghai froze the pledged shares of Jia Yuemin and obtained the first right of seizure. On August 14, 2017, Jia Yuemin filed a jurisdiction objection to the Second Intermediate People's Court of Shanghai. On August 30, 2017, the Second Intermediate People's Court of Shanghai ruled to dismiss jurisdiction objection filed by Jia Yuemin. As a result, Jia Yuemin appealed to the Shanghai High People's Court and the latter made a final judgment on November 27, 2017 to dismiss its appeal. On February 28, 2018, Shanghai Second Intermediate People's Court made the judgement of first instance that Jia Yuemin, the respondent, shall pay the Company the principal of the loans amounting to RMB200 million together with the interest amounting to RMB1.8 million as well as the deferment interest as calculated according to the agreement and the penalty. On March 13, 2018, Jia Yuemin refused to accept the judgment of the first instance and appealed to the Shanghai Higher People's Court. On June 1, 2018, the Shanghai Higher People's Court made a second-instance ruling that as Jia Yuemin did not pay the appeal fee, it was ruled that Jia Yuemin withdrew the lawsuit. On July 29, 2018, the Company applied to the Second Intermediate People's Court of Shanghai for enforcement and was executed on the basis of the effective judgment document. As of the end of the Reporting Period, the Company has completed the disposal of all the pledged shares in accordance with the judicial assistance execution notice issued by the Second Intermediate People's Court of Shanghai, and recovered some of the creditor's rights. The Company reserves the recourse right in respect of the outstanding debts.

## Section V Significant Events

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

- (i) On May 25, 2018, Orient Futures, a wholly-owned subsidiary of the Company, received the Decision on Issuing a Warning Letter to Orient Futures Co., Ltd (Hu Zheng Jian Jue [2018] No. 48) by Shanghai Bureau of the CSRC. It was because the customer of Orient Futures submitted the exercise order to the held rights position through the stock option trading system, some of the declaration orders were not successfully confirmed, resulting in the failure of exercise of the 50ETF put option contract by the customer. According to the “Measures for Report and Investigation on Securities Security and Futures Information Security Incidents” (“Measures for Handling Information Security Incidents”), and after the investigation of the cause, the incident was identified as a general information security person responsible event. At the same time, after the incident, Orient Futures did not report to the Shanghai Bureau of the CSRC in time, which violated relevant laws and regulations, such as the “Administrative Measures on Information Security Protection in the Securities and Futures Industry”, “Regulations on the Management of Futures Trading”, “Administrative Measures on Information Security”, and “Measures for Handling Information Security Incidents”. Shanghai Bureau of the CSRC requested Orient Futures to enhance the management level of information system operation and maintenance, improve the testing process of Orient Futures, strengthen the communication and coordination mechanism of operation and maintenance personnel and take practical and effective measures to prevent similar problems from reoccurrence. At the same time, Orient Futures further refined the emergency response system and work process for Information System of Orient Futures, report it at the first time when the relevant incident occurs, and conduct internal responsibility investigations for the directly responsible supervisors and other directly responsible personnel, and submit a written report to the CSRC within 60 working days from the date of receipt of this decision by Orient Futures in relation to the implementation of the rectification.

## Section V Significant Events

In terms of the problems raised by the regulatory authorities, the management of Orient Futures attached great importance to it and immediately instructed the relevant responsible departments and responsible persons to carefully sort out the detailed process and causes of the incident, the related management system process and the omissions during the operation. In accordance with the provisions of related regulatory measures of the securities and futures industry, such as the Management Measures on Securities and Futures Industry Information Security Protection, the management of Orient Futures also required to conduct a profound analysis of problems in management and operation, formulate practical and feasible rectification measures and actively implement rectification. According to the requirements, Orient Futures submitted the rectification report to Shanghai Bureau of the CSRC on July 19, 2018. The main rectification measures are as follows:

- 1) To upgrade the information system, change management and verification test before launch.
  - 2) To strengthen the communication and coordination mechanism of operation and maintenance personnel, and require to use various communication tools to contact with external technical support and operation and maintenance personnel to ensure that personnel on the main and backup positions can obtain important information at the same time.
  - 3) To comprehensively sort out and improve the information security emergency response mechanism, and formulate detailed emergency procedures for specific scenarios so that the normal operation of the information system can be resumed in time after the occurrence of information security incidents, and timely report in accordance with regulations.
  - 4) To strengthen the information security incident reporting mechanism, emphasize the work responsibility of the first-time report when an information security incident occurs, and clarify the internal and external reporting mechanisms, reporting procedures and reporting owners when an information security incident occurs.
- (ii) On August 2, 2018, Citi Orient, a controlling subsidiary of the Company, received the Notice of Investigation from the CSRC (Yue Zheng Diao Cha Tong Zi No. 180138). Due to the alleged violation of securities laws and regulations during the appointment as financial advisory of Guangdong Guangzhou Ribao Media Co., Ltd. (廣東廣州日報傳媒股份有限公司) (“Yue Media (粵傳媒)”), Citi Orient was investigated by the CSRC. On November 1, 2018, Citi Orient, the above-mentioned project organizers Zheng Jianhui and Cai Junqiang (“Parties involved”) received the “Prior Notice on Administrative Punishment” from the CSRC (Chu Fa Zi [2018] No. 143). On November 16, 2018, Citi Orient, Zheng Jianhui and Cai Junqiang received the “Administrative Punishment Decision” from the CSRC ([2018] No. 110). The main contents are as follows:

## Section V Significant Events

It was found that there was a false record in the financial advisor report issued by Citi Orient for the major asset restructuring of Yue Media. As an independent financial consultant of Yue Media's major asset restructuring project, Citi Orient failed to perform diligently and responsibly in the due diligence process: it did not comply with the due diligence system, and formulate a due diligence checklist and work content at each major stage; it did not fully evaluate the risks involved in the M&A activities of Yue Media; it conducted no comprehensive, extensive and reasonable investigation on the M&A and restructure activities of listed companies and lacked verification procedures for income and accounts receivable of Advision Media Holdings Limited. (the "Advision"); the internal audit department did not verify of the receivables, which was approved only by the reply from the project team and made the internal audit procedure a form.

The above behaviors of Citi Orient violated the provisions Item 1 of Article 19, Item 1 of Article 21, Item 1 of Article 22 and Article 25 of the Administrative Measures on Financial Adviser Business of M&A and Restructuring of Listed Companies (CSRC Order No. 54) ("Administrative Measures on Financial Advisers"), the provisions of Article 173 of the Securities Law and fell within the Item 2 of Article 58 of the Administrative Measures on Major Assets Restructuring of Listed Companies (CSRC Order No. 127) and Article 42 of the Financial Adviser Management Measures and Article 223 of the Securities Law, and the project organizers Zheng Jianhui and Cai Junqiang are supervisors who should assume direct responsibility.

Based on the facts, nature, circumstances and harm to the society of the parties' illegal acts, the CSRC made following decisions according to the provisions of Article 223 of the Securities Law:

1. Order Citi Orient to rectify, confiscation of business income of RMB5.95 million and a fine of RMB17.85 million;
2. Issue Zheng Jianhui and Cai Junqiang a warning and impose a fine of RMB100,000, respectively.

During the future operating, Citi Orient will strictly follow the principles of diligence, conscientiousness, prudence and compliance, further enhance the awareness of standard operation, strengthen internal audit, control the quality of business, and comprehensively strengthen the management of financial advisory business.



## Section V Significant Events

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

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

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

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

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

### **XIV. MATERIAL RELATED TRANSACTIONS/NON-EXEMPT CONNECTED TRANSACTIONS**

#### **(i) Related/connected transactions related to daily operation**

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

## Section V Significant Events

### 1.1 Continuing Related/connected Transactions between the Group and Shenergy Group and its related companies

References are made to the announcements of the Company dated June 26, 2018 and July 5, 2018 in relation to the continuing connected transactions. As of the date of this report, Shenergy Group holds approximately 25.27% of the issued share capital of the Company. According to Rule 14A.07(1) of the Hong Kong Listing Rules, Shenergy Group and its related companies are connected persons of the Company. During the Reporting Period, the Company carried out related/connected transactions in strict compliance with the “Resolution on Estimation for the Company’s 2018 Daily Related Transactions” considered and approved at the 2017 annual general meeting (the “2017 AGM”), the annual amount caps of the relevant related/connected transaction as stipulated in the “Resolution on the Signing Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” considered and approved at the 4th meeting of the fourth session of the Board. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party/connected person	Projected amount	Actual amount
	Commission and fee income	The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf and other services.			202.27
Securities and financial products services	Underwriting fee income	The Company charges securities underwriting fees for providing securities underwriting services.		10,000.00	392.75
	Interest income	Interest income from capital lending business between the Company and it.			3.33
	Interest expense on clients' deposits	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	18.02
Securities and financial products trading	Bank deposits	The Company buys foreign exchange from them.			2,188.31
	Capital lending	The Company conducts capital lending business with it.		50,000.00	10,000.00
Purchase of Goods and Services	Business and management fees	The Company receives services provided by it, including properties and the supply of gas.		5,000.00	779.40

*Note:* In 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

### 1.2 Related transactions between the Group and other related parties

During the Reporting Period, the Company carried out connected transactions in strict compliance with the annual transaction amount caps stipulated in the “Proposal on Estimation for the Company’s 2018 Daily Related Transactions” reviewed and approved at the 2017 AGM. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount	
Securities and financial products services	Commission and fee 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.	Great Wall Fund Management Co.,Ltd.		155.57	
			Great Wall Information Industry Co., Ltd.		27.62	
			Orient International Group Shanghai Investment Limited	Subject to the actual amount due		7.28
			Luoyang Hong Ke Innovation and Venture Capital Co., Ltd.	to unpredictable transaction volume.		5.52
			Shanghai DFZQ Xindeyizhang Public Welfare Foundation			0.03
			Related/connected natural person			0.64
			Underwriting fee income	The Company charges securities underwriting fees for providing securities underwriting services.	China Pacific Property Insurance Co., Ltd.	Subject to the actual amount due to unpredictability of volume of underwriting securities.

## Section V Significant Events

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
			Shanghai Construction Group Co., Ltd.		6.15
			Great Wall Information Industry Co., Ltd.		3.95
			Luoyang Hong Ke innovation and Venture Capital Co., Ltd.		1.45
Securities and financial products services (continued)	Interest expense on clients' deposits	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.	Shanghai DFZQ Xindeyizhang Public Welfare Foundation	Subject to the actual amount due to unpredictability of the amount of client deposits.	1.09
			Shanghai Rural Commercial Bank Co., Ltd.		0.43
			Orient International Group Shanghai Investment Limited		0.24
			Huangpu District Federation of Trade Unions (黃浦區總工會)		0.02
			Related/connected natural person		1.02

## Section V Significant Events

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
Securities and financial products services (continued)	Financial advisory business expenses	The Company pays consultancy fees for receiving financial advice and other services from them.	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
	Insurance expenditure	The Company purchases liability insurances for directors, supervisors, and senior management.	China Pacific Property Insurance Co., Ltd.	Subject to the actual amount due to unpredictability of insurance type, time and amount.	42.31
Trading in securities and financial products	Bond transactions	Spot bond transactions, bond repurchase and interest swap businesses in the inter-bank market by the Company.	Shanghai Construction Group Co., Ltd.		16,000.00
			China Pacific Property Insurance Co., Ltd.	Subject to the actual amount due to	10,000.03
			Shanghai Xinhua Distribution Group Co., Ltd.	uncertainties of the bond market.	5,000.00
			Haitong Securities Co., Ltd.		5,000.00
			China Pacific Insurance (Group) Co., Ltd.		100.00

## Section V Significant Events

### Notes:

- (1) The inter-group transaction and the transactions with their parent companies of the subsidiaries who have a control relationship and are incorporated in the Company's consolidated financial statements were offset.
- (2) In 2018, the related transactions between the Company and other related parties accounted for a small proportion of the Company's similar transactions.
- (3) The related/connected natural persons include: natural persons who directly or indirectly hold more than 5% of the shares of the listed company; directors, supervisors and senior management of the Company; close family members of the above-mentioned persons. All the applicable percentage ratios for aforesaid transaction calculated fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions therefore will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### 1.3 Transaction categories and pricing policies for related/connected transactions

The Group expects to conduct transactions with securities/financial products and intermediary services with related/connected parties, specific transaction categories and pricing policies are as follows:

#### 1.3.1 Securities and Financial Products Services

Securities and financial products services include but not limited to, the following services: securities, futures brokerage; rental trading seats; sales of securities and financial products; securities financing business; custodian asset management; investment consultancy; securities underwriting; financial advisor; and asset custody services.

The pricing principles for securities and financial products services are determined by the parties in accordance with the relevant applicable laws and regulations with reference to the prevailing market rates. In particular:

- 1) Securities and Futures Brokerage Services – The commission rate for these services is generally transparent and standardized and determined after fair negotiations with reference to the prevailing market rates of similar securities or futures industries; fees (as the case may be) will be determined by reference to, among other things, the brokerage transaction fees, interest rates and commissions of the independent third party customers in the market and the total amount of the expected broker transaction. For futures brokerage, each unilateral commission is different depending on (i) the type of futures contract; (ii) the futures exchange where the trading is conducted; and (iii) whether the trading 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;

## Section V Significant Events

- 2) Sales of Securities and Financial Products Services – Factors determining service fees include market prices, industry practices and total sales of financial products with reference to the level of fees charged by the Group for sales of products of similar types and nature;
- 3) Custodian Asset Management Services – The market rates of these services are generally transparent in the market and determined after fair negotiations with reference to factors such as current market rates, the number of products sold on behalf of customers or the size of the custodian assets and the complexity of providing designated services;
- 4) Investment Advisory Services – These service fees are based on the current market charge levels of similar types and sizes of transactions, which are determined by the relevant business units after fair negotiations with reference to the service costs of the parties;
- 5) Securities Underwriting Services – The market for securities underwriting services is highly competitive, and market commissions are generally transparent and standardized. The underwriting commission was determined after fair negotiations and considering a number of factors, including current market conditions, size of the proposed offering, recent general market commission rates with similar nature and size, and rates charged by the Group to independent third parties. The securities underwriting market is highly competitive, and the underwriting commission rate is generally transparent and standardized, and may be determined based on market pricing by the Group;
- 6) Financial Advisory Services – Factors determining the financial advisory fees and other service fees include the nature and size of the transaction and the prevailing market conditions. Investment banking service charges are generally transparent in the market and may be determined based on market pricing by the Group;
- 7) Asset Custody Services – These service fees are determined by fair negotiations with reference to the current market charge levels for transactions of similar type and size.

### *1.3.2 Securities and Financial Products Trading*

Securities and financial products trading include but not limited to, the following transactions: transactions under resale agreements or under repurchase agreements with the related/connected parties in the interbank market; proprietary bond transactions in the interbank market with the related/connected parties; income rights transfer transaction with the related/connected parties; subscription of bonds, funds, wealth management products or trust plans issued by the related/connected parties; and related/connected parties' subscription of bonds, funds, wealth management products issued by the Group.

## Section V Significant Events

The rates of various securities and financial products tradings are fairly transparent and standardized throughout the market. Commissions and fees charged for related product transactions shall be determined by reference to the prevailing market rate or after fair negotiations based on market rates generally applicable to independent counterparties for similar products or types of transactions. On-exchange tradings in securities and financial products are conducted at market prices or market rates prevailingly applicable to such type of securities and financial products; off-exchange and other tradings in securities and financial products are conducted after arm's length negotiations by both parties at market prices or market rates prevailingly applicable to such type of securities and financial products; if there is no market price prevailingly applicable to such type of securities and financial products, the price or rate of the trading shall be subject to the price or rate determined by the parties in accordance with the fair market trading principle. For example, if trading is conducted in the inter-bank bond market and China Exchange Bond Market, the quotation is provided based on the prices of the inter-bank bond market and China Exchange Bond Market respectively; if trading is conducted on the stock exchange, the trading is conducted at current market price on the relevant stock exchange; for inter financial institutions lending, the trading is conducted at the current interest rate quoted by the interbank lending market. The pricing of such tradings is subject to strict supervision by the PRC and is subject to applicable laws and regulations of the PRC.

If the securities and financial products launched by related/connected parties are subscribed by the Group, and the securities and financial products launched by the Group are subscribed by the related/connected parties, the subscription price is the same as the one at which other investors conduct subscription. The subscription price is determined by the financial institution that launches the securities and financial products after considering general conditions of the invested assets/business.

### *1.3.3 Purchasing goods and receiving services*

Purchasing goods and receiving services include acceptance of services within the scope of the Shenergy Group and its contacts, including but not limited to the following transactions: supporting services such as procurement of gas, natural gas, gas stoves, gas appliances, gas kitchen equipment, gas acceptance distribution, gas engineering planning, design and construction.



## Section V Significant Events

The pricing principle of purchased goods and services is determined on normal commercial terms after arm's length negotiation pursuant to the applicable laws and regulations, with reference to the prevailing market price during the ordinary course of business of each party. The Group and Shenergy Group and its liaison have agreed in principle on the pricing mechanism and will determine the price by the following ways: (i) if there are government pricing guidelines, at the government's indicative price; or (ii) in the absence of any currently applicable government pricing guidelines, then adopting the government indicative price previously issued by the government agency as the basic price, and the basic price is adjusted by reference to the purchase or service cost of Shenergy Group and its associates; the above-mentioned item (ii) shall be a fair and reasonable price after the above adjustment.

### **1.4 Internal control measures for related/connected transactions (including continuing connected transactions)**

- 1) The terms of the proposed securities and financial products services, securities and financial products trading, and purchasing goods and receiving services (including pricing terms) shall be similar to those provided by the independent third parties and shall be subject to same internal selection, approval and monitoring procedures and pricing policies applicable to independent third parties.
- 2) Before confirming the pricing of transactions with the related/connected parties, the Group will refer to the pricing of similar transactions or the offer of products or services to two or more independent third parties at the same time to determine whether the pricing and terms of relevant transactions are fair and reasonable and not less favorable than those quoted by independent third parties (or not better than that provided by independent third party) (as the case may be). In the event that the above-mentioned pricing quoted from or by an independent third party for a particular transaction, relevant related/connected transactions shall be considered independently and approved by the investment decision-making group of the relevant business to ensure that the pricing is fair and reasonable to the Group.
- 3) When providing or selling the same batch of securities or financial products to customers (including related/connected parties and independent third parties), the Group will propose the same pricing terms to all customers and will not offer preferential terms to related/connected customers.

## Section V Significant Events

- 4) Prior to the price determination, pricing advice and supplementary materials for continuing connected transactions will be submitted to the relevant internal authorities for approval. The relevant internal department will conduct qualification review and due diligence to assess whether the pricing of a particular transaction is in compliance with the Group's relevant policies and procedures 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 connected transactions comply with the above pricing policies and monitor the payment of such transactions.
- 5) Any documents and records for related/connected transactions must be properly kept and maintained properly.
- 6) The Company has established internal guidelines in accordance with Hong Kong Listing Rules and has established an approval process for related/connected transactions.

The Company's independent non-executive Directors and auditors will review the Company's continuing related-party/connected transactions annually. The Board (including independent non-executive Directors) has confirmed that the terms of the abovementioned transactions are fair and reasonable and are based on general business terms or better in the daily business of the Group and are in the interests of the Company and the shareholders as a whole. The auditor of the Company has reviewed abovementioned continuing connected transactions and issued a letter to the Board to confirm: (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

## Section V Significant Events

### (ii) Related/connected transactions incurred as a result of acquisition or disposal of assets or equity interests

#### 1. *Transfer of the 45% equity interests by Orient Securities Capital Investment in Shanghai ICY Capital Co., Ltd.*

The fifth meeting of the fourth session of the Board of the Company was held on August 30, 2018, at which the Resolution Regarding the Related Party Transaction of Equity Transfer by Orient Securities Capital Investment in Shanghai ICY Capital Co., Ltd. was considered and approved, pursuant to which, it is agreed that Orient Securities Capital Investment to transfer the 45% equity interests it holds in Shanghai ICY Capital Co., Ltd. to Shanghai Shenergy ICY Equity Investment Co., Ltd., a wholly-owned subsidiary of Shenergy Group at a consideration of RMB19,313,154.94 (subject to the final amount in the assessment report) to implement the regulatory requirements for private equity fund subsidiaries, and the management of the Company is authorized to deal with the relevant transfer procedures.

As Orient Securities Capital Investment is a wholly-owned subsidiary of the Company, and Shenergy Group holds approximately 25.27% of the issued share capital of the Company. According to Rule 14A.07(1)(4) of the Hong Kong Listing Rules, Shanghai ICY Capital Co., Ltd. is a connected person of the Company. All the applicable percentage ratios for aforesaid transaction calculated fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions therefore will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

#### 2. *Acquisition of the 33.33% equity interests in Citi Orient by the Company*

References are made to the announcements of the Company dated December 16, 2018 and January 8, 2019 in relation to acquisition of part of equity interests of Citi Orient. The Resolution relating to the Acquisition of Part of Equity Interests of Citi Orient Securities Co., Ltd. and the Related-party/Connected Transaction was considered and approved at the eighth meeting of the fourth session of the Board, pursuant to which, it is agreed that the Company to acquire the entire 33.33% equity interests of Citi Orient held by Citigroup Global Markets Asia Limited ("Citigroup Asia") at a transaction price of the audited net assets of Citi Orient as at December 31, 2018 multiplied by the capital contribution of Citigroup Asia, and the management of the Company is authorized to deal with the specific matters related to the equity transfer afterwards, including but not limited to entering into the equity transfer agreement and terminating the joint venture agreement and other relevant legal documents as well as the completion of regulatory approval, payment and delivery, change to industrial and commercial registration and the name change of Citi Orient.

## Section V Significant Events

As Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it, Citigroup Asia holds 33.33% equity interests of Citi Orient and accordingly is a substantial shareholder of Citi Orient. Pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules, Citigroup Asia is a connected person of the Company at the subsidiary level. According to Rule 14A.101 of the Hong Kong Listing Rules, as (1) Citigroup Asia is a connected person of the Company at the subsidiary level; (2) the Board has approved the acquisition; and (3) the Directors (including the independent non-executive Directors) are of the view that the terms of the acquisition are fair and reasonable, on normal commercial terms or better for the Company and has been entered into in the ordinary and usual course of business of the Company, and the acquisition is in the interests of the Company and its Shareholders as a whole, accordingly, the acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As of the end of the Reporting Period, the transaction is subject to approval or filing by securities regulatory authorities and state-owned assets supervision and administration departments in the PRC, as well as the completion of related matters such as equity transfer. The Company will disclose the progress in a timely manner.

The Company confirmed that the abovementioned transactions comply with the requirements under the Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, during the Reporting Period, the Company had no other connected transaction which was required to be disclosed under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, details relating to the related party transactions under the relevant accounting standards were set out in note 58 to the consolidated financial statement, saved as disclosed above, these related transactions did not constitute the connected transactions required to be disclosed under the Chapter 14A of the Hong Kong Listing Rules.

## XV. MATERIAL CONTRACTS AND PERFORMANCE

### (i) Custody, contracting and leasing matters

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

## Section V Significant Events

### (ii) Guarantees

Unit: 100 million Currency: RMB

#### External guarantees of the Company (excluding guarantees to its 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 and its subsidiaries for subsidiaries

Total amount of guarantees provided for subsidiaries during the Reporting Period 30.03

Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B) 75.07

#### Total amount of guarantees provided by the Company (including those provided for subsidiaries)

Total amount of guarantees (A+B) 75.07

Percentage of total guarantees over net assets of the Company (%) 14.51

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) 75.07

Amount of total guarantees exceeding 50% of net assets (E)

Total amount of above three types of guarantees (C+D+E) 75.07

Explanations on outstanding guarantees subject to joint liabilities

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 overseas bonds. As at December 31, 2018, the guarantee amounted to approximately RMB7,057 million.

(2) During the Reporting Period, wholly-owned subsidiary of the Company provided guarantee for its wholly-owned subsidiaries, relating to a bank facilities. As at December 31, 2018, the guarantee amounted to approximately RMB450 million.

## Section V Significant Events

*Note:* The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB1:6.8632 as at the end of December 2018; the amount of guarantees denominated in HKD was converted at the spot exchange rate of RMB/HKD1:0.8762 as at the end of December 2018 and the amount of guarantees denominated in EUR was converted at the spot exchange rate of EUR/RMB1:7.8473 as at the end of December 2018.

### (iii) Other material contracts

During the Reporting Period, the Company had no other material contract or transactions that should be disclosed but not disclosed.

## XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

### (i) General election of the Board and the Supervisory Committee of the Company

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

## Section V Significant Events

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

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

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

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

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

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

## Section V Significant Events

### (ii) Citigroup Asia has no intention to extend the term of the joint venture

On December 16, 2018, the Company received the “Notice of Unintentional Extension of Term of the Joint Venture” from Citigroup Asia. According to the notice, in accordance with the shareholder agreement signed by the Company and Citigroup Asia on June 1, 2011, Citigroup Asia does not expect to extend the term of the joint venture of Citi Orient, and will transfer all its 33.33% equity interest in Citi Orient to the Company at the price of the audited net asset value multiplied by its capital contribution ratio on December 31, 2018.

On January 8, 2019, the Company held the 8th meeting of the 4th session of Board to deliberate and approve the “Proposal on the Acquisition of Partial Equity and Related/Connected Transactions of Citi Orient Securities Co., Ltd.”, and the Board agreed that the Company can acquire all 33.33% equity of Citi Orient held by Citigroup Asia at the price of the audited net asset value of Citi Orient on December 31, 2018, multiplied by Citigroup Asia capital contribution ratio and authorized the Company’s management to handle the relevant matters of this transaction, including but not limited to the signing of the equity transfer agreement and termination of relevant legal documents such as joint venture agreements, handling of regulatory approvals, payment and delivery, industrial and commercial changes and change of name of Citi Orient. The Company will issue progress announcements in a timely manner according to relevant requirements.

## XVII. ACTIVELY FULFILLING SOCIAL RESPONSIBILITIES

### (i) Poverty alleviation works of the listed company

#### 1. *Precise poverty alleviation plan*

##### (1) *Basic Policy*

The Company actively responds to the country’s call and the industry guideline, implements the spirit of related documents and fulfills various precise poverty alleviation work. The Company continued to participate in the “One Company to One County” and “One County to One Company” initiative of the securities industry proactively, making efforts in precise poverty alleviation. The Company fulfilled its social responsibility in fighting poverty in different aspects including industry, financing, education, welfare, consumption and others. The Company will continue to get well prepared for various poverty alleviation programs, to ensure giving practical help to fight poverty and helping those really living in poverty. The Company will provide strong protection and backup in the tough war of fighting poverty and contribute in making innovation and creativity work for the mechanism of “precise poverty alleviation and precise poverty removal”.



## Section V Significant Events

### (2) *Main Strategies*

- 1) Providing industrial assistance according to the local taking local resources into consideration. The Company conducted comprehensive field research to learn about the characteristic resources of poverty-stricken county, and then provided industrial supports accordingly. Since the commencement of precise poverty alleviation, the Company has planned to focus on, inter alia, Morin Dawa Daur Autonomous Banner, Inner Mongolia and Wufeng, Hubei, putting much effort 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 spirit and leveraging consumption to strengthen local wealth-generating capacity in poverty counties. Based on its accumulated successful experiences of promoting industrial poverty alleviation projects, during precise poverty alleviation process, the Company has always leaned on industrial poverty alleviation, 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.
- 3) Fully leveraging the advantages of financial enterprises to bring innovative poverty relief measures. By virtue of the attributes of financial institutions, the Company has helped farmers in many poverty-stricken counties to mitigate the risk of agricultural product price fluctuations through innovative “insurance + futures” poverty alleviation. 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 innovative and repeatable cases for pushing forward poverty relief work will be provided.
- 4) Alleviating poverty through enlightening people as well as continuously providing talent protection for poverty regions. The Company has also adhered to the concept of “alleviating poverty through enlightening people” when launching precise poverty relief work through various measures such as alleviating poverty via 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.

## Section V Significant Events

- 5) Strengthening the management of poverty alleviation programs and successfully implementing 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.
- 6) Actively concluding successful experience of previous projects for further promotion and replication. While carrying out various precise poverty alleviation work, the Company also actively summed up the successful experience of projects such as “Orient Guniang” and further promoted and replicated to other poor counties to benefit more impoverished households in different industries. For example, the Company launched the “Dong Fang Hong Yi Black Tea” project in Wufeng, Hubei, to facilitate the local tea industry regain its vitality. Besides, the Company donated funds in Yanchi County, Ningxia and Tongyu County, Jilin to develop the Tan sheep breeding industry and small-tail Han sheep farming industry with local characteristics.

### 2. *Executive summary of annual precise poverty alleviation*

Under the guidance and initiative of the CSRC and Securities Association of China, the Company actively responded to the national call and industry guidelines, and solidly promoted the precise poverty alleviation, which was highly recognized by all sectors of the society. As at the end of the Reporting Period, the Company and its subsidiaries had successively signed “One Company to One County” pair-up assistance agreements with 14 state-level poverty-stricken counties, such as Morin Dawa Daur Autonomous Banner in Inner Mongolia, Tongyu County, Jilin Province, Jingle County, Shanxi Province, Muchuan County, Sichuan Province, Wufeng County, Hubei Province, Yanchi County, Ningxia, Yanchang County, Shaanxi Province, Qin’an County, Gansu Province, Jinggu County, Yunnan Province, Lancang County, Yunnan Province, Menglian County, Yunnan Province, Nankang City, Jiangxi Province and Funing County, Yunnan Province and Suibin County, Heilongjiang Province. Among them, seven state-level poverty-stricken counties, such as Qin’an County, Gansu Province, Jinggu County, Lancang County, Menglian County, Funing County, Yunnan Province and Nankang City, Jiangxi Province and Suibin County, Heilongjiang Province are newly added to the pair-up assisted areas by the Company and its subsidiaries in 2018.

## Section V Significant Events

During the Reporting Period, the Company invested RMB25,717,700 (including public welfare foundations) in poverty alleviation and implemented 39 poverty alleviation projects. Among them, the Company invested poverty alleviation funds of RMB11,214,800 for 9 industrial poverty alleviation projects, and successfully created projects such as “Orient Guniang” and “Dong Fang Hong Yi Black Tea”, which replicated and continued to promote the Company’s existing industry poverty alleviation model; RMB10.7 million for 11 financial poverty alleviation projects, and successfully implemented a large-scale “insurance + futures” project which was an innovation to the industry; RMB1,337.7 thousand for 10 education poverty alleviation projects, continued to fund nearly 230 poor senior high school students, and actively promoted financial knowledge training in poverty-stricken areas; RMB2,078,300 for 8 public welfare poverty alleviation projects; and RMB387,000 for 1 poverty alleviation project.

In addition, the Company made full use of its financial professional advantages and actively served the financing of poverty-stricken areas and the national green development strategy. During the Reporting Period, the Company financed RMB3.33 billion for poor areas through various financing methods. Among them, Citi Orient, a controlling subsidiary of the Company, underwrote the non-public issuance of corporate bonds of Xixiu District Urban Investment Development Co., Ltd. of Anshun City, Guizhou Province (貴州省安順市西秀區城鎮投資發展有限公司), to assist it actually to raise funds of RMB1.34 billion; the Company’s fixed income business department underwrote various special financial bonds for policy-based bank poverty alleviation of RMB1.99 billion, effectively supporting poverty-stricken counties to relocate. In addition, the Company issued and underwrote policy-based bank green special financial bonds of RMB650 million to actively strengthen the public’s awareness of green investment and expand the social effect of green finance.

## Section V Significant Events

At the same time, the Company's various precise poverty alleviation work has also been recognized by the community. In 2018, on the China Securities and Futures Industry Poverty Alleviation Work Exchange Conference hosted by the State Council Leading Group Office of Poverty Alleviation and Development, guided by the CSRC and organized by the Securities Times, the Company won the "Poverty Alleviation Excellence Award (扶貧卓越貢獻獎)", "Excellent Consumer Poverty Reduction Award (優秀消費扶貧獎)" and "Best" One Division, One County 'Pair-up Assistance Project Award'; at the 2018 China Capital Market Poverty Alleviation Pioneer Forum hosted by the International Finance News, the Company was awarded the "Annual Poverty Alleviation Pioneer Enterprise (年度扶貧先鋒企業)" and "Annual Industrial Poverty Alleviation Pioneer Enterprise (年度產業扶貧先鋒企業)" and Orient Guniang Industry Poverty Alleviation Project won the "Best Sample of Poverty Alleviation for Securities Companies of the Year (年度券商最佳扶貧案例)"; in addition, the Company also won the "2018 Best Contribution Award for Excellent Competitiveness in Poverty Alleviation (2018卓越競爭力精準扶貧最佳貢獻獎)" by China Business News; Orient Hongyi Black Tea Industry Poverty Alleviation Project was awarded "Poverty Alleviation Innovation Award for Securities Companies (券商扶貧創新獎)" by Sina Finance; the Orient Guniang Industry Poverty Alleviation Project was awarded the "Model for Precise Poverty Alleviation Case Award (企業精準扶貧案例典範獎)" in the 3rd China Corporate Social Responsibility Excellence Case.

### *Summarizing successful experience of the project and promoting the poverty alleviation model of excellent industries*

For all kinds of poverty alleviation work, the Company has consistently explored an industrial poverty alleviation model that can help poor counties establish a "wealth-generation" mechanism, adhered to provide industrial assistance according to the local conditions taking local resources into consideration. In 2018, the Company continued to summarize the operating experience of "Orient Guniang" in Morin Dawa Daur Autonomous Banner, Inner Mongolia, and successfully promoted such model to other poverty-stricken counties such as Hubei Wufeng County and Ningxia Yanchi County to benefit more poor households in different industries.

During the Reporting Period, the Company continued to carry out the "Orient Guniang" industrial poverty alleviation project in Morin Dawa Daur Autonomous Banner, Inner Mongolia, and further promoted the standardization of the local industrial chain. To ensure the freshness of products, the Company donated the "Orient Guniang" storage and transfer base in Morin Dawa Daur Autonomous Banner, which enabled the farmers to sort out fruits, thus increasing efficiency and income. In order to reduce losses, the Company donated special funds to customize "Orient Guniang" special collection box and distributed to farmers for free to reduce the bad fruit rate in the fruit picking process. To further improve the sorting efficiency, the Company has established "Orient Guniang" standardized sorting operation process to further improve the production environment. Through the unremitting efforts of the Company, the "Orient Guniang" product has been highly praised for its superior quality and sweeter taste, and has effectively promoted the local poverty alleviation work.

## Section V Significant Events

The Company believes that the continued success of the “Orient Guniang” project not only benefits from the Company’s comprehensive integration of local industrial bases into poverty alleviation and the development of featured industries in accordance with local conditions, but also benefits from the Company’s active introduction of professional partners and full use of all resources and joint promotion of the operation of the project with the concept of commercialization and marketization; as well as benefits from the Company’s active promotion of the standardization of the industrial chain in poverty alleviation and strict control of product quality from the perspective of long-term development.

While concluding the successful experience of previous projects, the Company also actively promoted the Morin Banner model. In 2018, the Company conducted several field investigations in Wufeng County, Hubei Province, and found that nearly half of Wufeng County is cultivated with tea and two-thirds of the population is engaged in the tea industry. The development of the tea industry is crucial for the local poverty alleviation. Thus, adhering to the Company’s philosophy of “promoting assistance according to local conditions” and the Company’s long-term commitment to discovering potential talents and helping them grow, the Company decided to introduce professionals to carry out the “Dong Fang Hong Yi Black Tea” industrial poverty alleviation project. The Company also cooperated with the partners Benlai Life, and joined hands with 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”) to carry out project standardization, branding and information-based construction in Wufeng County, thereby promoting upgrade and development of local tea industry. In 2018, the Company established an industrial poverty alleviation base in Wufeng, jointly developed the standards for product production, processing, storage and transportation, and engaged professional parties to implement strict review and appraisal to further secure quality of the tea leaves. Relying on the influence of its 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 for local tea industry, thus successfully boosting Wufeng Yihong tea to regain its vitality, effectively promoting income increment for local tea farmers, and further spurring the long-term development of the local tea industry.

In addition, taking the local industry into consideration, the Company carried out the poverty alleviation project for the Tan sheep breeding industry in 2018, which integrated grass planting, forage processing and storage shed construction in Yanchi County, Ningxia, one of the poor counties to be helped. The project will last for three years, which, upon completion, is expected to effectively improve the enthusiasm of poverty-stricken households for Tan sheep breeding, so that they can increase both income and breeding scale, thereby earning stable household income to ensure precise poverty alleviation successfully.

## Section V Significant Events

### *Bringing into play the advantages of financial institutions, innovating the “insurance + futures” poverty alleviation model*

During the Reporting Period, the Company also fully took advantages of financial institutions and actively explored financial poverty alleviation to continuously innovate poverty alleviation models. The Company and Orient Futures, a wholly-owned subsidiary of the Company, launched the “Insurance + Futures” poverty alleviation project. The project provides farmers with crops price indicators insurance for registered poverty-stricken households to help them avoid the risks caused by fluctuations in produce prices. While encouraging farmers to work, the Company addressed their concerns by providing basic living guarantees. In addition, the project is also featured with wide coverage, various produce and brand-new business model. Besides, it is the first “insurance + futures” poverty alleviation project in the industry with wide coverage which is sponsored by the securities and futures company.

According to statistics, in year 2018, the Company and Orient Futures purchased crops price indicators insurance for farmers from nine poverty-stricken counties in Yunnan, Hubei, Inner Mongolia and Heilongjiang, covering five produce categories including rubber, sugar, corn, soybeans and apples. A total of RMB10.70 million insurance premiums were paid, which together covered nearly 200,000 mu of various types of agricultural products, benefiting more than 10,000 farmers, of which more than 7,290 were registered poor households, accounting for more than 70% of the total.

As of the date hereof, compensation for all of the “insurance + futures” projects have been successfully completed. The agricultural insurance company has paid a total of RMB11.3527 million to the insured farmers, thereby effectively helping farmers in poor counties to reduce the risk of falling agricultural prices. In particular, the insurance claims of Suibin County of Heilongjiang Province amounted to RMB3.3 million, which guaranteed the income of local soybean farmers. The amount of agricultural insurance claims in Morin Dawa Daur Autonomous Banner, Inner Mongolia, Lancang County, Yunnan Province and Qin’an County, Gansu Province also exceeded RMB1 million.

The Company believes that, through taking fully professional advantages of financial enterprises, the “insurance + futures” project not only directly benefited many registered poverty-stricken households, but also indirectly stimulated and promoted the production of households in poverty-stricken counties and stabilized their household income, thus effectively assisting poverty alleviation and sustainable development of a number of poor counties.

## Section V Significant Events

### 3. Results of precise poverty alleviation

Unit: '0000 Currency: RMB

Indicator	Amount and Progress
I. Overall condition	
Among which:	
1. Capital	2,549.19
2. Discount of materials	22.58
3. Number of beneficiaries in recorded poor family (person)	505
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including:	
1.1 Type 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)	9
1.3 Contribution to industrial poverty alleviation projects	1,121.48
1.4 Number of beneficiaries in recorded poor family (person)	505
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)	170
2.3 Number of poverty-stricken people in recorded poor family who achieved employment (person)	102

## Section V Significant Events

Unit: '0000 Currency: RMB

Indicator	Amount and Progress
3. Poverty alleviation by relocation Including:	
3.1 Number of beneficiaries under employment from relocated families (person)	
4. Poverty alleviation by education Including:	
4.1 Contribution to subsidize students in poverty	84.26
4.2 Number of students in poverty being subsidized (person)	228
4.3 Contribution to improve education resources in poverty areas	49.51
5. Poverty alleviation by healthcare Including:	
5.1 Contribution to medical and healthcare resources in poverty areas	
6. Poverty alleviation by ecological conservation Including:	
6.1 Project name	<input type="checkbox"/> Development of ecological conservation and construction <input type="checkbox"/> Establishment of compensation method for ecological <input type="checkbox"/> Setting up a position for ecological public welfare <input type="checkbox"/> Others
6.2 Amount of contribution	
7. Protection for the most impoverished people Including:	
7.1 Amount contributed to help the three left-behind groups	
7.2 Number of people of the three left-behind groups helped (person)	
7.3 Amount contributed to help poor people with disabilities	
7.4 Number of poor people with disabilities helped (person)	



## Section V Significant Events

Unit: '0000 Currency: RMB

Indicator	Amount and Progress
8. Poverty alleviation in the society Including:	
8.1 Amount contributed to poverty alleviation in the east and west parts of the country	
8.2 Amount contributed to fixed-point poverty alleviation work	
8.3 Poverty alleviation fund	
9. Other projects Including:	
9.1 Number of projects (unit)	20
9.2. Amount of contribution	1,316.53
9.3. Number of beneficiaries in recorded poor family (person)	
9.4. Description for other projects	Including fighting poverty in financing, consumption and welfare

### III. Awards obtained (details and class)

During the Reporting Period, the Company was awarded the “Excellent Poverty Alleviation Contribution Award” and “Excellent Consumption Poverty Alleviation Award” issued by Securities Times. It was recognized as the “Annual Poverty Alleviation Pioneer Enterprise” and “Annual Industrial Poverty Alleviation Pioneer Enterprise” by International Finance News. Besides, the Company was conferred the “2018 Excellent Competitiveness and Precise Poverty Alleviation Best Contribution Award” issued by China Business Journal (中國經營報).

The Oriental Guniang poverty alleviation project won the “Best One Company to One County Pair-up Assistance Work Award” issued by Securities Times and was named the “Best Poverty Alleviation Case of Brokers of the Year” by the International Finance News. Furthermore, it was awarded the “Special Award for Enterprise Precise Poverty Alleviation” in the third China Outstanding CSR Practices.

The Dong Fang Hong Yi Black Tea poverty alleviation project was awarded the “Brokers Poverty Alleviation and Innovation Award” by Sina Finance.

The “Insurance + Futures” project jointly launched by the Company and Orient Futures, a wholly-owned subsidiary of the Company, was awarded the “Financial Enterprise Poverty Alleviation and Innovation Award” by Sina Finance and the “Best Innovative Financial Product Poverty Alleviation Project Award” issued by Securities Times.

## Section V Significant Events

### 4. *Subsequent precise poverty alleviation plan*

#### (1) *Solidly promoting poverty alleviation projects in various industries*

The Company will continue to adhere to the philosophy of industrial poverty alleviation, and continue to promote the industrial poverty alleviation projects that have been carried out in many poverty-stricken counties to ensure that the goal of promoting the sustainable development of local industries is truly achieved, and the project experience is continuously replicated to benefit more poor households in different industries and different poverty-stricken counties.

#### (2) *Continuing to promote the “Insurance + Futures” project*

The Company and Orient Futures, a wholly-owned subsidiary of the Company, successfully completed the “Insurance + Futures” financial project, and purchased price index insurance for more than 10,000 farmers in several poverty-stricken counties. As at the end of the Reporting Period, the accumulated compensation amount of the project exceeded RMB8.8 million, effectively mitigating the price fluctuation risk faced by farmers, and achieved satisfactory poverty alleviation effects. The Company and Orient Futures plan to continue to promote “Insurance + Futures” projects in many poverty-stricken counties, benefiting more farmers.

#### (3) *Continuing to promote education poverty alleviation projects*

The Company will continue to carry out education poverty alleviation projects targeting poverty-stricken students in various poor counties, and ensure that poverty alleviation funds are accurately distributed to the filed poverty-stricken families, assist poor students to successfully complete their studies and make them free from worries. In addition, the Company plans to continue to contribute funds for primary school renovation and material donation, etc., and steadily promotes the public welfare “love breakfast” student aid program.

#### (4) *Actively responding to the call and conduct “Double Hundred” pair-up assistance*

The Company actively responded to the call of “Hundred Enterprises to Assist 100 Villages” campaign of Shanghai Municipal SASAC to help Pingmeng Village, Gula Township, Funing County, Wenshan State, Yunnan Province. According to the spirit of the relevant documents, the Company will focus on “three bringings and two changings”, that is, bringing talents, bringing resources, bringing industries changing concepts and changing village appearances, commit to solving the urgent problems of local poor people and ensuring precise poverty alleviation to achieve expected results. As of the end of the Reporting Period, related infrastructure donation projects are progressing smoothly.

## Section V Significant Events

(5) *Continuing to conduct various public welfare poverty alleviation*

Based on field research and actual needs of poor counties, the Company and our subsidiaries carried out various public welfare poverty alleviation projects including aiding infrastructure, donating of office supplies, donating learning and living materials for primary school students, which effectively improved and enriched the Company's precise poverty alleviation. The Company will continue to strengthen daily communication with poverty-stricken counties, gain an in-depth understanding of their actual needs, and continue to conduct various public welfare poverty alleviation with the efforts of its Xindeyizhang Public Welfare Foundation.

(6) *Strengthening the efforts in training talents and enhancing financing supports*

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

(ii) **Performance of social responsibilities**

For details relating to the Company's environmental policies and performance, our compliance with such laws and regulations which may materially affect the Company and the important relationship between the Company and its employees, customers and suppliers, please refer to the DFZQ 2018 Environment, Social and Governance Report disclosed on the website of SSE (<http://www.sse.com.cn>), the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.dfzq.com.cn>) on March 28, 2019.

## Section V Significant Events

### (iii) Explanations on the environmental protection

The industry that the Company engages in is financial securities industry, with main business scope covering: securities brokerage; margin financing and securities lending; securities investment advisory; financial consultancy in relation to securities transactions and securities investment activities; proprietary of securities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products; security underwriting (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing products governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)) ; stock and options market making business and securities investment fund custodian business. The Company attaches great attendance in taking up social responsibilities, especially valuing the importance of saving energy and protecting the environment. The Company advocates running of green office and paperless office, establishing and using OA office system, doing business approval through electronic means and encouraging the recycle use of papers

During the Reporting Period, the Board actively promoted paperless reform. In order to promote efficient and environmentally friendly working methods, the Company explored the use of iPad terminals to convene board meetings by using the Company's network disk, Lenovo cloud and other systems. The Company also reduced waste and enhanced file transmission efficiency through scientific measures.

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

## XVIII. CONVERTIBLE CORPORATE BONDS

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

## Section VI Changes in Ordinary Shares and Information on Shareholders

### I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

#### (i) Changes in ordinary shares

##### 1. Changes in ordinary shares

Unit: share

	Before the change		Changes (+,-)					After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Share conversion from capital reserve fund	Others	Sub-total	Number of shares	Percentage (%)
I. Restricted shares	2,840,420,955	40.61	-	-	-	-2,551,205,692	-2,551,205,692	289,215,263	4.14
1. Shares held by state	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	2,598,505,403	37.15	-	-	-	-2,309,290,140	-2,309,290,140	289,215,263	4.14
3. Shares held by other domestic investors	241,915,552	3.46	-	-	-	-241,915,552	-241,915,552	-	-
Including: Shares held by domestic non-state-owned legal persons	241,915,552	3.46	-	-	-	-241,915,552	-241,915,552	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by foreign legal persons	-	-	-	-	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-	-	-	-	-
II. Circulating non-restricted shares	4,153,234,848	59.39	-	-	-	2,551,205,692	2,551,205,692	6,704,440,540	95.86
1. RMB denominated ordinary shares	3,126,154,848	44.70	-	-	-	2,551,205,692	2,551,205,692	5,677,360,540	81.17
2. Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,027,080,000	14.69	-	-	-	-	-	1,027,080,000	14.69
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of ordinary shares	6,993,655,803	100.00	-	-	-	-	-	6,993,655,803	100.00

## Section VI Changes in Ordinary Shares and Information on Shareholders

### 2. Explanations on changes in ordinary shares

During the Reporting Period, there was no change in the Company's ordinary shares.

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

During the Reporting Period, there was no change in the Company's ordinary shares.

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

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

## (ii) Changes in restricted shares

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the Reporting 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 IPO of shares	March 23, 2018
Shenergy (Group) Company Limited	230,000,000	-	-	230,000,000	Lock-up under non-public issuance of shares	December 28, 2021
Shanghai Electric (Group) Corporation	194,073,938	194,073,938	-	-	Lock-up under IPO of shares	March 23, 2018

## Section VI Changes in Ordinary Shares and Information on Shareholders

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the Reporting 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
Shanghai Construction Group Co., Ltd.	133,523,008	133,523,008	-	-	Lock-up under IPO 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 IPO of shares	March 23, 2018
Shanghai Binfen Trade Development Co., Ltd. (上海繽紛商貿發展有限公司)	66,539,635	66,539,635	-	-	Lock-up under IPO of shares	March 23, 2018
Shanghai International Trade & Investment Developing Co., Ltd. (上海市外經貿投資開發有限公司)	33,269,819	33,269,819	-	-	Lock-up under IPO of shares	March 23, 2018
Shanxi Zhuorong Investment Co., Ltd. (山西卓融投資有限公司)	20,000,000	20,000,000	-	-	Lock-up under IPO of shares	May 19, 2018
Weida Hi-Tech Holding Co., Ltd. (威達高科技控股有限公司)	12,000,000	12,000,000	-	-	Lock-up under IPO of shares	February 14, 2018
Shanghai Haiyan Investment Management Company Limited	59,215,263	-	-	59,215,263	Lock-up under non-public issuance of shares	December 28, 2020
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	208,700,000	208,700,000	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Shanxi Taigang Investment Co., Ltd. (山西太鋼投資有限公司)	70,372,977	70,372,977	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Guohua Life Insurance Co., Ltd. - Traditional No. 1 (國華人壽保險股份有限公司-傳統一號)	70,372,976	70,372,976	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Zhongyuan Equity Investment Management Co., Ltd. (中原股權投資管理有限公司)	35,186,489	35,186,489	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund - SPD Bank - Xi'an Shanmei Zhuohe Investment Fund Partnership (L.P.) (財通基金 - 浦發銀行 - 西安善美卓和投資基金合夥企業(有限合夥))	42,223,786	42,223,786	-	-	Lock-up under non-public issuance of shares	December 28, 2018

## Section VI Changes in Ordinary Shares and Information on Shareholders

Unit: share

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



## Section VI Changes in Ordinary Shares and Information on Shareholders

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the Reporting 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 – 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 – Bank of Ningbo – Xiamen C&D Corporation Limited (財通基金 – 寧波銀行 – 廈門建發集團有限公司)	2,111,189	2,111,189	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – Industrial Bank – Huaibei Wanhui Investment Limited Company (財通基金 – 興業銀行 – 淮北皖淮投資有限公司)	2,104,152	2,104,152	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – China Merchants Bank – Caitong Fund – Xianghe No.2 Asset Management Scheme (財通基金 – 招商銀行 – 財通基金 – 祥和2號資產管理計劃)	703,730	703,730	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Caitong Fund – China Everbright Bank – Guangzhou Lianxin Fund Management Limited Company – Lianxin No. 6 Private Equity Fund (財通基金 – 光大銀行 – 廣州聯鑫基金管理有限公司 – 聯鑫六號私募基金)	211,119	211,119	-	-	Lock-up under non-public issuance of shares	December 28, 2018
Total	2,840,420,955	2,551,205,692	-	289,215,263 /	/	/

## Section VI Changes in Ordinary Shares and Information on Shareholders

### II. ISSUANCE AND LISTING OF SECURITIES

#### (i) Issuance of securities as at the end of the Reporting Period

Currency: RMB (unless otherwise specified)

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares (or amount) issued	Date of listing	Number of shares (or amount) permitted to be listed for trading	Date of termination of the trading
Ordinary shares						
A Shares	March 11, 2015	10.03	1 billion shares	March 23, 2015	1 billion shares	
H Shares	June 22, 2016	HKD8.15	0.957 billion shares	July 8, 2016	0.957 billion shares	
H Shares (over-allotment)	July 28, 2016	HKD8.15	0.070 billion shares	August 3, 2016	0.070 billion shares	
A Shares (non-public issuance)	December 28, 2017	14.21	0.778 billion shares	December 29, 2017	0.778 billion shares	
Convertible corporate bonds, detachable convertible bonds, corporate bonds						
Bonds of securities companies	August 26, 2014	6.00%	6 billion	September 23, 2014	6 billion	August 26, 2019
Bonds of securities companies	November 26, 2015	3.90%	12 billion	December 18, 2015	12 billion	November 26, 2020
Bonds of securities companies	June 9, 2017	5.30%	4 billion	July 19, 2017	4 billion	June 9, 2020
Bonds of securities companies	June 9, 2017	5.50%	1 billion	July 19, 2017	1 billion	June 9, 2022
Bonds of securities Companies	August 3, 2017	4.98%	4 billion	August 15, 2017	4 billion	August 3, 2027
Bonds of securities Companies	April 13, 2018	4.83%	8 billion	May 4, 2018	8 billion	April 13, 2019
Subordinated bonds	November 17, 2014	5.50%	1.4 billion	December 9, 2014	1.4 billion	November 17, 2018
Subordinated bonds	May 29, 2015	5.60%	6 billion	July 2, 2015	6 billion	May 29, 2020
Subordinated bonds	June 18, 2015	6.82%	0.6 billion	August 27, 2015	0.6 billion	June 17, 2018
Subordinated bonds	November 14, 2016	3.45%	4 billion	November 25, 2016	4 billion	November 14, 2021
Subordinated bonds	April 26, 2017	4.90%	1.5 billion	May 11, 2017	1.5 billion	April 26, 2020

## Section VI Changes in Ordinary Shares and Information on Shareholders

Currency: RMB (unless otherwise specified)

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares (or amount) issued	Date of listing	Number of shares (or amount) permitted to be listed for trading	Date of termination of the trading
Subordinated bonds	April 26, 2017	5.10%	1.5 billion	May 11, 2017	1.5 billion	April 26, 2022
Subordinated bonds	May 15, 2017	5.15%	1.5 billion	May 31, 2017	1.5 billion	May 15, 2020
Subordinated bonds	May 15, 2017	5.35%	1.5 billion	May 31, 2017	1.5 billion	May 15, 2022
Subordinated bonds	July 12, 2018	5.18%	6.4 billion	July 20, 2018	6.4 billion	July 12, 2020
USD bonds	May 8, 2015	4.20%	USD0.2 billion	-	USD0.2 billion	May 8, 2018
USD bonds	August 25, 2015	4.09%	USD0.15 billion	-	USD0.15 billion	August 25, 2018
USD bonds	November 30, 2017	3.63%	USD0.5 billion	December 1, 2017	USD0.5 billion	November 30, 2022
USD bonds	March 22, 2018	3.63%	USD0.25 billion	July 23, 2018	USD0.25 billion	November 30, 2022
Euro bonds	August 16, 2018	1.61%	EUR0.0625 billion	-	EUR0.0625 billion	August 14, 2019
Euro bonds	September 14, 2018	1.61%	EUR0.0624 billion	-	EUR0.0624 billion	August 14, 2019

Explanations on the issuance of securities during the Reporting Period:

### 1. Domestic debt financing instruments

On February 13, 2017, the Proposal on General Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 25th meeting of the third session of the Board of the Company, and at the first extraordinary general meeting for 2017 of the Company convened on April 14, 2017. The outstanding balance of the domestic debt financing instruments in aggregate did not exceed 200% of the audited net assets (Parent Company) of the previous year and the authorization period will expire on April 14, 2020.

The Company applied to the SSE and received the Letter of No Objection on Listing and Transfer of Corporate Bonds under Private Placement of 東方證券股份有限公司 (Shang Zheng Han [2017] No. 491). The letter approved the Company to privately issue corporate bonds with an amount not exceeding RMB16 billion to qualified investors, which can be listed and transferred on the SSE upon issuance. The above quota expired in May 2018. The Company completed non-public issuance of the 2018 corporate bonds (the first tranche) on April 13, 2018 with a term of one year, issue size of RMB8.0 billion and a coupon rate of 4.83%.

## Section VI Changes in Ordinary Shares and Information on Shareholders

The Company applied to the SSE and received the Letter of No Objection on Listing and Transfer of Subordinated Bonds under Private Placement of 東方證券股份有限公司 (Shang Zheng Han [2018] No. 205). The letter approved the Company to issue subordinated bonds with an amount not exceeding RMB18 billion to qualified institutional investors, which can be listed and transferred on the SSE upon issuance. The above quota expired in February 2019.

The Company completed non-public issuance of the 2018 subordinated bonds (the first tranche) on July 12, 2018 with a term of two year, issue size of RMB6.4 billion and a coupon rate of 5.18%.

### **2. Overseas debt financing instruments**

On August 7, 2017, the Proposal on the Issue of Offshore Debt Financing Instruments of the Company was considered and approved at the 32nd meeting of the third session of the Board of the Company and the second extraordinary general meeting for 2017 of the Company convened on September 27, 2017, pursuant to which, the size of the original authorization remained unchanged, i.e. the cap for outstanding balance after the issue of offshore debt financing instruments of the Company not exceeding RMB10.0 billion in total, with an effective term ending on September 27, 2020.

On March 22, 2018, Orient HuiZhi Limited, an offshore indirect wholly-owned subsidiary of the Company, completed the public-issuance of USD bonds of USD0.25 billion, with the maturity date falling on November 30, 2022 and a coupon rate of 3.625%. The Company provided a guarantee for the principal and interests in full.

On August 16, 2018, Orient ZhiSheng Limited, an offshore indirect wholly-owned subsidiary of the Company, completed the non-public issuance of Euro bonds of EUR0.0625 billion, with the maturity date falling on August 14, 2019 and a coupon rate of 1.61%. Orient Finance Holdings provided a guarantee for the principal and interests in full and the Company issued a keepwell deed which was not a guarantee.

On September 14, 2018, Orient ZhiSheng Limited, an offshore indirect wholly-owned subsidiary of the Company, completed the non-public issuance of Euro bonds of EUR0.0624 billion, with the maturity date falling on August 14, 2019 and a coupon rate of 1.61%. Orient Finance Holdings provided a guarantee for the principal and interests in full as a guarantor and the Company issued a keepwell deed which was not a guarantee.

## Section VI Changes in Ordinary Shares and Information on Shareholders

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

During the Reporting Period, there was no change in the Company's total number of ordinary shares. As at the end of the Reporting Period, the total number of ordinary shares of the Company was 6,993,655,803 shares, of which 5,966,575,803 shares were A Shares and 1,027,080,000 shares were H Shares.

As partial lock-up shares under IPO and non-public issuance commenced trading due to expiry of their lock-up period, as at the end of the Reporting Period, the shares of the Company not subject to trading restriction increased from 4,153,234,848 shares at the beginning of the year to 6,704,440,540 shares, accounting for 95.86% of the total and shares subject to trading restriction decreased from 2,840,420,955 shares at the beginning of the year to 289,215,263 shares, accounting for 4.14% of the total.

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

### (iii) Information on shares held by existing internal employees

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

## III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLER

### (i) Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period (accounts)	137,522
Total number of holders of ordinary shares as at the end of the month preceding the month when the annual report was disclosed (accounts)	141,227

## Section VI Changes in Ordinary Shares and Information on Shareholders

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

Unit: share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders						
	Changes in number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of restricted shares held	Pledged or frozen Status of shares	Number of shares	Nature of shareholders
Shenergy (Group) Company Limited	-	1,767,522,422	25.27	230,000,000	Nil	-	State-owned legal person
HKSCC Nominees Limited	3,180	1,026,967,180	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
Shanghai United Media Group	-250,000	243,017,306	3.47	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited	-63,155,167	209,110,425	2.99	-	Nil	-	Unknown
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	-	208,700,000	2.98	-	Nil	-	State-owned legal person
Shanghai Electric (Group) Corporation	-80	194,073,858	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)	-11,460,100	149,193,587	2.13	-	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

Unit: share

### Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholders	Number of circulating non-restricted shares held		Type and number of shares	
	shares held	Type	Number	
Shenergy (Group) Company Limited	1,537,522,422	Overseas listed foreign shares	1,537,522,422	
HKSCC Nominees Limited	1,026,964,000	RMB ordinary shares	1,026,964,000	
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	
China Securities Finance Corporation Limited	272,265,592	RMB ordinary shares	272,265,592	
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	208,700,000	RMB ordinary shares	208,700,000	
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	
Related party relationship or parties acting in concert among above shareholders	N/A			

### Shareholdings of the top ten shareholders of restricted shares and restrictions

Unit: share

#### Listing and trading of restricted shares

No.	Name of restricted shareholders	Number of restricted shares held	Time for listing and trading	Number of shares newly added for listing and trading	Restriction
1	Shenergy (Group) Company Limited	230,000,000	December 28, 2021	–	Lock-up period of 48 months
2	Shanghai Haiyan Investment Management Company Limited	59,215,263	December 28, 2020	–	Lock-up period of 36 months
	Related party relationship or parties acting in concert among above shareholders	N/A			

## Section VI Changes in Ordinary Shares and Information on Shareholders

*Notes:*

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

**(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 the placement of new shares.



## Section VI Changes in Ordinary Shares and Information on Shareholders

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

As at December 31, 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:

Unit: share

Name of shareholders	Type of share	Nature of interests	Number of shares <sup>(Note 1)</sup>	Approximate percentage of total share capital of relevant class in issue of the Company (%) <sup>(Note 2)</sup>	Approximate percentage of total share capital in issue of the Company (%) <sup>(Note 2)</sup>
Shenergy (Group) Company Limited	A Share	Beneficial owners	1,767,522,422 (L)	29.62	25.27
China National Tobacco Corporation <sup>(Note 3)</sup>	A Share	Interests in controlled corporation	345,486,596 (L)	5.79	4.94
Shanghai Tobacco (Group) Company <sup>(Note 3)</sup>	A Share	Interests in controlled corporation	345,486,596 (L)	5.79	4.94
Shanghai Haiyan Investment Management Company Limited <sup>(Note 3)</sup>	A Share	Beneficial owners	345,486,596 (L)	5.79	4.94
Zhu Lijia <sup>(Note 4)</sup>	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.36
Sun Hongyan <sup>(Note 4)</sup>	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.36
Hung Jia Finance Limited <sup>(Note 4)</sup>	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.36
Kaiser Century Investments Limited <sup>(Note 4)</sup>	H Share	Beneficial owners	94,940,800 (L)	9.24	1.36
Raise Sino Investments Limited <sup>(Note 5)</sup>	H Share	Beneficial owners	113,737,200 (L)	11.07	1.63
Bank of Communications Co., Ltd. <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
Bank of Communications (Nominee) Company Limited <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
BOCOM International Asset Management Limited <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
BOCOM International Holdings Company Limited <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
BOCOM International Global Investment Limited <sup>(Note 6)</sup>	H Share	Beneficial owners	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 December 31, 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 December 31, 2018, none of the other substantial shareholders or other parties has any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

## Section VI Changes in Ordinary Shares and Information on Shareholders

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

As at December 31, 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.

### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(i) **Controlling shareholder**

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

(ii) ***De facto* controller**

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

(iii) **Other information of controlling shareholder and *de facto* controller**

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

## Section VI Changes in Ordinary Shares and Information on Shareholders

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

Unit: 100 million Currency: RMB

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

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

## Section VI Changes in Ordinary Shares and Information on Shareholders

### VI. EXPLANATION ON THE RESTRICTION OF SHAREHOLDING REDUCTION

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

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

As disclosed in “Section X, Corporate Bonds, Other information on corporate bonds”, on May 29, 2015, the Company completed the issuance of 2015 subordinated bonds of Orient Securities Company Limited with an aggregate principal of RMB6 billion, a term of 5 years and an initial annual interest rate of 5.6%. The issuer redeemed the options at the end of the third year. During the Reporting Period, the issuer chose to exercise the redemption option and redeemed all the bonds registered on the credit registration date, and repaid the principal and interest (total RMB6.336 billion) and delisted on the SSE on May 29, 2018. Besides, on November 17, 2014, the Company completed the issuance of 2014 subordinated bonds of Orient Securities Company Limited with an aggregate principal of RMB1.4 billion, a term of 4 years and an coupon rate of 5.5%, which was repaid the principal and interest (total RMB1.477 billion) and delisted on the SSE on November 19, 2018. Please refer to the announcements of the Company dated May 31, 2018 and November 20, 2018.

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

## **Section VII Preference Shares**

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

## Section VIII Directors, Supervisors, Senior Management and Staff

### I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: share

Name	Position <sup>(Note)</sup>	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB '0000)	Whether remuneration from any related party of the Company or not
Pan Xinjun	CPC Party committee secretary	Male	1961	December 20, 2018	/	0	0	0	Nil	278.30	No
	Executive Director			March 6, 2018	March 5, 2021						
	Chairman			March 9, 2018	March 5, 2021						
Jin Wenzhong	Deputy Party committee secretary	Male	1964	December 20, 2018	/	0	0	0	Nil	272.80	No
	Executive Director			March 6, 2018	March 5, 2021						
	President			March 29, 2018	March 5, 2021						
Liu Wei	Non-executive Director	Male	1973	March 14, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
Wu Junhao	Non-executive Director	Male	1965	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
Chen Bin	Non-executive Director	Male	1981	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	No
Li Xiang	Non-executive Director	Male	1971	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
Xia Jinghan	Non-executive Director	Female	1969	March 12, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
Xu Jianguo	Non-executive Director	Male	1964	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	No
Du Weihua	Employee representative Director	Male	1964	March 6, 2018	March 5, 2021	0	0	0	Nil	242.67	No
	Vice president			March 29, 2018	March 5, 2021						
Xu Guoxiang	Independent non-executive Director	Male	1960	March 6, 2018	March 5, 2021	0	0	0	Nil	16.00	No
Tao Xiuming	Independent non-executive Director	Male	1964	March 6, 2018	March 5, 2021	0	0	0	Nil	16.00	No
Wei Anning	Independent non-executive Director	Male	1963	March 6, 2018	March 5, 2021	0	0	0	Nil	18.50	No
Xu Zhiming	Independent non-executive Director	Male	1961	March 6, 2018	March 5, 2021	0	0	0	Nil	16.00	No
Jin Qinglu	Independent non-executive Director	Male	1972	March 6, 2018	March 5, 2021	0	0	0	Nil	19.00	No
Zhang Qian	Supervisor	Male	1974	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
	Chairman of Supervisory Committee			May 23, 2018	March 5, 2021						
	Non-executive Director (resigned)			October 29, 2014	March 5, 2018						
Li Bin	Deputy Party committee secretary	Male	1959	December 20, 2018	/	0	0	0	Nil	242.67	No
	Vice chairman of Supervisory Committee			March 9, 2018	March 5, 2021						
	Employee representative Supervisor			March 6, 2018	March 5, 2021						

## Section VIII Directors, Supervisors, Senior Management and Staff

Unit: share

Name	Position <sup>(Note)</sup>	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB '0000)	Whether received remuneration from any related party of the Company or not
Huang Laifang	Supervisor Non-executive Director (resigned)	Female	1969	March 6, 2018 June 27, 2016	March 5, 2021 March 5, 2018	0	0	0	Nil	0.00	No
Tong Jie	Supervisor	Female	1968	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
Liu Wenbin	Supervisor	Male	1975	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
Yin Keding	Supervisor	Male	1964	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	Yes
Wu Zhengkui	Supervisor	Male	1974	March 6, 2018	March 5, 2021	0	0	0	Nil	0.00	No
Zhou Wenwu	Employee representative Supervisor	Male	1961	March 6, 2018	March 5, 2021	0	0	0	Nil	297.47	No
Yao Yuan	Employee representative Supervisor	Male	1973	March 6, 2018	March 5, 2021	0	0	0	Nil	455.25	No
Yang Yucheng	Vice president	Male	1965	March 29, 2018	March 5, 2021	0	0	0	Nil	227.96	No
Shu Hong	Vice president	Male	1967	March 29, 2018	March 5, 2021	0	0	0	Nil	242.67	No
Zhang Jianhui	Vice president Financial controller	Male	1968	March 29, 2018 March 29, 2018	March 5, 2021 March 5, 2021	0	0	0	Nil	242.67	No
Yang Bin	Chief risk officer Chief compliance officer	Male	1972	March 29, 2018 March 29, 2018	March 5, 2021 March 5, 2021	0	0	0	Nil	601.91	No
Xu Haining	Assistant to the president	Female	1970	November 22, 2018	March 5, 2021	0	0	0	Nil	29.47	No
Lu Weiming	Assistant to the president	Male	1971	November 22, 2018	March 5, 2021	0	0	0	Nil	34.22	No
Wang Rufu	Secretary to the Board	Male	1973	March 29, 2018	March 5, 2021	0	0	0	Nil	347.47	No
Wu Jianxiong	Vice chairman and non-executive director (resigned)	Male	1965	October 29, 2014	March 5, 2018	0	0	0	Nil	0.00	Yes
Song Xuefeng	Chairman of Supervisory Committee (resigned)	Male	1970	October 31, 2014	March 5, 2018	0	0	0	Nil	0.00	Yes
Total	/	/	/	/	/	0	0	0	/	3,601.03	/



## Section VIII Directors, Supervisors, Senior Management and Staff

*Note:*

1. The Company held the first 2018 extraordinary general meeting on March 6, 2018, at which the non-employee Directors and non-employee Supervisors of the fourth session of the Board and the Supervisory Committee were elected, and will compose the fourth session of the Board and the Supervisory Committee together with employee representative Director and employee representative Supervisors elected at the meeting of employee representatives held on December 11, 2017. The Company held the first meeting of the fourth session of the Board on March 9, 2018, at which Mr. Pan Xinjun was elected as the chairman of the fourth session of the Board of the Company and members and chairmen of the special committees of the fourth session of the Board were elected. The Company held the first meeting of the fourth session of the Supervisory Committee on March 9, 2018, at the meeting, Mr. Zhang Qian and Mr. Li Bin were elected as chairman and vice chairman of the Supervisory Committee of the Company, respectively. The Company held the second meeting of the fourth session of the Board on March 29, 2018, at the meeting, senior managements of the Company were engaged. The 5th meeting of the fourth session of the Board was convened on August 30, 2018, at the meeting, senior managements of the Company were engaged. Please refer to “Section V XVI. Description of Other Significant Events” for details.
2. Remunerations of the Company’s internal Directors, Supervisors and senior management received from the Company during the Reporting Period include salary in 2018 and 2017 annual performance bonus.
3. At the fifth meeting of the fourth session of the Board of the Company held on August 30, 2018, the Proposal on Appointing Senior Management of the Company was considered and approved, and Ms. Xu Haining and Mr. Lu Weiming were appointed as assistants to the president of the Company. The Company received a *Reply on Approval of Xu Haining’s Qualification as Senior Management of Securities Companies* (Hu Zheng Jian Xu Ke [2018] No.97) and a *Reply on Approval of Lu Weiming’s Qualification as Senior Management of a Securities Company* (Hu Zheng Jian Xu Ke [2018] No.96) from the Shanghai Bureau of the CSRC on November 30, 2018. The remuneration refers to the remuneration of Ms. Xu Haining and Mr. Lu Weiming during their tenure as senior management of the Company.
4. During the Reporting Period, the Company’s Directors, Supervisors and senior management did not hold the Company’s shares and options, and the Company did not implement any share incentive scheme.

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Pan Xinjun	<p>Executive Directors (2)</p> <p>Mr. Pan Xinjun, born in 1961, a member of CPC, holds a master's degree in business administration and is a senior economist. Currently, he is the secretary of CPC party committee, executive Director and chairman of the Company, the chairman of Citi Orient Securities Co., Ltd. and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Pan served as the acting secretary and then the secretary of the CPC party branch of Yuyuan Road corporate sub-office of Changning district office of Industrial and Commercial Bank of China, Shanghai branch from June 1984 to January 1986, the liaison of the party rectification office, the secretary of the CPC party branch of Yuyuan Road corporate sub-office of Changning district office and a senior staff member of the organization division of the Industrial and Commercial Bank of China, Shanghai branch from March 1985 to October 1988, the chairman of the trade union, deputy director, president and the secretary of CPC party committee of the sub-branch in the Industrial and Commercial Bank of China, Shanghai branch, Changning district office from November 1988 to January 2003, the deputy secretary of CPC party committee and the general manager of DFZQ from January 2003 to January 2010, the secretary of CPC party committee, chairman and general manager of DFZQ from January 2010 to September 2010. Mr. Pan was appointed as the secretary of CPC party committee, executive director and the chairman of the Board of the Company in September 2010.</p>
Jin Wenzhong	<p>Mr. Jin Wenzhong, born in 1964, a member of CPC, holds a master's degree in economics and is an economist. Currently, he is the deputy secretary of CPC party committee, executive Director and president of the Company, the chairman of Shanghai Orient Securities Capital Investment Co., Ltd., the chairman of Orient Futures Co., Ltd, a director of Shanghai Orient Securities Innovation Investment Co., Ltd., and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Jin served as the deputy manager of the distribution department, the deputy director of the research institute and the assistant to the president of Wanguo Securities from January 1992 to September 1995, the deputy director of the office for enterprise modernization committee of Nomura Securities from October 1995 to December 1997, a member of the CPC party committee and the deputy general manager of DFZQ from December 1997 to September 2010 and the general manager of the securities investment business department from March 2016 to March 2017. Mr. Jin has been serving as the deputy CPC party committee secretary, executive director, and president of the Company since September 2010.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Liu Wei	<p>Non-executive Directors (7)</p> <p>Mr. Liu Wei, born in 1973, a CPC party member, holds a master's degree in law. Currently, he is a non-executive Director of the Company, 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.</p>
Wu Junhao	<p>Mr. Wu Junhao, born in 1965, a member of CPC, holds a master's degree in management and is an economist. Currently, he is a non-executive Director of the Company, the manager of the financial management department of Shenergy (Group) Company Limited, a director of China Pacific Insurance (Group) Co., Ltd., a director of China Pacific Life Insurance Co., Ltd., a director of China Pacific Property Insurance Co., Ltd., a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., a director of Chengdu Xinshen Venture Capital Co., Ltd., a supervisor of China Everbright Bank Company Limited, a supervisor of Shanghai ICY Capital Co., Ltd., the chairman of the supervisory committee of Shanghai Shenergy Financial Lease Co., Ltd., and the chairman of the supervisory committee of Shanghai Shenergy ICY Equity Investment Co., Ltd. Mr. Wu served as the executive deputy general manager of Shanghai New Resource Investment Consulting Co., Ltd. and the deputy general manager of Shanghai Pericom Investment Company. He also served as the deputy director of Shanghai Shenergy Asset Management Co., Ltd. from September 2003 to January 2006, and the deputy director, director and senior manager of the asset management department, and the deputy manager (in charge of affairs) of the financial management department in Shenergy (Group) Company Limited from January 2006 to April 2011. Mr. Wu has been serving as the manager of financial management department in Shenergy (Group) Company Limited since April 2011.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Chen Bin	<p>Mr. Chen Bin, born in 1981, a member of CPC, holds a master's degree in economics. Currently, he is a non-executive Director of the Company, the deputy general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) and a director of Haitong Securities Co., Ltd.. Mr. Chen served as an officer of investment management department of Shanghai Tobacco (Group) Company from July 2003 to January 2010, an assistant to section chief, section chief, and the assistant to director of investment management department of Shanghai Tobacco (Group) Company (now renamed as Shanghai Tobacco Group Co., Ltd.) from January 2010 to October 2016, and the assistant to general manager of Shanghai Haiyan Investment Management Company Limited from April 2014 to February 2017. Mr. Chen has been the deputy general manager of Shanghai Haiyan Investment Management Company Limited since February 2017.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

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

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Xia Jinghan	<p>Ms. Xia Jinghan, born in 1969, a member of CPC party, holds a master's degree in economics. Currently, she is a non-executive Director of the Company, 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 general counsel of Zhejiang Energy Group Co., Ltd., 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.</p>
Xu Jianguo	<p>Mr. Xu Jianguo, born in 1964, a member of CPC, holds a master's degree in accountancy. Currently, he is a non-executive Director of the Company, a supervisor, the head of financial budget department and the director of the comprehensive management department of Shanghai Electric (Group) Corporation, Ltd., a head of supervisory committee of Shanghai Highly (Group) Co., Ltd., a director of Shanghai Life Insurance Co., Ltd., a director of Shanghai Electric Group Finance LLC, a director of Haitong Securities Co., Ltd., a director of Shanghai Micro Electronics Equipment Group Co., Ltd. and a head of supervisory committee of Shanghai Prime Machinery Co., Ltd. Mr. Xu served in Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, served in Shanghai Electric (Group) Corporation from January 2002 to March 2004, and served as senior supervisor of the assets and finance department of Shanghai Electric Asset Management Co., Ltd. from April 2004 to September 2005, an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008, the chief financial officer of Shanghai Lida Heavy Industrial Manufacturing Co., Ltd. from March 2006 to August 2008, the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited from August 2008 to December 2009, as well as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation from December 2009 to April 2013. Mr. Xu has been serving as the head of the financial budget department of Shanghai Electric (Group) Corporation since April 2013 and has been serving as a supervisor and the director of the comprehensive management department of Shanghai Electric (Group) Corporation since August 2018.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Du Weihua	<p>Mr. Du Weihua, born in 1964, is a CPC party member and holds a master's degree in economics and is an associate professor. Currently, he is an employee representative Director, vice president and the chairman of the trade union 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. He served as the vice president of the Company since August 2015.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Xu Guoxiang	<p>Independent Non-executive Directors (5)</p> <p>Mr. Xu Guoxiang, born in 1960, is a member of CPC, a doctor in economics and a professor. Currently, he is an independent non-executive Director of the Company, a director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics, a chair professor of the School of Statistics and Management of Shanghai University of Finance and Economics, an independent director of Luzhou Laojiao Co., Ltd., a supervisor of Dazhong Transportation (Group) Co., Ltd., and a supervisor of Shanghai Xintonglian Packaging Co., Ltd. Mr. Xu served as a lecturer of the Department of Management of Shanghai Maritime University, and a lecturer, associate professor, professor and the department head of the Department of Statistics of Shanghai University of Finance and Economics from January 1986 to May 2003. Mr. Xu has been the director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics since June 2003.</p>
Tao Xiuming	<p>Mr. Tao Xiuming, born in 1964, is a member of CPC, holds a master's doctorate degree in law. Currently, he is an independent non-executive Director of the Company, a founding partner and the management committee director of Beijing JunZeJun Law Offices, an executive director of Beijing Houjian Investment Co., Ltd., and an independent director of Taikang Asset Management Co., Ltd. Mr. Tao served in the China Law Counsel Center and Tianping Law Firm from July 1989 to April 1992, and in the Institute of International Law of Chinese Academy of Social Sciences from April 1992 to December 1994. Mr. Tao has been a founding partner of Beijing JunZeJun Law Offices since July 1995.</p>



## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Wei Anning	<p>Mr. Wei Anning, born in 1963, holds a doctorate in economics. Currently, he is an independent non-executive Director of the Company, the executive director and the general manager of Shanghai Guwang Investment Management Limited, an independent director of Hwabao WP Fund Management Co., Ltd., an independent director of DaChan Food (Asia) Limited, the executive director of Ningxia Guwang Investment Management Limited, an executive director of Ningbo Guwang Investment Management Limited, a director of Yantai Changyu Pioneer Wine Company Limited, a director of Jiangsu Financial Leasing Co., Ltd., a director of Ningxia State Farm Group Co., Ltd., a director of Shaanxi Shiyang Agriculture Co., Ltd. and an independent director of Jiahe Foods Industry Co., Ltd. Mr. Wei served as a lecturer of the Department of Economics and Statistics of Ningxia Broadcasting and Television University (Yinchuan) (寧夏廣播電視大學(銀川)), a director and assistant researcher of the Economic Development Office of the Economic Research Institute of Chinese Academy of Social Science, an agricultural economist of Agriculture and Natural Resources Bureau of World Bank. Mr. Wei served as a director and a director of agriculture, food, industry and commerce of Rabo bank in Northeastern Asia from February 1998 to January 2003, the executive vice president of New Hope Group from February 2003 to June 2006, the director of Chinese Business Development, CEO in China and president of Shanghai Branch of Fortis Bank Belgium from January 2007 to July 2010, and the chairman of Shandong Pacific Zhonghui Group from August 2010 to August 2012. Mr. Wei has been the executive director and the general manager of Shanghai Guwang Investment Management Limited since September 2010.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Xu Zhiming	<p>Mr. Xu Zhiming, born in 1961, holds a doctorate in economics. Currently, he is an independent non-executive Director of the Company, a founding partner of China Broadband Capital. Mr. Xu served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation, and the co-director of corporate finance department and co-director of capital market department of Nomura International (Hong Kong) Limited, a director and the director of investment banking division in the Great China Region of National Westminster Bank of Britain, a director and the director of corporate financing division in the Great China Region of Bank of Boston of the United States from December 1986 to August 1999, an executive director of China Resources Enterprise, Limited, an executive director of China Resources (Beijing) Land Limited, the managing director and chief operating officer of China Resources Logic Limited from August 1999 to December 2001, as well as a senior consultant of TOM Group Limited, and an executive director and chief operating officer of TOM Online Inc from January 2002 to May 2005. Mr. Xu has been a founding partner of China Broadband Capital since March 2006.</p>
Jin Qinglu	<p>Mr. Jin Qinglu, born in 1972, a member of CPC, holds a doctorate in accountancy and is a professor. Currently, he is an independent non-executive Director of the Company, the dean of the School of Accountancy, a vice dean of the Institute of Accounting and Finance, a doctoral supervisor and the director of the Collaborative Innovation Center for Accounting Reform and Development of Shanghai University of Finance and Economics, and an independent director of Shanghai Emperor Of Cleaning Hi-tech Co., Ltd. Mr. Jin served as an assistant professor in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to June 2011, then a vice professor in the School of Accountancy of Shanghai University of Finance and Economics from July 2011 to June 2012. Mr. Jin has been a professor in the School of Accountancy of Shanghai University of Finance and Economics since July 2012, the vice dean of the School of Accountancy and the Institute of Accounting and Finance of Shanghai University of Finance and Economics from February 2014 to November 2018, the vice dean of the School of Accountancy of Shanghai University of Finance and Economics from April 2015 to November 2018, the director of the Collaborative Innovation Center for Accounting Reform and Development of Shanghai University of Finance and Economics from January 2016 to November 2018 and the dean of the School of Accountancy of Shanghai University of Finance and Economics since November 2018.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Zhang Qian	<p>Supervisors (9)</p> <p>Mr. Zhang Qian, born in 1974, a member of CPC, holds a master's degree in business administration, and is an economist. Currently, he is a non-employee Supervisor and chairman of the Supervisory Committee of the Company and deputy general manager of Shenergy (Group) Company Limited, the chairman of Shanghai Jiulian Group Co., Ltd., and a director of Chengdu Xinshen Venture Capital Co., Ltd.. Mr. Zhang joined Shenergy (Group) Company Limited in July 1996, he served as the deputy director and the director of the comprehensive management department of Shenergy (Group) Company Limited from January 2001 to October 2004, the deputy manager and the manager of the financial asset department of Shanghai Shenergy Asset Management Co., Ltd. from October 2004 to January 2006, the deputy head of the preparatory team of Shenergy Group Finance Co., Ltd. from January 2006 to February 2007, the deputy general manager of Shenergy Group Finance Co., Ltd. from February 2007 to August 2009, as well as the secretary of the CPC party branch and the general manager of Shenergy Group Finance Co., Ltd. from August 2009 to July 2016, during which period, Mr. Zhang has been serving as deputy general manager of Shenergy (Group) Company Limited since September 2015.</p>
Li Bin	<p>Mr. Li Bin, born in 1959, a member of CPC, is a holder of a bachelor's degree in economic management. He is an intermediate economist and an intermediate administrative engineer. Currently, he is the deputy secretary of CRC Party, secretary of discipline inspection committee, the vice chairman of the Supervisory Committee and the employee representative Supervisor of the Company and director-general of Xindeyizhang Foundation (心得益彰基金會). Mr. Li served as a mechanic in Beijing Air Force Unit 39583 from February 1978 to January 1981, the league officer, deputy secretary, secretary, human resources manager, party branch secretary of assembly shop of Shanghai Construction Machinery Plant from July 1981 to September 1988, the director of general manager office and director of party committee office of Shanghai Petrochemical Equipment Company from September 1988 to August 1996, the senior staff of the human resources department of Shanghai Pricing Bureau from August 1996 to July 2000, the office senior staff, deputy director, deputy party committee secretary, secretary of discipline inspection commission and director of CPC Shanghai financial working committee from July 2000 to April 2011, and the director of human resources offices (human resources department, veteran services office) of CPC Shanghai financial working committee from April 2011 to March 2014. Mr. Li has been serving as the deputy party committee secretary and secretary of discipline inspection committee since March 2014, as the vice chairman of the Supervisory Committee since November 2014 of the Company, and as the director-general of Xindeyizhang Foundation (心得益彰基金會) since April 2015.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Huang Laifang	<p>Ms. Huang Laifang, born in 1969, holds a master's degree in business administration and is a senior economist. Currently, she is a Supervisor who is not employee representative of the Company, a CPC Party committee member, the deputy general manager, the president of the labour union, and the curator of Shanghai Post Office Museum, a director of Trending Industrial Limited, and a deputy general manager of Shanghai Post Office under China Post Group Corporation. Ms. Huang served as the chief of the accounting section of Baoshan District Post Bureau of Shanghai Post Company from July 2006 to January 2009, deputy director of Baoshan District Post Bureau of Shanghai Post Company from January 2009 to November 2010, director of Baoshan District Post Bureau of Shanghai Post Company from November 2010 to March 2012, director and the party committee secretary of Baoshan District Post Bureau of Shanghai Post Company from March 2012 to April 2013, manager of marketing department of Shanghai Post Company, director and the party committee secretary of Baoshan District Post Bureau of Shanghai Post Company from April 2013 to September 2013, manager of marketing department of Shanghai Post Company and director of Baoshan District Post Bureau of Shanghai Post Company from September 2013 to April 2014, general manager of marketing department of Shanghai Post Company and general manager of Baoshan District Branch of Shanghai Post Company from April 2014 to July 2014, general manager of marketing department of Shanghai Post Company from July 2014 to May 2015, and general manager of marketing department of Shanghai Branch of China Post Group Corporation from May 2015 to February 2016 (participated in the autumn 2015 training course for young cadres of the CPC China Post Party School from October 2015 to January 2016). Ms. Huang is a member of the CPC party committee and has been serving as the vice general manager of the Shanghai branch of China Post Group Corporation since February 2016, the president of the labour union of the Shanghai branch of China Post Group Corporation since June 2016, the curator of the Post Office Museum of the Shanghai branch of China Post Group Corporation since September 2016, and the deputy general manager of Shanghai Post Office under China Post Group Corporation since September 2018.</p>
Tong Jie	<p>Ms. Tong Jie, born in 1968, holds a bachelor's degree in financial accounting. Currently, she is a non-employee Supervisor of the Company, 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.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Liu Wenbin	<p>Mr. Liu Wenbin, born in 1975, a member of CPC, holds a master's degree in accounting and is a senior accountant. Currently, he is a Supervisor who is not employee representative of the Company and the financial controller of China Great Wall Technology Group Co., Ltd. Mr. Liu served as the accountant and financial manager of the subsidiaries of Great Wall Information Industry Co., Ltd. from June 2000 to September 2006, and the financial department deputy director, financial department director, deputy chief accountant and the chief financial officer of the subsidiaries of Great Wall Information Industry Co., Ltd. from October 2006 to January 2017. Mr. Liu has been the chief financial officer of China Great Wall Technology Group Co., Ltd. since February 2017.</p>
Yin Keding	<p>Mr. Yin Keding, born in 1964, a member of CPC, holds a bachelor's degree in Economics and is a senior accountant. Currently, he is a Supervisor who is not employee representative of the Company, the chief accountant of Shanghai Construction Group Co., Ltd., and a director of Shanghai Pudong CCB Rural Bank Company Limited. Mr. Yin served as the financial director of the overseas business department of Shanghai Construction (Group) General Co., Ltd. from July 1987 to July 2001, the financial controller of HKC (Holdings) Limited from July 2001 to June 2004, the deputy director of the financial department of Shanghai Construction (Group) General from June 2004 to January 2005, the chief accountant of Shanghai Construction (Group) General south branch from January 2005 to January 2009, the chief accountant of Shanghai No.2 Construction Company Limited from January 2010 to October 2011, as well as the deputy chief accountant of Shanghai Construction Group Co., Ltd. from October 2011 to December 2012. Mr. Yin has been the chief accountant of Shanghai Construction Group Co., Ltd. since December 2012.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Wu Zhengkui	<p>Mr. Wu Zhengkui, born in 1974, a member of CPC, holds a master's degree in accounting and is an accountant. Currently, he is a Supervisor who is not employee representative of the Company, the deputy general manager of the financial department of Greenland Holding Group Company Limited, the executive deputy general manager of the auditing centre of Greenland Holding Group, a director of Shanghai Greenland Construction (Group) Co., Ltd., a director of Shanghai Yunfeng (Group) Co., Ltd., a supervisor of Greenland Financial Investment Holding Group Co., Ltd., the financial controller of Shanghai Xinhua Publishing Group Limited, and an executive director of Greenland Hong Kong Holdings Limited. Mr. Wu served as a staff of Jiangsu Tianneng Group from September 1998 to December 1999, an accountant of Kunshan Southern Chemical Plant from January 2000 to February 2001, and the manager of financial department of Shanghai Greenland Construction Engineering Co., Ltd. from January 2002 to December 2003. Mr. Wu has been the manager of financial department, the assistant to general manager, the deputy general manager of the financial department, and the executive deputy general manager of the auditing centre of Greenland Holding Group Company Limited since January 2004.</p>
Zhou Wenwu	<p>Mr. Zhou Wenwu, born in 1961, a member of CPC, is a holder of a bachelor's degree in Economics. Currently, he is an employee representative Supervisor, the director of union office, the vice chairman of the trade union, the deputy director of retirement management committee of the Company, and the vice chairman of Huangpu District Federation of Trade Unions (黃浦區總工會). Mr. Zhou served as the deputy manager and manager of the financial department of Shanghai Merchants International Travel Company from June 1988 to September 1992. He served as the sub-manager of the financial department of Shanghai Jinqiao Export Processing Zone Joint Development Co., Ltd. from October 1992 to January 1997, the chief accountant of CLP Shanghai Industrial Co., Ltd. from February 1997 to October 1998, the manager of the financial department of Shanghai Pharmaceutical Biotechnology Industrial Park Medicine Sales Co., Ltd. from November 1998 to October 2000, as well as the commissioner for Liaoning administrative department, assistant to the general manager and deputy general manager for the fund management department of DFZQ from November 2000 to December 2014. Mr. Zhou has been serving as the vice chairman of the trade union of the Company since November 2014, as the deputy director of retirement management committee since February 2015 and as the vice chairman of Huangpu District Federation of Trade Unions (黃浦區總工會) since April 2016.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Yao Yuan	<p>Mr. Yao Yuan, born in 1973, a member of CPC, is a holder of a bachelor's degree in accounting and a certified public accountant. Currently, he is an employee representative Supervisor, general manager of the compliance and legal management department and the risk management department of the Company, a supervisor of Orient Futures Co., Ltd and a supervisor of Shanghai Orient Securities Capital Investment Co., Ltd. Mr. Yao served as an accountant of Yangpu Securities Branch of Shanghai Pudong Development Bank from September 1993 to March 1998, as well as the auditing clerk, supervisor, senior supervisor, senior executive, assistant to the general manager and deputy general manager of audit department of DFZQ from March 1998 to December 2014. Mr. Yao has been serving as the deputy general manager of the Compliance and Legal Management Department (in charge of affairs) of the Company from December 2014 to March 2017, and the general manager of the Compliance and Legal Management Department and the Risk Management Department of the Company since March 2017.</p>
Yang Yucheng	<p>Other Senior Management Members (7)</p> <p>Mr. Yang Yucheng, born in 1965, a member of CPC, is a holder of a master's degree in economics and a senior economist. Currently, he is a vice president of the Company, the chairman of Orient Finance Holdings (Hong Kong) Limited, the chairman of the supervisory committee of Citi Orient Securities Co., Ltd., as well as a director of Great Wall Fund Management Co., Ltd. Mr. Yang was a teacher in the Finance Department of Shanghai University of Finance and Economics from August 1987 to July 1993, an assistant to the general manager of securities investment department of Guotai Junan Securities Co., Ltd. from August 1993 to January 1999, a director, board secretary and deputy general manager of Shanghai Dazhong Enterprises of Science and Technology Ltd. from February 1999 to July 2001, a director and the deputy general manager of Shanghai Shenergy Asset Management Co., Ltd. from October 2001 to August 2004, the financial controller and deputy general manager of the Company from May 2004 to March 2007, a director and general manager of Shenergy Group Finance Co., Ltd. from February 2007 to July 2009, and the secretary of the Board from January 2012 to November 2016. Mr. Yang has been serving as the vice president of the Company since July 2009.</p>



## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Shu Hong	<p>Mr. Shu Hong, born in 1967, a member of CPC, is a holder of a master's degree in business administration and an engineer. Currently, he is a vice president of the Company and a director of Shanghai Qizhong Golf Club Company Limited. Mr. Shu Hong served as the manager for the computer network center system development department of Shenyin &amp; Wanguo Securities Co., Ltd. from March 1993 to November 1998, and the head of the Information Technology Center and general manager of the Company from November 1998 to March 2004. He also served as the assistant to the general manager and general manager of the Information Technology Center, the assistant to the general manager and general manager of the brokerage business department, the director of IT technology and assistant to the general manager, operating controller and assistant to general manager, and operating controller (now renamed as "chief operating officer") of the Company from December 2001 to April 2014. Mr. Shu has been serving as vice president of the Company since April 2014.</p>
Zhang Jianhui	<p>Mr. Zhang Jianhui, born in 1968, a member of CPC, is a holder of a master's degree in economics and business administration, and he is an intermediate accountant. Currently, he is a vice president of the Company, financial controller and general manager of the planning and financial management department of the Company, the chairman of Shanghai Orient Securities Innovation Investment Co., Ltd., chairman of Orient Securities International Financial Group Limited, a director of Shanghai Orient Securities Capital Investment Co., Ltd., a supervisor of China Securities Credit Investment Co., Ltd., a supervisor of Orient Finance Holdings (Hong Kong) Limited, a supervisor of Shanghai ICY Capital Co., Ltd., and a supervisor of Shanghai ICY New Energy Venture Capital Investment Co., Ltd. Mr. Zhang served as a clerk of Shanghai Pudong Development Bank from March 1994 to March 1998, the assistant to the general manager of the fund and financial management department of Orient Securities Company Limited from March 1998 to July 2003, the deputy general manager and general manager for Liaoning administrative department, the deputy general manager (in charge of affairs) and general manager of the fund and financial management department of the Company from July 2003 to June 2015. Mr. Zhang has been serving as the chief financial officer of the Company since May 2014 and has been serving as general manager of the general office of financial planning of the Company since June 2015. Mr. Zhang has been serving as the vice president of the Company since July 2015.</p>



## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Yang Bin	<p>Mr. Yang Bin, born in 1972, a member of CPC, is a holder of a master's degree in economics. Currently, he is the chief risk officer and chief compliance officer of the Company, the general manager of audit department, a director of Orient Futures Co., Ltd, a director of Orient Finance Holdings (Hong Kong) Limited, a director of Citi Orient Securities Co., Ltd., a director of Shanghai Orient Securities Asset Management Co., Ltd. and a supervisor of Great Wall Fund Management Co., Ltd. Mr. Yang served as the clerk of the non-banking financial institute administrative office of the People's Bank of China Shanghai Branch from July 1997 to July 1998, a deputy senior staff and senior staff of the inspection bureau and case proceedings of inspection bureau of Shanghai Bureau of the CSRC from July 1998 to March 2004, the senior staff of the No.1 inspection office and the No.2 institute supervision office of Shanghai Bureau of the CSRC from March 2004 to February 2007, and the deputy director of the No.1 institute supervision office, futures regulatory office director, and legal affairs office director of Shanghai Bureau of the CSRC from February 2007 to May 2015. Mr. Yang has been serving as the chief risk officer of the Company since June 2015, as chief compliance officer of the Company since July 2015 and as the general manager of audit department since August 2017.</p>
Xu Haining	<p>Ms. Xu Haining, born in 1970, holds a doctorate in business administration. Currently, she is the assistant to the president and the general manager of the finance management department of the Company. She served as a member of the finance section and deputy chief of the finance department of Marine Geology Comprehensive Research Brigade of the Ministry of Geology and Mineral Resources (地質礦產部海洋地質綜合研究大隊) from July 1990 to December 1997, the manager of the finance department and deputy chief accountant of Shanghai Haitu Construction Engineering (Group) Co., Ltd. (上海海地建設工程(集團)有限公司) from December 1997 to October 2001, the vice president of China Merchants Holdings Co., Ltd. (通商控股有限公司) from March 2002 to May 2007, the general manager and Chairman of Shanghai Guanghe Investment Co., Ltd. (上海廣和投資有限公司) from May 2007 to December 2008, the deputy general manager of Shanghai HNA Daxinhua Real Estate Co., Ltd. (上海海航大新華置業有限公司) from June 2010 to January 2011, the general manager of Grand China Logistics Holding (Group) Company Limited from January 2011 to August 2011, the general manager of Shanghai Daxinhua Investment Management Co., Ltd. (上海大新華投資管理有限公司) from August 2011 to December 2011, and the director and executive vice president of Shanghai Nine Dragon Co., Ltd. from December 2011 to October 2012. She served as the deputy general manager of the Company's sales and trading department (in charge of affairs) from October 2012 to October 2014, and has been serving as the general manager of the Company's wealth management business department (the former sales and trading department) since October 2014 and the assistant to the president of the Company since September 2017.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Lu Weiming	<p>Mr. Lu Weiming, born in 1971, a member of CPC, is a holder of a master's degree in economics. Currently, he is an assistant to the president of the Company and the general manager of the Company's fixed income business department. He served as the salesman and the project manager of business office of the transaction department of Guotai Securities Co., Ltd. from July 1994 to March 1998, the staff and deputy general manager of the securities investment department under the transaction business department of the Company from March 1998 to July 2002, the director of the Company's securities investment business department from August 2002 to June 2003, the assistant to the general manager of the Company's fixed income business department from June 2003 to July 2009, the deputy general manager of the Company's fixed income business department from July 2009 to January 2014, and the deputy general manager (in charge of affairs) of the Company's fixed income business department from January 2014 to October 2014. He has been serving as the general manager of the Company's fixed income business department since October 2014 and an assistant to the president of the Company since September 2017.</p>
Wang Rufu	<p>Mr. Wang Rufu, born in 1973, a member of CPC, is a holder of master's degree in engineering and a Certified Public Accountant. Currently, he is the secretary to the Board, and the Director of the Board office of the Company, a supervisor of China Universal Asset Management Company Limited, a director of Shanghai ICY Capital Co., Ltd., and a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd. Mr. Wang served as the comprehensive planner of Planning Head Office and the strategic manager of Development and Coordination Office of Shenyin Wanguo Securities from August 2002 to April 2004, the assistant to general manager of planning and development department and the deputy chief (in charge of affairs) of secretariat of Kinghing Securities from May 2004 to October 2005, as well as the senior strategic researcher of securities market of the research institute of the Company from October 2005 to March 2008. Mr. Wang has been serving as the senior head, assistant to the chief, deputy chief, chief and the representative of securities affairs (concurrent) from March 2008 to November 2016 and as the secretary to the Board of the Company since November 2016.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Primary working experience
Wu Jianxiong	<p>Resigned Directors and Supervisors (2)</p> <p>Mr. Wu Jianxiong, born in 1965, a member of CPC, holds a master's degree in engineering and is a professorate senior engineer. He served as a non-executive Director and vice chairman of the Company from October 2014 to March 2018. Currently, he is the chairman of INESA (Group) Co., Ltd. Mr. Wu served as an assistant engineer and an engineer in the engineering department of Shenergy Electric Power Company from March 1989 to September 1993, an assistant to the manager of the planning department of Shenergy Company Limited from September 1993 to January 1994, an assistant to the general manager, the secretary of CPC party branch, deputy general manager, director and general manager of Shanghai Shenergy Real Estate Co., Ltd. from January 1994 to June 1999, an assistant to the general manager, director and deputy general manager of Shenergy Company Limited from June 1999 to December 2003, the executive vice president and chairman of Shanghai LNG Co., Ltd. from December 2004 to April 2010, the chairman of Shanghai Gas (Group) Co., Ltd. from May 2008 to June 2011, as well as an assistant to the general manager and the deputy general manager of Shenergy (Group) Company Limited from December 2003 to April 2008. Mr. Wu served as the deputy party committee secretary of Shenergy (Group) Company Limited from March 2008 to December 2018, the general manager of Shenergy (Group) Company Limited from April 2008 to December 2018 and the chairman of Shenergy Company Limited from May 2011 to May 2018, as well as the chairman of INESA (Group) Co., Ltd. since December 2018.</p>
Song Xuefeng	<p>Mr. Song Xuefeng, born in 1970, a member of CPC, a Ph. D., a senior economist, an engineer and a certified public accountant. He served as the chairman of the Supervisory Committee of the Company from October 2014 to March 2018. Currently, he is a member of the party committee and deputy general manager of Shenergy (Group) Company Limited, the chairman of the supervisory committee of Shenergy Co., Ltd., the chairman of Shanghai ICY Capital Co., Ltd., the chairman of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., executive director of Shanghai ICY Capital Management Ltd. and the chairman of Shanghai Shenergy ICY Equity Investment Co., Ltd. Mr. Song served as the manager of the financial department of Shenergy Co., Ltd., a deputy manager and manager of Shenergy Company Limited from March 2001 to May 2008, assistant to the general manager and finance manager, chief accountant and financial manager, deputy general manager and chief accountant at Shenergy Company Limited from April 2005 to May 2011, a temporary assistant mayor of Zigong, Sichuan from October 2010 to October 2011, and the assistant to general manager of Shenergy (Group) Company Limited from January 2012 to August 2014. Mr. Song has been serving as a deputy general manager of Shenergy (Group) Company Limited since August 2014, the chairman of the supervisory committee of Shenergy Company Limited since May 2011, as well as a member of the party committee of Shenergy (Group) Company Limited since December 2016.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff

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

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

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

### (i) Employment at the shareholder entities

Name of employee	Name of the shareholder entities	Position at the shareholder entities	Commencement date of the term of office	Expiry date of the term of office
Liu Wei	Shenergy (Group) Company Limited	Manager of human resources department	September 2017	Up to now
Wu Junhao	Shenergy (Group) Company Limited	Manager of the financial management department	April 2011	Up to now
Chen Bin	Shanghai Haiyan Investment Management Company Limited	Deputy general manager	February 2017	Up to now
Li Xiang	Shanghai United Media Group	Member of the CPC Party committee and deputy general manager	November 2017	Up to now
Xia Jinghan	Zheneng Capital Holdings Limited (浙能資本控股有限公司)	CPC Party committee secretary and chairman	November 2016	Up to now
Xu Jianguo	Shanghai Electric (Group) Corporation	Chief of financial budget department	April 2013	Up to now
	Shanghai Electric (Group) Corporation	Supervisor, director of the comprehensive management department	August 2018	Up to now
Zhang Qian	Shenergy (Group) Company Limited	Deputy general manager	September 2015	Up to now
Huang Laifang	Shanghai Branch of China Post Group Corporation	CPC Party committee member and deputy general manager	February 2016	Up to now
	Shanghai Branch of China Post Group Corporation	President of the trade union	June 2016	Up to now
Tong Jie	Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	Financial controller	May 2016	Up to now
Yin Keding	Shanghai Construction Group Co., Ltd.	Chief accountant	December 2012	Up to now
Wu Zhengkui	Greenland Holding Group Company Limited	Deputy general manager of the financial department	January 2012	Up to now
Wu Jianxiang (resigned)	Shenergy (Group) Company Limited	Deputy CPC Party committee secretary	March 2008	December 2018
Song Xuefeng (resigned)	Shenergy (Group) Company Limited	General manager	April 2008	December 2018
	Shenergy (Group) Company Limited	Member of the party committee	December 2016	Up to now
	Shenergy (Group) Company Limited	Deputy general manager	August 2014	Up to now
Employment at the shareholder entities	Nil			

## Section VIII Directors, Supervisors, Senior Management and Staff

### (ii) Employment at other entities

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Pan Xinjun	Citi Orient Securities Co., Ltd.	Chairman	June 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	July 2010	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Chairman	March 2018	Up to now
Jin Wenzhong	Shanghai Orient Securities Capital Investment Co., Ltd.	Chairman	March 2012	Up to now
	Orient Futures Co., Ltd	Chairman	December 2014	Up to now
	Shanghai Orient Securities Innovation Co., Ltd.	Director	November 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	July 2010	Up to now
Wu Junhao	China Pacific Insurance (Group) Co., Ltd.	Director	July 2012	Up to now
	China Pacific Life Insurance Co., Ltd.	Director	July 2012	Up to now
	China Pacific Property Insurance Co., Ltd.	Director	July 2012	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	October 2010	Up to now
	Chengdu Xinshen Venture Capital Co., Ltd.	Director	April 2011	Up to now
	China Everbright Bank Company Limited	Supervisor	November 2009	Up to now
	Shanghai ICY Capital Co., Ltd.	Supervisor	October 2010	Up to now
	Shanghai Shenergy Financial Lease Co., Ltd.	Chairman of the supervisory committee	December 2016	Up to now
	Shanghai Shenergy ICY Equity Investment Co., Ltd.	Chairman of the supervisory committee	December 2016	Up to now

## Section VIII Directors, Supervisors, Senior Management and Staff

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

## Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Li Xiang	Shanghai Haiyan Tobacco Industry Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司)	Director	August 2016	Up to now
	Shanghai Tobacco Auctioneers Co., Ltd. (上海煙草拍賣行有限責任公司)	Director	April 2017	May 2018
	Huahuan International Tobacco Co., Ltd. (華環國際煙草有限公司)	Director	July 2017	Up to now
	Shanghai Tobacco. Package Printing Co., Ltd. (上海煙草包裝印刷有限公司)	Director	August 2017	Up to now
	Shanghai Peony Perfumery Co., Ltd. (上海牡丹香精香料有限公司)	Director	December 2017	Up to now
	Shanghai Xinhua Media Co., Ltd.	Director	September 2017	Up to now
	Shanghai Xinhua Media Co., Ltd.	CPC Party committee secretary	June 2017	Up to now
	Shanghai Wenxin Economic Development Co., Ltd.	Executive director	April 2010	November 2018
	Shanghai Call Center Co., Ltd.	Director	July 2009	Up to now
	Shanghai Xinhua Publishing Group Limited	CPC Party committee secretary, Director	May 2014	Up to now
	Shanghai Oriental Pearl Real Estate Co., Ltd.	Director	July 2015	Up to now
	Shanghai Shangbao Asset Management Co., Ltd.	Director	September 2015	Up to now
	Shanghai Morning Post Culture Media Co., Ltd.	Director	January 2016	January 2019
	Shanghai Read Information Technology Co., Ltd.	Director	May 2016	Up to now
	Shanghai Post Full-time Logistics Distribution Co., Ltd. (上海郵政全日送物流配送有限公司)	Director	June 2016	Up to now
	Shanghai DonJie Advertising Media Co., Ltd.	Director	June 2016	Up to now
	Shanghai Oriental Press Co., Ltd.	Director	July 2016	Up to now
Shanghai Evening News Media Co., Ltd.	Chairman, legal representative	November 2017	Up to now	
Shanghai Xinrong Asset Management Co., Ltd.	Executive director, legal representative	January 2018	Up to now	

## Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Xia Jinghan	Shanghai Xinhua Finance Investment Co., Ltd.	Executive director, legal representative	January 2018	Up to now
	Shanghai Xinhua Media Communication Center Co., Ltd.	Executive director, legal representative	January 2018	Up to now
	Shanghai Xinrong Cultural & Industrial Service Co., Ltd.	Executive director, legal representative	January 2018	Up to now
	Shanghai Yicheng Property Co., Ltd.	Executive director, legal representative	January 2018	Up to now
	Shanghai Jiefang Real Estate Co., Ltd.	Chairman, legal representative	January 2018	Up to now
	China City Internet Television Company Limited (華夏城視網絡電視股份有限公司)	Director	September 2018	Up to now
	Shanghai Wenhui Xinmin Training Institute	Director	July 2018	Up to now
	Zhejiang Energy Group Co., Ltd.	General counsel	April 2014	Up to now
	Zhejiang Zheneng Assets Operation and Management Co., Ltd. (浙江浙能資產經營管理有限公司)	Chairman	June 2014	Up to now
	Zheneng Equity Investment Fund Management Co., Ltd. (浙能股權投資基金管理有限公司)	Executive director	June 2017	Up to now
Xu Jianguo	Zhejiang Zheneng Carbon Assets Management Co., Ltd. (浙江浙能碳資產管理有限公司)	Chairman	July 2017	Up to now
	Shanghai Prime Machinery Co., Ltd.	Chairman of the supervisory committee	May 2016	Up to now
	Shanghai Life Insurance Co., Ltd.	Director	March 2015	Up to now
	Shanghai Electric Group Finance LLC	Director	April 2013	Up to now
	Haitong Securities Co., Ltd.	Director	October 2016	Up to now
	Shanghai Micro Electronics Equipment Group Co., Ltd.	Director	June 2016	Up to now
	Shanghai Highly (Group) Co., Ltd.	Chairman of the supervisory committee	December 2017	Up to now
	Research Center for Applied Statistics of Shanghai University of Finance and Economics	Director	June 2003	Up to now
Xu Guoxiang	Baoding Tianwei Baobian Electric Co., Ltd.	Independent director	October 2011	February 2018
	China Enterprise Company Limited	Independent director	April 2012	June 2018
	Dazhong Transportation (Group) Co., Ltd.	Supervisor	April 2006	Up to now
	Shanghai Xintonglian Packaging Co., Ltd.	Supervisor	November 2011	Up to now
	Luzhou Laojiao Co., Ltd.	Independent director	June 2015	Up to now



## Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office	
Tao Xiuming	Beijing JunZeJun Law Offices	Founding partner	July 1995	Up to now	
	Beijing Houjian Investment Co., Ltd.	Executive director	March 2014	Up to now	
	Taikang Asset Management Co., Ltd.	Independent director	August 2014	Up to now	
Wei Anning	Shanghai Guwang Investment Management Limited	Executive director, general manager	September 2010	Up to now	
	Fortune SG Fund Management Co., Ltd.	Independent director	September 2015	Up to now	
	Hangzhou United Rural Commercial Bank Co., Ltd.	Director	January 2011	November 2018	
	DaChan Food (Asia) Limited	Independent director	October 2014	Up to now	
	Ningxia Guwang Investment Management Limited	Executive director	May 2014	Up to now	
	Xinjiang Tycoon Group Co., Ltd.	Director	February 2016	December 2018	
	Yantai Changyu Pioneer Wine Company Limited	Director	June 2017	Up to now	
	Ningbo Guwang Investment Management Limited	Executive director	April 2015	Up to now	
	Jiangsu Financial Leasing Co., Ltd.	Director	November 2017	Up to now	
	Ningxia State Farm Group Co., Ltd.	Director	January 2018	Up to now	
Xu Zhiming	Shaanxi Shiyang Agriculture Co., Ltd.	Director	May 2018	Up to now	
	Jiahe Food Industry Co., Ltd. (佳禾食品工業股份有限公司)	Independent director	December 2018	Up to now	
	China Broadband Capital	Founding partner	March 2006	Up to now	
	School of Accountancy of Shanghai University of Finance and Economics	Vice dean	April 2015	November 2018	
	School of Accountancy of Shanghai University of Finance and Economics	Dean	November 2018	Up to now	
	Shanghai Emperor of Cleaning Hi-tech Co., Ltd.	Independent director	October 2017	Up to now	
	Du Weihua	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	September 2011	Up to now
		Shanghai Orient Securities Innovation Co., Ltd.	Director	November 2012	Up to now
		Shanghai Orient Securities Asset Management Co., Ltd.	Director	April 2016	Up to now
	Zhang Qian	Shanghai Jiulian Group Co., Ltd.	Chairman	October 2015	Up to now
Shanghai Shenergy ICY Equity Investment Co., Ltd.		Chairman	December 2016	May 2018	
Chengdu Xinshen Venture Capital Co., Ltd.		Director	April 2011	Up to now	
Li Bin	Shanghai DFZQ Xindeyizhang Public Welfare Foundation (上海東方證券心得益彰公益基金會)	Director-general	April 2015	Up to now	
Huang Laifang	Shanghai Post Office Museum	Curator	September 2016	Up to now	
	Trending Industrial Limited	Director	November 2017	Up to now	
	Shanghai Post Office under China Post Group Corporation	Deputy general manager	September 2018	Up to now	

## Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Liu Wenbin	China Greatwall Technology Group Co., Ltd.	Financial controller	February 2017	Up to now
Yin Keding	Shanghai Pudong CCB Rural Bank Company Limited	Director	January 2014	Up to now
Wu Zhengkui	Shanghai Greenland Construction (Group) Co., Ltd.	Director	January 2007	Up to now
	Shanghai Yunfeng (Group) Co., Ltd.	Director	January 2008	Up to now
	Greenland Financial Investment Holding Co., Ltd.	Supervisor	June 2011	Up to now
	Shanghai Xinhua Publishing Group Limited	Financial controller	January 2007	Up to now
	Greenland Hong Kong Holdings Limited	Executive director	August 2013	Up to now
Zhou Wenwu	Huangpu District Federation of Trade Unions (黃浦區總工會)	Part-time deputy party secretary	April 2016	Up to now
Yao Yuan	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司)	Supervisor	August 2015	Up to now
	Orient Futures Co., Ltd	Supervisor	March 2016	Up to now
Yang Yucheng	Orient Finance Holdings (Hong Kong) Limited	Chairman	August 2010	Up to now
	Citi Orient Securities Co., Ltd.	Chairman of supervisory committee	February 2015	Up to now
Shu Hong	Great Wall Fund Management Co., Ltd.	Director	February 2015	Up to now
	Shanghai Qizhong Golf Club Company Limited	Director	January 2009	Up to now
Zhang Jianhui	Shanghai Orient Securities Innovation Co., Ltd.	Chairman	July 2016	Up to now
	Orient Finance Holdings (Hong Kong) Limited	Director	August 2015	Up to now
	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	August 2015	Up to now
	Shanghai ICY Capital Co., Ltd.	Supervisor	March 2010	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Supervisor	October 2010	Up to now
	Orient Ruide (Shanghai) Investment Management Co., Ltd.	Supervisor	August 2014	December 2018
	Dongzheng International Financial Group Co., Ltd. (東證國際金融集團有限公司)	Chairman	September 2018	Up to now
Yang Bin	China Securities Credit Investment Co., Ltd.	Supervisor	May 2015	Up to now
	Orient Finance Holdings (Hong Kong) Limited	Director	August 2015	Up to now
	Citi Orient Securities Co., Ltd.	Director	October 2015	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	March 2018	Up to now
Wang Rufu	Great Wall Fund Management Co., Ltd.	Supervisor	February 2018	Up to now
	Orient Futures Co., Ltd	Director	August 2015	Up to now
	China Universal Asset Management Company Limited	Supervisor	September 2015	Up to now
	Shanghai ICY Capital Co., Ltd.	Director	March 2015	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	March 2015	Up to now

## Section VIII Directors, Supervisors, Senior Management and Staff

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Wu Jianxiong (resigned)	Shenergy Company Limited	Chairman	May 2011	May 2018
	INESA (Group) Co., Ltd.	Chairman	December 2018	Up to now
Song Xuefeng (resigned)	Shenergy Company Limited	Chairman of supervisory committee	May 2011	Up to now
	Shanghai ICY Capital Co., Ltd.	Chairman	July 2013	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Chairman	July 2013	Up to now
	Shanghai ICY Capital Management Ltd.	Executive director	July 2013	Up to now
	Shanghai Shenergy ICY Equity Investment Co., Ltd.	Chairman	May 2018	Up to now
	Employment at other entities	Nil		

### III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The Company's non-executive Directors (except for employee representative Directors) and Supervisors who are not employee representatives do not receive any remunerations from the Company. The allowances of the Company's independent non-executive Directors are determined by the Board and proposed to the general meeting for consideration and approval. The remuneration of the Company's management at the legal representative (chairman), president and vice president level consists of basic salary, performance compensation and discretion incentive. The basic salary must be reported to the Remuneration and Nomination Committee to the Board for approval. Performance remunerations are linked with the results of their annual performance appraisal and will be implemented by the chairman upon approval by the Remuneration and Nomination Committee to the Board. Discretion incentive is linked with the appraisal results and will be implemented by the chairman upon approval by the Remuneration and Nomination Committee to the Board. The remuneration and performance management of other operational management team members shall be implemented in accordance with the relevant regulations of the Company.

## Section VIII Directors, Supervisors, Senior Management and Staff

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

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

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

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

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

RMB36.0103 million

## Section VIII Directors, Supervisors, Senior Management and Staff

### IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Particulars of changes	Reasons for changes
Wu Jianxiong	Non-executive Director	Resignation	Expiration of term of office. The Company held the first 2018 extraordinary general meeting on March 6, 2018, and members of the fourth session of the Board were elected.
Zhang Qian	Non-executive Director	Resignation	Expiration of term of office. The Company held the first 2018 extraordinary general meeting on March 6, 2018, and members of the fourth session of the Board were elected.
Huang Laifang	Non-executive Director	Resignation	Expiration of term of office. The Company held the first 2018 extraordinary general meeting on March 6, 2018, and members of the fourth session of the Board were elected.
Liu Wei	Non-executive Director	Election	The Company held the first 2018 extraordinary general meeting on March 6, 2018, at which, Mr. Liu Wei was elected as the new Director of the fourth session of the Board. He officially performed his duty after receiving the Reply on Approval of Liu Wei's Qualification as a Director of a Security Company (Hu Zheng Jian Xu Ke [2018] No. 27) from the Shanghai Bureau of the CSRC on March 14, 2018.

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Position	Particulars of changes	Reasons for changes
Xia Jinghan	Non-executive Director	Election	The Company held the first 2018 extraordinary general meeting on March 6, 2018, at which, Ms. Xia Jinghan was elected as a Director of fourth session of the Board. She officially performed her duty after receiving the Reply on Approval of Xia Jinghan's Qualification as a Director of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 25) from the Shanghai Bureau of the CSRC on March 12, 2018.
Du Weihua	Employee representative Director	Election	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. He officially performed his duty after the fourth session of Board members were elected at the first 2018 extraordinary general meeting held on March 6, 2018.
Song Xuefeng	Supervisor who is not employee representative	Resignation	Expiration of term of office. The Company held the first 2018 extraordinary general meeting on March 6, 2018, and members of the fourth session of the Supervisory Committee were elected.
Zhang Qian	Supervisor who is not employee representative	Election	The Company held the first 2018 extraordinary general meeting on March 6, 2018, at which, Mr. Zhang Qian was elected as a Supervisor of fourth session of the Supervisory Committee.

## Section VIII Directors, Supervisors, Senior Management and Staff

Name	Position	Particulars of changes	Reasons for changes
Huang Laifang	Supervisor who is not employee representative	Election	The Company held the first 2018 extraordinary general meeting on March 6, 2018, at which, Ms.Huang Laifang was elected as a Supervisor of fourth session of the Supervisory Committee.
Tong Jie	Supervisor who is not employee representative	Election	The Company held the first 2018 extraordinary general meeting on March 6, 2018, at which, Ms.Tong Jie was elected as a Supervisor of fourth session of the Supervisory Committee. She officially performed her duty after receiving the Reply on Approval of Tong Jie's Qualification as a Supervisor of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 22) from the Shanghai Securities Regulatory Bureau of the CSRC on March 8, 2018.
Xu Haining	Assistant to the president	Appointment	At the Company's fifth meeting of the fourth session of the Board held on August 30, 2018, Ms. Xu Haining was appointed as an assistant to the president of the Company. She officially performed her duty after receiving the Reply on Approval of Xu Haining's Qualification as a Senior Management of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 97) from the Shanghai Securities Regulatory Bureau of the CSRC on November 22, 2018.
Lu Weiming	Assistant to the president	Appointment	At the Company's fifth meeting of the fourth session of the Board held on August 30, 2018, Mr. Lu Weiming was appointed as an assistant to the president of the Company. He officially performed his duty after receiving the Reply on Approval of Lu Weiming's Qualification as a Senior Management of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 96) from the Shanghai Securities Regulatory Bureau of the CSRC on November 22, 2018.

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

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

## Section VIII Directors, Supervisors, Senior Management and Staff

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

#### (i) Staff

	Unit: person
Number of staff employed by the Parent Company	3,627
Number of staff employed by the major subsidiaries	1,530
Total number of staff employed	5,157
Number of retired workers the Parent Company and its major subsidiaries should bear costs for	0

#### Professional composition

Category of profession	Number of profession composition
Managers	350
Researchers	171
Investment banking professionals	423
Brokers	2,708
Asset management professionals	226
Investment business professionals	248
Financial professionals	265
Info-tech professionals	377
Other	389
Total	5,157

#### Education

Level of education	Educational level
Doctor	76
Master	1,683
Bachelor	2,934
Junior college graduate and below	464
Total	5,157



## Section VIII Directors, Supervisors, Senior Management and Staff

### (ii) Remuneration policies

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

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

### (iii) Training plans

During the Reporting Period, centered on its overall operating for the training works and based on the construction of talent pipeline as well as employee career development, the Company increased the investment in fostering all kinds of talents, focused on the training of the core talents team, such as middle and senior management, backbone professionals and new staff to continuously improve and optimize the training system of the Company. During the year of 2018, the Company has organized 172 face-to-face internal trainings, with 9,423 participants and recommended staff to participate in 320 training courses held by various regulatory authorities and professional training institutes with 619 participants. Besides, the Company organized more than 101 online trainings, which covered over 20,000 employees.

In 2019, the Company will continue to improve its multi-level, diversified and multi-form talents fostering mechanism, to effectively improve the types of training courses at all levels, supplement with customized training products, innovate training exchange forms, enhance the development of internal courses, further promote the growth of employees, and ensure the knowledge supply for the outstanding talents.

### (iv) Labor outsourcing

Unit: Yuan Currency: RMB

Total working hours involved in labor outsourcing	829,666 hours
Total remuneration paid for labor outsourcing	36,459,805.40

## Section VIII Directors, Supervisors, Senior Management and Staff

### VII. OTHERS

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

The Company adopts an custodian agency management mode for the management of brokers. As at the end of the Reporting Period, there were 923 brokers in service.

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

## Section IX Corporate Governance

### I. RELEVANT DESCRIPTION ON CORPORATE GOVERNANCE

#### (i) Corporate governance

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

During the Reporting Period, the Company further amended and optimized its Articles of Association and other internal rules and procedures in compliance with the relevant regulatory requirements, which had been considered and approved by the Board and at general meetings of the Company. By formulation of and continuous improvement in the above systems, the Company has witnessed a continuously standardized corporate governance structure, and an increasingly improved corporate governance level. In addition, during the Reporting Period, the Company conducted elections in an orderly manner and successfully completed the elections in respect of the fourth session of the Board, the Supervisory Committee and the management of the Company.

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

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

## Section IX Corporate Governance

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

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

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

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

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

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

## Section IX Corporate Governance

### II. BRIEF INTRODUCTIONS TO GENERAL MEETINGS

<u>Session of the meeting</u>	<u>Date of convening</u>	<u>Reference of the website specified for resolutions disclosure</u>	<u>Disclosure date of resolutions</u>
2018 first extraordinary general meeting	March 6, 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	March 6, 2018
2017 annual general meeting	May 25, 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	May 25, 2018

#### Explanations on general meetings

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

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

## Section IX Corporate Governance

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 approved. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meetings and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on March 7, 2018.

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 approved, 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” and the “Company’s 2017 Annual Work Report of the Independent Directors” was presented at the meeting. 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.

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

## Section IX Corporate Governance

### III. PERFORMANCE OF DUTIES BY DIRECTORS

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

During the Reporting Period, the Company successfully completed the re-election of the Board. The fourth session of the Board comprises 14 Directors at present. The biographical details of the Directors as at the date of this report are set out in “Section VIII, Directors, Supervisors, Senior Management and Staff” in this report. None of the directors or the senior management has any relations with each other (including financial, business, kinship or other material or connected relations). The Board is scientifically structured, and each Director has adequate knowledge, experience and expertise relating to the business operation and development of the Group. All Directors are fully aware of their responsibilities to the shareholders jointly and severally.

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

## Section IX Corporate Governance

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

Name of Director	Independent Director or not	Number of Board meetings requiring attendance during the year	Attendance at the Board meetings					Attendance at general meetings	
			Attendance in person	Attendance via correspondence	Attendance by proxy	Absence	Absent from two consecutive meetings (in person)	Number of require attendance during the year	Number of attendance at general meetings
Pan Xinjun	No	9	9	7	0	0	No	2	2
Jin Wenzhong	No	9	9	7	0	0	No	2	2
Liu Wei	No	6	6	4	0	0	No	1	1
Wu Junhao	No	9	9	7	0	0	No	2	2
Chen Bin	No	9	9	7	0	0	No	2	2
Li Xiang	No	9	8	7	1	0	No	2	0
Xia Jinghan	No	6	6	4	0	0	No	1	0
Xu Jianguo	No	9	9	7	0	0	No	2	1
Xu Guoxiang	Yes	9	9	7	0	0	No	2	0
Tao Xiuming	Yes	9	9	7	0	0	No	2	0
Wei Anning	Yes	9	9	7	0	0	No	2	2
Xu Zhiming	Yes	9	9	7	0	0	No	2	1
Jin Qinglu	Yes	9	9	7	0	0	No	2	0
Du Weihua	No	7	7	5	0	0	No	1	1
Wu Jianxiong (resigned)	No	2	2	2	0	0	No	1	0
Zhang Qian	No	2	2	2	0	0	No	2	2
Huang Laifang	No	2	2	2	0	0	No	2	1



## Section IX Corporate Governance

*Note:*

On March 6, 2018, the Company's first 2018 extraordinary general meeting elected non-employee representative Directors of the fourth session of the Board, who, with the employee Directors elected at the employee representative meeting held on December 11, 2017 jointly form the fourth session of the Board, including Mr. Liu Wei, Ms. Xia Jinghan and Mr. Du Weihua, who were new Directors of the Board, and Mr. Wu Jianxiong, Mr. Zhang Qian and Ms. Huang Laifang no longer served as Directors of the Company upon expiry of their terms in the previous Board. On March 14, 2018, Mr. Liu Wei officially performed his duties after receiving the Reply on Approval of Liu Wei's Qualification as a Director of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 27) from the Shanghai Bureau of the CSRC. Ms. Xia Jinghan officially performed her duties after receiving the Reply on Approval of Xia Jinghan's Qualification as a Director of a Securities Company (Hu Zheng Jian Xu Ke [2018] No. 25) from the Shanghai Bureau of the CSRC on March 12, 2018. Mr. Du Weihua was elected as an employee representative Director of the Company, joined the Board directly after democratic election through the employee representative and officially performed his duty on March 6, 2018.

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

During the Reporting Period, no Directors of the Company were absent from two consecutive Board meetings in person.

Number of Board meetings convened during the year	9
Of which: Number of meetings held on-site	2
Number of meetings via correspondence	7
Number of meetings held both on-site and via correspondence	0

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

## Section IX Corporate Governance

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

1. On January 19, 2018, the 37th meeting of the third session of the Board was held via correspondence, at which the “Resolution on Adjusting the Amendments to the Articles of Association”, the “Resolution in relation to Adding Candidates to the Board” and the “Resolution on Applying for Cross-border Business” were considered and approved.
2. On January 26, 2018, the 38th meeting of the third session of the Board was convened via correspondence, at which the “Resolution in relation to Asset Impairment Provision” was considered and approved.
3. On March 9, 2018, the 1st meeting of the fourth session of the Board was convened via correspondence, at which the “Resolution in relation to the Election of the Chairman to the Fourth Session of the Board” and “Resolution in relation to the Election of the Members and Chairmen of the Special Committees under the Fourth Session of the Board” were considered and approved.
4. On March 29, 2018, the 2nd meeting of the fourth session of the Board was held on-site, at which the “Company’s 2017 Annual Work Report of the Board”, the “Company’s 2017 Annual Operational Work Report”, the “Company’s 2017 Annual Financial Report”, the “Company’s Profit Distribution Plan for 2017”, the “2017 Annual Report of the Company”, the “Report on Execution of Risk Control Indicators by the Company in 2017”, the “Proposal on the Company’s Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2018”, the “Proposal on the Company’s Proprietary Scale in 2018”, “Special Report Regarding the Company’s Deposit and Actual Utilization of Proceeds Raised in 2017”, the “Proposal on the Change of Accounting Policies”, the “Company’s 2017 Annual Risk Management Work Report”, the “Company’s 2017 Annual Compliance Report”, the “Company’s 2017 Annual Internal Control Assessment Report”, the “Proposal on Appointment of Accounting Firm for 2018”, the “Proposal on the Company’s 2017 Annual Social Responsibility Report”, the “Proposal Regarding the Conduction of Asset-backed Securitization Business with the Company’s Credit Assets from its Financing Businesses”, the “Proposal Regarding the Formulation of Strategic Plans (2018-2020) of 東方證券股份有限公司”, the “Proposal Regarding the Projected Daily Connected Transactions of the Company in 2018”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2018”, the “Proposal on Provision of Performance Bonus of Operational Management Team of the Company for the Year 2017”, the “Resolution on Engagement of President of the Company”, the “Resolution on Engagement of Vice President of the Company”, the “Resolution on Engagement of Joint Company Secretaries of the Company”, the “Resolution on Engagement of Financial Controller of the Company”, the “Resolution on Engagement of Chief Risk Officer and Chief Compliance Officer of the Company”, the “Resolution on Engagement of Secretary to the Board of the Company”, the “Resolution of Appointment of Representative of Securities Affairs of the Company” and the “Proposal on Convening 2017 Annual General Meeting of the Company”. The “Company’s 2017 Annual Work Report of the Independent Directors” and the “2017 Report on Performance of Duties of the Audit Committee of the Board of the Company” were considered and approved.

## Section IX Corporate Governance

5. On April 26, 2018, the 3rd meeting of the fourth session of the Board was convened via correspondence, at which the “First Quarterly Report of the Company for the Year 2018” and the “Resolution on Application for Carbon Finance Business” were considered and approved.
6. On June 26, 2018, the fourth meeting of the fourth session of the Board was convened via correspondence, at which the “Resolution of Entering into of the Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” was considered and approved.
7. On August 30, 2018, the 5th meeting of the fourth session of the Board was held on-site, at which the following resolutions were considered and approved: the “Interim Report of the Company for the year 2018”, “the Report on Execution of Risk Control Indicators of Net Capital by the Company for the First Half of 2018”, “Special Report Regarding the Company’s Deposit and Actual Utilization of Proceeds Raised In the First Half of 2018”, the “Company’s 2018 Interim Compliance Report”, “the Company’s 2018 Interim Risk Management Work Report”, the “Proposal in relation to Formulating the Administrative Measures on Assessment of the Efficiency of Compliance and Management of 東方證券股份有限公司”, the “Proposal Regarding the Connected Transaction of Transferring the Equity Interests in Shanghai ICY Capital Co., Ltd. Held by Orient Securities Capital Investment”, the “Resolution in relation to the Opening of Transaction Accounts with Overseas Institutions” and the “Resolution in relation to The Engagement of Senior Management of the Company”. The meeting listened to the “Company’s 2018 Half-year Operational Work Report”.
8. On September 21, 2018, the 6th meeting of the fourth session of the Board was convened via correspondence, at which the “Resolution in relation to the Withdrawal of Overseas Business Headquarters” was considered and approved.
9. On October 30, 2018, the 7th meeting of the fourth session of the Board was convened via correspondence, at which the “Third Quarterly Report of the Company for the Year 2018” was considered and approved.

## Section IX Corporate Governance

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

During the Reporting Period, the independent Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board meeting and general meetings" in this section and "Duties of various special committees and their meetings" for attendances of independent Directors at general meetings, Board meetings and meetings of special committees. The 2018 Annual Work Report of Independent Directors of Orient Securities Company Limited to be disclosed by the Company on the website of the SSE on March 28, 2019 sets out the details of the performance of duties by the independent Directors.

### (iii) Board and management

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

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

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

#### 1. Chairman and president

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

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

## Section IX Corporate Governance

### **2. *Directors' appointment and re-election***

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

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

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

### **4. *Directors' remunerations***

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

### **5. *Directors' trainings***

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

## Section IX Corporate Governance

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

Name of Directors	Date	Duration	Organizer	Content	Place of training
All Directors	April 11, 2018	/	Company	Internationalization development strategy of securities companies and path selection	/
All Directors	May 9, 2018	/	Company	Analysis of the operation of securities companies in the first quarter of 2018	/
All Directors	May 21, 2018	/	Hong Kong Stock Exchange	Report on the issuer's disclosure of environmental, social and governance practices in 2016/2017	/
All Directors	May 29, 2018	/	Hong Kong Stock Exchange	Delisting and consultation summary of other amendments to the Hong Kong Listing Rules	/

## Section IX Corporate Governance

Name of Directors	Date	Duration	Organizer	Content	Place of training
All Directors	June 11, 2018	/	Company	2017 Securities Industry Human Resource Management Research Report	/
All Directors	June 15, 2018	/	Company	2017 Securities Company's Operating Performance Ranking	/
All Directors	June 29, 2018	/	Company	Development trend, characteristics and prospects of collective operating of securities company	/
All Directors	July 31, 2018	/	Hong Kong Stock Exchange	Review of the Corporate Governance Code and related provisions of the Hong Kong Listing Rules, the Board and the Directors' Guide	/
Independent Non-executive Directors	December 20, 2018	/	Hong Kong Stock Exchange	Updates of 2018 corporate governance	/
Pan Xinjun, Jin Wenzhong	May 22, 2018 and May 23, 2018	2 days	CSRC, China Association for Public Companies (CAPCO)	The 3rd Chairman and General Manager Seminar for Listed Companies in 2018	Beijing
Liu Wei, Xu Jianguo, Du Weihua, Xu Guoxiang, Tao Xiuming, Wei Anning	December 24, 2018 and December 25, 2018	2 days	Shanghai Bureau of the CSRC, Shanghai Association for Public Companies	The Third Training Course for Directors and Supervisors in Shanghai in 2018	Shanghai

## Section IX Corporate Governance

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

#### (i) Special committees of the Board and their members

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

1. Strategic Development Committee: Pan Xinjun (chairman), Jin Wenzhong, Wu Junhao, Xu Zhiming, Du Weihua;
2. Compliance and Risk Management Committee: Pan Xinjun (chairman), Jin Wenzhong, Li Xiang, Xia Jinghan, Tao Xiuming;
3. Remuneration and Nomination Committee: Wei Anning (chairman), Liu Wei, Chen Bin, Xu Guoxiang, Jin Qinglu;
4. Audit Committee: Jin Qinglu (chairman), Wu Junhao, Xu Jianguo, Xu Guoxiang, Wei Anning.

*Note:* On March 9, 2018, the 1st meeting of the fourth session of the Board considered and approved the “Resolution in relation to the Election of Members and Chairmen of the Special Committees under the Fourth Session of the Board”, by which the members and chairmen of the above special committees were elected.

#### (ii) Duties of various special committees and their meetings

##### 1. *Strategic Development Committee*

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



## Section IX Corporate Governance

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

On March 28, 2018, the 2018 1st meeting of the Strategic Development Committee of the fourth session of the Board was convened, at which the “Proposal Regarding the Formulation of Strategic Plans (2018-2020) of 東方證券股份有限公司” was considered and approved.

During the Reporting Period, the attendance of the Strategic Development Committee of the fourth session of the Board was as follows:

<b>Name</b>	<b>Number of actual attendances/ number of attendances as required</b>
Pan Xinjun	1/1
Jin Wenzhong	1/1
Wu Junhao	0/1
Xu Zhiming	1/1
Du Weihua	1/1

### 2. *Compliance and Risk Management Committee*

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

## Section IX Corporate Governance

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

On March 28, 2018, the 1st meeting of Compliance and Risk Management Committee of the fourth session of the Board in 2018 was convened, at which the following resolutions were considered and approved: the “Report on Execution of Risk Control Indicators by the Company for the Year 2017”, the “Proposal on the Company’s Allocation of Assets and Liabilities, Business Scale and Risk Control Plan for 2018”, the “Proposal on the Company’s Proprietary Scale for 2018”, the “Risk Management Work Report of the Company for the Year 2017”, the “Company’s 2017 Annual Compliance Report”, the “Report on Effectiveness Assessment of Compliance Management of the Company for the Year 2017” and the “Work Proposal on Assessment of Overall Risk Management of the Company for the Year 2017” and conducted performance evaluation of the Chief Compliance Officer for the year 2017.

On August 30, 2018, the 2nd meeting of Compliance and Risk Management Committee of the fourth session of the Board in 2018 was convened, at which the following resolutions were considered and approved, including: the “Report on Execution of Interim Risk Control Indicators of Net Capital Report by the Company for the First Half of 2018”, the “Company’s 2018 Interim Compliance Report”, the “Company’s 2018 Interim Risk Management Work Report” and the “Resolution in relation to the Administrative Measures on Effectiveness Assessment of Compliance Management of the Company”.

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

<b>Name</b>	<b>Number of actual attendances/ number of attendances as required</b>
Pan Xinjun	2/2
Jin Wenzhong	2/2
Li Xiang	1/2
Xia Jinghan	1/2
Tao Xiuming	2/2

## Section IX Corporate Governance

### 3. *Remuneration and Nomination Committee*

The main duties of the Remuneration and Nomination Committee include: evaluating the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year and making recommendations regarding any proposed changes to the Board to complement the corporate strategy; review and advise on the selection criteria and procedures for Directors and senior management, identify qualified individuals as candidates for Directors and senior management, review their qualifications and making recommendations; make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular, the chairman and the president); assess the independence of independent Directors; study and review the performance appraisal and remuneration management system for the Directors and senior management based on the main scope, duties and importance of the senior management positions of the Company and the remuneration level of similar positions in other enterprises. The performance appraisal and remuneration management system includes but is not limited to performance appraisal criteria and procedures, the main appraisal system, and the principal plan and system regarding incentive and penalty. The main duties of the committee also include making recommendations to the Board as to the overall performance appraisal and remuneration management system and structure for the Directors and senior management, and the establishment of proper and transparent formulation procedures of the remuneration policy; reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board; making recommendations to the Board on the remuneration package of executive Directors and senior management. The above-mentioned remuneration package includes non-monetary benefits, retirement allowance and compensation (including compensation for any loss or termination of office or appointment); making recommendations to the Board on the remuneration for each non-executive Director; considering the remuneration package, time commitment, scope of responsibility of similar companies and other employment terms of other positions within the Group; reviewing and approving the compensation due to executive Directors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is fair, reasonable and not excessive; reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is reasonable and appropriate; ensuring that no Director or his associate (as defined under the Hong Kong Listing Rules) is involved in the determination of his remuneration; evaluating and making recommendations on the performance of duties by the Directors, Supervisors (Supervisors who are not employee representatives), president and other senior management; reviewing the execution of the remuneration and appraisal system of the Company's president and other member of the senior management; and other matters as stipulated in the Articles of Association or as authorized by the Board.

## Section IX Corporate Governance

### *Board Diversity Policy*

The Remuneration and Nomination Committee is responsible for making and reviewing the Board diversity policy, and the expected goals will be discussed and determined annually to implement the diversity of the Board and recommend the goals to the Board for adoption. When the Remuneration and Nomination Committee is considering the composition of the Board, it shall ensure the balance between executive Directors and non-executive Directors (including independent non-executive Directors) and consider, from multiple aspects, the diversity of the members of the Board, including but not limited to their gender, age, cultural, educational background, and professional experience. During the Reporting Period, the Remuneration and Nominating Committee has considered the Board diversity policy and believes that the current composition of the Board meets the above requirements for diversity.

### *Nomination Policy for Directors*

According to the requirements in Article 134 of the Articles of Association, the Board or shareholders individually or jointly holding more than 3% of the shares of the Company are entitled to nominate candidates for non-independent Directors to the shareholders' general meeting; the Board, the Supervisory Committee, or shareholders individually or jointly holding more than 1% of the issued shares of the Company are entitled to nominate candidates for independent Directors to the shareholders' general meeting. Written notice of intention to nominate a candidate for the post of Director and the candidate's agreement to be nominated must be given to the Company seven days prior to the convening of the shareholders' general meeting (such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and end no later than seven days prior to the shareholders' general meeting). The term of the nomination and the acceptance of the nomination shall be no less than seven days.

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

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

On January 19, 2018, the 1st meeting of Remuneration and Nomination Committee of the third session of the Board in 2018 was convened, at which the “Resolution in relation to Adding Candidates to the Board” was considered and approved.

On March 29, 2018, the 1st meeting of Remuneration and Nomination Committee of the fourth session of the Board in 2018 was convened, at which the following resolutions were considered and approved: the “Proposal on Provision of Performance Bonus of Operational Management Team of the Company for the Year 2017”, the “Resolution on Engagement of President of the Company”, the “Resolution on Engagement of Vice President of the Company”, the “Resolution on Engagement of Financial Controller of the Company”, the “Resolution on Engagement of Chief Risk Officer and Chief Compliance Officer of the Company” and the “Resolution on Engagement of Secretary to the Board of the Company”. The assessment results of the Chief Risk Officer and Chief Compliance Officer were considered and approved at the meeting.

On August 30, 2018, the 2nd meeting of Remuneration and Nomination Committee of the fourth session of the Board in 2018 was convened, at which the following resolutions were considered and approved: the “Resolution in relation to the Engagement of Senior Management of the Company” and the “Resolution in relation to the Performance Evaluation of the Operating Results of the Company and its Senior Management for the Year 2018”.

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

<b>Name</b>	<b>Number of actual attendances/ number of attendances as required</b>
Zhang Qian	1/1
Chen Bin	1/1
Xu Guoxiang	1/1
Wei Anning	1/1

## Section IX Corporate Governance

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

<b>Name</b>	<b>Number of actual attendances/ number of attendances as required</b>
Wei Anning	2/2
Liu Wei	2/2
Chen Bin	2/2
Xu Guoxiang	2/2
Jin Qinglu	2/2

## Section IX Corporate Governance

### 4. *Audit Committee*

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

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

On January 26, 2018, the 1st meeting of Audit Committee of the third session of the Board in 2018 was convened, at which the “Resolution in relation to Asset Impairment Provision” was considered and approved.

The 1st meeting of the Audit Committee of the 4th session of the Board in 2018 was held on March 29, 2018, at which, the “Report on the Company’s 2017 Annual Audit and Audit Results”, “2017 Annual Report of the Company”, the “Special Report on the Deposit and Actual Utilization of Proceeds Raised of the Company in 2017”, the “Proposal on Changes of Accounting Policies of the Company”, “2017 Assessment Report on Internal Control”, the “Proposal regarding the engagement of auditing firms for the year 2018”, and the “Proposal regarding the projected routine related party transactions of the Company in 2018” were considered and approved, and “2017 Annual Performance Report of the Audit Committee under the Board of the Company” were considered and approved, and “2017 Annual Audit Work Report of the Company” was presented.

The 2nd meeting of the Audit Committee of the 4th session of the Board in 2018 was held on April 26, 2018, at which, the “The First Quarterly Report for the Year 2018 of the Company” was considered and approved.

The 3rd meeting of the Audit Committee of the 4th session of the Board in 2018 was held on June 26, 2018, at which, the “Proposal regarding the Connected Transaction Framework Agreement with Shenergy (Group) Co., Ltd.” was considered and approved.

The 4th meeting of the Audit Committee of the 4th session of the Board in 2018 was held on August 30, 2018, at which, the “2018 Interim Report of the Company”, the “Special report on the deposit and actual utilization of proceeds raised of the Company in first half of 2018”, the “Proposal regarding confirmation of the Company’s list of connected parties in first half of 2018” and the “Proposal on the Connected Transaction in relation to Transfer of Equity Interest in Shanghai ICY Capital Co., Ltd. by Orient Securities Capital Investment” were considered and approved, and the “2018 IFRS Interim Review Summary Report” was presented.

The 5th meeting of the Audit Committee of the 4th session of the Board in 2018 was held on October 30, 2018, at which, the “The Third Quarterly Report for the Year 2018 of the Company” was considered and approved.

The 6th meeting of the Audit Committee of the 4th session of the Board in 2018 was held on December 12, 2018, at which, the “2018 Pre-trial Communication Report of the Company” and “2018 Internal Control Evaluation Work Plan of Orient Securities Company Limited” were considered and approved.



## Section IX Corporate Governance

During the Reporting Period, the attendance of members under the Audit Committee of the third session of the Board is as follows:

<b>Name</b>	<b>Number of meetings attended/ Number of meetings that require attendance</b>
Jin Qinglu	1/1
Wu Junhao	1/1
Xu Jianguo	1/1
Xu Guoxiang	1/1
Wei Anning	1/1

During the Reporting Period, the attendance of members of the Audit Committee of the fourth session of the Board is as follows:

<b>Name</b>	<b>Number of meetings attended/ Number of meetings that require attendance</b>
Jin Qinglu	6/6
Wu Junhao	5/6
Xu Jianguo	6/6
Xu Guoxiang	6/6
Wei Anning	6/6

## Section IX Corporate Governance

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

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

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

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

Name of Supervisors	Required attendance (times)	Attendance in person (times)	Attendance by proxy (times)	Absence	Voting result
Zhang Qian	5	5	0	0	in favour of all proposals
Li Bin	6	6	0	0	in favour of all proposals
Huang Laifang	5	4	1	0	in favour of all proposals
Tong Jie	5	5	0	0	in favour of all proposals
Liu Wenbin	6	5	1	0	in favour of all proposals
Yin Keding	6	6	0	0	in favour of all proposals
Wu Zhengkui	6	6	0	0	in favour of all proposals
Zhou Wenwu	6	6	0	0	in favour of all proposals
Yao Yuan	6	6	0	0	in favour of all proposals
Song Xuefeng (resigned)	1	1	0	0	in favour of all proposals

#### (ii) Meetings of the Supervisory Committee

On January 26, 2018, the 16th meeting of the third session of the Supervisory Committee was convened via correspondence, at which the "Resolution in relation to Asset Impairment Provision" was considered and approved.

On March 9, 2018, the 1st meeting of the fourth session of the Supervisory Committee was convened via correspondence, at which the following resolutions were considered and approved: the "Resolution Regarding the Election of the Chairman of the Fourth Session of Supervisory Committee of the Company", the "Resolution Regarding the Election of the Deputy Chairman of the Fourth Session of Supervisory Committee of the Company" and the "Resolution Regarding the Engagement of the Secretary to the Fourth Session of Supervisory Committee of the Company".

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On March 29, 2018, the 2nd meeting of the fourth session of the Supervisory Committee was convened on-site, at which the following resolutions were considered and approved, including: the “Work Report of Supervisory Committee of the Company for the Year 2017”, the “Company’s 2017 Annual Financial Report”, the “Company’s 2017 Annual Compliance Report”, the “Company’s 2017 Annual Risk Management Work Report”, the “Company’s 2017 Annual Internal Control Assessment Report”, the “Evaluation Report on Performance of Duties by Directors of the Company for the Year 2017”, the “Evaluation Report on Performance of Duties by Supervisors of the Company for the Year 2017”, the “Evaluation Report on Performance of Duties by Senior Management of the Company for the Year 2017”, the “Company’s 2017 Annual Report”, the “Special Report Regarding the Company’s Deposit and Actual Utilization of Proceeds Raised in 2017”, the “Proposal on Profit Distribution of the Company for Year 2017” and the “Proposal on Change of Accounting Policies of the Company”.

On April 26, 2018, the 3rd meeting of the fourth session of the Supervisory Committee was convened via correspondence, at which the “First Quarterly Report of the Company for the Year 2018” was considered and approved.

On August 30, 2018, the 4th meeting of the fourth session of the Supervisory Committee was convened on-site, at which the “Interim Report of the Company for the year 2018” and the “Special Report Regarding the Company’s Deposit and Actual Utilization of Proceeds Raised in the First Half of 2018” were considered and approved and “the Company’s 2018 Interim Work Report of the Supervisory Committee”, “the Company’s 2018 Interim Financial Report”, “the Company’s 2018 Interim Compliance Report” and “the Company’s 2018 Interim Risk Management Work Report” were presented.

On October 30, 2018, the 5th meeting of the fourth session of the Supervisory Committee was convened via correspondence, at which the “Third Quarterly Report of the Company for the year 2018” was considered and approved.

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

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

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### (i) Business independence

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

### (ii) Staff independence

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

### (iii) Assets independence

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

## Section IX Corporate Governance

### (iv) Institutional independence

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

### (v) Financial independence

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

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

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

## Section IX Corporate Governance

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

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

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

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

For details of the Company’s assessment report on internal control, please refer to the Assessment Report on Internal Control of Orient Securities Company Limited for the Year 2018 disclosed on the website of the SSE (<http://www.sse.com.cn>) on March 28, 2019.

#### Explanations on material defects in internal control during the Reporting Period

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

### IX. EXPLANATIONS ON THE AUDIT REPORT ON INTERNAL CONTROL

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

For details of the Company’s audit report on internal control, please refer to the Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE (<http://www.sse.com.cn>) on March 28, 2019.

## Section IX Corporate Governance

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

#### (i) Board's representation

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

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

#### (ii) Establishment of risk management and internal control institutions

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

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

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

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

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

The Company has adopted various policies and procedures to assess and improve prudently the effect of our risk management and internal control system of the Group. During the Reporting Period, the Company issued 124 policies or rules in total, of which 82 are at corporate level and above, and 42 are at department level. Such policies or rules mainly included the Articles of Association of Orient Securities Company Limited, the Administrative Measures on Overall Budget Management of Orient Securities Company Limited (as revised in 2018), the Administrative Measures on Owned Funds of Orient Securities Company Limited (as revised in 2018), the anti-money laundering working rules of Orient Securities Company Limited (as revised in 2018), the Compliance and Accountability Working Methods of Orient Securities Company Limited (as revised in 2018), the Information Security Emergency Plan of Orient Securities Company Limited (as revised in 2018), the Administrative Measures on Subsidiaries of Orient Securities Company Limited (as revised in 2018) and the Administrative Measures on Compliance Management of Subsidiaries of Orient Securities Company Limited (2018 version), etc.

### (iv) Basis of building internal control over financial reports

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



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

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

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

### (v) Operations of risk management and internal control system

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

### (vi) Conclusion of risk management and internal control evaluation

Pursuant to the requirements of the Basic Norms for Enterprise Internal Control, the Guidelines for the Evaluation of Enterprise Internal Control, the Guidelines for Internal Control of Securities Companies and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies and other relevant laws and regulations, the Company evaluated the effectiveness of the design and implementation of its internal control as at December 31, 2018, and issued the 2018 Evaluation Report on Internal Control. The Compliance and Risk Management Committee of the Board makes analysis and independent assessment on the adequacy and effectiveness of the Group's risk management and internal control system. During the Reporting Period, according to the identification of significant defects in internal control over its financial reports, there were no significant defects in internal control over financial reports as at the base date of internal control evaluation report. The Board considered that the Company had maintained effective internal control over financial reports in all material aspects pursuant to the enterprise internal control standard system and relevant regulations.

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

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

### (vii) Work plan on internal control for 2019 by the Board

In order to guarantee the Company's internal control being appropriate to its operational scale, business scope, competition situation and risk level, based on its own development needs and in accordance with the requirements under the Basic Norms for Enterprise Internal Control and the guidelines thereof, the Company will make continuous adjustment to and improvement in internal control management and further enhance the promotion and training of internal control standards so as to constantly improve the Company's internal control and risk management level in 2019.

## XI. ESTABLISHMENT OF THE COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY

Focusing on the general objectives of "Integrating with the Group's Development, Serving Business Operation and Fostering Commitments and Efforts to Establish the Active and Effective Overall Risk Management System", the Company constantly implemented the latest regulatory requirements, continuously refined its systems and improved its organizational structure. Besides, the Company strengthened compliance management over its subsidiaries and fostered compliance and risk management framework of the Group. In addition, it further promoted the establishment of information system and data governance to facilitate the effective management of various compliance and risk-related matters. Centering on its compliance and risk management culture, the Company boosted propaganda on compliance, so as to establish an active and effective compliance management system. In light of the detailed work results, during the Reporting Period, the Company has successfully promoted various compliance management, and maintained effective operations of its compliance management system through the above measures, without any material violations of laws or regulations throughout the year and was rated as a Grade AA of Class A company among brokers in 2018.

### 1. Compliance management philosophy of the Company

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

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### 2. Compliance management principle of the Company

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

### 3. Organizational structure and duties of compliance management

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

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

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

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

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

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

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

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

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

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

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rectification; supervising the Company to promptly report to relevant agencies of the CSRC; in the event that the Company fails to report in time, directly reporting to relevant agencies of the CSRC; in the case of involving violation of the normative and self-regulatory rules of the industry, reporting to the relevant self-regulatory organizations. (ix) handling matters subject to investigation as required by the CSRC, its agencies and self-regulatory organization in a timely manner, cooperating with the CSRC, its agencies and self-regulatory organization in respect of the inspection and investigation carried out on the Company, as well as supervising and evaluating the implementation of regulatory opinions and regulatory requirements. (x) maintaining record for inspection of the documents and information in relation to the duties performed, such as the issue of compliance examination opinion, provision of compliance consultancy advice, the execution of Company's documents, and the original copy of compliance examination, and to record the details of performance of duties. (xi) performing other duties which are not contrary to the compliance management duties.

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

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

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



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### 4. The Company's compliance management system

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

During the Reporting Period, the Company continued to press ahead with the management of normalized internal control and gradually improved its delicacy management level. The Company organized each department, branch, wholly-owned and controlling subsidiary to commence self-inspection and on-site review of internal control for the year 2018 and accomplished normalization of the internal control of the newly-established Internet Financial Business Department, facilitated standardized operation of the Company through normalized management of internal control to ensure effective implementation and execution of the Company's systems.

In addition, the Company integrated various requirements on compliance management into various business procedures in formulating a variety of systems. According to the relevant requirements, the Company's formulation of or amendment to various systems shall be subject to the approval by the compliance department, which guarantees the normalization of such systems. In 2018, the Company reviewed 204 newly-established or revised systems at the level of the Company and department, positioning such systems to advance with the times.



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### 5. Compliance and risk management report system

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

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

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

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

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

## Section IX Corporate Governance

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

#### (i) Compliance inspections

During the Reporting Period, the Company strengthened compliance inspections on each business segment, each department, branch and subsidiary, including daily inspections and various special inspections with the orientation of risk.

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

In respect of special inspections, a total of 38 special compliance inspections were carried out by the Company during the Reporting Period, details of which are as follows:

First, there were eight inspections in aspect of employee practice management, including the completion of inspections of the technical and preventive monitoring measures for e-mails and telephone recordings of various departments in the four quarters of 2018; the surprise inspection of five trading rooms of the Company; verification of the securities account of the employee's stakeholder in a specific position of the securities investment business department; compliance management of the securities account and securities investment of the employee, spouse and interested party of the subsidiary investment company and the private equity fund subsidiary; re-verification and comparison of the employee's mobile phone order.

Second, four inspections in aspect of the research and consulting business were carried out to assist the Shanghai Securities Regulatory Bureau of the CSRC in conducting a comprehensive verification of the internal control management of the research and development of the research institute; two on-site inspections of the technical defense monitoring measures of the institute's employees; and routinely spot out the report of the institute in the system.

Third, the anti-money laundering has been carried out 12 times, and the anti-money laundering on-site inspections were carried out in 9 securities branches in Ningbo, Wuhan, Fujian, Shenzhen, Guangzhou, Chengdu and other regions, and the rectification work was supervised. The Compliance Department led the operation and management department and wealth management business department and system and operation department and other departments carry out special self-inspection work on anti-money laundering; carried out self-examination of the anti-money laundering management system; carried out self-examination of the registration information of beneficiary owners.

## Section IX Corporate Governance

Fourth, a total of six times of inspections were carried out in aspect of product management, including a special inspection of the business model and development of non-standard private equity funds of fund management department; sub-fund investment compliance inspection; the organization custody department conducted self-examination on the risk status of non-standard products it holds; carried out compliance inspection on the situation that the four Huaxin cash management products of the Company's sales agency are concentrated in the payment of the investor; and conducted on-site investigation of the behavior of the employee of Chengdu Jianshe Road Securities Branch Ma Da's in violation of the rules to recommend shares to customers; conducted on-site inspection of compliance issues, for example, employee of Shanghai Tang'an Road Securities Branch Chen Lei real name reported there is employee authority management at Tang'an Road Securities Branch.

Fifth, there are four times of inspections in aspect of information technology, namely, the inspection of computer application system permissions for the financial derivatives business department and the operation and management department, the compliance inspection of the technical entrustment and outsourcing management of the system R&D department, and compliance check of the technical system excluding NEEQ.

Sixth, an inspection was conducted in aspect of the internal control management, organize the Company's 2018 internal control self-inspection and update work, comprehensive self-examination and update of internal control process, company system and legal system, and integrity risk.

Seventh, there were two inspections in aspect of the information separation wall, being the special compliance inspection of the implementation of the information barrier system for the Company's key business units and subsidiaries from July 1, 2017 to June 30, 2018; follow up the rectification of the problem found in the special compliance inspections conducted by the Company's key business units and subsidiaries from July 2016 to June 2017 on the implementation of the information barrier system.

Eighth, there was an inspection in aspect of the securities financial business, that is, the special inspection of the implementation of the new regulations on the stock pledged repo transaction business of the securities financial business department.

## Section IX Corporate Governance

### (ii) Audit

During the Reporting Period, the Company's audit department closely focused on the Company's strategic planning, consolidating the foundation, sorting out the process, standardizing requirements, and building the team, insisting on risk-oriented, effectively configuring audit resources on the basis of reasonable determination of auditing priorities, paying attention to audit quality control, and promoting the construction of auditing system, innovating audit work concepts and methods, effectively transforming the results of audit work, and striving to enhance the value of audit work.

During the Reporting Period, the Company's audit department completed one hundred and forty auditing projects in total, including thirteen regular headquarter-level audit projects in aspects of business and management, six regular subsidiary-level audit projects, fifty-three regular securities branch-level audit projects; thirty-six audit projects concerning resignation of management at securities branch-level; thirty audit projects concerning the term of office and the economic liability of leaders members; two special audit projects. Meanwhile, the audit department led in arranging and completing the Company's annual internal control appraisal, assessment on effectiveness of compliance management and assessment on comprehensive risk management.

During the Reporting Period, the Company's audit department carried out internal audits in strict accordance with the standard procedures and requirements. While realizing the full coverage of audits, it highlighted the audit focus and paid attention to the authenticity, legality and effectiveness of the Company's main departments, subsidiaries and branches' business activities and internal control, continued to follow up and supervised the implementation of the problems found in the audit work, strengthened the summary, analysis and application of the audit inspection results, so as to find, reveal and remind the risk-prone, which has played a positive role in promoting the Company's operating and management level, solidifying the compliance foundation, improving internal control, and achieving comprehensive risk management.

## Section IX Corporate Governance

### XIII. OTHERS

#### (i) Company secretaries

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

#### (ii) Compliance with code for securities transactions

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

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

#### (iii) Internal control

For details of the Company's audit report on internal control, please refer to the 2018 Annual Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE (<http://www.sse.com.cn>) by the Company on March 28, 2019.

## Section IX Corporate Governance

### (iv) Directors' and auditor's responsibilities for accounts

The Board has acknowledged its responsibility for preparing the annual report of the Group for the year ended December 31, 2018.

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

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

### (v) Communications with shareholders

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

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

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

## Section IX Corporate Governance

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

The Board will be arranged to attend the Company's 2018 annual general meeting to answer shareholders' enquiries.

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

### (vi) Investors relationship activities

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

In 2018, the Company received seven on-site researches and investigations from institutions and analysts, attended 25 investor activities including exchange sessions with the Association for Public Companies or securities firms, arranged one on-site performance press conferences, one online performance call briefing, two overseas roadshows, answered the investor hotline and addressed questions from investors, patiently answered 63 questions from various investors through "SSE E-Information" platform, received over 500 investors and hosted interactive question and answered sessions with investors to increase recognition by investors and facilitate synergies between investors and the Company.

## Section IX Corporate Governance

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

No.	Date	Place	Manner	Visiting parties	Topics
1	May 4, 2018	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	May 10, 2018	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	July 10, 2018	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
4	November 19, 2018	the Company	On-site research	China International Capital Corporation Limited (中國國際金融有限公司), Sunshine Asset Management Corporation Limited (陽光資產管理股份有限公司) (2 investors)	The Company's operation status and development strategy
5	November 21, 2018	the Company	On-site research	Soochow Securities Co., Ltd. (東吳證券股份有限公司), Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), etc (8 investors)	The Company's operation status and development strategy
6	November 21, 2018	the Company	On-site research	TF Securities Co., Ltd (天風證券股份有限公司), Greenwoods Asset Management Limited (景林資產管理有限公司), (9 investors)	The Company's operation status and development strategy
7	December 14, 2018	the Company	On-site research	Industrial Securities Co., Ltd. (興業證券股份有限公司) (5 investors)	The Company's operation status and development strategy



## Section IX Corporate Governance

### (vii) Amendments to the Articles of Association

During the Reporting Period, a total of three amendments were made by the Company to the Articles of Association, details as follows.

As authorized by the “Proposal on Requesting the Board of Directors, A Share Class Meeting and H Share Class Meeting to Authorize the Board of Directors to Handle the Company’s Non-Public Issuance of A Shares” considered and approved at the 2017 first extraordinary general meeting, the 2017 first general meeting, the first A-share class meeting in 2017, and the first H-share class meeting in 2017, according to the results of the issuance of non-public issuance of A shares, the Company updated the terms, registered capital and total shares in the Articles of Association. For details, please refer to the relevant announcement disclosed by the Company on January 20, 2018.

As considered and approved at the 2018 first extraordinary general meeting and pursuant to the latest requirements of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies as amended by CSRC recently and the latest requirements of Guidelines on Implementation of Compliance Management of Securities Companies promulgated by Securities Association of China on compliance management of securities companies and the re-election plan of the fourth session of the Board and Supervisory Committee of the Company, considering the actual needs of the Company’s operations and management, the Company amended certain articles in the Articles of Association, the important provisions of the above amendments are effective after approval by the Shanghai Securities Regulatory Bureau. Please refer to relevant announcements disclosed by the Company on January 20, 2018 and July 6, 2018 for further details.

As authorized by the “Proposal on Applying for the Securities Investment Fund Custody Business” considered and approved by the 2015 annual general meeting of Shareholders, the Company updated the terms of the Articles of Association in relation to the scope of business in accordance with the approval of the securities investment fund custody qualification. For details, please refer to the relevant announcement disclosed by the Company on December 6, 2018.

# Section X Corporate Bonds

## I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue
2014 Bonds issued by DFZQ	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 DFZQ	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 DFZQ (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 DFZQ (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 DFZQ	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 DFZQ (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 did not repay any corporate bonds.

### Other information on corporate bonds

On November 17, 2014, the Company completed the issuance of the 2014 subordinated bonds of Orient Securities Company Limited with an aggregate principal of RMB1.4 billion, a term of 4 years and a coupon rate of 5.5%, which was repaid the principal and interest (total RMB1.477 billion) and delisted on the SSE on November 19, 2018.

On May 29, 2015, the Company completed the issuance of 2015 subordinated bonds of Orient Securities Company Limited with an aggregate principal of RMB6 billion, a term of 5 years and an initial annual interest rate of 5.6%. The issuer redeemed the options at the end of the third year. During the Reporting Period, the issuer chose to exercise the redemption option and redeemed all the bonds registered on the credit registration date, and repaid the principal and interest (total RMB6.336 billion) and the SSE on delisted on May 29, 2018.

## Section X Corporate Bonds

On February 13, 2017, the 25th meeting of the third session of the board of directors of the Company considered and approved the “Proposal on the General Mandate of the Issuance of Domestic Debt Financing Instruments”, which was considered and approved at the Company’s first 2017 extraordinary general meeting held on April 14, 2017. The Company applied for the Shanghai Stock Exchange and received the “Letter on No Objection on Listing and Transfer of Subordinated Bonds under Private Placement of Orient Securities Company Limited” (Shang Zheng Han [2018] No. 205). The letter authorized the Company to non-publicly issue subordinated bonds with a total amount of not more than RMB18 billion to qualified institutional investors. After the issuance, the bonds can be traded on the Shanghai Stock Exchange. The above quota will expire in February 2019.

On July 12, 2018, the Company completed the issuance of the 2018 non-public issuance of subordinated bonds (Phase I) of Orient Securities Company Limited. The issuance scale is RMB6.4 billion with a term of 2 years and a coupon rate of 5.18%.

### 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
	Tel	+86-021-22169999
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, Pudong New District, Shanghai, the PRC
	Contact person	Wu Kunsheng
	Tel	+86-021-50158806, +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.

## Section X Corporate Bonds

Everbright Securities Company Limited was the bonds trustee manager for the Company's 2015 corporate bonds, and Dongguan Securities Limited was the bonds trustee manager for the Company's 2017 non-publicly issued corporate bonds, 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 corporate bonds with a term of 5 years 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.

#### (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 corporate bonds with a term of 5 years 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 issued a capital verification report (De Shi Bao (Yan) Zi (15) No. 1759) in respect of receipt of the proceeds.

#### (iii) 17 Orient Securities 01, 17 Orient Securities 02

On June 9, 2017, the Company non-publicly issued RMB5 billion corporate bonds. "17 Orient Securities 01" was with a term of three years and issue size of RMB4 billion, and "17 Orient Securities 02" was with a term of five years and issue size of RMB1 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure so as to expand its business scale and improve its market competitiveness and anti-risk capability.

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

## Section X Corporate Bonds

### (iv) 17 Orient Bonds

On August 3, 2017, the Company publicly issued corporate bonds with a term of ten years and issue size of RMB4 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 and 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.

### (v) 18 Orient Securities 01

On April 13, 2018, the Company non-publicly issued corporate bonds with a term of one year and issue size of RMB8 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer 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.

## Section X Corporate Bonds

### IV. RATING OF CORPORATE BONDS

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

### 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 2018 to 2027, the interest of "17 Orient Securities 01" shall be paid on June 9 each year commencing from 2018 to 2020, the interest of "17 Orient Securities 02" shall be paid on June 9 each year commencing from 2018 to 2022, the interest of "15 Orient Securities Bonds" shall be paid on November 26 each year commencing from 2016 to 2020 and the interest of "14 Orient Securities Bonds" shall be paid on August 26 each year commencing from 2015 to 2019 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).
2. The payment of the bonds interest is carried out through the registration authority and other relevant institutions. Details of interest payment will be explained by the issuer in the interest payment announcement published on the media designated by the CSRC in compliance with the relevant state regulations.
3. Pursuant to the national taxation laws and regulations, the tax payable by the investors in relation to the bonds investment shall be borne by the investors.

## Section X Corporate Bonds

### (ii) Repayment of principal

1. The principal of the bonds will be repaid upon maturity in one lump sum. The principal of “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 fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued 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 fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

The issuance of “17 Orient Securities 01” and “17 Orient Securities 02” was completed on June 9, 2017. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

## Section X Corporate Bonds

The issuance of “15 Orient Securities Bonds” was completed on November 26, 2015. Everbright Securities Company Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued 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 OF THE COMPANY FOR THE RECENT TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Unit: '000 Currency: RMB

Major indicators	2018	2017	Increase or decrease in this period as compared with the corresponding period of last year (%)	Reason for change
EBITDA	6,968,191	10,432,731	-33.21	Mainly due to the decrease in profits before income tax
Current ratio	1.26	1.48	-14.86	The decrease in current assets outpacing that of current liabilities
Quick ratio	1.26	1.48	-14.86	The decrease in quick assets outpacing that of current liabilities
Gearing ratio (%)	73.17	73.69	Down by 0.52 percentage point	The decrease in liabilities outpacing that of total assets
EBITDA to total debts ratio (%)	5.30	7.30	Down by 2.00 percentage points	Mainly due to the decrease in EBITDA
Interest coverage ratio	1.25	1.75	-28.57	Mainly due to the decrease in profits before income tax
Cash interest coverage ratio	2.87	(1.41)	N/A	Mainly due to the increase in net operating cash inflow
EBITDA interest coverage ratio	1.28	1.78	-28.09	Mainly due to the decrease in EBITDA
Loan repayment rate (%)	100.00	100.00	–	
Interest repayment ratio (%)	100.00	100.00	–	

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



## Section X Corporate Bonds

### **IX. INTEREST PAYMENT AND REPAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENT OF THE COMPANY**

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

### **X. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD**

As at the end of the Reporting Period, the Company received aggregate banking facilities of RMB398.6 billion from 104 Banks, in which aggregate facilities of RMB156.5 billion was from state-owned large-scale commercial banks and joint-stock banks, and an aggregate facilities of RMB242.1 billion was from city and rural commercial banks. During the Reporting Period, the Company has maintained a good cooperative relationship with all kinds of banks which enables the Company to have a strong short-term and mid-long term financing capability.

### **XI. PERFORMANCE OF THE RELEVANT UNDERTAKINGS OR COMMITMENTS IN CORPORATE BONDS PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, The Company strictly implemented the relevant agreements or covenants of the bond prospectus, and the use of proceeds was consistent with those agreed in the prospectus. It strictly fulfilled the information disclosure responsibility and paid the bond interest on time to protect the legitimate rights and interests of investors. During the Reporting Period, there was no default in the interest payment of the Company's issued bonds. The company's operations remained stable with sound profitability, and no risk was found that could lead to failure to pay interest on time in future.

### **XII. IMPACT OF MATERIAL EVENTS OF THE COMPANY ON OPERATIONS AND SOLVENCY OF THE COMPANY**

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

## Section XI Documents Available for Inspection

Documents available for inspection	The full text and summary of the annual report signed by the legal representative and sealed with the corporate seal
Documents available for inspection	The 2018 annual financial report signed and sealed by the legal representative, the accounting chief and person-in-charge of the accounting department (head of the accounting department)
Documents available for inspection	Others

Chairman of the Board: Pan Xinjun  
Date of approval by the Board: March 28, 2019

## Section XII Information Disclosures of Securities Company

### I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

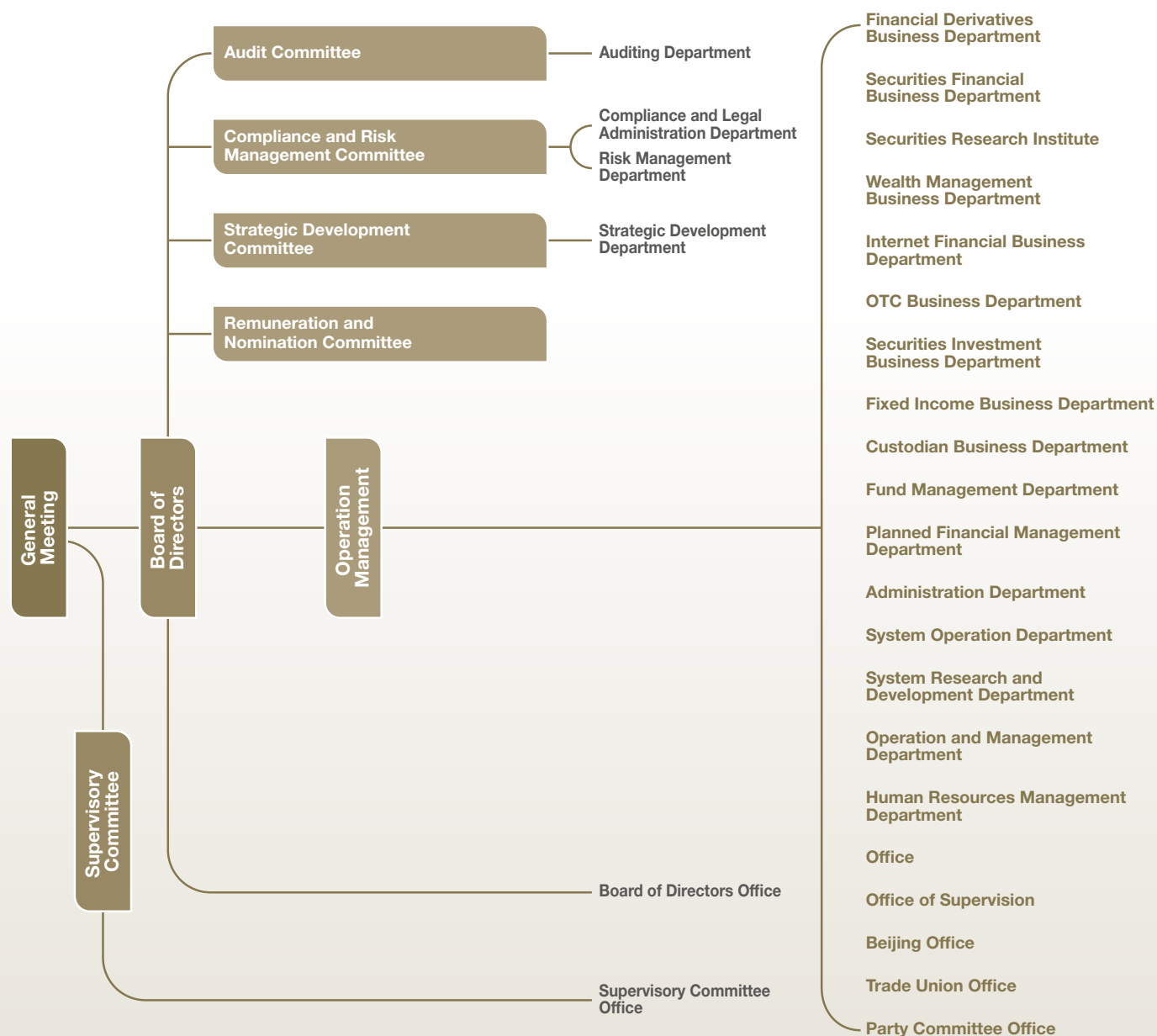
No.	Issued by	Title of document	Number of document	Issuing date
1	Shanghai Bureau of the CSRC	Reply of Approval on Qualification of Tong Jie as a Supervisor of a Securities Company	Hu Zheng Jian Xu Ke [2018] No. 22	March 6, 2018
2	Shanghai Bureau of the CSRC	Reply of Approval on Qualification of Xia 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	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
5	Shanghai Bureau of the CSRC	Reply on Approving the Change of Material Articles in Articles of Association by 東方證券股份有限公司	Hu Zheng Jian Xu Ke [2018] No. 52	July 3, 2018
6	Shanghai Bureau of the CSRC	Reply on Approving Orient Securities Company Limited to Establish 15 Securities Business Departments	Hu Zheng Jian Xu Ke [2018] No. 73	September 4, 2018
7	CSRC	Reply on Approval of the Securities Investment Fund Custody Qualification of 東方證券股份有限公司	Zheng Jian Xu Ke [2018] No. 1686	October 24, 2018
8	Shanghai Bureau of the CSRC	Reply on Approval of Lu Weiming's Qualification as Senior Management of Securities Companies	Hu Zheng Jian Xu Ke [2018] No. 96	November 22, 2018
9	Shanghai Bureau of the CSRC	Reply on Approval of Xu Haining's Qualification as Senior Management of Securities Companies	Hu Zheng Jian Xu Ke [2018] No. 97	November 22, 2018

### II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2018, the Company was rated as a Grade AA of Class A company.

# Appendix I: Organizational Structure of DFZQ

## Organizational Structure of the Company



## Appendix II: Information on Securities Branches of the Company

As at the end of the Reporting Period, the Company has 153 securities branches.

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Yangpu District Changyang Road Securities Branch of 東方證券股份有限公司	Whole floor of 1B, Room 06-09, 2B/F, Block 72, No. 1080 Changyang Road, Yangpu District, Shanghai	December 9, 1993
Shanghai Jing'an District Urumqi North Road Securities Branch of 東方證券股份有限公司	2/F, No. 480 Urumqi North Road, Jing'an District, Shanghai	October 28, 1994
Shanghai Pudong New Area Nanmen Street Securities Branch of 東方證券股份有限公司	No. 128 Nanmen Street, Pudong New Area, Shanghai	February 20, 1995
Shenzhen Jintian Road Securities Branch of 東方證券股份有限公司	Unit 01 and 02, 17/F, Dinghe Tower, No. 100 Fuhua 3rd Road, Fuan Community, Futian Street, Futian District, Shenzhen, Guangdong Province	July 6, 1995
Shanghai Baoshan District Changjiang West Road Securities Branch of 東方證券股份有限公司	No. 2, Lane 1952 Changjiang West Road, Baoshan District, Shanghai	June 23, 1998
Shanghai Baoshan District Yingao West Road Securities Branch of 東方證券股份有限公司	2/F, No. 638 Yingao West Road, Baoshan District, Shanghai	June 23, 1998
Shanghai Changning District Changning Road Securities Branch of 東方證券股份有限公司	Unit 1303, Block 1, No. 546 Changning Road, Changning District, Shanghai	June 23, 1998
Shanghai Changning District Zunyi Road Securities Branch of 東方證券股份有限公司	No. 567 Zunyi Road, Changning District, Shanghai	June 23, 1998
Shanghai Hongkou District Feihong Road Securities Branch of 東方證券股份有限公司	3/F, No. 35 & 3/F, No.19 Feihong Road, Hongkou District, Shanghai	June 23, 1998
Shanghai Huangpu District Beijing East Road Securities Branch of 東方證券股份有限公司	Main Building, 5/F, No. 270 Beijing East Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Fengyang Road Securities Branch of 東方證券股份有限公司	No. 310 Fengyang Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Zhonghua Road Securities Branch of 東方證券股份有限公司	Room 301-304 & 803, 804, West Side, No. 1600 Zhonghua Road, Huangpu District, Shanghai	June 23, 1998

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Jiading District Cao'an Highway Securities Branch of 東方證券股份有限公司	Room 106, 107, 108, 1/F, No. 1685 Cao'an Highway, Jiading District, Shanghai	June 23, 1998
Shanghai Minhang District Dushi Road Securities Branch of 東方證券股份有限公司	Room 107, 1/F, No. 27 and Room 310, 3/F, No. 13, Lane 2635 Dushi Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Gulong Road Securities Branch of 東方證券股份有限公司	1/G & 2/G, No. 214; 1/G & 2/G, No. 216; 1/G & 1-2/F, No. 218, 220, 222; 1/G & 2/G, No.224, No. 214 Gulong Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Heqing Road Securities Branch of 東方證券股份有限公司	No. 338 Heqing Road, Minhang District, Shanghai	June 23, 1998
Shanghai Pudong New Area Mudan Road Securities Branch of 東方證券股份有限公司	6/F, No. 60 Mudan Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Pingdu Road Securities Branch of 東方證券股份有限公司	Room 247, Block 3, No. 258 Pingdu Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Yuanshen Road Securities Branch of 東方證券股份有限公司	3/F, Pingan Wealth Building, No. 1088 Yuanshen Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Xinchuan Road Securities Branch of 東方證券股份有限公司	No. 611 Xinchuan Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Yaohua Road Securities Branch of 東方證券股份有限公司	1/F, 4-6/F, No. 58 Yaohua Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Zhoudong Road Securities Branch of 東方證券股份有限公司	No. 716 & 718 Zhuodong Road; 1/F & 2/F, No. 4128 Chuazhou Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Putuo District Guangxin Road Securities Branch of 東方證券股份有限公司	Room 401-403, Room 405-406 & Room 2201-2203, No. 88 Guangxin Road, Shanghai	June 23, 1998
Shanghai Putuo District Yunling East Road Securities Branch of 東方證券股份有限公司	Room 202, 2/F, No. 235 & 245, Yunling East Road, Putuo District, Shanghai	June 23, 1998
Shanghai Xuhui District Guangyuan West Road Securities Branch of 東方證券股份有限公司	Room B & C, 6/F, Block 2, No. 315 Guangyuan West Road, Xuhui District, Shanghai	June 23, 1998

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Xuhui District Zhaojiabang Road Securities Branch of 東方證券股份有限公司	9/F, No. 333 Zhaojiabang Road, Xuhui District, Shanghai	June 23, 1998
Shanghai Yangpu District Anbo Road Securities Branch of 東方證券股份有限公司	Room 2, 1/F, 2/F & 3/F, No. 521 Anbo Road, Yangpu District, Shanghai	June 23, 1998
Shanghai Jing'an District Wanrong Road Securities Branch of 東方證券股份有限公司	102-1、703-2、703-3, No. 1 Building, Lane 777 Wanrong Road, Jing'an District, Shanghai	June 23, 1998
Fushun Liaozhong Street Securities Branch of 東方證券股份有限公司	No.25-2 Liaozhong Street, Wanghua District, Fushun, Liaoning	August 18, 1998
Fushun Yumin Road Securities Branch of 東方證券股份有限公司	No. 15, Yumin Road, Xinfu District, Fushun, Liaoning (4/F & 5/F, Bldg. No. 6, Zheshang International Trade Center)	August 18, 1998
Beijing Anyuan Road Securities Branch of 東方證券股份有限公司	No.45 Xiaoguanbeili, Chaoyang District, Beijing	April 4, 2001
Chengdu Jianshe Road Securities Branch of 東方證券股份有限公司	Suite 2102 & 2103, 21/F, Block 1, No. 9 Jianshe Road, Chenghua District, Chengdu, Sichuan	April 11, 2001
Fushun Qingyuan Securities Branch of 東方證券股份有限公司	No. 49 Honghe Road, Qingyuan Town, Qingyuan Manchu Autonomous County, Fushun, Liaoning	December 18, 2001
Fushun Xinhua Street Securities Branch of 東方證券股份有限公司	No. 9, Building 20, Xinhua Street, Shuncheng District, Fushun, Liaoning	March 28, 2002
Guangzhou Baogang Avenue Securities Branch of 東方證券股份有限公司	5/F, No. 283 Baogang Avenue, Haizhu District, Guangzhou, Guangdong	April 21, 2002
Changsha Laodong West Road Securities Branch of 東方證券股份有限公司	7/F, No. 471 Laodong West Road, Changsha, Hunan	June 7, 2002
Hangzhou Stadium Road Securities Branch of 東方證券股份有限公司	No. 286 Stadium Road, Hangzhou, Zhejiang	August 7, 2002
Suzhou Xihuan Road Securities Branch of 東方證券股份有限公司	1/F, North Podium, No. 2115 Xihuan Road, Suzhou, Jiangsu	August 12, 2005
Guilin Zhongshan Middle Road Securities Branch of 東方證券股份有限公司	4/F, Jintai Building, No. 16 Zhongshan Middle Road, Guilin, Guangxi Zhuang Autonomous Region	May 10, 2006
Nanjing Beijing East Road Securities Branch of 東方證券股份有限公司	Art & Crafts Building, No. 31 Beijing East Road, Xuanwu District, Nanjing, Jiangsu	May 10, 2006
Tianjin Xikang Road Securities Branch of 東方證券股份有限公司	No. 42 Xikang Road, Heping District, Tianjin	May 10, 2006
Wuhan Sanyang Road Securities Branch of 東方證券股份有限公司	5/F, Block A, Sanyang Golden City, No. 118 Sanyang Road, Jiang'an District, Wuhan, Hubei	May 11, 2006
Beihai Beihai Avenue Securities Branch of 東方證券股份有限公司	No. 0301, 3/F, Fengsheng Building, No. 187 Beihai Avenue, Beihai, Guangxi Zhuang Autonomous Region	May 12, 2006

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shantou Changping Road Securities Branch of 東方證券股份有限公司	1/F & 9/F-11/F, Yiyuan Building, No. 161 Changping Road, Shantou, Guangdong	May 12, 2006
Nanning Jinhua Road Securities Branch of 東方證券股份有限公司	Shop No. 10, 1/F and No. 2A4/2A5, 2/F, Oriental International Business Port, No. 26-1, Jinhua Road, Nanning, Guangxi Zhuang Autonomous Region	May 15, 2006
Shanghai Yangpu District Kongjiang Road Securities Branch of 東方證券股份有限公司	Room 101, Room 2508, No. 1555, Kongjiang Road, Yangpu District, Shanghai	May 15, 2006
Shenyang Changjiang South Street Securities Branch of 東方證券股份有限公司	No. 169 Changjiang South Street, Huanggu District, Shenyang, Liaoning	May 15, 2006
Shenyang Nanba Middle Road Securities Branch of 東方證券股份有限公司	No. 25 Nanba Middle Road, Tiexi District, Shenyang, Liaoning	May 15, 2006
Shenyang Dabeiguan Street Securities Branch of 東方證券股份有限公司	3-4/F, No. 79 Dabeiguan Street, Dadong District, Shenyang, Liaoning	May 16, 2006
Shanghai Pudong New Area Zhangyang Road Securities Branch of 東方證券股份有限公司	No. 638 Zhangyang Road, Pudong New Area, Shanghai	May 17, 2006
Shenzhen Shennan Avenue Securities Branch of 東方證券股份有限公司	22/F, Block A, East Pacific International Center, No. 7888 Shennan Avenue, Futian District, Shenzhen, Guangdong	May 18, 2006
Shenyang Huigong Street Securities Branch of 東方證券股份有限公司	1-3/F, Block CD, No. 167 Huigong Street, Shenhe District, Shenyang, Liaoning	June 14, 2006
Beijing Xueyuan Road Securities Branch of 東方證券股份有限公司	12/F, Block B, Techart Plaza, No. 30 Xueyuan Road, Haidian District, Beijing	July 18, 2006
Changchun Tongzhi Street Securities Branch of 東方證券股份有限公司	4/F & 11/F, Tonghui Building, No. 2222 Tongzhi Street, Chaoyang District, Changchun, Jilin	July 31, 2006
Hangzhou Longjing Road Securities Branch of 東方證券股份有限公司	No. 53 Longjing Road, Hangzhou, Zhejiang	August 1, 2006
Guangzhou Pingyue Road Securities Branch of 東方證券股份有限公司	No. 161 Pingyue Road, Guangzhou, Guangdong	August 29, 2006
Jinan Jingqi Road Securities Branch of 東方證券股份有限公司	No. 319, Jingqi Road, Jinan, Shandong	April 9, 2007
Qunzhong East Road Securities Branch of 東方證券股份有限公司	1/F & 5/F, Sanmu Building, No. 93 Qunzhong East Road, Xingang Street, Taijiang District, Fuzhou, Fujian	August 24, 2007
Shanghai Songjiang District Huting North Road Securities Branch of 東方證券股份有限公司	Shop C, Room 303, No. 38, Lane 607 Huting North Road, Songjiang District, Shanghai	June 29, 2010
Shanghai Songjiang District New Songjiang Road Securities Branch of 東方證券股份有限公司	No. 251 New Songjiang Road, Songjiang District, Shanghai	July 5, 2010



## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Shanghai Jinshan District Weiqing West Road Securities Branch of 東方證券股份有限公司	No. 17, Lane 128 & No. 132, 134, Weiqing West Road, Jinshan District, Shanghai	June 30, 2011
Shanghai Qingpu District Easten Garden Road Securities Branch of 東方證券股份有限公司	Block D, No.1606 Easten Garden Road, Qingpu District, Shanghai	July 1, 2011
Hefei Wangjiang West Road Securities Branch of 東方證券股份有限公司	No. 99 Wangjiang West Road, Shushan District, Hefei, Anhui	January 31, 2012
Linyi Jiefang East Road Securities Branch of 東方證券股份有限公司	Room 105-108, Block A, Commercial Building, Yinqiao Jinju Community Jiefang East Road, Hedong District, Linyi, Shandong	February 14, 2012
Shanghai Jiading District Jinsha Road Securities Branch of 東方證券股份有限公司	5/F, No. 77 Jinsha Road, Jiading District, Shanghai	February 17, 2012
Shanghai Fengxian District Nanting Highway Securities Branch of 東方證券股份有限公司	1-2/F, Block 1, No. 269 Nanting Highway, Nanqiao Town, Fengxian District, Shangha	February 28, 2012
Shanghai Jiading District Huyi Highway Securities Branch of 東方證券股份有限公司	Room 103, 1/F, No. 1158 Huyi Highway, Jiading District, Shangha	November 2, 2012
Shanghai Chongming Dongmen Road Securities Branch of 東方證券股份有限公司	No. 425-427 Dongmen Road, Chongming County, Shanghai	November 19, 2012
Shanghai Pudong New Area Jinke Road Securities Branch of 東方證券股份有限公司	Room 216, Block 2, No. 2966 Jinke Road, Pudong New Area, Shanghai	March 31, 2014
Taiyuan Pingyang Road Securities Branch of 東方證券股份有限公司	No. 1001, 1002 & 1003, 1-2/F, Block 171, No. 186 Pingyang Road, Xiaodian District, Taiyuan, Shanxi	April 17, 2014
Huzhou Zhicheng Road Securities Branch of 東方證券股份有限公司	18-1-06, 18-2-05, 18-2-06, 18-2-07, 18-2-08, Building 18 (No. 112 Zhicheng Road), Aishan Plaza, Huzhou, Zhejiang	April 21, 2014
Nanchang Lvying Road Securities Branch of 東方證券股份有限公司	Room 2902, 2903, 29/F, Office Building, Lianfa Plaza, No. 129 Lvying Road, Nanchang, Jiangxi	April 23, 2014
Xiangtan Huxiang North Road Securities Branch of 東方證券股份有限公司	Shop 3, Napaxi Valley IV, Huxiang North Road, Xiangtan, Hunan	April 23, 2014
Fushun Suihua Road Securities Branch of 東方證券股份有限公司	No. 45 West Section of Suihua Road, Dongzhou District, Fushun, Liaoning	April 25, 2014
Shangyu Wealth Square Securities Branch of 東方證券股份有限公司	1/F, 8th Building, Wealth Square, Shangyu District, Shaoxing, Zhejiang	May 16, 2014
Yiwu Gongren West Road Securities Branch of 東方證券股份有限公司	No. 113 Gongren West Road, Yiwu, Zhejiang	May 26, 2014

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Zhengzhou Commercial Central Park Securities Branch of 東方證券股份有限公司	No. 1801, 18/F, Building 1, No. 2 Commercial Central Park, Zhengdong New District, Zhengzhou, Henan	May 27, 2014
Hohhot Xinhua East Street Securities Branch of 東方證券股份有限公司	No. 1102, Complex Building, International Finance Building, No. 18 Xinhua East Street, Saihan District, Hohhot,	May 28, 2014
Putian Licheng Middle Avenue Securities Branch of 東方證券股份有限公司	1-3/F, No.2299 Licheng Middle Avenue, Longqiao Sub-district, Chengxiang District, Putian, Fujian	May 29, 2014
Chongqing Times Paradise Walk Securities Branch of 東方證券股份有限公司	Unit 18-4 & 18-05, Building 1, No. 2 Times Paradise Walk, Yuzhong District, Chongqing	June 3, 2014
Chaoyang Chaoyang Street Securities Branch of 東方證券股份有限公司	No. 60 the Third Section of Chaoyang Street, Shuangta District, Chaoyang, Liaoning	June 4, 2014
Kunming Bailong Road Securities Branch of 東方證券股份有限公司	No. 1001 & 1008, 10/F, Diangao Commercial Building, No. 19 Bailong Road, Panlong District, Kunming, Yunnan	June 5, 2014
Fuzhou Wusi Road Securities Branch of 東方證券股份有限公司	Unit 01-02, 19/F, the Rongdu International Building, No. 82 Wusi Road, Gulou District, Fuzhou, Fujian	June 10, 2014
Shanghai Baoshan District Songnan Road Securities Branch of 東方證券股份有限公司	No. 427-1 Songnan Road, Baoshan District, Shanghai (Temporary)	June 12, 2014
Shenzhen Haide Third Road Securities Branch of 東方證券股份有限公司	9/F, Block A, Tiley Central Plaza, No 199, Haide Third Road, Nanshan District, Shenzhen, Guangdong	June 17, 2014
Chengdu Tianfu Avenue Securities Branch of 東方證券股份有限公司	No.1601, 1603, 1605, 1607 & 1609, 16/F, Block 1, No. 1399 the South Section of Tianfu Avenue, High-tech Zone, Chengdu, Sichuan	June 24, 2014
Shanghai Minhang District Nanjiangyan Road Securities Branch of 東方證券股份有限公司	No. 121 Nanjiangyan Road, Minhang District, Shanghai	June 26, 2014
Guilin Lingui County Renmin Road Securities Branch of 東方證券股份有限公司	No. 1-2-1 & 1-2-3, Block 1, 2/F, Dashijie Main Building, Renmin Road, Lingui Town, Lingui County, Guilin, Guangxi Zhuang Autonomous Region	July 3, 2014
Lhasa Chagu Avenue Securities Branch of 東方證券股份有限公司	Room 1306, Liuwu Building, Liuwu New District, Lhasa, Tibet Autonomous Region	July 10, 2014
Shanghai Huangpu District Zhongshan South Road First Securities Branch of 東方證券股份有限公司	Room 402, 4/F, No. 318 Zhongshan South Road, Huangpu District, Shanghai	July 14, 2014
Xi'an Tangyan Road Securities Branch of 東方證券股份有限公司	Room 0501, Unit 2, Block 1, Tangyan International Center, No. 3 Tangyan Road, Gaoxin District, Xi'an, Shannxi	July 14, 2014
Shanghai Qingpu District Huaxu Highway Securities Branch of 東方證券股份有限公司	Room 102, Block B, No. 999 Huaxu Highway, Xujing Town, Qingpu District, Shanghai	July 15, 2014
Yantai Yingchun Street Securities Branch of 東方證券股份有限公司	No. 170 Yingchun Street, Laishan District, Yantai, Shandong	July 22, 2014

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Deyang Changjiang West Road Securities Branch of 東方證券股份有限公司	2/F (left to the elevator), No. 88 Changjiang West Road, Jingyang District, Deyang, Sichuan	August 15, 2014
Shanghai Pudong New Area Fute West Third Road Securities Branch of 東方證券股份有限公司	Room 936, 9/F, Block 10, No. 77 Fute West Third Road, Shanghai Pilot Free-Trade Zone	September 2, 2014
Nanchong Wenhua Road Securities Branch of 東方證券股份有限公司	Unit 501, 5/F, Universal House Hotel, No. 1 Wenhua Road, Shunqing District, Nanchong, Sichuan	September 29, 2014
Shanghai Pudong New Area Tang'an Road Securities Branch of 東方證券股份有限公司	No. 782 Tang'an Road, Pudong New Area, Shanghai	October 10, 2014
Shanghai Pudong New Area Yincheng Middle Road Securities Branch of 東方證券股份有限公司	Room 2301B, No. 488 Yincheng Middle Road, Pudong New Area, Shanghai	May 8, 2015
Zhuzhou Jianshe South Road Securities Branch of 東方證券股份有限公司	No. 320 Jianshe South Road, Lusong District, Zhuzhou, Hunan	June 18, 2015
Nantong Gongnong Road Securities Branch of 東方證券股份有限公司	No. 181, 183, 185 Gongnong Road, Nantong, Jiangsu	June 25, 2015
Jiangyin Renmin East Road Securities Branch of 東方證券股份有限公司	1/F, No. 112 & 2/F, No. 108, 110, 112, Renmin East Road, Jiangyin, Jiangsu	July 9, 2015
Xiamen Xianyue Road Securities Branch of 東方證券股份有限公司	Shop 105 or Shop 108, No. 555 Xianyue Road, Siming District, Xiamen, Fujian	July 14, 2015
Liuzhou Wenchang Road Securities Branch of 東方證券股份有限公司	No. 2-1, 2, 3, Block 21, Dongjun, No. 26 Wenchang Road, Liuzhou, Guangxi Zhuang Autonomous Region	July 16, 2015
Xi'an Taoyuan South Road Securities Branch of 東方證券股份有限公司	No. 38 Taoyuan South Road, Lianhu District, Xi'an, Shaanxi	July 22, 2015
Beihai Chating Road Securities Branch of 東方證券股份有限公司	No. 1205-1207, Fuyu Building, No. 31 Chating Road, Beihai, Guangxi Zhuang Autonomous Region	July 28, 2015
Jiaxing Zhongshan West Road Securities Branch of 東方證券股份有限公司	No. 1776 Zhongshan West Road, Gaozhao Sub-district, Xiuzhou District, Jiaxing, Zhejiang	July 30, 2015
Ningbo Zhongxing Road Securities Branch of 東方證券股份有限公司	(1-2) (2-2), No. 601 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang	July 30, 2015
Quanzhou Jinhuai Street Securities Branch of 東方證券股份有限公司	Room 502, Block A, Gas Building, No. 25 Jinhuai Street, Fengze District, Quanzhou, Fujian	July 30, 2015
Taizhou Shuijiang District Zhongshan East Road Securities Branch of 東方證券股份有限公司	No. 368 Zhongshan East Road, Shuijiang District, Taizhou, Zhejiang	July 30, 2015
Harbin Ganshui Road Securities Branch of 東方證券股份有限公司	Shop 14, 1-3/F, Commercial Building, Wanda Commercial Center No. 84 Ganshui Road, Nangang Jizhong District, Harbin Economic-technological Development Zone, Heilongjiang	July 31, 2015

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Haikou Jinlong Road Securities Branch of 東方證券股份有限公司	1/F & 2/F, East Coconut Grove International Building, No. 19 Jinlong Road, Longhua District, Haikou, Hainan	August 5, 2015
Lanzhou Nanchang Road Securities Branch of 東方證券股份有限公司	1/F, Shengshi Kaixuan Building, No. 1918 Nanchang Road, Chengguan District, Lanzhou, Gansu	August 5, 2015
Guiyang Huaguoyuan Securities Branch of 東方證券股份有限公司	Office Building No. 6, 7, 8, 9, 10, 11 & 12, 40/F, Unit 1, Building 6, Zone F, Pengjiawan Huaguoyuan Project, Huaguoyuan, Nanming District, Guiyang, Guizhou	August 7, 2015
Shijiazhuang Tiyu South Street Securities Branch of 東方證券股份有限公司	No. 233 Tiyu South Street, Yuhua District, Shijiazhuang, Hebei	August 7, 2015
Wenzhou Xinhe Street Securities Branch of 東方證券股份有限公司	Room 601, Block A, Songtai Building, Xinhe Street, Lucheng District, Wenzhou, Zhejiang	August 7, 2015
Urumqi Nanhu Road Securities Branch of 東方證券股份有限公司	No. 4, 5, 6, 3/F, Building Construction Mansion, No. 133 Nanhu Road, Shuimogou District, Urumqi, Xinjiang Uygur Autonomous Region	August 7, 2015
Wuxi Xinsheng Road Securities Branch of 東方證券股份有限公司	No. 152 Xinsheng Road, Wuxi, Jiangsu	August 7, 2015
Xining Huanghe Road Securities Branch of 東方證券股份有限公司	Shop 15, Building 3, No. 21 Huanghe Road, Chengxi District, Xining, Qinghai	August 7, 2015
Yinchuan Minzu North Street Securities Branch of 東方證券股份有限公司	2/F, No. 12 Minzu North Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region	August 7, 2015
Zhenjiang Dongwu Road Securities Branch of 東方證券股份有限公司	Room 110, 1/F, Building 1, No. 38 Dongwu Road, Zhenjiang, Jiangsu	August 7, 2015
Taiyuan High-tech Street Securities Branch of 東方證券股份有限公司	15/F, No. 15 High-tech Street, High-tech Zone, Taiyuan, Shanxi	December 6, 2016
Baotou Qingnian Road Securities Branch of 東方證券股份有限公司	1-A4, Hengyuan Ginza Commercial Building, No. 28 Qingnian Road, Qingshan District, Baotou, Inner Mongolia Autonomous Region	December 19, 2016
Yangzhou Wenhui East Road Securities Branch of 東方證券股份有限公司	No. 231 Wenhui East Road, Economic Development Zone, Yangzhou, Jiangsu	January 5, 2017
Changshu Lizha Road Securities Branch of 東方證券股份有限公司	21-23, No. 65 Lizha Road, Changshu, Jiangsu	January 5, 2017
Jinhua Bayi North Street Securities Branch of 東方證券股份有限公司	No. 190 Bayi North Street, Wucheng District, Jinhua, Zhejiang	January 6, 2017
Zhangjiagang Donghuan Road Securities Branch of 東方證券股份有限公司	Chengnan Building, No. 68 Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu	January 6, 2017
Shaoxing Shengli East Road Securities Branch of 東方證券股份有限公司	No. 402 Shengli East Road & Room 705, 706-1, No. 68 Didanghu Road, Yuecheng District, Shaoxing, Zhejiang	March 13, 2017
Xi'an Weiyang Road Securities Branch of 東方證券股份有限公司	Shop 04, 1/F, Building 1, Datang Xinghe Garden, No. 109-1 Weiyang Road, Xi'an, Shaanxi	March 30, 2017
Shenzhen Shennan East Road Securities Branch of 東方證券股份有限公司	Room 02, 03 & 05, 19/F, Main Building, Shun Hing Square, No. 5002 Shennan East Road, Guiyuan Sub-district, Luohu District, Shenzhen, Guangdong	April 24, 2017

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Zhuhai Jida Road Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 202, 2/F, Petroleum Building, No. 103 Jida Road, Xiangzhou District, Zhuhai, Guangdong	May 5, 2017
Shanghai Jing'an District Yanping Road Securities Branch of 東方證券股份有限公司	1-2/F, No. 167 Yanping Road, Jing'an District, Shanghai	May 12, 2017
Zibo Liuquan Road Securities Branch of 東方證券股份有限公司	No. 258 Liuquan Road, High-tech Zone, Zibo, Shandong	May 17, 2017
Hefei Meishan Road Securities Branch of 東方證券股份有限公司	1-2/F, Alic Building, No.19 Meishan Road, Hefei, Anhui	May 17, 2017
Wuhu Beijing Middle Road Securities Branch of 東方證券股份有限公司	No. 104 & 501 Jinghu Star, No.1 Beijing Middle Road, Jinghu District, Wuhu, Anhui	July 5, 2017
Changchun Ziyou Road Securities Branch of 東方證券股份有限公司	Room 110, Block B, The First International Centre, No. 3999 Ziyou Road, Er'dao District, Changchun, Jilin	July 5, 2017
Tianjin Nanma Road Securities Branch of 東方證券股份有限公司	No. 1201 Nanma Road, Nankai District, Tianjin	July 5, 2017
Xuchang Xudu Road Securities Branch of 東方證券股份有限公司	1 & 2/F, Block A, Huitong Commercial Garden, South of Xudu Road & West of Wisdom Building, Dongcheng District, Xuchang, Henan	July 5, 2017
Changzhou Longjin Road Securities Branch of 東方證券股份有限公司	Room 102, 1103 & 1104, Building 3, Modern Media Centre, No. 1590 Longjin Road, Xinbei District, Changzhou, Jiangsu	July 6, 2017
Qingdao Miaoling Road Securities Branch of 東方證券股份有限公司	101-A, No. 36-1, Miaoling Road, Laoshan District, Qingdao, Shandong	July 6, 2017
Tangshan Beixin West Road Securities Branch of 東方證券股份有限公司	No. 36-13 Beixin West Road, Lijingqin Garden, Zhangdali, Lubei District, Tangshan, Hebei	July 6, 2017
Jiangmen Yingbin Middle Avenue Securities Branch of 東方證券股份有限公司	Suite 109 & 2208-2209, Block 1, No. 118 Middle section of Yingbin Avenue, Pengjiang District, Jiangmen, Guangdong	July 6, 2017
Dalian Taiyuan Street Securities Branch of 東方證券股份有限公司	No. 177-13 Taiyuan Street, Shahekou District, Dalian, Liaoning	July 12, 2017
Dongguan Hongfu Road Securities Branch of 東方證券股份有限公司	No. 104 Huicheng Building, No. 102 Hongfu Road, Nancheng Sub-district, Dongguan, Guangdong	July 12, 2017
Beijing Dajiaoting South Street Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 2017, 2/F, Building 1, No. 5, Dajiaoting South Street, Chaoyang District, Beijing	July 13, 2017
Chengdu Yizhou Avenue Securities Branch of 東方證券股份有限公司	No. 104, 1/F, Unit 2, Block 1, No.777 North Section of Yizhou Avenue, High-tech Zone, Chengdu, Sichuan	July 13, 2017
Chongqing Honghu West Road Securities Branch of 東方證券股份有限公司	No. 41 & 43, Honghu West Road, Yubei District, Chongqing	July 13, 2017
Xuzhou Heping Road Securities Branch of 東方證券股份有限公司	No. 101-1, Wenyuan Building, Jiangsu Normal University Science & Technology Park, No. 59 Heping Road, Yunlong District, Xuzhou, Jiangsu	July 13, 2017
Luoyang Nanchang Road Securities Branch of 東方證券股份有限公司	No. 107, Block 4, No. 14 Nanchang Road, Jianxi District, Luoyang, Henan	July 18, 2017

## Appendix II: Information on Securities Branches of the Company

Name of securities branches	Registered address (PRC)	Date of establishment
Guangzhou Guangzhou Middle Avenue Securities Branch of 東方證券股份有限公司	301 Self-built Room 2, No. 129-133 Middle section of Guangzhou Avenue, Yuexiu District, Guangzhou, Guangdong	July 18, 2017
Zhongshan Zhongshan Fifth Road Securities Branch of 東方證券股份有限公司	Unit 01, 12/F, Block 3, Zima benteng Square, No. 2 Zhongshan Fifth Road, Eastern District, Zhongshan, Guangdong	July 18, 2017
Yueyang Jin'e Middle Road Securities Branch of 東方證券股份有限公司	1/F, St. Xincheng Caizhi Mansion, No. 408 Jin'e Middle Road, Yueyanglou District, Yueyang, Hunan	July 19, 2017
Yichang Xiling First Road Securities Branch of 東方證券股份有限公司	No. 15 Xiling First Road, Xiling District, Yichang (Shop 117 & 217, Jin'an Downtown), Hubei	July 19, 2017

## Appendix III: Information on Futures Branches of the Company

As at the end of the Reporting Period, the Company has 31 futures branches.

Name of futures branches	Registered address (PRC)	Date of establishment
Dalian Branch of Orient Futures Co., Ltd	Room 2411 · 2412 · 3501-3507 and 3510-1, Dalian Futures Building, Block A, Dalian International Financial Center, No. 129 Huizhan Road, Shahekou District, Dalian, Liaoning	January 16, 2009
Shanghai Xinzha Road Branch of Orient Futures Co., Ltd	Room 407, Block 1, No. 1418 Xinzha Road, Jing'an District, Shanghai	May 19, 2009
Zhengzhou Branch of Orient Futures Co., Ltd	Room 1301, Futures Building, No. 30, Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan	July 2, 2009
Changsha Branch of Orient Futures Co., Ltd	7/F, Zhongtian Power Building, No. 471, West Labor Road, Yuhua District, Changsha, Hunan	November 24, 2009
Beijing Anyuan Road Branch of Orient Futures Co., Ltd	6/F, Building 5, Century Jiayuan, 45 Xiaoguan North Lane, Chaoyang District, Beijing	December 28, 2009
Changzhou Branch of Orient Futures Co., Ltd	Room 1610-1612 and 1618-1658, No. 23, 25, 27 & 29, Yanling West Road, Changzhou, Jiangsu	July 5, 2010
Taiyuan Branch of Orient Futures Co., Ltd	No. 1023 · 1024 · 1025 & 1026, 10/F, Tower 1, Hexin Commercial Plaza, No. 705, Changfeng Street, Xiaodian District, Taiyuan, Shanxi	November 29, 2010
Shanghai Zhongshan South Road Branch of Orient Futures Co., Ltd	35/F and 7/F, Building 2, No. 318, Zhongshan South Road, Huangpu District, Shanghai	August 3, 2011
Guangzhou Branch of Orient Futures Co., Ltd	Room 2721 & 2722, Tower B, Sinopec Building No. 191, Tiyuxi Road, Tianhe District, Guangzhou, Guangdong	October 17, 2012
Qingdao Branch of Orient Futures Co., Ltd	Room 1501, Unit 1, Building 2, No. 69, Haimen Road, Shinan District, Qingdao, Shandong	May 16, 2013
Ningbo Branch of Orient Futures Co., Ltd	Room 901, No. 777 Lingqiao Road, Haishu District, Ningbo, Zhejiang	February 24, 2014
Shenzhen Branch of Orient Futures Co., Ltd	7A, Times Fortune Building, South Eastern Part, Central Area, Futian District, Shenzhen, Guangdong	May 16, 2014
Shanghai Pilot Free Trade Zone Branch of Orient Futures Co., Ltd	Room 1303, 13/F, No.5 Bibo Road, China (Shanghai) Pilot Free Trade Zone, Shanghai	May 29, 2014
Hangzhou Branch of Orient Futures Co., Ltd	Room 907, Building 2, Qianjiang International Times Square, Jiangqian District, Hangzhou, Zhejiang	June 18, 2014
Chengdu Branch of Orient Futures Co., Ltd	No. 330, Huayang Haichang Road, Chengdu Tianfu New District, China (Sichuan) Pilot Free Trade Zone, Sichuan	January 7, 2015
Xi'an Branch of Orient Futures Co., Ltd	12F-6, Jierui Wisdom Building, No.5, West Section of South 2nd Ring, Lianhu District, Xi'an, Shaanxi	January 15, 2015
Xiamen Branch of Orient Futures Co., Ltd	Room 908, Fortune Center, No. 100 Lujiang Road, Siming District, Xiamen, Fujian	January 23, 2015



## Appendix III: Information on Futures Branches of the Company

Name of futures branches	Registered address (PRC)	Date of establishment
Dongying Branch of Orient Futures Co., Ltd	Room 902, Block 1, No. 53, Fuqian Street, Dongying District, Dongying, Shandong	March 17, 2015
Tianjin Branch of Orient Futures Co., Ltd	1-1-803, Rongqiao Center, Building 1, Shanglanyuan, Intersection of Changjiang Avenue and Naikai Liuma Road, Nankai District, Tianjin	March 23, 2015
Harbin Branch of Orient Futures Co., Ltd	No. 1103 & 1104, 11/F, Unit 1, Block 3, Fortune Center, Enclosure Area of Qunli Avenue, Lingjiang Road and Qunli Fourth Avenue, Qunli New District, Daoli District, Harbin, Heilongjiang	April 3, 2015
Nanning Branch of Orient Futures Co., Ltd	No. 0712, Building 1, Mingduyuan, No. 22 Jinpu Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	April 3, 2015
Beijing Chaoyangmen Branch of Orient Futures Co., Ltd	Room 401-402, 4/F, No. 22 Chaowai Street, Chaoyang District, Beijing	September 8, 2015
Chongqing Branch of Orient Futures Co., Ltd	26-5, Jiafa Center Office Building, No. 36 Nanping West Road, Nan'an District, Chongqing	May 19, 2016
Hangzhou Jiaogong Road Branch of Orient Futures Co., Ltd	Room 1405, Block 1 (Area C), EAC World Trade Lijing Building, West Lake District, Hangzhou, Zhejiang	July 1, 2016
Shantou Branch of Orient Futures Co., Ltd	Room 1105 & 1107, Hanjiang Building, Block 17, West 3rd District, Danyangzhuang, Longhu District, Shantou, Guangdong	July 5, 2018
Quanzhou Branch of Orient Futures Co., Ltd	Unit 1203, Block A, Gas Building, No. 25 Jinhui Street, Fengze District, Quanzhou, Fujian	July 13, 2018
Ningbo Tiantong South Road Branch of Orient Futures Co., Ltd	Room 1305, Lane 577, Tiantong South Road, Yinzhou District, Ningbo, Zhejiang	July 18, 2018
Shenyang Branch of Orient Futures Co., Ltd	No. 49, Xinghua North Street, Tiexi District, Shenyang, Liaoning	August 7, 2018
Suzhou Branch of Orient Futures Co., Ltd	Room 3602, Block 2, Oriental Gate Building, 199 Xinggang Street, Suzhou Industrial Park, Suzhou, Jiangsu	October 11, 2018
Nantong Branch of Orient Futures Co., Ltd	Room 1401, South Building, Yuanrong Plaza, No. 57 Gongnong Road, Chongchuan District, Nantong, Jiangsu	December 10, 2018
Hangzhou Binjiang Branch of Orient Futures Co., Ltd	Room 3806, Yintai International Commerce Center, No. 1600 Science & Technology Museum Street, Changhe Street, Binjiang District, Hangzhou, Zhejiang	December 17, 2018



## Appendix IV: Information Disclosure Index

1. During the Reporting Period, the information disclosed in the China Securities Journal, the Shanghai Securities News, the Securities Times, the Securities Daily, and on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) by the Company was as follows:

Date of publication	Subject
January 4, 2018	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
January 11, 2018	Announcement on the Financial Data for December 2017 of DFZQ
January 20, 2018	Announcement on Resolutions of the 37th Meeting of the Third Session of the Board of DFZQ, Independent Opinion of the Independent Director of DFZQ on Increasing Candidates for Re-election of the Board, Notice of DFZQ on the First Extraordinary General Meeting of 2018, Announcement on Amending Certain Provisions of the Articles of Association, Articles of Association of DFZQ (revised in January 2018)
January 27, 2018	Announcement on the Resolutions of the 16th Meeting (the Extraordinary Meeting) of the Third Session of the Supervisory Committee of DFZQ, Announcement in Relation to the Provision for Assets Impairment, Independent Opinion of the Independent Director of DFZQ on Provision for Assets Impairment, Announcement on Preliminary Financial Data for the Year of 2017 of DFZQ, Announcement on Estimated Increase in Annual Results for the Year of 2017 of DFZQ, Information on 2018 First Extraordinary General Meeting of DFZQ
February 2, 2018	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
February 7, 2018	Announcement on the Financial Data for January 2018 of DFZQ
February 8, 2018	Announcement on Circulation of Restricted Shares Under Private Placement of DFZQ, Verification Opinion of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on Circulation of Restricted Shares under Private Placement of Orient Securities Company Limited
February 15, 2018	Indicative Announcement Regarding the Convening of the First 2018 Extraordinary General Meeting of DFZQ
March 3, 2018	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
March 7, 2018	Announcement of Resolutions of the First 2018 Extraordinary General Meeting of DFZQ, Legal Opinion of the First 2018 Extraordinary General Meeting of DFZQ
March 8, 2018	Announcement on the Financial Data for February 2018 of DFZQ
March 9, 2018	Announcement in Relation to Approval from the Regulatory Authority Concerning the Qualification of the Supervisors
March 10, 2018	Announcement on the Resolutions of the First Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ, Announcement on the Resolutions of the First Meeting (the Extraordinary Meeting) of the Fourth Session of the Supervisory Committee of DFZQ
March 16, 2018	H Shares Announcement – Date of Board Meeting
March 17, 2018	Announcement on Circulation of Restricted Shares under Private Placement of DFZQ, Verification Opinion of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on Circulation of Restricted Shares Under Private Placement of Orient Securities Company Limited, Announcement of DFZQ in Relation to Approval from the Regulatory Authority Concerning the Qualification of the Directors
March 22, 2018	Announcement in Relation to Receiving Letter of No Objection on Listing and Transfer of Non-publicly Issued Subordinated Bonds
March 23, 2018	Announcement on Provide Guarantee for the Issuance of US dollar Bonds for Indirect wholly-owned Subsidiaries Abroad

## Appendix IV: Information Disclosure Index

Date of publication	Subject
March 29, 2018	Announcement on Completion of Change in Industrial and Commercial Registration of the Registered Capital of DAZQ
March 30, 2018	Announcement on the Resolutions of the Second Meeting of the Fourth Session of the Board of Directors of DFZQ, Announcement on the Resolutions of the Second Meeting of the Fourth Session of the Supervisory Committee of DFZQ, 2017 Annual Report of DFZQ, Summary of 2017 Annual Report of DFZQ, Report of the Independent Directors of DFZQ on Their Performance for the Year of 2017, Duty Report of the Audit Committee under the Board of Directors of DFZQ for the Year of 2017, Announcement on the Changes of Accounting Policies of DFZQ, Announcement on the Projected Routine Connected Transactions of DFZQ in 2018, Announcement on the Projected External Guarantee of DFZQ in 2018, Announcement on the Engagement of Auditing Firms of DFZQ for the Year of 2018, Special Report on the Deposit and Actual Utilization of Proceeds Raised of DFZQ in 2017, Prior Approval of Independent Directors of DFZQ regarding the Projected Routine Connected Transactions of the Company for 2018, Independent Opinions of Independent Directors of DFZQ on Matters Related to the Second Meeting of the Fourth Session of the Board of Directors and the Company's External Guarantees, Corporate Social Responsibility Report for 2017 of DFZQ, Internal Control Evaluation Report for 2017 of DFZQ, Audit Report on Internal Control of DFZQ, Financial Statements and Audit Report of DFZQ, Explanation on the Special Audit on the Capital Occupation by Controlling Shareholders and Other Related Parties of DFZQ, Special Report and Audit Report on the Deposit and Actual Utilization of Proceeds Raised of DFZQ, 2017 Annual Report of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on Continuous Supervision of Orient Securities Company Limited, Special Verification Opinion of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on the Deposit and Actual Utilization of Proceeds Raised of Orient Securities Company Limited in 2017, Sponsorship Summary Report of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on IPO of Shares of Orient Securities Company Limited
April 4, 2018	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
April 10, 2018	DFZQ Notice on Convening 2017 Annual General Meeting
April 12, 2018	Announcement on the Financial Data for March 2018 of DFZQ
April 13, 2018	H Shares Announcement – Date of Board Meeting, Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds
April 17, 2018	Announcement on the Results of the Non-publicly Issued Subordinated Bonds (Tranche 1) in 2018, First Reminder Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds
April 19, 2018	Second Reminder Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds, Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 1) (Type I) in 2017, Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 1) (Type II) in 2017
April 23, 2018	Third Reminder Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds
April 27, 2018	DFZQ 2018 First Quarterly Report, Announcement on the Resolutions of the Third Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ

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Date of publication	Subject
April 28, 2018	Announcement on Results of Follow-up Rating for the Corporate Bonds “14 DFZQ Bonds”, “15 DFZQ Bonds” and “17 DFZQ Bonds”, Follow-up Rating Report for the Publicly Issued 2015 Corporate Bonds (2018) of DFZQ, Follow-up Rating Report for the Publicly Issued 2017 Corporate Bonds (2018) of DFZQ, Follow-up Rating Report for the 2014 Corporate Bonds (2018) of DFZQ, Meeting Documents on 2017 Annual General Meeting of DFZQ
May 3, 2018	Announcement on Listing of the Non-publicly Issued Corporate Bonds (Tranche 1) on the Shanghai Stock Exchange in 2018
May 4, 2018	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities, Announcement on the Participation in 2018 Group Reception Day for Investors of Listed Companies in Shanghai
May 5, 2018	Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 2) (Type I) in 2017, Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 2) (Type II) in 2017
May 8, 2018	Indicative Announcement Regarding the Convening of the 2017 Annual General Meeting
May 9, 2018	Announcement on the Financial Data for April 2018 of DFZQ
May 15, 2018	Announcement on Circulation of Restricted Shares Under Private Placement of DFZQ, Verification Opinion of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on Circulation of Restricted Shares Under Private Placement of Orient Securities Company Limited
May 17, 2018	Announcement on Repayment of Principal with Dividends and Delisting of 2015 Subordinated Bonds
May 25, 2018	Announcement in Relation to Approval from the Regulatory Authority Concerning the Qualification of the Chairman of the Supervisory Committee
May 26, 2018	Announcement on the Resolutions of 2017 Annual General Meeting of DFZQ, Legal Opinion on 2017 Annual General Meeting of DFZQ
June 1, 2018	Announcement on Completion Repayment of 2015 Subordinated Bonds, Announcement on 2018 Interest Payment for the Corporate Bonds (Tranche 1) (Type I) under Private Placement in 2017, Announcement on 2018 Interest Payment for the Corporate Bonds (Tranche 1) (Type II) under Private Placement in 2017
June 5, 2018	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
June 8, 2018	Announcement on the Financial Data for May 2018 of DFZQ
June 27, 2018	Announcement on the Resolutions of the Fourth Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ, Independent Opinions of Independent Directors of DFZQ regarding the Connected Transaction Framework Agreement with Shenergy (Group) Co., Ltd., Prior Approval of Independent Directors of DFZQ regarding the Connected Transaction Framework Agreement with Shenergy (Group) Co., Ltd.
June 29, 2018	2017 Trustee Management Report on Publicly Issued Corporate Bonds of DFZQ, 2017 Trustee Management Report on Publicly Issued 2015 Corporate Bonds of DFZQ
July 4, 2018	Announcement on the Implementation of Equity Distribution for the Year of 2017, H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
July 6, 2018	Announcement of DFZQ on Obtaining Approval for Change in Important Provisions of the Articles of Association, Articles of Association of DFZQ, Old-new Comparison Table Regarding Important Provisions of the Articles of Association of Orient Securities Company Limited, H Shares Announcement-Update on Proposed Continuing Connected Transactions and Supplemental Information
July 11, 2018	Announcement on the Financial Data for June 2018 of DFZQ
July 13, 2018	Announcement on the Results of the Non-publicly Issued Subordinated Bonds (Tranche 1) in 2018

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Date of publication	Subject
July 19, 2018	Announcement on the Listing of the Non-publicly Issued Subordinated Bonds (Tranche 1) on the Shanghai Stock Exchange in 2018
July 21, 2018	H Share Announcement – Bonds Issuance Announcement
July 26, 2018	Announcement on 2018 Interest Payment for the Corporate Bonds under Public Placement in 2017
July 31, 2018	Announcement in Relation to Receiving Letter of No Objection on Listing and Transfer of Non-publicly Issued Corporate Bonds
August 3, 2018	H Shares Announcement-Monthly Return of Equity Issuer on Movements in Securities
August 4, 2018	Announcement in Relation to A Subsidiary of DFZQ Receiving An Investigation Notice from China Securities Regulatory Commission
August 8, 2018	Announcement on the Financial Data for July 2018 of DFZQ
August 17, 2018	H Shares Announcement – Date of Board Meeting, Announcement on 2018 Interest Payment for the Corporate Bonds in 2014
August 18, 2018	Announcement on Provide Guarantee by Overseas Wholly-owned Subsidiaries for the Issuance of Euro Bonds for Their Wholly-owned Subsidiaries
August 30, 2018	Announcement on Capital Injection to Orient Futures Co., Ltd
August 31, 2018	2018 Interim Report of DFZQ, Summary of 2018 Interim Report of DFZQ, Special Report on the Deposit and Actual Utilization of Proceeds Raised of DFZQ in First Half of 2018, Announcement on the Resolutions of the Fifth Meeting of the Fourth Session of the Board of Directors of DFZQ, Announcement on the Resolutions of the Fourth Meeting of the Fourth Session of the Supervisory Committee of DFZQ, Prior Approval of Independent Directors of DFZQ regarding the Connected Transaction, Independent Opinions of Independent Directors of DFZQ on Matters Related to the Fifth Meeting of the Fourth Session of the Board of Directors
September 5, 2018	H Shares Announcement – Monthly Return of Equity Issuer on Movements in Securities
September 8, 2018	Announcement on Approval for Establishment of Fifteen Securities Branches by DFZQ, Announcement on the Financial Data for August 2018 of DFZQ
September 18, 2018	Announcement on Provide Guarantee by Overseas Wholly-owned Subsidiaries for the Issuance of Euro Bonds for Their Wholly-owned Subsidiaries
September 22, 2018	Announcement on the Resolutions of the Sixth Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ
September 27, 2018	Announcement on the Participation in 2018 Group Reception Day for Investors of Listed Companies in Shanghai
October 9, 2018	H Shares Announcement-Monthly Return of Equity Issuer on Movements in Securities
October 10, 2018	Announcement on Change of Sponsor Representative
October 17, 2018	Announcement on the Financial Data for September 2018 of DFZQ, H Shares Announcement – Date of Board Meeting
October 20, 2018	Announcement on Preliminary Financial Data for the First Three Quarters of 2018, Announcement on the Relocation and Change of Part of the Business Address of DFZQ
October 27, 2018	Announcement on the Approval for the Qualification of Securities Investment Fund Custody
October 31, 2018	2018 Third Quarterly Report of DFZQ
November 2, 2018	H Shares Announcement-Monthly Return of Equity Issuer on Movements in Securities

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<b>Date of publication</b>	<b>Subject</b>
November 3, 2018	Announcement in Relation to A Subsidiary of DFZQ Receiving Advance Notice on Administrative Penalty from the CSRC
November 6, 2018	Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 1) in 2016
November 7, 2018	Announcement on Repayment of Principal with Dividends and Delisting of 2014 Subordinated Bonds
November 8, 2018	Announcement on the Financial Data for October 2018 of DFZQ
November 16, 2018	Announcement on 2018 Interest Payment for the Corporate Bonds under Public Placement in 2015
November 17, 2018	Announcement in Relation to A Subsidiary of DFZQ Receiving the Decision on Administrative Penalty from the CSRC
November 21, 2018	Announcement on Completion Repayment of 2014 Subordinated Bonds
December 1, 2018	Announcement in Relation to Approval from the Regulatory Authority Concerning the Qualification of Senior Management
December 5, 2018	H Shares Announcement-Monthly Return of Equity Issuer on Movements in Securities
December 6, 2018	Announcement on Increasing Business Scope and Amending the Articles of Association of DFZQ, Articles of Association of DFZQ
December 8, 2018	Announcement on the Financial Data for November 2018 of DFZQ
December 17, 2018	Announcement in Relation to Receipt of the Notice of Intention not to Extend the Joint Venture Term by Citigroup Asia
December 22, 2018	Announcement on Circulation of Restricted Shares Under Private Placement of DFZQ, Verification Opinion of Guotai Junan Securities Co., Ltd. and Citi Orient Securities Co., Ltd. on Circulation of Restricted Shares Under Private Placement of Orient Securities Company Limited

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2. During the Reporting Period, the information disclosed by the Company on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) was as follows:

Date	Disclosure
January 3, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2017
January 10, 2018	Announcement on the Financial Data for December 2017
January 19, 2018	Overseas Regulatory Announcement – Announcement on the Resolutions of the 37th Meeting (the Extraordinary Meeting) of the Third Session of the Board of Directors of DFZQ, Independent Opinion of the Independent Director of DFZQ on Increasing Candidates for Re-election of the Board, PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR, PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION, ARTICLES OF ASSOCIATION, NOTICE OF EXTRAORDINARY GENERAL MEETING, FORM OF PROXY OF HOLDERS OF H SHARES FOR USE AT THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON MARCH 6, 2018 and REPLY SLIP FOR HOLDERS OF H SHARES FOR ATTENDING THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON MARCH 6, 2018
January 26, 2018	REVISED FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING, PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION ELECTION OF THE BOARD ELECTION OF THE SUPERVISORY COMMITTEE PROPOSED, PROPOSED APPLICATION FOR CONDUCTION OF CROSS-BORDER BUSINESSES AND NOTICE OF EXTRAORDINARY GENERAL MEETING, PROXY OF HOLDERS OF H SHARES FOR USE AT THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON MARCH 6, 2018, Announcement in Relation to the Provision for Assets Impairment, Announcement on Preliminary Financial Data for the Year of 2017, Announcement on Estimated Increase in Annual Results for the Year of 2017, Overseas Regulatory Announcement – Announcement on the Resolutions of the 16th Meeting (the Extraordinary Meeting) of the Third Session of the Supervisory Committee of DFZQ, Independent Opinions of Independent Directors of DFZQ on Provision for Assets Impairment
February 1, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2018
February 6, 2018	Announcement on the Financial Data for January 2018
February 7, 2018	Overseas Regulatory Announcement – Announcement on Circulation of Restricted Shares Under Private Placement of DFZQ, Verification Opinion of Guotai Junan and Citi Orient on Circulation of Restricted Shares Upon IPO by DFZQ
February 14, 2018	Indicative Announcement Regarding the Convening of the Extraordinary General Meeting
March 2, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2018
March 6, 2018	POLL RESULTS OF EXTRAORDINARY GENERAL MEETING HELD ON MARCH 6, 2018, Overseas Regulatory Announcement – Legal Opinion from Grandall Law Firm on the First Extraordinary General Meeting in 2018 of DFZQ
March 7, 2018	Announcement on the Financial Data for February 2018
March 8, 2018	ANNOUNCEMENT ON TAKING EFFECT OF APPOINTMENT OF SUPERVISOR
March 9, 2018	LIST OF DIRECTORS AND THEIR ROLES AND FUNCTIONS, Overseas Regulatory Announcement – Announcement on the Resolutions of the First Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ, Announcement on the Resolutions of the First Meeting (the Extraordinary Meeting) of the Fourth Session of the Supervisory Committee of DFZQ

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Date	Disclosure
March 15, 2018	Announcement on Date of Board Meeting
March 16, 2018	ANNOUNCEMENT ON TAKING EFFECT OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS, LIST OF DIRECTORS AND THEIR ROLES AND FUNCTIONS, Overseas Regulatory Announcement – Announcement on Circulation of Restricted Shares Under Private Placement of DFZQ, Verification Opinion on the Listing and Circulation of the IPO of Restricted Shares of Orient Securities by Guotai Junan and Citi Orient
March 21, 2018	Overseas Regulatory Announcement – Announcement in Relation to Receiving Letter of No Objection on Listing and Transfer of Non-publicly Issued Subordinated Bonds
March 22, 2018	Overseas Regulatory Announcement – Announcement on Provide Guarantee for the Issuance of US dollar Bonds for Indirect wholly-owned Subsidiaries Abroad
March 28, 2018	Overseas Regulatory Announcement – Announcement on Completion of Change in Industrial and Commercial Registration of the Registered Capital of DAZQ
March 29, 2018	RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017, DFZQ 2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT, ANNOUNCEMENT ON PROJECTED INTRAGROUP GUARANTEES FOR THE YEAR 2018, ANNOUNCEMENT ON THE CHANGES OF ACCOUNTING POLICIES, Overseas Regulatory Announcement – Announcement on the Resolutions of the Second Meeting of the Fourth Session of the Board of Directors of DFZQ · Announcement on the Resolutions of the Second Meeting of the Fourth Session of the Supervisory Committee of DFZQ, Announcement on the Engagement of Auditing Firms of DFZQ for the Year of 2018, Special Report on the Deposit and Actual Utilization of Proceeds Raised of DFZQ in 2017, Report of the Independent Directors of DFZQ on Their Performance for the Year of 2017, DFZQ 2017 Assessment Report on Internal Control, Duty Report of the Audit Committee under the Board of Directors of DFZQ for the Year of 2017, Independent Opinion of the Independent Director of DFZQ on Matters Related to the Second Meeting of the Fourth Session of the Board of Directors and the Company’s External Guarantees, Prior Approval of Independent Directors of DFZQ regarding the Projected Routine Connected Transactions of the Company for 2018, Announcement on the Projected Connected Party Transactions of DFZQ in 2018, 2017 Annual Report of Guotai Junan Securities and Citi Orient on Continuous Supervision on DFZQ, Sponsorship Summary Report of Guotai Junan and Citi Orient on IPO of Shares of DFZQ, Special Verification Opinion of Guotai Junan Securities and Citi Orient on the Deposit and Actual Utilization of Proceeds Raised of DFZQ in 2017, Audit Report on Internal Control of DFZQ, Explanation on the Special Audit on the Capital Occupation by Controlling Shareholders and Other Related Parties of DFZQ, Special Report and Audit Report on the Deposit and Actual Use of Funds Raised by Orient Securities
April 3, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2018
April 9, 2018	NOTICE OF ANNUAL GENERAL MEETING, FORM OF PROXY OF HOLDERS OF H SHARES FOR USE AT THE ANNUAL GENERAL MEETING TO BE HELD ON MAY 25, 2018, REPLY SLIP FOR HOLDERS OF H SHARES FOR ATTENDING THE ANNUAL GENERAL MEETING TO BE HELD ON MAY 25, 2018
April 11, 2018	Announcement on the Financial Data for March 2018
April 12, 2018	Announcement on the Date of Board Meeting, Overseas Regulatory Announcement – Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds
April 16, 2018	Overseas Regulatory Announcement – First Reminder Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds, Announcement on the Results of the Non-publicly Issued Corporate Bonds (Tranche 1) in 2018



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Date	Disclosure
April 18, 2018	Overseas Regulatory Announcement – Second Reminder Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds, Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 1) (Type I) in 2017, Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 1) (Type II) in 2017
April 20, 2018	Overseas Regulatory Announcement – Third Reminder Announcement on Exercise of Redemption Option as Issuer of “15 Orient Bond” Subordinated Bonds
April 26, 2018	The First Quarterly Report for the Year 2018, Overseas Regulatory Announcement – Announcement on the Resolutions of the Third Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ
April 27, 2018	2017 Annual Report, Circular of 2017 Annual General Meeting, Overseas Regulatory Announcement – Announcement on Results of Follow-up Rating for the Corporate Bonds “14 DFZQ Bonds”, “15 DFZQ Bonds” and “17 DFZQ Bonds”, Follow-up Rating Report for the Publicly Issued 2017 Corporate Bonds (2018) of DFZQ, Follow-up Rating Report for the Publicly Issued 2015 Corporate Bonds (2018) of DFZQ, Follow-up Rating Report for the 2014 Corporate Bonds (2018) of DFZQ
May 3, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2018, Announcement on the Participation in 2018 Group Reception Day for Investors of Listed Companies in Shanghai
May 4, 2018	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 2) (Type I) in 2017, Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 2) (Type II) in 2017
May 7, 2018	INDICATIVE ANNOUNCEMENT REGARDING THE CONVENING OF THE ANNUAL GENERAL MEETING
May 8, 2018	Announcement on the Financial Data for April 2018
May 14, 2018	Overseas Regulatory Announcement – Announcement on Circulation of Restricted Shares Under Private Placement of DFZQ, Verification Opinion of Guotai Junan and Citi Orient on Circulation of Restricted Shares Upon IPO by DFZQ
May 16, 2018	Overseas Regulatory Announcement – Announcement on Repayment of Principal with Dividends and Delisting of 2015 Subordinated Bonds
May 24, 2018	ANNOUNCEMENT ON TAKING EFFECT OF APPOINTMENT OF THE CHAIRMAN OF THE SUPERVISORY COMMITTEE
May 25, 2018	POLL RESULTS OF ANNUAL GENERAL MEETING HELD ON MAY 25, 2018, Overseas Regulatory Announcement – Legal Opinion from Grandall Law Firm on the 2017 Annual General Meeting of DFZQ
May 31, 2018	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the Corporate Bonds (Tranche 1) (Type I) under Private Placement in 2017, Announcement on 2018 Interest Payment for the Corporate Bonds (Tranche 1) (Type II) under Private Placement in 2017, Announcement on Completion Repayment of 2015 Subordinated Bonds
June 4, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2018
June 7, 2018	Announcement on the Financial Data for May 2018



## Appendix IV: Information Disclosure Index

Date	Disclosure
June 26, 2018	PROPOSED CONTINUING CONNECTED TRANSACTION, Overseas Regulatory Announcement – Announcement on the Resolutions of the Fourth Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ, Prior Approval of Independent Directors of DFZQ regarding the Connected Transaction Framework Agreement with Shenergy (Group) Co., Ltd., Independent Opinions of Independent Directors of DFZQ regarding the Connected Transaction Framework Agreement with Shenergy (Group) Co., Ltd.
June 28, 2018	Overseas Regulatory Announcement – 2017 Trustee Management Report on Publicly Issued 2015 Corporate Bonds of DFZQ, 2017 Trustee Management Report on Public Offering of DFZQ
July 3, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 June 2018, Overseas Regulatory Announcement – Announcement on the Implementation of Equity Distribution for the Year of 2017
July 5, 2018	Update on Proposed Continuing Connected Transactions and Supplemental Information, Overseas Regulatory Announcement – Announcement on Obtaining Approval for Change in Important Provisions of the Articles of Association of DFZQ, Articles of Association
July 10, 2018	Announcement on the Financial Data for June 2018
July 12, 2018	Overseas Regulatory Announcement – Announcement on the Results of the Non-publicly Issued Subordinated Bonds (Tranche 1) in 2018
July 20, 2018	NOTICE OF LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED-Orient HuiZhi Limited. US.\$250,000,000 3.625 per cent. Guaranteed Bonds due 2022 consolidated and formed a single series with the Issuer’s existing U.S.\$500,000,000 3.625 per cent. Guaranteed Bonds due 2022 issued on 30 November 2017)
July 25, 2018	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the Corporate Bonds under Public Placement in 2017
July 30, 2018	Overseas Regulatory Announcement – Announcement in Relation to Receiving Letter of No Objection on Listing and Transfer of Non-publicly Issued Corporate Bonds
August 2, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 July 2017
August 3, 2018	Overseas Regulatory Announcement – Announcement in Relation to A Subsidiary of DFZQ Receiving An Investigation Notice from China Securities Regulatory Commission
August 7, 2018	Announcement on the Financial Data for July 2018
August 16, 2018	Date of Board Meeting, Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the Corporate Bonds in 2014
August 17, 2018	Overseas Regulatory Announcement – Announcement on Provide Guarantee by Overseas Wholly-owned Subsidiaries for the Issuance of Euro Bonds for Their Wholly-owned Subsidiaries
August 29, 2018	Overseas Regulatory Announcement – Announcement on Capital Injection to Orient Futures Co., Ltd
August 30, 2018	Interim Results Announcement for the Six Months Ended June 30, 2018, Overseas Regulatory Announcement – Announcement on the Resolutions of the Fifth Meeting of the Fourth Session of the Board of Directors of DFZQ, Announcement on the Resolutions of the Fourth Meeting of the Fourth Session of the Supervisory Committee of DFZQ, Special Report on the Deposit and Actual Utilization of Proceeds Raised of DFZQ in First Half of 2018, Independent Opinions of Independent Directors of DFZQ on Matters Related to the Fifth Meeting of the Fourth Session of the Board of Directors, Prior Approval of Independent Directors of DFZQ regarding the Connected Transaction

## Appendix IV: Information Disclosure Index

Date	Disclosure
September 4, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 August 2018
September 7, 2018	Announcement on the Financial Data for August 2018, Overseas Regulatory Announcement-Announcement on Approval for Establishment of Fifteen Securities Branches by DFZQ
September 17, 2018	Overseas Regulatory Announcement – Announcement on Provide Guarantee by Overseas Wholly-owned Subsidiaries for the Issuance of Euro Bonds for Their Wholly-owned Subsidiaries
September 20, 2018	2018 Interim Report
September 21, 2018	Overseas Regulatory Announcement – Announcement on the Resolutions of the Sixth Meeting (the Extraordinary Meeting) of the Fourth Session of the Board of Directors of DFZQ
September 26, 2018	Announcement on the Participation in 2018 Group Reception Day for Investors of Listed Companies in Shanghai
October 8, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 September 2018
October 9, 2018	Overseas Regulatory Announcement – Announcement on Change of Sponsor Representative
October 16, 2018	Announcement on the Financial Data for September 2018, Date of Board Meeting
October 19, 2018	Announcement on Preliminary Financial Data for the First Three Quarters of 2018, Announcement on the Relocation and Change of Part of the Business Address of the Company
October 26, 2018	Announcement on the Approval for the Qualification of Securities Investment Fund Custody
October 30, 2018	The Third Quarterly Report for the Year of 2018
November 1, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 October 2018
November 2, 2018	Announcement in Relation to A Subsidiary of the Company Receiving Advance Notice on Administrative Penalty from the CSRC
November 5, 2018	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the Subordinated Bonds (Tranche 1) in 2016
November 6, 2018	Overseas Regulatory Announcement – Announcement on Repayment of Principal with Dividends and Delisting of 2014 Subordinated Bonds
November 7, 2018	Announcement on the Financial Data for October 2018
November 15, 2018	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the Corporate Bonds under Public Placement in 2015
November 16, 2018	Announcement in Relation to A Subsidiary of DFZQ Receiving the Decision on Administrative Penalty from the CSRC
November 20, 2018	Overseas Regulatory Announcement – Announcement on Completion Repayment of 2014 Subordinated Bonds
November 30, 2018	Overseas Regulatory Announcement – Announcement in Relation to Approval from the Regulatory Authority Concerning the Qualification of Senior Management
December 4, 2018	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 November 2018
December 5, 2018	Amendments to the Articles of Association and Articles of Association
December 7, 2018	Announcement on the Financial Data for November 2018
December 16, 2018	Announcement in Relation to Receipt of the Notice of Intention not to Extend the Joint Venture Term by Citigroup Asia
December 21, 2018	Overseas Regulatory Announcement – Announcement on Circulation of Restricted Shares Under Private Placement by DFZQ, Verification Opinion of Guotai Junan and Citi Orient on Circulation of Restricted Shares Under Private Placement by DFZQ

# Independent Auditor's Report



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

## OPINION

We have audited the consolidated financial statements of 東方證券股份有限公司 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 280 to 468, which comprise the consolidated statements of financial position as at 31 December 2018, and the consolidated statement of profit and loss, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Measurement of expected credit loss (“ECL”) of advances to customers and financial assets held under resale agreements</b>	
<p>As at 31 December 2018, the Group held advances to customers of RMB10,481 million, less impairment allowance of RMB204 million as disclosed in note 23. RMB24 million of impairment loss was charged in 2018 as disclosed in note 15.</p> <p>As at 31 December 2018, the Group held financial assets held under resale agreements of RMB29,002 million, less impairment allowance of RMB834 million as disclosed in note 25. RMB111 million of impairment loss was charged in 2018 as disclosed in note 15.</p> <p>As disclosed in note 4, to measure the ECL, the management makes significant judgements and estimations including determining whether there is significant increase in credit risk, assessing the models and assumptions used, and incorporation of forward-looking information.</p> <p>We identified the measurement of ECL of advances to customers and financial assets held under resale agreements as a key audit matter due to the material amount and the significant management judgements and estimations involved.</p>	<p>Our procedures in relation to management’s measurement of ECL of advances to customers and financial assets held under resale agreements included:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and testing the effectiveness of the key controls of the management on the measurement of ECL;</li> <li>• Assessing the management’s judgement on determination of significant increase in credit risks;</li> <li>• Evaluating the critical assumptions, input and parameters used in the model by the management;</li> <li>• Examining, on a sample basis, the significant data inputs into the ECL model including probability of default, loss given default and forward looking information; and</li> <li>• Assessing, on a sample basis, the loss allowance computed with reference to the financial information of borrowers and guarantors, the value of collaterals and other factors, as appropriate.</li> </ul>

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<b>Consolidation of structured entities</b>	
<p>As disclosed in note 4, for collective asset management schemes and investment funds where the Group is involved as investment manager, the Group assessed whether the combination of investments it held, if any, together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.</p> <p>Details of consolidated structured entities and unconsolidated structured entities are respectively set out in note 36 and note 33 to the consolidated financial statements.</p> <p>We identified the consolidation of structured entities as a key audit matter as the Group applied significant judgement in determining whether these structured entities fall within the consolidation scope and the determination of consolidation or not of these structured entities has significant impact on the consolidated financial statements of the Group.</p>	<p>Our procedures in relation to management's determination of consolidation scope of structured entities included:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and testing the effectiveness of the key controls of management in determining the consolidation scope of structured entities;</li> <li>• Checking the information used by the management in assessing the consolidation criteria of significant structured entities against the related investment agreements and other related service agreements of structured entities newly invested or with changes in investment holdings or terms during the year; and</li> <li>• Assessing management judgement in determining the scope of consolidation for each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.</li> </ul>

# Independent Auditor's Report

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
**Hong Kong**

28 March 2019



# Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	NOTES	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
Revenue			
Commission and fee income	6	5,418,316	5,377,803
Interest income	7	6,374,389	3,930,852
Net investment gains	8	(2,107)	6,738,575
Other income and gains or losses	9	3,911,350	632,155
<b>Total revenue, gains/(losses) and other income</b>		<b>15,701,948</b>	<b>16,679,385</b>
Depreciation and amortisation	10	(206,931)	(180,611)
Staff costs	11	(2,830,844)	(3,598,494)
Commission and fee expenses	12	(429,342)	(371,323)
Interest expenses	13	(5,503,768)	(5,941,311)
Other operating expenses	14	(5,906,908)	(2,241,740)
Provision for impairment losses	15	(157,114)	(434,176)
<b>Total expenses</b>		<b>(15,034,907)</b>	<b>(12,767,655)</b>
Share of results of associates		664,264	476,783
Profit before income tax		1,331,305	4,388,513
Income tax expense	16	(50,778)	(785,495)
<b>Profit for the year</b>		<b>1,280,527</b>	<b>3,603,018</b>
Attributable to:			
Shareholders of the Company		1,231,013	3,553,626
Non-controlling interests		49,514	49,392
		<b>1,280,527</b>	<b>3,603,018</b>
Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	17	0.18	0.57

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTE	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
Profit for the year		1,280,527	3,603,018
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		(1,568,189)	–
Income tax relating to items that will not be reclassified to profit or loss		392,047	–
Share of other comprehensive expense of associates, net of related income tax		(38,660)	–
Subtotal		(1,214,802)	–
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	50(4)	1,191,051	–
available-for-sale financial assets		–	(1,505,469)
Income tax impact relating to items that may be reclassified to profit or loss		(297,763)	376,538
Share of other comprehensive expense of associates, net of related income tax		(1,993)	60,409
Exchange differences arising on translation		27,892	(54,536)
Others		–	70
Subtotal		919,187	(1,122,988)
Other comprehensive expense for the year, net of income tax		(295,615)	(1,122,988)
Total comprehensive income for the year		984,912	2,480,030
Attributable to:			
Shareholders of the Company		935,398	2,430,568
Non-controlling interests		49,514	49,462
		984,912	2,480,030

# Consolidated Statement of Financial Position

As at 31 December 2018

	NOTES	As at 31 December	
		2018 RMB'000	2017 RMB'000
Cash and bank balances	18	36,764,639	41,895,955
Clearing settlement funds	20	9,354,272	9,349,322
Deposits with exchanges and financial institutions	21	1,025,365	1,025,096
Derivative financial assets	22	318,490	168,719
Advances to customers	23	10,276,755	12,940,064
Accounts receivables	24	668,408	962,844
Restricted bank deposits	18	–	449,900
Financial assets held under resale agreements	25	28,168,584	34,618,491
Financial assets at fair value through profit or loss	26	52,035,347	48,029,447
Debt instruments measured at fair value through other comprehensive income	27	62,209,436	–
Equity instruments measured at fair value through other comprehensive income	28	9,316,262	–
Debt instruments measured at amortised cost	29	7,912,596	–
Available-for-sale financial assets	30	–	72,234,378
Held-to-maturity investments		–	110,500
Deferred tax assets	31	895,832	150,522
Investments in associates	32	4,015,263	4,005,604
Property and equipment	34	2,237,568	2,033,609
Other intangible assets	35	132,340	127,939
Goodwill	37	32,135	32,135
Other loans, receivables and prepayments	38	1,506,381	3,725,463
<b>Total assets</b>		<b>226,869,673</b>	<b>231,859,988</b>

# Consolidated Statement of Financial Position

As at 31 December 2018

	NOTES	As at 31 December	
		2018 RMB'000	2017 RMB'000
Due to banks and other financial institutions	39	11,027,067	11,200,000
Short-term financing bills payables	40	12,411,606	1,810,486
Account payables to brokerage clients	41	32,059,065	28,219,521
Financial assets sold under repurchase agreements	42	49,415,677	56,120,004
Financial liabilities at fair value through profit or loss	43	6,834,381	6,059,727
Derivative financial liabilities	22	905,809	628,176
Contract liabilities	44	134,897	–
Current tax liabilities		371,510	433,308
Accrued staff costs	45	1,249,289	1,852,383
Borrowings	46	1,653,162	2,327,670
Bond payables	47	57,048,968	65,309,687
Deferred tax liabilities	31	–	82,026
Other account payables, other payables and accruals	48	1,485,790	4,315,525
<b>Total liabilities</b>		<b>174,597,221</b>	<b>178,358,513</b>
Share capital	49	6,993,656	6,993,656
Reserves	50	38,203,098	37,517,315
Retained profits	51	6,542,724	8,474,531
<b>Equity attributable to shareholders of the Company</b>		<b>51,739,478</b>	<b>52,985,502</b>
Non-controlling interests		532,974	515,973
<b>Total equity</b>		<b>52,272,452</b>	<b>53,501,475</b>
<b>Total equity and liabilities</b>		<b>226,869,673</b>	<b>231,859,988</b>

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019 and signed on behalf by:

**Pan Xinjun**  
Chairman of Board

**Zhang Jianhui**  
Chief Financial Officer

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Equity attributable to shareholders of the Company										
	NOTE	Reserves							Subtotal RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000 (Note 49)	Capital reserve RMB'000 (Note 50)	Surplus reserve RMB'000 (Note 50)	General reserve RMB'000 (Note 50)	Revaluation reserve/debt or equity investment revaluation reserve RMB'000 (Note 50)	Translation reserve RMB'000 (Note 50)	Retained profits RMB'000 (Note 51)			
As at 31 December, 2017 (audited)		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
Adjustment (see Note 2)		-	-	-	-	450,868	-	(1,233,558)	(782,690)	(1,010)	(783,700)
As at 1 January, 2018 (restated)		6,993,656	28,254,931	3,052,204	6,604,970	90,411	(34,333)	7,240,973	52,202,812	514,963	52,717,775
Profit for the year		-	-	-	-	-	-	1,231,013	1,231,013	49,514	1,280,527
Other comprehensive (expenses)/income for the year		-	-	-	-	(323,507)	27,892	-	(295,615)	-	(295,615)
Total comprehensive (expenses)/income for the year		-	-	-	-	(323,507)	27,892	1,231,013	935,398	49,514	984,912
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	510	510
Additional interests acquired from non-controlling shareholders of a subsidiary		-	(1)	-	-	-	-	-	(1)	(184)	(185)
Capital returned to non-controlling shareholders of the subsidiaries		-	-	-	-	-	-	-	-	(10,757)	(10,757)
Appropriation to surplus reserve		-	-	33,174	-	-	-	(33,174)	-	-	-
Appropriation to general reserve		-	-	-	456,635	-	-	(456,635)	-	-	-
Dividends recognised as distribution	52	-	-	-	-	-	-	(1,398,731)	(1,398,731)	(21,072)	(1,419,803)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	40,722	-	(40,722)	-	-	-
At 31 December 2018		6,993,656	28,254,930	3,085,378	7,061,605	(192,374)	(6,441)	6,542,724	51,739,478	532,974	52,272,452
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 year		-	-	-	-	-	-	3,553,626	3,553,626	49,392	3,603,018
Other comprehensive (expenses)/income for the year		-	-	-	-	(1,068,522)	(54,536)	-	(1,123,058)	70	(1,122,988)
Total comprehensive (expenses)/income for the year		-	-	-	-	(1,068,522)	(54,536)	3,553,626	2,430,568	49,462	2,480,030
Non-public Issuing of new A shares		778,204	10,280,072	-	-	-	-	-	11,058,276	-	11,058,276
Costs of non-public issuance of A shares		-	(53,923)	-	-	-	-	-	(53,923)	23,583	(30,340)
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	1,960	1,960
Additional interests acquired from non-controlling shareholders of the subsidiary		-	1	-	-	-	-	-	1	(226)	(225)
Appropriation to surplus reserve		-	-	366,406	-	-	-	(366,406)	-	-	-
Appropriation to general reserve		-	-	-	892,097	-	-	(892,097)	-	-	-
Dividends recognised as distribution	52	-	-	-	-	-	-	(932,318)	(932,318)	(13,733)	(946,051)
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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before income tax	1,331,305	4,388,513
Adjustments for:		
Interest expenses	5,503,768	5,941,311
Share of results of associates	(664,264)	(476,783)
Depreciation and amortisation	206,931	180,611
Provision for impairment losses		
– financial assets	157,114	434,176
Losses on disposal of property and equipment	731	165
Foreign exchange losses	17,602	129,905
Net gains arising from disposal of associates	–	(725)
Net realised gains and income arising from FVTPL	(1,033,707)	–
Net realised gains and income arising from available-for-sale financial assets	–	(3,410,481)
Net realised gains and income arising from debt instruments at fair value through other comprehensive income	(2,539,380)	–
Dividend income arising from equity instruments at fair value through other comprehensive income	(428,057)	–
Net realised losses arising from derivative financial instruments	11,751	–
Interest income from held-to-maturity investments	–	(9,851)
Interest income from debt instruments measured at amortised cost	(287,342)	–
Net realised gains and income arising from loan and receivable investments and others	–	(112,255)
Unrealised fair value change of financial assets at fair value through profit or loss	1,914,422	(1,390,787)
Unrealised fair value change of financial liabilities at fair value through profit or loss	273,005	193,516
Unrealised fair value change of derivative financial instruments	(256,136)	(489,725)

(continued)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Operating cash flows before movements in working capital	4,207,743	5,377,590
Decrease/(increase) in advances to customers	2,780,054	(2,353,355)
Decrease/(increase) in financial assets held under resale agreements	6,062,149	(246,901)
Increase in financial assets at fair value through profit or loss and derivative financial assets	(118,501)	(22,917,952)
Decrease in deposits and reserve funds and deposits with exchanges	430,644	74,753
(Increase)/decrease in bank balances and clearing settlement funds restricted or held on behalf of customers	(3,429,524)	7,748,087
(Increase)/decrease in account receivables, other receivables and prepayments	(738,547)	293,284
(Decrease)/increase in account payables, other payables and accruals, contract liabilities	(1,711,289)	1,141,741
Increase/(decrease) in account payables to brokerage clients	3,839,544	(7,432,266)
Increase/(decrease) in financial liabilities at fair value through profit or loss and derivative financial liabilities	769,998	(1,395,967)
(Decrease)/increase in financial assets sold under repurchase agreements	(6,785,503)	9,721,064
(Decrease)/increase in deposits due to banks and other financial institutions	(200,787)	6,100,000
Cash generated from/(used in) operations	5,105,981	(3,889,922)
Income taxes paid	(701,175)	(398,904)
Interest paid	(2,114,649)	(2,524,171)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>2,290,157</b>	<b>(6,812,997)</b>

(continued)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
<b>INVESTING ACTIVITIES</b>		
Dividends and interest received from investments	3,613,698	3,119,776
Proceeds on disposal of property and equipment	1,878	6,003
Proceeds from disposal or redemption of:		
financial assets at fair value through profit or loss	35,588,077	–
debt instruments at fair value through other comprehensive income	85,111,727	–
equity instruments at fair value through other comprehensive income	192,899	–
debt instrument at amortised cost	1,372,605	–
available-for-sale investments, held to maturity investments, loans and advances to customers	–	110,767,852
Capital injection in associates	(58,529)	(452,331)
Purchases of		
financial assets at fair value through profit or loss	(30,033,766)	–
debt instruments at fair value through other comprehensive income	(95,525,196)	–
equity instruments at fair value through other comprehensive income	(3,671,939)	–
debt instrument at amortised cost	(3,475,580)	–
available-for-sale investments, held to maturity investments, loans and advances to customers, and other investments	–	(106,790,615)
Purchases of property and equipment and other intangible assets	(417,551)	(389,563)
Proceeds from disposal or capital reduction of associates	167,908	206,170
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(7,133,769)</b>	<b>6,467,292</b>

(continued)



## Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTE	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
<b>FINANCING ACTIVITIES</b>			
Capital injection from non-controlling shareholders		510	1,960
Proceeds from A or H shares issued		–	11,058,276
Proceeds from bonds and short-term financing bills payables issued		29,863,508	35,558,980
Repayments on bonds and short-term financing bills payables issued		(29,106,780)	(37,819,057)
Proceeds from borrowings		2,182,239	1,521,580
Repayments on borrowings		(2,041,854)	(480,727)
Dividends paid to shareholders		(1,419,803)	(946,051)
Transaction costs paid on issue of A or H shares		–	(30,340)
Interest of bonds and short-term financing bills payables paid		(3,312,238)	(3,286,828)
Interest of borrowings paid		(113,923)	(62,280)
Payments on acquisition of additional interests in a subsidiary		(185)	(225)
Payments on capital returned to non-controlling shareholders		(10,757)	–
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(3,959,283)</b>	<b>5,515,288</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,802,895)</b>	<b>5,169,583</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>22,316,837</b>	<b>17,546,809</b>
Effect of foreign exchange rate changes		215,765	(399,555)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	19	<b>13,729,707</b>	<b>22,316,837</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 1. GENERAL INFORMATION

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

The registered office of the Company is located at 22F, 23F and 25-29F, Building 2, No. 318, South Zhongshan Road, Shanghai, the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities and futures brokerage, margin financing and securities lending, securities investment advisory, securities proprietary trading, asset management, agency sale of financial products, security underwriting and sponsorship, and other business activities approved by CSRC.

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

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) which are relevant to the Group for the first time in the current year:

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
Amendments to IFRS 9	Prepayment Features with Negative Compensation

The application of the above new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements except for the following:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### 2.1 IFRS 15 Revenue from Contracts with Customers

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

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*.

The Group provides various types of financial services as disclosed in note 6 and is engaged in other services and sale of goods as disclosed in note 9.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 6 and 3 respectively.

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

### 2.2 IFRS 9 Financial Instruments and the related amendments

In the current year, 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 other items 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 under ECL model) 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 respectively, 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*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### 2.2 IFRS 9 Financial Instruments and the related amendments (Continued)

#### 2.2.1 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 at FVTPL RMB'000	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Debt instruments measured at amortised 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) RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000
<b>Closing balance at 31 December, 2017 – IAS 39</b>	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	(860,457)	8,474,531	515,973
<b>Effect arising from initial application of IFRS 9:</b>															
<b>Reclassification</b>															
From available-for-sale	(a) (72,234,378)			11,869,620	5,900,743	49,225,128	5,238,887						(52,536)	52,536	
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			(b) (138,660)				138,660								
<b>Remeasurement</b>															
Impairment under ECL model	(e)						(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	(a)						317,720					(79,430)	238,290		
Others	(f)							(146,591)					(58,734)	(87,857)	
<b>Opening balance at 1 January, 2018</b>	-	-	-	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	90,411	7,240,973	514,963

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### 2.2 IFRS 9 Financial Instruments and the related amendments *(Continued)*

#### 2.2.1 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. In addition, the impairment allowances of RMB24,240 thousand (after tax) previously recognised were transferred from retained profits to equity investment revaluation reserve as at 1 January 2018.

*From AFS equity and other investments to financial assets at FVTPL*

At the date of initial application of IFRS 9, the Group's bonds, equity and other investments of RMB11,869,620 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 RMB28,296 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 as at 1 January 2018.

*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 Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### 2.2 IFRS 9 Financial Instruments and the related amendments *(Continued)*

#### 2.2.1 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.

(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 designated 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### 2.2 IFRS 9 Financial Instruments and the related amendments *(Continued)*

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

(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 12-month ECL ("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 Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### 2.2 IFRS 9 Financial Instruments and the related amendments (Continued)

#### 2.2.1 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### 2.3 Impacts on opening 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 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)
<b>Assets</b>			
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
Advances to customers	12,940,064	(71,056)	12,869,008
Account receivables	962,844	–	962,844
Restricted bank deposits	449,900	–	449,900
Financial assets held under resale agreements	34,618,491	(805,711)	33,812,780
Financial assets at FVTPL	48,029,447	10,776,917	58,806,364
Debt instruments measured at FVTOCI	–	49,225,128	49,225,128
Equity instruments measured at FVTOCI	–	7,412,343	7,412,343
Debt instruments measured at amortised cost	–	5,805,028	5,805,028
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
Other intangible assets	127,939	–	127,939
Goodwill	32,135	–	32,135
Other loans, receivables and prepayments	3,725,463	(759,514)	2,965,949
<b>Total assets</b>	<b>231,859,988</b>	<b>(865,510)</b>	<b>230,994,478</b>

(continued)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### 2.3 Impacts on opening 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)
<b>Liabilities</b>			
Due to banks and other financial institutions	11,200,000	–	11,200,000
Short-term financing bills payables	1,810,486	–	1,810,486
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
<b>Total liabilities</b>	<b>178,358,513</b>	<b>(81,810)</b>	<b>178,276,703</b>
<b>Equity</b>			
Share capital	6,993,656	–	6,993,656
Reserves	37,517,315	450,868	37,968,183
Retained profits	8,474,531	(1,233,558)	7,240,973
Equity attributable to shareholders of the Company	52,985,502	(782,690)	52,202,812
Non-controlling interests	515,973	(1,010)	514,963
<b>Total equity</b>	<b>53,501,475</b>	<b>(783,700)</b>	<b>52,717,775</b>
<b>Total equity and liabilities</b>	<b>231,859,988</b>	<b>(865,510)</b>	<b>230,994,478</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not early applied the following new amendments and interpretation of IFRSs that have been issued but are not yet effective.

IFRS 16	Leases <sup>1</sup>
IFRIC – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to IFRS 3	Definition of a Business <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>4</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The directors of the Company is in the process of assessing the impact of the new standards and amendments on the consolidated financial statements. So far it has concluded that the adoption of them is unlikely to have significant impact on the consolidated financial statements except for the following:

### **IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

### IFRS 16 Leases *(Continued)*

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB905,495 thousand as disclosed in note 55. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB18.35 million as right under leases to which IAS 17 applies. Based on the definition of the lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information. In addition, the Group intends to elect the following practical expedients on a lease-by-lease basis when applying IFRS 16 retrospectively as described above to leases previously classified as operating leases applying IAS 17:

- a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- a lessee may account for those leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases;
- a lessee may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- a lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Basis of consolidation** *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to shareholders of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Basis of consolidation** *(Continued)*

#### ***Changes in the Group's ownership interests in existing subsidiaries*** *(Continued)*

The Group served as the manager of collective asset management schemes and funds. These collective asset management schemes and funds invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage of ownership in these structured entities can fluctuate from day to day according to the Group's and third-party's participation in them. Where the Group is deemed to control such collective asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 Consolidated financial statements, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such collective asset management schemes and funds for cash. These are presented as "Interests attributable to other holders of consolidated structured entities" within financial liabilities designated at fair value through profit or loss in the consolidated statement of financial position.

### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former shareholders of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combinations** *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combinations** *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of associates is described below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, investments in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments in associates** *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### **Property and equipment**

Property and equipment including leasehold land and buildings (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property and equipment *(Continued)*

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

<b>Classes</b>	<b>Estimated residual value rates</b>	<b>Useful lives</b>
Leasehold land and buildings	3%	Over the shorter of the lease term and estimated useful life of buildings of 30 years
Electronic and communication equipment	3%	3-10 years
Motor vehicles	3%	6 years
Office equipment	3%	5 years
Leasehold improvements	nil	Over the lease term

### Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading rights) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

#### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Intangible assets** *(Continued)*

#### ***Internally-generated intangible assets – research and development expenditure*** *(Continued)*

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as an intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### **Impairment on tangible, intangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment on tangible, intangible assets other than goodwill** *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

#### ***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the property payments cannot be allocated reliably between the leasehold land and building elements, the entire lease is generally classified as if the leasehold land is under finance lease.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies** *(Continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **Employee benefits**

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Employee benefits** *(Continued)*

#### **Short-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

#### **Social welfare**

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant period.

#### **Annuity scheme**

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss when employees have rendered service entitling them to the contributions.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables from IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Financial assets

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

##### *Classification and subsequent measurement of financial assets (Continued)*

All other financial assets are subsequently measured at 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 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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

##### Classification and subsequent measurement of financial assets *(Continued)*

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of debt investment revaluation reserve. Impairment allowances 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.

(iii) Equity instruments designated as at FVTOCI

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

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### *Classification and subsequent measurement of financial assets (Continued)*

#### (iv) Financial assets at FVTPL

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

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

#### *Impairment of financial assets*

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 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.

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 Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### *Impairment of financial assets (Continued)*

(i) Significant increase in credit risk

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

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

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

##### Impairment of financial assets *(Continued)*

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

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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### *Impairment of financial assets (Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

#### *Impairment of financial assets (Continued)*

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

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

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the equity investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity instruments**

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity instruments** *(Continued)*

##### *Financial liabilities at FVTPL (Continued)*

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

##### *Financial liabilities at amortised cost*

Financial liabilities including borrowings, short-term financing bills payables, due to banks and other financial institutions, accounts payable to brokerage clients, other payables and accruals, bond payables and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

##### *Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity instruments** *(Continued)*

##### *Derecognition/modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

##### *Financial assets sold under repurchase agreements and financial assets held under resale agreements*

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL, debt instruments measured at FVTOCI, equity instruments measured at FVTOCI, or debt instruments measured at amortized cost as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Consideration paid for financial assets held under agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity instruments** *(Continued)*

##### *Securities lending*

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as financial assets at FVTPL.

### **Revenue from contracts with customers**

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Revenue from contracts with customers** *(Continued)*

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

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

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

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

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

#### *Output method*

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

### **Variable consideration**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Revenue from contracts with customers** *(Continued)*

#### **Variable consideration** *(Continued)*

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

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

#### **Principal versus agent**

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.1 Critical judgement in applying accounting policies

#### *Consolidation of structured entities*

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

#### *Determination on classification of financial assets*

Classification and measurement of financial assets depends on the results of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Fair value of financial assets*

The Group uses valuation techniques to estimate the fair value of financial assets which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis, etc. To the extent practical market observable inputs and data are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial assets.

#### *Impairment of advances to customers and financial assets held under resale agreements*

The Group estimates the amount of loss allowance for ECL on its advances to customers and financial assets held under resale agreements. The assessment of the ECL of advances to customers and financial assets held under resale agreements involves high degree of estimation and uncertainty.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.2 Key sources of estimation uncertainty *(Continued)*

#### *Significant increase of credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. 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, which is detailed in note 61.

#### *Establishing groups of assets with similar credit risk characteristics*

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

#### *Models and assumptions used*

The Group uses various models and assumptions in 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, which are detailed in note 61.

#### *Forward-looking information*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Further information is detailed in note 61.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

### 4.2 Key sources of estimation uncertainty *(Continued)*

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

##### *Probability of default ("PD")*

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Further information is detailed in note 61.

##### *Loss given default ("LGD")*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Further information is detailed in note 61.

##### *Income taxes*

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in notes 16 and 31.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 5. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the “CODM”) of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

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

- (a) Securities sales and trading, which primarily included investment gains, commission and fee 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 included management and advisory fees earned from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from private equity 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 included commissions and fees earned from equity underwriting and sponsorship, debt underwriting and financial advisory services;
- (e) Headquarters and others, which included head office operations and the overseas business in Hong Kong, including interest income earned and expense incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year of 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 5. SEGMENT REPORTING (Continued)

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

The segment information provided to the CODM for the operating segments for the years ended 31 December 2018 and 2017 are as follows:

### Operating segment

For the year ended 31 December 2018

	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
<b>Segment revenue and results</b>								
Segment revenue and net investment gains	1,029,848	3,733,909	4,434,176	1,158,856	1,976,317	12,333,106	(542,508)	11,790,598
Segment other income and gains/(other losses)	19	7,353	3,824,837	78,674	25,772	3,936,655	(25,305)	3,911,350
Segment revenue and other income	1,029,867	3,741,262	8,259,013	1,237,530	2,002,089	16,269,761	(567,813)	15,701,948
Segment expenses	(1,904,808)	(1,506,483)	(6,107,669)	(702,721)	(4,929,439)	(15,151,120)	116,213	(15,034,907)
Segment result	(874,941)	2,234,779	2,151,344	534,809	(2,927,350)	1,118,641	(451,600)	667,041
Share of results of associates and a joint venture	75,668	568,849	(301)	-	-	644,216	20,048	664,264
Profit (loss) before income tax	(799,273)	2,803,628	2,151,043	534,809	(2,927,350)	1,762,857	(431,552)	1,331,305
<b>Segment assets and liabilities</b>								
Segment assets	94,308,486	8,369,342	74,957,058	1,778,251	59,661,078	239,074,215	(13,100,374)	225,973,841
Deferred tax assets								895,832
Group's total assets								226,869,673
Segment liabilities	52,266,116	1,521,155	36,244,870	401,454	85,297,158	175,730,753	(1,133,532)	174,597,221
Deferred tax liabilities								-
Group's total liabilities								174,597,221
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	2,316	11,218	64,735	6,356	122,306	206,931	-	206,931
Provision for impairment losses	34,303	4,884	86,064	147	31,716	157,114	-	157,114
Capital expenditure	324	28,139	69,481	11,709	312,443	422,096	-	422,096

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 5. SEGMENT REPORTING (Continued)

### Operating segment (Continued)

For the year ended 31 December 2017

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
<b>Segment revenue and results</b>								
Segment revenue and net investment gains	5,211,407	2,349,886	5,167,981	1,529,182	1,996,409	16,254,865	(207,635)	16,047,230
Segment other income and gains	-	69,388	433,144	36,036	110,729	649,297	(17,142)	632,155
Segment revenue and other income	5,211,407	2,419,274	5,601,125	1,565,218	2,107,138	16,904,162	(224,777)	16,679,385
Segment expenses	(1,893,675)	(1,406,473)	(3,077,723)	(838,862)	(5,696,124)	(12,912,857)	145,202	(12,767,655)
Segment results	3,317,732	1,012,801	2,523,402	726,356	(3,588,986)	3,991,305	(79,575)	3,911,730
Share of results of associates	15,100	461,204	-	-	-	476,304	479	476,783
Profit/(loss) before income tax	3,332,832	1,474,005	2,523,402	726,356	(3,588,986)	4,467,609	(79,096)	4,388,513
<b>Segment assets and liabilities</b>								
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
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	4,324	4,908	52,474	5,803	113,102	180,611	-	180,611
Provision for impairment losses	129,048	1,174	225,556	3,005	75,393	434,176	-	434,176
Capital expenditure	710	17,701	74,778	4,694	291,681	389,564	-	389,564

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 5. SEGMENT REPORTING (Continued)

### Operating segment (Continued)

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operations in the PRC.

The Group has no single customer which contributes to 10 percent or more of the Group's revenue for the years ended 31 December 2018 and 2017.

## 6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Commission on securities dealing, broking and handling fee income	1,374,676	1,574,338
Underwriting, sponsors and financial advisory fee income	1,177,085	1,369,811
Commission on futures and options contracts dealing, broking and handling fee income	244,654	221,313
Asset and fund management fee income	2,390,360	1,979,850
Consultancy fee income	226,887	220,094
Others	4,654	12,397
	<b>5,418,316</b>	<b>5,377,803</b>

The major business types of commission and fee income from customers are as follows:

(1) *Brokerage*

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

(2) *Investment Banking*

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. Revenue is recognized upon the completion of the sponsoring or corporate advisory services.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 6. COMMISSION AND FEE INCOME *(Continued)*

### (3) *Asset management*

The Group provides asset management on diversified and comprehensive investment products to customers. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. For some products, the Group may be also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

## 7. INTEREST INCOME

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Advances to customers and securities lending	895,064	854,000
Financial assets held under resale agreements	1,745,051	2,101,726
Deposits with exchanges and financial institutions and bank balances	964,811	904,558
Interest income from debt instrument at amortised cost	287,342	–
Interest income from debt instruments at fair value through other comprehensive income	2,439,869	–
Others	42,252	70,568
	<b>6,374,389</b>	<b>3,930,852</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 8. NET INVESTMENT GAINS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Net realised gains from disposal of available-for sale financial assets	–	390,144
Net realised gains from disposal of debt instruments at FVTOCI	99,511	–
Dividend income and interest income from available-for-sale financial assets	–	3,020,337
Dividend income from equity instruments at FVTOCI		
– relating to investments derecognised during the year	2,139	–
– relating to investments held at the end of the reporting period	425,918	–
Net realised (losses)/gains from disposal of financial assets at fair value through profit or loss	(953,067)	318,718
Dividend income and interest income from financial assets at fair value through profit or loss	1,775,660	1,379,779
Net (losses)/gains arising from financial liabilities at fair value through profit or loss	(19,512)	39,669
Interest income from held-to-maturity investments	–	9,851
Net realised gains from disposal of associates	–	725
Net realised gains/(losses) arising from derivatives financial instruments	598,535	(219,899)
Unrealised fair value change of financial assets at FVTPL	(1,914,422)	1,390,787
Unrealised fair value change of financial liabilities at FVTPL	(273,005)	(193,516)
Unrealised fair value change of derivative financial instruments	256,136	489,725
Others	–	112,255
	<b>(2,107)</b>	<b>6,738,575</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 9. OTHER INCOME AND GAINS OR LOSSES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Foreign exchange losses	(17,602)	(129,905)
Rental income	10,986	10,876
Government grants ( <i>Note</i> )	121,518	306,755
Losses on disposals of property and equipment	(51)	(165)
Bulk commodity trading income and others	3,796,499	444,594
	<b>3,911,350</b>	632,155

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

## 10. DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Depreciation of property and equipment	143,783	122,609
Amortisation of other intangible assets	63,148	58,002
	<b>206,931</b>	180,611

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 11. STAFF COSTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries, bonus and allowances	2,319,370	3,148,614
Social welfare	416,764	351,173
Contributions to annuity schemes	94,710	98,707
	<b>2,830,844</b>	<b>3,598,494</b>

*Note:* The domestic employees of the Group in the PRC participate in state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Apart from participating in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salary and bonus for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

## 12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Securities and futures dealing and broking expenses	267,507	324,030
Underwriting, sponsors and financial advisory fee expenses	41,470	47,293
Other service expenses	120,365	–
	<b>429,342</b>	<b>371,323</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 13. INTEREST EXPENSES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interest on liabilities wholly repayable within five years:		
– Account payables to brokerage clients	73,813	77,703
– Financial assets sold under repurchase agreements	1,801,537	2,001,898
– Borrowings	97,110	67,652
– Due to banks and other financial institutions	239,299	261,717
– Short-term financing bills payables	430,079	113,238
– Bond payables	2,861,930	3,320,958
– Others	–	98,145
	<b>5,503,768</b>	<b>5,941,311</b>

## 14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Advisory expenses	158,699	197,574
Auditor's remuneration	6,765	7,488
Business travel expenses	102,801	98,826
Communication expenses	112,903	106,348
Electronic equipment operating expenses	186,352	139,723
Entertainment expenses	79,703	79,834
Administrative expenses	200,496	187,285
Operating lease rentals in respect of rented premises	323,163	288,262
Products distribution expenses	712,282	469,003
Securities and futures investor protection funds	25,130	64,319
Stock exchange management fees	39,956	36,272
Sundry expenses	52,993	48,567
Tax and surcharges	72,356	65,923
Donation	28,267	27,390
Bulk commodity trading and others	3,805,042	424,926
	<b>5,906,908</b>	<b>2,241,740</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 15. PROVISION FOR IMPAIRMENT LOSSES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Provision for impairment losses in respect of account receivables and other receivables	18,372	29,288
Provision for impairment loss in respect of available-for-sale financial assets	–	147,968
Provision for impairment losses in respect of debt instruments at fair value through other comprehensive income	2,195	–
Provision for impairment losses in respect of debt instruments measured at amortised cost	1,202	–
Provision for impairment loss in respect of advances to customers	24,359	69,569
Provision for impairment loss in respect of financial assets held under resale agreements	110,986	187,351
	<b>157,114</b>	434,176

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 16. INCOME TAX EXPENSE

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax	599,983	568,182
Hong Kong Profits Tax	2,343	–
	<b>602,326</b>	568,182
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax	47,018	28,697
Hong Kong Profits Tax	–	(2,592)
	<b>47,018</b>	26,105
Deferred tax	(598,566)	191,208
	<b>50,778</b>	785,495

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 16. INCOME TAX EXPENSE (Continued)

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit before income tax	1,331,305	4,388,513
Tax at the statutory tax rate of 25%	332,826	1,097,128
Effect of share of results of associates	(96,604)	(109,002)
Adjustments for prior years	47,018	26,105
Tax effect of expenses not deductible for tax purpose	61,006	77,357
Tax effect of income not taxable for tax purpose	(453,774)	(320,950)
Tax effect of tax losses not recognized	165,210	20,183
Utilisation of tax losses previously not recognized	(2,309)	(5,326)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,595)	–
Income tax expense for the year	50,778	785,495

*Note:* Income not taxable for tax purpose mainly includes dividends from equity investments, interest income from treasure bonds etc.

The Group has estimated unutilised tax losses of approximately RMB939 million and RMB256 million as at 31 December 2018 and 2017, respectively, available for offset against future profits. No deferred tax assets has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward for five years or indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 17. EARNINGS PER SHARE

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Earnings for the purpose of basic/diluted earnings per share:		
Profit for the year attributable to shareholders of the Company	1,231,013	3,553,626
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand)	6,993,656	6,223,980
Basic earnings per share (RMB Yuan)	0.18	0.57

There were no potential dilutive ordinary shares in issue during the year ended 31 December 2018 and 2017, thus no diluted earnings per share is presented.

## 18. CASH AND BANK BALANCES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
House accounts	12,502,960	21,834,220
Cash held on behalf of clients ( <i>Note a</i> )	24,261,679	20,511,635
	36,764,639	42,345,855
Less: restricted bank deposits ( <i>Note b</i> )	–	(449,900)
	36,764,639	41,895,955

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 18. CASH AND BANK BALANCES *(Continued)*

*Note a:* The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in account payables to brokerage clients (Note 41).

*Note b:* The restricted bank deposits as of 31 December 2017 are pledged bank deposits due within one year.

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Cash and bank balances	12,471,720	21,834,220
Clearing settlement funds	1,265,987	940,517
Less: clearing settlement funds of		
Shanghai Orient Securities Futures Co., Ltd.	(8,000)	(8,000)
restricted bank deposits <i>(Note)</i>	-	(449,900)
	<b>13,729,707</b>	<b>22,316,837</b>

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

## 20. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	1,265,987	940,517
Clients	8,088,285	8,408,805
	<b>9,354,272</b>	<b>9,349,322</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 21. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deposits with stock exchanges:		
– Shanghai Stock Exchange	69,129	63,731
– Shenzhen Stock Exchange	41,229	44,581
– Hong Kong Exchanges	1,314	1,573
– Others	1,115	2,043
Deposits with futures and commodity exchanges:		
– Shanghai Futures Exchange	76,249	500
– Dalian Commodity Exchange	18,115	753
– Zhengzhou Commodity Exchange	9,102	740
– China Financial Futures Exchange	172,085	300,302
– Shanghai Gold Exchange	137	2,187
Guarantee fund paid to Shanghai Stock Exchange	6,880	11,875
Guarantee fund paid to Shenzhen Stock Exchange	9,578	16,325
Deposits with China Securities Finance Corporation Limited	329,958	356,811
Deposits with Shanghai Clearing House	148,286	79,072
Deposits with other financial institutions	142,188	144,603
	<b>1,025,365</b>	<b>1,025,096</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			
	2018		2017	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures <sup>(i)</sup>	-	97	-	-
Treasury bond futures <sup>(ii)</sup>	35	-	-	-
Commodity futures <sup>(ii)</sup>	-	-	-	-
Forward contracts <sup>(ii)</sup>	-	-	-	-
Interest rate swaps <sup>(iii)</sup>	3,327	-	5,344	-
Embedded option instruments <sup>(iv)</sup>	-	4,484	-	332
Equity return swaps <sup>(v)</sup>	65,849	-	16,189	-
Stock options <sup>(vi)</sup>	10,204	3,604	10,763	20,995
Commodity swaps <sup>(vii)</sup>	176,937	-	-	58,365
Gold forwards	10,170	-	-	24,430
Commodity forwards	-	436	68	-
Credit default swap	-	4,542	-	14,875
Equity linked derivatives <sup>(viii)</sup>	26,394	5,620	136,355	509,179
Currency swaps <sup>(ix)</sup>	25,574	-	-	-
Commodity option arrangement <sup>(x)</sup>	-	887,026	-	-
<b>Total</b>	<b>318,490</b>	<b>905,809</b>	168,719	628,176

(i) Stock index futures: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that SIF in Hong Kong market which is not under the daily market-to-market and settlement arrangement is presented in gross as at 31 December 2018.

The contract value of the Group's SIF contracts as at 31 December 2018 and 2017 were approximately RMB980 million and RMB905 million, respectively.

(ii) Treasury bond futures, commodity futures and forward contracts: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury bond futures, commodity futures and forward contracts were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that treasury bond futures in Hong Kong market which is not under the daily market-to-market and settlement arrangement is presented in gross as at 31 December 2018.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

- (iii) Interest rate swaps: Daily mark-to market and settlement arrangement was implemented starting from July 1, 2014. Any gains or losses of the Group's position in interest rate swaps ("IRS") were settled daily, except that IRS traded before July 1, 2014 which is not under the daily market-to-market and settlement arrangement is presented in gross at the end of reporting period. The notional principal amounts of the Group's interest rate swaps contracts as at 31 December 2018 and 2017 were RMB393,185 million and RMB73,190 million, respectively. The contract period usually lasts for one to five years. As at 31 December 2018, fixed rate paid ranged from 2.62% to 4.80%, and floating reference rates were SHIBOR\_3M and FixingRepoRate007. While fixed rate received ranged from 2.49% to 4.78%, and floating reference rates were SHIBOR\_3M and FixingRepoRate007. As at 31 December 2017, fixed rate paid ranged from 0.65% to 4.87%, and floating reference rates were mainly SHIBOR\_3M and FixingRepoRate007. While fixed rate received ranged from 0.65% to 5.00%, and floating reference rates were mainly SHIBOR\_3M and FixingRepoRate007.
- (iv) Embedded option instruments: The call/put option was embedded in the non-derivative host contract and it was mainly linked with stock index. The notional principal amounts of the Group's embedded option instruments contracts as at 31 December 2018 and 2017 were approximately RMB305 million and RMB56 million, respectively.
- (v) Equity return swaps: Derivative transactions, through which the Group and a qualified client agree to conduct an return swap in accordance with the agreed amount of nominal principal and return within a fixed period in the future. The return under such swap is linked with the performance of the underlying equity securities. The notional principal amounts of the Group's equity return swaps as at 31 December 2018 and 2017 were RMB33 million and RMB240 million, respectively.
- (vi) Stock options: The stock option purchased was recorded as asset and the stock option sold was recorded as liability. The notional principal amounts of the Group' option purchased as at 31 December 2018 and 2017 were approximately RMB283 million RMB503 million, respectively. The notional principal amounts of the Group' option sold as at 31 December 2018 and 2017 were approximately RMB316 million and RMB555 million, respectively.
- (vii) Commodity swaps: The notional principal amounts of the Group's commodity swaps as at 31 December 2018 and 2017 were approximately RMB4,356 million and RMB3,984 million, respectively.
- (viii) Equity linked derivatives: The return of this derivative is linked with the performance of the underlying equity securities. The notional principal amounts of the Group's equity linked derivatives as at 31 December 2018 and 2017 were approximately RMB594 million and RMB3,220 million, respectively.
- (ix) Currency swaps: As at 31 December 2018 and 2017, the notional amounts of the Group's currency swaps contracts with exchange of RMB to HKD or USD were RMB425 million and nil.
- (x) Commodity option: The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as combinations intend to enable the Group to pay a relatively fixed expense despite the volatilities of fair value of gold bullions.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's SIF are set out below:

	As at 31 December			
	2018		2017	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
SIF	980,493	34,804	904,799	6,472
Less: settlement		34,901		6,472
Net position of SIF contracts		(97)		–

Details of the Group's treasury bond futures, commodity futures and forward contracts are set out below:

	As at 31 December			
	2018		2017	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Treasury bond futures	1,681,361	(3,967)	9,584,774	(20,266)
Less: settlement		(4,002)		(20,266)
Net position of treasury bond futures		35		–
Commodity futures	1,334,728	4,002	185,532	3,330
Less: settlement		4,002		3,330
Net position of commodity futures		–		–
Forward contracts	277	(8)	29,644	(124)
Less: settlement		(8)		(124)
Net position of forward contracts		–		–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 22. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's interest rate swaps are set out below:

	As at 31 December			
	2018		2017	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Interest rate swaps	393,185,000	(155,309)	73,190,000	(104,722)
Less: settlement		(158,636)		(110,066)
Net position of interest rate swaps		3,327		5,344

### 23. ADVANCES TO CUSTOMERS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Loans to margin clients	9,920,032	12,624,308
Other advances to customers	560,934	414,860
Subtotal	10,480,966	13,039,168
Less: impairment allowance	(204,211)	(99,104)
	10,276,755	12,940,064

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

Loans to margin clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 42 are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call when the customers have to make up the difference.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 23. ADVANCES TO CUSTOMERS *(Continued)*

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 RMB28,205 million and RMB40,275 million as at 31 December 2018 and 31 December 2017, respectively.

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

The following table shows reconciliation of loss allowances that has been recognised for advances to customers.

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	1,542	68,777	100,589	170,908
– Transfer to credit-impaired	–	(44,337)	44,337	–
– Transfer to lifetime-not-credit-impaired	(403)	513	(110)	–
– Transfer to 12m ECL	134	(134)	–	–
– Impairment losses recognised/(reversed)	287	(23,316)	49,437	26,408
– Foreign exchange differences	–	–	6,895	6,895
As at 31 December 2018	1,560	1,503	201,148	204,211

The table below details the credit risk exposures of the Group's advances to customers, which are subject to ECL assessment.

#### As at 31 December, 2018

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	8,455,553	1,817,799	207,614	10,480,966

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 24. ACCOUNT RECEIVABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Account receivables from/related to:		
– Clearing house	151,964	244,559
– Brokers	105,808	60,977
– Asset management fee and trading seats commission	412,268	654,542
– Advisory and investment banking commission	12,004	10,585
Less: impairment allowance	(13,636)	(7,819)
	<b>668,408</b>	<b>962,844</b>

Movements of the impairment allowance in 2017 are set out below:

	As at 31 December 2017 RMB'000
At beginning of the year	3,174
Charge for the year	4,645
At end of the year	<b>7,819</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 24. ACCOUNT RECEIVABLES (Continued)

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Ageing analysis of account receivables from the revenue recognition dates is as follows:		
– Within 1 year	628,912	904,984
– Between 1 and 2 years	25,211	55,331
– Between 2 and 3 years	13,465	2,438
– Over 3 years	820	91
	<b>668,408</b>	<b>962,844</b>

As at 1 January 2018, account receivables from contracts with customers amounted to RMB962,844 thousand.

The normal settlement terms of account receivables from clearing house and brokers are within three months after trading date. Trading limits are set for clients. Normal settlement terms of account receivables from asset management fee and trading seats commission, advisory and investment banking commission are determined in accordance with the contract terms, usually within three months after the service provided.

The following table shows reconciliation of loss allowances that has been recognised for accounts receivables.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	4,819	3,000	7,819
– Impairment losses recognised	5,770	–	5,770
– Foreign exchange differences	47	–	47
As at 31 December 2018	<b>10,636</b>	<b>3,000</b>	<b>13,636</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 24. ACCOUNT RECEIVABLES *(Continued)*

The table below details the credit risk exposures of the Group's account receivables, which are subject to ECL assessment.

As at 31 December, 2018

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	679,044	3,000	682,044

### 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Analysed by collateral type:		
– Stock	24,093,807	31,161,017
– Bonds	4,908,522	3,644,825
Subtotal	29,002,329	34,805,842
Less: impairment allowance	(833,745)	(187,351)
	28,168,584	34,618,491
Analysed by market:		
– Stock exchange	28,852,332	31,722,358
– Inter-bank market	149,997	3,083,484
Less: impairment allowance	(833,745)	(187,351)
	28,168,584	34,618,491

*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 Consolidated Financial Statements

For the year ended 31 December 2018

### 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

As at 31 December 2018 and 31 December 2017, the Group's financial assets held under resale agreements used as collateral in connection with its financial assets sold under repurchase agreement amounted to nil and RMB2,774 million, respectively.

The following tables show reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	145,730	659,981	187,351	993,062
– Transfer to credit-impaired	–	(579,321)	579,321	–
– Transfer to lifetime-not-credit-impaired	(86,748)	86,748	–	–
– Transfer to 12m ECL	19,841	(19,841)	–	–
– Impairment losses recognised/(reversed)	(68,916)	4,782	175,120	110,986
– Transfer out	–	–	(270,303)	(270,303)
As at 31 December 2018	9,907	152,349	671,489	833,745

Movements of the impairment allowance in 2017 are set out below:

	As at 31 December 2017 RMB'000
At beginning of the year	–
Charge for during the year	187,351
At end of the year	187,351



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

The table below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

As at 31 December, 2018

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	13,676,747	11,330,646	3,994,936	29,002,329

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Mandatorily measured at FVTPL		
– Debt securities <i>(Note a)</i>	24,879,152	25,791,241
– Equity securities	6,427,238	9,081,033
– Funds	10,567,823	6,618,205
– Other investments <i>(Note b)</i>	10,161,134	2,206,068
Designated at FVTPL		
– Equity securities listed on National Equities Exchange and Quotations	–	3,522,534
– Restricted shares	–	810,366
	<b>52,035,347</b>	48,029,447
Analysed as:		
– Listed <i>(Note c)</i>	22,292,048	25,944,713
– Unlisted	29,743,299	22,084,734
	<b>52,035,347</b>	48,029,447

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 26. 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, perpetual instruments, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, 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 Hong Kong Stock Exchange and other stock exchanges are included in the "Listed" category.

As at 31 December 2018, the Group's pledged collateral of bonds and funds included in financial assets at fair value through profit or loss in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB12,895 million and RMB285 million, respectively.

As at 31 December 2017, the Group's pledged collateral of bonds included in financial assets at fair value through profit or loss in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB15,107 million and RMB1,136 million, respectively.

## 27. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2018 RMB'000
Government bonds	28,455,694
Bonds issued by policy banks	1,816,677
Bonds issued by commercial banks and other financial institutions	2,202,047
Other debt securities ( <i>Note a</i> )	29,735,018
	62,209,436
Analysed as:	
– Listed ( <i>Note b</i> )	33,492,152
– Unlisted	28,717,284
	62,209,436

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

*Note a:* Other debt securities mainly comprise of corporate bonds, enterprise bonds and medium term notes.

*Note b:* Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed" category.

As at 31 December 2018, the Group's pledged collateral of bonds included in debt instruments measured at FVTOCI in connection with its financial assets sold under repurchase agreement and securities borrowing amounted to RMB29,280 million and RMB1,700 million, respectively.

The following table shows reconciliation of loss allowances that has been recognised for debt instruments measured at FVTOCI.

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	16,098	–	84,660	100,758
– Impairment losses recognised	2,195	–	–	2,195
As at 31 December 2018	18,293	–	84,660	102,953

The table below details the credit risk exposures of the Group's debt instruments measured at FVTOCI, which are subject to ECL assessment.

### As at 31 December, 2018

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	61,940,691	–	84,660	62,025,351

All of the Group's debt instruments at FVTOCI except those credit impaired bonds are graded in the senior credit rating among rating agencies as of 31 December 2018. Therefore, these investments at stage 1 are considered to be low credit risk investments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2018 RMB'000
– Equity securities ( <i>Note a</i> )	1,535,175
– Perpetual instruments ( <i>Note b</i> )	3,004,399
– Other investment ( <i>Note c</i> )	4,776,688
	<b>9,316,262</b>
Analysed as:	
– Listed ( <i>Note d</i> )	2,499,582
– Unlisted	6,816,680
	<b>9,316,262</b>

*Note a:* The above equity investments include those ordinary shares of the entities listed on Shanghai Stock Exchange. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Group have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

Besides, some of the above equity investments represent the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI for the strategy of holding these investments for long-term purposes.

In the current year, the Group mainly disposed of the investments in Baihe.com and Changjiang Securities, at a consideration of RMB89,056 thousand and RMB60,757 thousand respectively, which were also the fair value as at the date of disposal. The investment in Baihe.com no longer meets the investment objective of the Group after group restructuring carried out by the investee and a cumulative gain on disposal of RMB21,780 thousand has been transferred to retained profits. The Group disposed Changjiang Securities to avoid further decline in price stock and a cumulative loss on disposal of RMB67,464 thousand has been transferred to retained profits.

# Notes to the Consolidated Financial Statements

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## 28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

*Note b:* Those perpetual instruments are equity instruments which are not held for trading, instead, they are held for long-term strategic purposes. The Group have elected to designate these perpetual instruments as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their dividend income in the long run.

*Note c:* Other investment is an investment in a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. As at 31 December, 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 d:* Securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange are included in the "Listed" category.

As at 31 December 2018, the Group's pledged collateral of bonds included in equity instruments at fair value through other comprehensive income in connection with its financial assets sold under repurchase agreement amounted to RMB1,628 million, respectively

## 29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at 31 December 2018 RMB'000
Analysed by type:	
– Debt securities	7,914,537
Less: impairment allowance	(1,941)
	<b>7,912,596</b>
Analysed as:	
– Listed <i>(Note a)</i>	4,273,688
– Unlisted <i>(Note b)</i>	3,638,908
	<b>7,912,596</b>

*Note a:* As at 31 December, 2018, the listed debt securities were listed on Shanghai Stock Exchange and Shenzhen Stock Exchange.

*Note b:* As at 31 December, 2018, the unlisted debt securities were traded on inter-bank market.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST *(Continued)*

The following table shows reconciliation of loss allowances that has been recognised for debt instruments measured at amortised cost.

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	739	-	-	739
- Impairment losses recognised	1,202	-	-	1,202
As at 31 December 2018	1,941	-	-	1,941

The table below details the credit risk exposures of the Group's debt instruments measured at amortised cost, which are subject to ECL assessment:

#### As at 31 December, 2018

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	7,914,537	-	-	7,914,537

All of the Group's debt instruments at amortised cost are bonds that are graded in the senior credit rating among rating agencies as of 31 December 2018. Therefore, these investments are considered to be low credit risk investments.

As at 31 December 2018, the Group's pledged collateral of bonds included in debt instruments measured at amortised cost in connection with its financial assets sold under repurchase agreement amounted to RMB4,791 million, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 30. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>As at 31 December 2017 RMB'000</b>
Measured at fair value:	
– Equity securities	1,102,985
– Funds	1,871,499
– Debt securities	55,396,558
– Other investments ( <i>Note a</i> )	11,175,561
Measured at cost:	
– Equity securities	2,687,775
Less: provision for impairment losses	–
	<hr/> 72,234,378 <hr/>
Analysed as:	
– Listed ( <i>Note b</i> )	33,214,196
– Unlisted	39,020,182
	<hr/> 72,234,378 <hr/>

The unlisted equity securities held by the Group are issued by private companies in, among others, the manufacturing industry, energy technology, and multimedia sectors. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment as of 31 December 2017.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realised within one year from the end of 31 December 2017.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 30. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

*Note a:* Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management schemes that managed by the Group till the end of the investment period.

Also included in the balance is an investment in a special account managed by China Securities Finance Corporation Limited (the “CSFCL”). CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. As of 31 December 2017, the cost of the investment was RMB4.89 billion and the Company determined the total fair value of the investment according to an evaluation report provided by the CSFCL.

*Note b:* Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange are included in the “Listed” category.

## 31. DEFERRED TAXATION

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets	895,832	150,522
Deferred tax liabilities	–	(82,026)
	<b>895,832</b>	<b>68,496</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 31. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax assets (liabilities) recognised and movements:

	Financial instrument at fair value through profit or loss and derivatives RMB'000	Accrued staff cost RMB'000	Debt/Equity instruments at FVTOCI RMB'000	Allowance for impairment losses RMB'000	Government grants and others RMB'000	Total RMB'000
At 31 December 2017	(402,063)	249,002	204,679	61,351	(44,473)	68,496
Adjusted upon application of IFRS 9	100,097	-	(177,745)	202,282	-	124,634
At 1 January 2018	(301,966)	249,002	26,934	263,633	(44,473)	193,130
Credit to profit or loss	479,491	6,349	558	31,168	71,032	588,598
Credit to other comprehensive income	-	-	94,330	-	12,886	107,216
Transfer out upon disposal of equity instruments at FVTOCI	-	-	(13,574)	-	20,462	6,888
As at 31 December 2018	177,525	255,351	108,248	294,801	59,907	895,832
As at 1 January 2017	(39,598)	167,468	(148,732)	14,663	(97,749)	(103,948)
Credit/(charge) to profit or loss	(362,465)	81,534	(23,127)	46,688	66,162	(191,208)
Credit/(charge) to other comprehensive income	-	-	376,538	-	(12,886)	363,652
As at 31 December 2017	(402,063)	249,002	204,679	61,351	(44,473)	68,496

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 32. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Cost of unlisted investments in associates	2,172,646	2,290,525
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,842,617	1,715,079
	<b>4,015,263</b>	4,005,604

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

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2018	2017	
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 Investment Co., Ltd.* ("ICY New Energy")	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%	Investment management
北京東方智雲股權投資中心(有限合夥) Beijing Orient Zhiyun Equity Investment Center LLP.*	PRC 20 August 2015	42.19%	42.19%	Equity investment

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 32. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December		Principal activities
		2018	2017	
東方嘉實(上海)投資管理合夥企業 (有限合夥) Orient Jiashi (Shanghai) Investment Management LLP.*	PRC 15 April 2015	6.09%	26.74%	Investment management
上海東證遠譽投資中心(有限合夥) Shanghai Orient Yuanyu Investment Center LLP.*	PRC 25 August 2015	33.33%	33.33%	Investment management
上海東證今緣股權投資基金合夥企業 (有限合夥) Shanghai Orient Jinyuan Equity Investment LLP.*	PRC 16 October 2015	38.29%	30.00%	Equity investment
東證騰駿(上海)投資合夥企業(有限合夥) Orient Tengjun (Shanghai) Investment LLP.*	PRC 11 September 2015	32.96%	38.69%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP.*	PRC 16 December 2015	45.45%	45.45%	Investment management
東證睿波(上海)投資中心(有限合夥) Orient Securities Ruibo (Shanghai) Investment Center LLP.*	PRC 25 June 2015	35.69%	35.69%	Investment management
上海東證春醫投資中心(有限合夥) Shanghai Orient Securities Chunyi Investment Center LLP.*	PRC 3 November 2015	49.26%	49.26%	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP.*	PRC 4 February 2016	34.51%	34.51%	Equity investment

# Notes to the Consolidated Financial Statements

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## 32. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group As at 31 December		Principal activities
		2018	2017	
海寧東證藍海並購投資合夥企業 (有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	PRC 13 July 2016	25.85%	25.85%	Investment management
OCI International Holdings Limited 東建國際控股有限公司	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%	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	74.42%	79.98%	Asset management
金大智能技術股份有限公司 Kingday Intelligent Technology Co.,Ltd.	PRC 9 April, 2009	29.29%	–	Manufacturer
上海東愷投資管理有限公司 Shanghai Dongkai Capital Co., Ltd.*	PRC 21 September, 2018	45.00%	–	Investment management

\* English translated names are for identification purpose only.

# Notes to the Consolidated Financial Statements

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## 32. INVESTMENTS IN ASSOCIATES (Continued)

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

### China Universal

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Total assets	7,239,199	8,989,484
Total liabilities	1,959,618	4,108,008
Net assets	5,279,581	4,881,476

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Total revenue	3,558,923	3,344,039
Profit for the year	1,029,098	1,225,919
Other comprehensive income	10,241	2,904
Total comprehensive income	1,039,339	1,228,823

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Equity attributable to equity holders of the associate	5,133,150	4,746,163
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	1,817,621	1,680,601

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 32. INVESTMENTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
The Group's share of profits	303,798	42,991
The Group's share of other comprehensive (expense)/income	(57,166)	72,279
The Group's share of total comprehensive income	246,632	115,270
Aggregate carrying amount of the Group's interests in these associates	2,197,642	2,325,003

## 33. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

### 33.1 Structured entities set up and managed by the Group

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the year ended 31 December 2018 and 2017. Except for the structured entities the Group has consolidated as disclosed in note 36, 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 RMB220,960 million and RMB214,239 million as at 31 December 2018 and 2017, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as financial assets at FVTPL as at 31 December, 2018 and as available-for-sale financial investments and financial assets at FVTPL as appropriate as at 31 December, 2017. As at 31 December 2018 and 2017, the carrying amounts of the Group's interests in unconsolidated funds and management schemes are RMB548 million and RMB650 million, respectively, which approximates the maximum risk exposure of the Group, and the assets management fee income are RMB2,380 million and RMB1,980 million, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 33. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

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

The table below shows the carrying amount of unconsolidated funds and asset management schemes in which the Group acted as investment manager and held interests and its maximum exposure to loss in relation to those interests as at 31 December 2018 and 2017.

#### As at 31 December 2018

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	548,354	548,354
Total	548,354	548,354

#### As at 31 December 2017

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	9,316	9,316
Available-for-sale financial assets	640,805	640,805
Total	650,121	650,121

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 33. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

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

The types of structured entities that the Group does not consolidate but in which it holds an interest mainly include funds, asset management schemes, trust schemes and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The table below shows the carrying amount of unconsolidated funds and asset management schemes in which the third party acted as investment manager and the Group held interests and its maximum exposure to loss in relation to those interests as at 31 December 2018 and 2017.

#### As at 31 December 2018

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	14,829,122	14,829,122
Equity instruments at FVTOCI	4,776,688	4,776,688
<b>Total</b>	<b>19,605,810</b>	<b>19,605,810</b>

#### As at 31 December 2017

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	8,814,957	8,814,957
Available-for-sale financial assets	6,980,139	6,980,139
<b>Total</b>	<b>15,795,096</b>	<b>15,795,096</b>



# Notes to the Consolidated Financial Statements

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## 34. 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
<b>COST</b>							
As at 1 January 2018	317,338	643,025	35,881	88,746	355,154	1,505,733	2,945,877
Additions	48,000	73,801	4,946	6,607	54,204	162,234	349,792
Disposals	-	(23,602)	(398)	(4,996)	(4,864)	-	(33,860)
Transfer during the year	1,549,248	49,788	-	7,904	-	(1,606,940)	-
Exchange difference	-	524	28	47	295	36	930
As at 31 December 2018	1,914,586	743,536	40,457	98,308	404,789	61,063	3,262,739
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2018	71,682	470,832	23,311	63,026	283,417	-	912,268
Charge for the year	14,539	80,542	3,310	8,217	37,175	-	143,783
Eliminated on disposals	-	(21,604)	(386)	(4,644)	(4,864)	-	(31,498)
Exchange difference	-	424	9	34	151	-	618
As at 31 December 2018	86,221	530,194	26,244	66,633	315,879	-	1,025,171
<b>CARRYING VALUES</b>							
As at 31 December 2018	1,828,365	213,342	14,213	31,675	88,910	61,063	2,237,568

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 34. PROPERTY AND EQUIPMENT (Continued)

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 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

The carrying amount of the Group's property and equipment included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, as such the entire lease is classified as finance lease and accounted for as property and equipment.

As at 31 December 2018, included in leasehold land and buildings, there are carrying values of approximately RMB48 million, for which the Group is in the progress to obtain the relevant land and building certificates. The directors of the Company considered that these will not have significant impact on the consolidated financial statements for the year ended 31 December 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 35. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
<b>COST</b>			
As at 1 January 2018	61,553	365,510	427,063
Additions	–	67,759	67,759
Disposals/written-off	–	(260)	(260)
Exchange difference	–	266	266
<b>As at 31 December 2018</b>	<b>61,553</b>	<b>433,275</b>	<b>494,828</b>
<b>ACCUMULATED AMORTISATION</b>			
As at 1 January 2018	39,810	259,314	299,124
Charge for the year	–	63,148	63,148
Eliminated on disposals/written-off	–	(13)	(13)
Exchange difference	–	229	229
<b>As at 31 December 2018</b>	<b>39,810</b>	<b>322,678</b>	<b>362,488</b>
<b>CARRYING VALUES</b>			
As at 31 December 2018	21,743	110,597	132,340
<b>COST</b>			
As at 1 January 2017	61,553	294,725	356,278
Additions	–	71,130	71,130
Disposals/written-off	–	–	–
Exchange difference	–	(345)	(345)
<b>As at 31 December 2017</b>	<b>61,553</b>	<b>365,510</b>	<b>427,063</b>
<b>ACCUMULATED AMORTISATION</b>			
As at 1 January 2017	39,810	201,584	241,394
Charge for the year	–	58,002	58,002
Eliminated on disposals/written-off	–	–	–
Exchange difference	–	(272)	(272)
<b>As at 31 December 2017</b>	<b>39,810</b>	<b>259,314</b>	<b>299,124</b>
<b>CARRYING VALUES</b>			
As at 31 December 2017	21,743	106,196	127,939

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 35. OTHER INTANGIBLE ASSETS *(Continued)*

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the National Equities Exchange and Quotations, where the Group is allowed to trade securities and futures contracts.

### **Impairment Testing On Trading Rights with Indefinite Useful Lives**

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually, or whenever there is an indication that they may be impaired.

The respective recoverable amounts of the cash generating unit relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, the management of the Group determined that there was no impairment of the trading rights as at 31 December 2018 and 2017.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of each reporting period, the Company has the following subsidiaries comprising the Group:

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at 31 December	Principal activities	Auditors/GAAP
			As at 31 December 2018	2017			
上海東證期貨有限公司 Shanghai Orient Securities Futures Co., Ltd. <sup>(1)</sup>	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB2,000,000,000	Commodity futures brokerage, Financial futures brokerage, Futures investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
上海東祺投資管理有限公司 Shanghai Dongqi Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB200,000,000	Equity investment, Investment management, Assets management	DTT PRC GAAP <sup>(2)</sup> ##
東證潤和資本管理有限公司 Orient Runhe Asset Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB200,000,000	Equity investment, Investment management, Assets management	DTT PRC GAAP <sup>(2)</sup> ##
上海東方證券資產管理有限公司 Orient Securities Asset Management Co., Ltd. <sup>(1)</sup>	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB300,000,000	Securities assets management, Securities investment, Fund management	DTT PRC GAAP <sup>(2)</sup> ##
上海東方證券資本投資有限公司 Orient Securities Capital Co., Ltd. <sup>(1)</sup>	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB4,000,000,000	Private equity investment, Bond investment, and related investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
東方睿德(上海)投資管理有限公司 Orient Ruide (Shanghai) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	100.00%	RMB570,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
上海東方睿德股權投資基金有限公司 Shanghai Orient Ruide Equity Investment Funds Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	100.00%	RMB2,500,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
東方睿義(上海)投資管理有限公司 Orient Ruiyi (Shanghai) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB810,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
東方嘉實(上海)投資管理有限公司 Orient Jiashi (Shanghai) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	65.00%	RMB5,400,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at 31 December	Principal activities	Auditors/GAAP
			As at 31 December 2018	2017			
東方弘泰(北京)投資管理有限公司 Orient Hongtai (Beijing) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	100.00%	RMB10,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
東方弘泰資本投資(北京)有限公司 Orient Hongtai Capital Investment (Beijing) Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	51.00%	RMB20,000,000	Investment management, Assets management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
上海東證桔石投資管理有限公司 Shanghai Orient Jushi Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
東方星暉(北京)投資基金管理 有限公司 Orient Xinghui (Beijing) Investment Funds Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	57.95%	57.95%	RMB8,800,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
拉薩經濟技術開發區東證國煦 投資管理有限公司 Orient Guoxu Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
海寧東方紅投資管理有限公司 Haining Orient Sun Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB10,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
上海東方富厚股權投資管理 有限公司 Shanghai Orient Fuhou Equity Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	58.00%	58.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
東方騰駿(上海)投資管理有限公司 Orient Tengjun (Shanghai) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
上海東證橡睿投資管理有限公司 Shanghai Orient Xiangrui Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	51.00%	RMB5,000,000	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at 31 December	Principal activities	Auditors/GAAP
			As at 31 December 2018	2017			
上海東證互娛欣商投資中心 (有限合夥) Shanghai Orient Huyu Xinshang Investment Center LLP.*	有限合夥企業 Limited partnership	PRC	-	50.99%	RMB196,100	Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
星輝海納(上海)投資中心(有限合夥) Xinghui Haina (Shanghai) Investment Center LLP.*	有限合夥企業 Limited partnership	PRC	57.95%	57.95%	RMB2,400,000	Investment management	DTT PRC GAAP <sup>(2)</sup> ##
上海東翎投資合夥企業(有限合夥) Shanghai Dongling Investment Partnership LLP.*	有限合夥企業 Limited partnership	PRC	50.62%	50.62%	RMB55,717,310	Industry investment, Investment management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
東石發展有限公司 East Milestone Company Limited	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD3,000,000	Investment management, Investment advisory	N/A <sup>(3)</sup>
東證湧銘(上海)資產管理有限公司 Orient Securities Yongming (Shanghai) Assets Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB10,000,000	Investment management, Asset management, Investment advisory	DTT PRC GAAP <sup>(2)</sup> ##
上海東證招才投資管理有限公司 Shanghai Orient Securities Zhaocai Investment Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	-	51.00%	RMB5,000,000	Industrial investment Investment management	DTT PRC GAAP <sup>(2)</sup> ##
東證嘉實紘成(上海)投資管理 合夥企業(有限合夥) Orient Securities Jiashi Hongcheng (Shanghai) Investment Management Partnership LLP.*	有限合夥企業 Limited partnership	PRC	-	100%	RMB5,000,000	Investment management, Investment advisory, Industrial investment	DTT PRC GAAP <sup>(2)</sup> ##
新疆東證新城股權投資管理 有限公司 Xinjiang Orient Securities Xinyu EquityInvestment Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Equity investment	DTT PRC GAAP <sup>(2)</sup> ##
海寧東證投資管理有限公司 Haining Orient Securities Investment Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	58.00%	58.00%	RMB10,000,000	Investment management, Investment advisory, Management consulting	DTT PRC GAAP <sup>(2)</sup> ##

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at 31 December	Principal activities	Auditors/GAAP
			As at 31 December 2018	2017			
東方翌睿(上海)投資管理有限公司 Orient Securities Yirui (Shanghai) Investment Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB2,000,000	Investment management, Asset management, Industrial investment	DTT PRC GAAP <sup>(2)</sup> ##
上海東證錫毅投資管理有限公司 Shanghai Orient Securities Xiyi Investment Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB10,000,000	Investment management	DTT PRC GAAP <sup>(2)</sup> ##
共青城東證德睿投資管理有限公司 Gongqing City Orient Securities Investment Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB5,000,000	Investment management, Asset management, Project investment	DTT PRC GAAP <sup>(2)</sup> ##
東方弘泰資本投資(成都)有限公司 Orient Hongtai Capital Investment (Chengdu) Co.Ltd.*	有限責任公司 Limited liability company	PRC	51.00%	51.00%	RMB100,000,000	Investment management, Asset management, Project investment	DTT PRC GAAP <sup>(2)</sup> ##
Golden Power Group Limited	有限責任公司 Limited liability company	British Virgin Islands ("BVI")	100.00%	100.00%	USD100	Equity investment, Industrial investment	N/A <sup>(3)</sup>
誠麒環球有限公司 Chengqi Global Limited*	有限責任公司 Limited liability Company	BVI	100.00%	100.00%	USD100	Equity investment, Industrial investment	N/A <sup>(3)</sup>
蘇州東證恒晟投資管理有限公司 Suzhou Orient Securities Hengsheng Investment Management Co.Ltd.*	有限責任公司 Limited liability company	PRC	-	100.00%	RMB5,000,000	Equity investment, Industrial investment	DTT PRC GAAP <sup>(2)</sup> ##
東方弘泰(上海)投資管理有限公司 Orient Hongtai (Shanghai) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	-	100.00%	RMB10,000,000	Investment management and advisory	DTT PRC GAAP <sup>(2)</sup> ##
東方金融控股(香港)有限公司 Orient Finance Holdings (Hong Kong) Limited <sup>(1)</sup>	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD2,100,000,000	Investment holding and provision of management services	SHINEWING (HK) HKFRSs <sup>(2)</sup> #
東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD550,000,000	Securities brokerage	SHINEWING (HK) HKFRSs <sup>(2)</sup> #



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December		Registered capital as at 31 December	Principal activities	Auditors/GAAP
			2018	2017			
東方期貨(香港)有限公司 ORIENT FUTURES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD230,000,000	Futures brokerage	SHINEWING (HK) HKFRSs <sup>(2)</sup> #
東方資產管理(香港)有限公司 ORIENT ASSET MANAGEMENT (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD30,000,000	Asset management	SHINEWING (HK) HKFRSs <sup>(2)</sup> #
東方融資(香港)有限公司 ORIENT CAPITAL (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD50,000,000	Equity trading	SHINEWING (HK) HKFRSs <sup>(2)</sup> #
東方信貸財務(香港)有限公司 ORIENT CREDIT FINANCE (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD31,000,000	Credit operations	SHINEWING (HK) HKFRSs <sup>(2)</sup> #
東方鴻盛有限公司 ORIENT HONGSHENG LIMITED	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose	N/A <sup>(3)</sup>
ORIENT ZHISHENG LIMITED	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose	N/A <sup>(3)</sup>
東方智匯有限公司 ORIENT ZHIHUI LIMITED	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose	N/A <sup>(3)</sup>
東方花旗證券有限公司 Citi Orient Securities Co., Ltd. <sup>(1)</sup>	有限責任公司 Limited liability company	PRC	66.67%	66.67%	RMB800,000,000	Securities underwriting and sponsor	KPMG PRC PRC GAAP
上海東方證券創新投資有限公司 Shanghai Orient Securities Innovation Investment Co., Ltd. <sup>(1)*</sup>	有限責任公司 Limited liability company	PRC	100.00%	100.00%	RMB3,000,000,000	Financial assets investment, Securities investment, Investment management and advisory	DTT PRC GAAP <sup>(2)</sup> ##
景德鎮北汽東證產業投資管理有限公司 Jingdezhen Beiqi Orient Industry Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC	66.00%	51.00%	RMB10,000,000	Investment management and advisory	DTT PRC GAAP <sup>(2)</sup> ##

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of Incorporation/ establishment	Equity interest held by the Group		Registered capital as at 31 December	Principal activities	Auditors/GAAP
			As at 31 December 2018	2017			
ORIENT HUIZHI LIMITED	有限責任公司 Limited liability company	BVI	100.00%	100.00%	USD1	Special purpose	N/A <sup>(3)</sup>
東方睿信有限公司 Orient Ruixin Limited	有限責任公司 Limited liability company	Hong Kong	100.00%	100.00%	HKD10,000	Equity investment, Industrial investment	N/A <sup>(3)</sup>
東證國際金融集團有限公司 Orient Securities International Financial Group Limited	有限責任公司 Limited liability	Hong Kong	100.00%	100.00%	HKD500,000,000	Investment holding and provision of management services	SHINEWING (HK) HKFRSs <sup>(2) #</sup>
東證期貨國際(新加坡)有限公司 Orient Futures International (Singapore)	私人股份 有限公司 Pte Ltd Private Company Limited by shares	Singapore	100.00%	-	SGD1,500,000	Foreign exchange brokers and dealers	N/A <sup>(3)</sup>

\* These subsidiaries do not have official English names. English translated names are for identification only.

(1) These subsidiaries are directly held by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

- DTT represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
- SHINEWING (HK) CPA Limited, 信永中和(香港)會計師事務所有限公司, a firm of certified public accountants registered in Hong Kong;
- KPMG PRC represents KPMG Huazhen LLP, 畢馬威華振會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;

# These subsidiaries have changed their auditor from Deloitte Touche Tohmatsu, 德勤•鄭黃陳方會計師行(香港), to SHINEWING (HK) in 2017.

## These subsidiaries have changed their auditor from BDO China Shu Lun Pan Certified Public Accountants LLP, 立信會計師事務所(特殊普通合夥), to DTT in 2017.

(3) There is no statutory audit requirement for these subsidiaries and thus no audited financial statements were issued.

(4) None of the subsidiaries had issued any debt securities at the end of the year except Orient HuiZhi Limited of which details of bonds information have been disclosed at Note 47.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The following table lists out the information relating to Citi Orient Securities Co., Ltd., the only subsidiary of the Group which has material non-controlling interests (“NCI”). The summarised consolidated financial statements presented below represents the amounts before any inter-company elimination:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Total assets	1,828,325	2,176,081
Total liabilities	401,574	881,134
Total equity	1,426,751	1,294,947
Attributable to:		
Shareholders of the Company	951,215	863,314
Non-controlling interests	475,536	431,633

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Total revenue	802,736	1,039,389
Profit for the year	131,805	188,236
Attributable to:		
Shareholders of the Company	87,874	125,497
Non-controlling interests	43,931	62,739
Other comprehensive income/(expense)	–	241
Attributable to:		
Shareholders of the Company	–	161
Non-controlling interests	–	80
Total comprehensive income	131,805	188,477
Attributable to:		
Shareholders of the Company	87,874	125,658
Non-controlling interests	43,931	62,819
Cash flows used in operating activities	(369,657)	(98,910)
Cash flows used in investing activities	(13,460)	(25,369)
Cash flows from financing activities	–	–
Net Cash flows	(383,117)	(124,279)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

### Interests in consolidated structured entities:

The Group has consolidated certain structured entities including asset management schemes. For the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance that it indicates that the Group is a principal.

The total net assets of these consolidated asset management schemes amounted to RMB5,994 million and RMB4,856 million as at 31 December 2018 and 2017, respectively.

Interests in all consolidated asset management schemes held by the Group amounted to fair value of RMB5,682 million and RMB4,443 million as at 31 December 2018 and 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 senior tranche investors by holding such subordinated tranche interests.

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

## 37. GOODWILL

### Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated into two individual cash generating units (CGUs), including securities brokerage branches acquired by the Company ("Unit A") and Shanghai Orient Securities Futures Co., Ltd. acquired by the Company ("Unit B"). The carrying amounts of goodwill as at 31 December 2018 and 2017 allocated to these units are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Cost and carrying value</b>		
Unit A – securities brokerage branches	18,948	18,948
Unit B – Shanghai Orient Securities Futures Co., Ltd.	13,187	13,187
	<b>32,135</b>	<b>32,135</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 37. GOODWILL (Continued)

### Impairment testing on goodwill (Continued)

Unit A is the securities brokerage CGU acquired, and the acquisition cost exceeds the fair value of net identifiable assets. As at 31 December 2018 and 2017, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

Unit B is the CGU of Shanghai Orient Securities Futures Co., Ltd., the futures brokerage and investment advisory CGU acquired by the Company. As at 31 December 2018 and 2017, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

The recoverable amount of Unit A and Unit B have been determined on the basis of value in use calculation. The calculation used cash flow projections based on financial budgets approved by management. The discount rate used are the weighted average cost of capital, adjusted for the risks of CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development.

Based on the units' past performance and management's expectations for the market development, management believes that it's unlikely the carrying amount of the CGU to exceed its recoverable amount.

## 38. OTHER LOANS, RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Other receivables	647,722	212,087
Interest receivable (Note a)	–	2,242,935
Other loans	549,606	1,075,119
Prepayments	226,358	209,121
Others	414,904	39,982
Less: impairment allowance (Note b)	(332,209)	(53,781)
	<b>1,506,381</b>	<b>3,725,463</b>

Note a: As at 31 December 2018, the interests accrued on debt instruments, advances to customers, bank balances, loans or financial assets held under resale agreements of the Group are included in the carrying amounts of the corresponding financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 38. OTHER LOANS, RECEIVABLES AND PREPAYMENTS *(Continued)*

*Note b:* The allowance for other receivables of the Group included the individual provision, amounting to RMB322 million and RMB48 million in 2018 and 2017 respectively, which were provided for overdue items with principal amount of RMB328 million and RMB48 million in 2018 and 2017 respectively. Besides, the allowance for other receivables of the Group also included the impairment allowance transferred from financial assets (pledged by stock) held under resale agreements upon disposal.

The movements of the impairment allowance in 2017 are set out below:

	<b>As at 31 December 2017 RMB'000</b>
At beginning of the year	61,054
Transfer in during the year	1,098
Charge during the year	24,818
Written-off	(33,189)
At end of the year	53,781

The following table shows reconciliation of loss allowances that has been recognised for other loans and receivables.

	<b>12m ECL RMB'000</b>	<b>Lifetime ECL (not credit- impaired) RMB'000</b>	<b>Lifetime ECL (credit- impaired) RMB'000</b>	<b>Total RMB'000</b>
As at 1 January 2018	2,403	–	46,813	49,216
– Transfer to credit-impaired	–	(54)	54	–
– Transfer to lifetime-not-credit-impaired	(54)	54	–	–
– Impairment losses recognised	7,321	–	5,281	12,602
– Transfer in	–	–	270,303	270,303
– Foreign exchange differences	88	–	–	88
As at 31 December 2018	9,758	–	322,451	332,209

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 38. OTHER LOANS, RECEIVABLES AND PREPAYMENTS *(Continued)*

The tables below detail the credit risk exposures of the Group's other loans and receivables, which are subject to ECL assessment.

As at 31 December 2018

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	869,476	–	327,852	1,197,328

### 39. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Due to banks <i>(Note a)</i>	9,506,880	9,700,000
Due to China Securities Finance Corporation Limited <i>(Note b)</i>	1,520,187	1,500,000
	11,027,067	11,200,000

*Note a:* As at 31 December 2018, the effective interest rates bearing on the outstanding amount of due to banks vary from 4.7% to 4.9% (2017:3.6% to 8.4%) per annum. The amount of due to banks were repayable within seven days from the end of the reporting period.

*Note b:* As at 31 December 2018, the effective interest rates on due to China Securities Finance Corporation Ltd. is 5.1% (2017: 5.1%) per annum. The amount of due to China Securities Finance Corporation Ltd. were repayable within four months from the end of the reporting period.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 40. SHORT-TERM FINANCING BILLS PAYABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Unsecured and unguaranteed:		
Short-term financing bill payables ( <i>Note b</i> )	9,260,044	–
Income certificates ( <i>Note a</i> )	3,151,562	1,810,486
	<b>12,411,606</b>	<b>1,810,486</b>
Analysed as:		
Inter-bank	–	–
Stock exchange	8,278,420	–
Over the counter	4,133,186	1,810,486
	<b>12,411,606</b>	<b>1,810,486</b>

*Note a:* According to the consent letter from Securities Association of China (“SAC”) regarding the pilot of over the counter income certificate business (SAC [2014]285), the Group has the authorization to conduct income certificate business. As at 31 December 2018 and 2017, the yields of all the outstanding income certificates were ranged from 2.70% to 7.50% and from 1.00% to 8.00% per annum, respectively.

*Note b:* As at 31 December 2018, short-term financing bills payables were unsecured and unguaranteed debt securities issued on the Shanghai Stock Exchange and over-the counter by the Company and were repayable within 1 year.

## 41. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 41. ACCOUNT PAYABLES TO BROKERAGE CLIENTS *(Continued)*

As at 31 December 2018 and 2017, included in the Group's account payables to brokerage clients were approximately RMB1,326 million and RMB1,294 million of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

## 42. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Analysed by collateral type		
– Bonds	45,432,091	44,060,004
– Fund	1,037,316	–
– Securities-backed lending repurchase agreement	–	2,500,000
– Advances to customers backed repurchase agreement	2,946,270	9,560,000
	<b>49,415,677</b>	<b>56,120,004</b>
Analysed by market		
– Stock exchange	26,545,987	18,061,981
– Inter-bank market	15,793,848	21,499,338
– Over the counter	7,075,842	16,558,685
	<b>49,415,677</b>	<b>56,120,004</b>

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 43. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Coupon bearing bonds ( <i>Note a</i> )	1,496,012	688,536
Others	5,026,036	4,957,680
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities ( <i>Note b</i> )	312,333	413,511
	<b>6,834,381</b>	6,059,727

*Note a:* As at 31 December 2018 and 2017, included in the Group's financial liabilities at fair value through profit or loss were coupon-bearing bonds borrowed by the Group.

*Note b:* Interests attributable to other holders of consolidated structured schemes and funds consist of third-party unit holders' interests in these consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash.

The realization of third-party interests in the financial liabilities arising from consolidation of collective asset management schemes and funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated collective asset management schemes and funds held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 44. CONTRACT LIABILITIES

	As at 31 December 2018 RMB'000
Asset and fund management services	4,583
Sales of bulk commodity	130,314
	<b>134,897</b>

## 45. ACCRUED STAFF COSTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Salaries, bonus and allowances	1,241,063	1,845,457
Social welfares	526	426
Annuity schemes	7,700	6,500
	<b>1,249,289</b>	<b>1,852,383</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 46. BORROWINGS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Unsecured short-term borrowings repayable within one year ( <i>Note a</i> )	1,250,110	1,469,368
Pledged long-term borrowings repayable within one year ( <i>Note d</i> )	–	421,576
Pledged short-term borrowings repayable within one year ( <i>Note c</i> )	–	52,212
Secured short-term borrowings repayable within one year ( <i>Note b</i> )	403,052	–
Secured long-term borrowings repayable within one year ( <i>Note e</i> )	–	384,514
	<b>1,653,162</b>	<b>2,327,670</b>

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

As at 31 December, 2018, the unsecured bank borrowing, amounting to HKD150 million (approximately RMB131 million respectively) and bearing a floating rate of 1 week HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December, 2018, the unsecured bank borrowing, amounting to HKD100 million (approximately RMB88 million respectively) and bearing a floating rate of 1 week HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December, 2018, the unsecured bank borrowing, amounting to HKD300 million (approximately RMB263 million respectively) and bearing a floating rate of 3 month HIBOR plus 1.8% per annum is repayable within one year.

As at 31 December, 2018, the unsecured bank borrowing, amounting to USD33 million (approximately RMB223 million respectively) and bearing the rate of 3.5% per annum is repayable within one year.

As at 31 December, 2018, the unsecured bank borrowing, amounting to USD45 million (approximately RMB308 million respectively) and bearing a floating rate of 1 month HIBOR plus 1.8% per annum is repayable within one year.

As at 31 December, 2018, the unsecured bank borrowing, amounting to USD30 million (approximately RMB206 million respectively) and bearing a floating rate of 1 month HIBOR plus 2.0% per annum is repayable within one year.

As at 31 December 2018, the unsecured bank borrowing, amounting to RMB26 million and bearing the fixed rate of 6.003% is repayable within one year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 46. BORROWINGS (Continued)

*Note a: (Continued)*

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 HKD100 million (approximately RMB84 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 HKD150 million (approximately RMB125 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.

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

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

*Note b:* As at 31 December 2018, the short-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 RMB637 million as at 31 December 2018. The borrowing is denominated in Hong Kong dollar, bearing a floating rate of 3 month HIBOR plus 2.0% per annum.

*Note c:* As at December 31, 2017, the pledged bank borrowing was pledged by the JSS Short Term Bond Global Opportunities, a fund held by the Group. The carrying amount of such fund is RMB66 million. The borrowing amounting to USD5 million as at 31 December 2017 (approximately RMB33 million) bears the rate of 0.77% above the Bank's Cost of Funds, and is repayable within one year. The borrowing amounting to USD3 million as at 31 December 2017 (approximately RMB20 million) bears the fixed rate of 1.5%, and is repayable within one year.

*Note d:* As at 31 December 2017, the long-term borrowing was pledged by a deposit, of which the carrying amount is RMB449.9 million. The borrowing amounting to approximately USD65 million as at 31 December 2017 (approximately RMB422 million) bears a floating rate of 12 month LIBOR plus 0.75% per annum is repayable on 17 November 2018.

*Note e:* As at 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 RMB606 million as at 31 December 2017. The borrowing is denominated in Hong Kong dollar, bearing a floating rate of 3 month HIBOR plus 1.8% per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 47. BOND PAYABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Unsecured and unguaranteed:</b>		
Corporate bonds (Note a)	27,404,305	26,999,407
Subordinated bonds (Note a)	16,777,484	17,999,705
Income certificates (Note b)	7,806,484	14,808,217
Offshore bonds (Note a)	5,060,695	5,502,358
	<b>57,048,968</b>	<b>65,309,687</b>

Note a:

Name		Issue amount	Issue date	Maturity date	Coupon rate
14 Corporate Bond <sup>(1)</sup>	RMB	6,000,000,000	26/08/2014	26/08/2019	6.00%
15 Corporate Bond <sup>(2)</sup>	RMB	12,000,000,000	26/11/2015	26/11/2020	3.90%
16 Orient Subordinated Bond <sup>(3)</sup>	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
17-1 Orient Subordinated Bond <sup>(4)</sup>	RMB	1,500,000,000	26/04/2017	26/04/2020	4.90%
17-2 Orient Subordinated Bond <sup>(5)</sup>	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-3 Orient Subordinated Bond <sup>(6)</sup>	RMB	1,500,000,000	15/05/2017	15/05/2020	5.15%
17-4 Orient Subordinated Bond <sup>(7)</sup>	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
17-1 Corporate Bond <sup>(8)</sup>	RMB	4,000,000,000	09/06/2017	09/06/2020	5.30%
17-2 Corporate Bond <sup>(9)</sup>	RMB	1,000,000,000	09/06/2017	09/06/2022	5.50%
17-3 Corporate Bond <sup>(10)</sup>	RMB	4,000,000,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond <sup>(11)</sup>	USD	500,000,000	30/11/2017	30/11/2022	3.63%
17 Offshore USD Bond <sup>(12)</sup>	USD	250,000,000	22/03/2018	30/11/2022	3.63%
18 Orient Subordinated Bond <sup>(13)</sup>	RMB	6,400,000,000	12/07/2018	12/07/2020	5.18%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 47. BOND PAYABLES (Continued)

Note a: (Continued)

- (1) As approved by the CSRC [2014]816, the Company issued a corporate bond with par value of RMB6 billion on 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 [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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) Orient HuiZhi Limited, the Company's subsidiary in Hong Kong, issued a 5-year Offshore USD Bond with par value of USD500 million (approximately RMB3,432 million) on 30 November 2017. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 3.625% and the interest is paid semi-annually.
- (12) Orient HuiZhi Limited, the Company's subsidiary in Hong Kong, issued a Offshore USD Bond with par value of USD250 million (approximately RMB1,716 million) on 22 March 2018. The Offshore USD Bond was guaranteed by the Company. The bond bears a fixed annual interest rate of 3.625% with maturity date that is 30 November 2022 and the interest is paid semi-annually.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 47. BOND PAYABLES (Continued)

Note a: (Continued)

- (13) As approved by the CSRC [2018]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.

Note b: According to the consent letter from Securities Association of China (“SAC”) on approving the pilot of over the counter income certificate business (SAC [2014]285), the Company was authorized to conduct income certificate business. The amount represents income certificates issued by the Company with maturities of more than one year. As at 31 December 2018 and 2017, the yields of the outstanding income certificates varied from 3.60% to 6.30% and from 3.60% to 6.30% per annum, respectively.

## 48. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Other account payables		
– Payables for underwriting and products distribution fees	173,817	338,521
– Settlement payables	237,785	654,119
Other payables and accruals		
– VAT and other taxes	140,706	184,046
– Interest payable (Note)	–	1,610,026
– Payables for securities and futures investor protection fund	12,319	38,006
– Futures risk reserve	68,914	57,969
– Dividends payable	80	80
– Advance receipts	15,512	7,673
– Acting underwriting securities	–	264,033
– Performance bond	29,838	260,079
– Others	806,819	900,973
	<b>1,485,790</b>	<b>4,315,525</b>

Note: As at 31 December 2018, the interests accrued on bonds issued, borrowings, short-term financing bills, due to banks and other financial institutions, financial liabilities sold under repurchase agreements of the Group are included in the carrying amounts of the corresponding financial liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 49. SHARE CAPITAL

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

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):			
As at 31 December 2018	<b>6,993,656</b>	–	<b>6,993,656</b>
As at 31 December 2017	6,215,452	778,204	6,993,656

As at 28 December 2017, the Company completed registration of newly-added A-shares of non-public issuance at Shanghai branch of China Securities Depository and Clearing Corporation Limited. As at 31 December 2017, the Company completed A-share non-public issuance of 778,204 thousand RMB-denominated shares and the issue price is RMB14.21 per share. After deducting the underwriting, sponsorship fees (excluding certain amounts paid to Citi Orient Securities Co., Ltd, a subsidiary of the Group, which was eliminated on the consolidated financial statements) and other distribution fees, net proceeds were recognised as share capital amounting to RMB778,204 thousand and the share premium amounting to RMB10,226,150 thousand accordingly.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 50. RESERVES

### (1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value, the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets and deemed gains/losses from associate.

The movements of the capital reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Share premium	28,251,706	(1)	28,251,705
Other capital reserve	3,225	–	3,225
As at 31 December 2018	28,254,931	(1)	28,254,930
Share premium ( <i>Note 48</i> )	18,025,556	10,226,150	28,251,706
Other capital reserve	3,225	–	3,225
As at 31 December 2017	18,028,781	10,226,150	28,254,931

### (2) Surplus reserve

The surplus reserve includes statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalization, in accordance with the Company's articles of association or as approved by the shareholders in a shareholders' general meeting.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 50. RESERVES (Continued)

### (2) Surplus reserve (Continued)

Since the amendment of the Company's articles in 2014, the Company is required to appropriate 5% of net profit derived as discretionary reserve from retained profits in accordance with the relevant accounting rules in the PRC.

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	2,409,238	22,116	2,431,354
Discretionary reserve	642,966	11,058	654,024
For the year ended 31 December 2018	3,052,204	33,174	3,085,378
Statutory reserve	2,164,967	244,271	2,409,238
Discretionary reserve	520,831	122,135	642,966
For the year ended 31 December 2017	2,685,798	366,406	3,052,204

### (3) General reserve

The general reserve includes general risk reserve and transaction risk reserve.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits. Since 2014, the Company management has decided to appropriate 11% of net profit derived as general risk reserve from retained profits.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate no less than 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

In accordance with the Financial Rules for Financial Enterprises and its Implementation Guide, Orient Futures Co., Ltd. is required to appropriate 10% of net profit from retained profits as general risk reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 50. RESERVES (Continued)

### (3) General reserve (Continued)

In accordance with the Interim Measures to Supervision Management of Risk Reserves for Public Offering Securities Investment Funds, Orient Securities Asset Management Co., Ltd. is required to appropriate no less than 10% of fund management fee income as general risk reserve.

The movements of general reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
General risk reserve	2,845,034	273,312	3,118,346
Transaction risk reserve	3,759,936	183,323	3,943,259
For the year ended 31 December 2018	6,604,970	456,635	7,061,605
General risk reserve	2,422,022	423,012	2,845,034
Transaction risk reserve	3,290,851	469,085	3,759,936
For the year ended 31 December 2017	5,712,873	892,097	6,604,970

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 50. RESERVES (Continued)

### (4) Revaluation reserve/debt or equity investment revaluation reserve

The movements of the revaluation reserve/debt or equity investment revaluation reserve of the Group and are set out below:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
At the end of the prior year	(360,457)	708,065
Adjustment	450,868	–
At beginning of the year	90,411	708,065
Available-for-sale financial assets:		
Net fair value changes during the year	–	(1,263,293)
Income tax related to net fair value changes during the year	–	315,994
Reclassification adjustment to profit or loss on disposal	–	(390,144)
Reclassification adjustment to profit or loss on impairment	–	147,968
Income tax related to reclassification adjustment to profit or loss during the year	–	60,544
Equity instruments designated as at FVTOCI:		
Net fair value changes during the year	(1,568,189)	–
Income tax related to net fair value changes during the year	392,047	–
Debt instruments measured at FVTOCI:		
Net fair value changes during the year	1,288,367	–
Income tax related to net fair value changes during the year	(322,092)	–
Reclassification adjustment to profit or loss on disposal	(99,511)	–
Reclassification adjustment to profit or loss on impairment	2,195	–
Income tax related to reclassification adjustment to profit or loss during the year	24,329	–
Share of fair value gain on available-for-sale financial assets of associates	–	60,409
Share of fair value gain on equity instruments designated as at FVTOCI of associates	(38,660)	–
Share of fair value gain on debt instruments measured at FVTOCI of associates	(1,993)	–
Transfer to retained profits for cumulative fair value change of equity instruments at FVTOCI upon disposal	40,722	–
At end of the year	(192,374)	(360,457)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 50. RESERVES (Continued)

### (5) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

## 51. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
At the end of the prior year	8,474,531	7,111,726
Adjustment	(1,233,558)	–
At beginning of the year	7,240,973	7,111,726
Profit for the year	1,231,013	3,553,626
Appropriation to surplus reserve	(33,174)	(366,406)
Appropriation to general reserve	(456,635)	(892,097)
Dividends recognised as distribution	(1,398,731)	(932,318)
Transfer to retained earnings as to cumulative fair value loss of equity instruments at fair value through other comprehensive income	(40,722)	–
At end of the year	6,542,724	8,474,531

Details of the dividends are set out in note 52.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 52. DIVIDENDS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution	1,398,731	932,318

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

Pursuant to the resolution of the annual general meeting of Shareholders held on 6 June 2017, the Company distributed cash dividends of RMB1.50 for every 10 shares (tax included) based on 6.22 billion shares held amounting to approximately RMB932 million in total for the year ended 31 December 2016.

## 53. TRANSFERS OF FINANCIAL ASSETS

### Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these securities sold. These securities are not derecognised but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities and advances to customers. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 53. TRANSFERS OF FINANCIAL ASSETS (Continued)

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

### As at 31 December 2018

	Financial assets at fair value through profit or loss RMB'000	Debt instruments measured at FVTOCI RMB'000	Equity instruments at FVTOCI RMB'000	Advances to customers RMB'000	Debt instruments measured at amortised cost RMB'000	Securities borrowing arrangements RMB'000	Total RMB'000
Carrying amount of transferred assets	12,894,619	29,280,444	1,628,780	2,970,100	4,791,310	1,299,283	52,864,536
Carrying amount of associated liabilities	12,104,462	27,237,707	1,507,873	2,946,270	4,387,288	1,232,077	49,415,677
Net position	790,157	2,042,737	120,907	23,830	404,022	67,206	3,448,859

### As at 31 December 2017

	Financial assets at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Financial assets held under resale agreements RMB'000	Advances to customers RMB'000	Securities borrowing arrangements RMB'000	Total RMB'000
Carrying amount of transferred assets	15,107,267	28,498,001	2,773,770	12,624,307	3,271,521	62,274,866
Carrying amount of associated liabilities	14,033,189	26,543,848	2,500,000	9,560,000	3,482,967	56,120,004
Net position	1,074,078	1,954,153	273,770	3,064,307	(211,446)	6,154,862

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 53. TRANSFERS OF FINANCIAL ASSETS *(Continued)*

### Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss and available-for-sale financial assets of carrying amount totaling RMB70 million and RMB33 million as at 31 December 2018 and 2017, respectively, which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated financial statements.

## 54. CAPITAL COMMITMENTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Capital expenditure in respect of acquisition of property and equipment:		
Contracted but not provided for	43,583	100,043

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 55. OPERATING LEASE COMMITMENTS

### The Group as lessee

At 31 December 2018 and 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 31 December	
	2018 RMB'000	2017 RMB'000
Not later than one year	266,451	207,003
Later than one year and not later than five years	625,032	362,394
Later than five years	14,012	755
	<b>905,495</b>	570,152

### The Group as lessor

During the year of 2018 and 2017, the Group did not have material lease commitment as lessor.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 56. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2018 and 2017 are set out below:

For the year ended 31 December 2018

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
<b>Executive Directors:</b>					
Pan Xinjun <sup>(a)</sup>	-	960	219	1,604	2,783
Jin Wenzhong <sup>(a)</sup>	-	960	219	1,549	2,728
<b>Non-executive Directors:</b>					
Chen Bin <sup>(b)</sup>	-	-	-	-	-
Li Xiang <sup>(b)</sup>	-	-	-	-	-
Wu Junhao <sup>(c)</sup>	-	-	-	-	-
Xu Jianguo <sup>(d)</sup>	-	-	-	-	-
Du Weihua <sup>(e)</sup>	-	-	-	-	-
Liu Wei <sup>(e)</sup>	-	-	-	-	-
Xia Jinghan <sup>(e)</sup>	-	-	-	-	-
<b>Independent Non-executive Directors:</b>					
Xu Guoxiang <sup>(f)</sup>	160	-	-	-	160
Tao Xiuming <sup>(g)</sup>	160	-	-	-	160
Wei Anning <sup>(g)</sup>	185	-	-	-	185
Jin Qinglu <sup>(h)</sup>	190	-	-	-	190
Xu Zhiming <sup>(i)</sup>	160	-	-	-	160
<b>Supervisors:</b>					
Zhang Qian <sup>(j)</sup>	-	-	-	-	-
Li Bin <sup>(k)</sup>	-	768	187	1,472	2,427
Liu Wenbin <sup>(l)</sup>	-	-	-	-	-
Yin Keding <sup>(m)</sup>	-	-	-	-	-
Wu Zhengkui <sup>(n)</sup>	-	-	-	-	-
Zhou Wenwu <sup>(o)</sup>	-	834	110	2,031	2,975
Yao Yuan <sup>(m)</sup>	-	834	110	3,609	4,553
Huang Laifang <sup>(p)</sup>	-	-	-	-	-
Tong Jie <sup>(q)</sup>	-	-	-	-	-
	855	4,356	845	10,265	16,321

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 56. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2017

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
<b>Executive Directors:</b>					
Pan Xinjun <sup>(a)</sup>	–	1,351	304	641	2,296
Jin Wenzhong <sup>(a)</sup>	–	1,351	304	641	2,296
<b>Non-executive Directors:</b>					
Wu Jianxiong <sup>(r)</sup>	–	–	–	–	–
Zhang Qian <sup>(l)</sup>	–	–	–	–	–
Wu Junhao <sup>(c)</sup>	–	–	–	–	–
Zhou Yao <sup>(c)</sup>	–	–	–	–	–
Chen Bin <sup>(b)</sup>	–	–	–	–	–
Li Xiang <sup>(b)</sup>	–	–	–	–	–
Xu Jianguo <sup>(d)</sup>	–	–	–	–	–
Huang Laifang <sup>(p)</sup>	–	–	–	–	–
<b>Independent Non-executive Directors:</b>					
Jin Qinglu <sup>(h)</sup>	47	–	–	–	47
Li Zhiqiang <sup>(s)</sup>	158	–	–	–	158
Xu Guoxiang <sup>(f)</sup>	160	–	–	–	160
Tao Xiuming <sup>(g)</sup>	160	–	–	–	160
Wei Anning <sup>(g)</sup>	160	–	–	–	160
Pan Fei <sup>(l)</sup>	127	–	–	–	127
Xu Zhiming <sup>(l)</sup>	160	–	–	–	160
<b>Supervisors:</b>					
Song Xuefeng <sup>(u)</sup>	–	–	–	–	–
Li Bin <sup>(k)</sup>	–	1,064	243	650	1,957
Liu Wenbin <sup>(l)</sup>	–	–	–	–	–
Yao Yuan <sup>(m)</sup>	–	656	127	1,583	2,366
Yin Keding <sup>(m)</sup>	–	–	–	–	–
Wu Zhengkui <sup>(n)</sup>	–	–	–	–	–
Zhou Wenwu <sup>(o)</sup>	–	618	143	1,583	2,344
	972	5,040	1,121	5,098	12,231

\* The amount of director fee was nil, except for the independent director fee disclosed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 56. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

- a. Pan Xinjun was appointed as chairman of the board in January 2010. Jin Wenzhong was appointed as director in September 2010.
- b. Chen Bin and Li Xiang were appointed as director in October 2014.
- c. Wu Junhao and Zhou Yao were appointed as director in March 2011. And Zhou Yao resigned in Dec 2017.
- d. Xu Jianguo was appointed as director in November 2016.
- e. Du Weihua, Liu Wei and Xia Jinghan were appointed as director in Mar 2018.
- f. Xu Guoxiang was appointed as independent director in August 2014.
- g. Tao Xiuming and Wei Anning were appointed as independent director in October 2014.
- h. Jin Qinglu was appointed as independent director in October 2017.
- i. Xu Zhiming was appointed as director in September 2015. The appointment would take effect in July 2016.
- j. Zhang Qian was appointed as director in June 2002, and resigned in Mar 2018. Zhang Qian was appointed as chairman of the supervisory board in Mar 2018.
- k. Li Bin was appointed as supervisor in November 2014.
- l. Liu Wenbin was appointed as supervisor in March 2011.
- m. Yin Keding and Yao Yuan were appointed as supervisor in October 2014.
- n. Wu Zhengkui was appointed as supervisor in February 2012.
- o. Zhou Wenwu was appointed as supervisor in August 2015.
- p. Huang Laifang was appointed as director in May 2016, and resigned in Mar 2018. Huang Laifang was appointed as supervisor in Mar 2018.
- q. Tong Jie was appointed as supervisor in Mar 2018.
- r. Wu Jianxiong was appointed as director in October 2014, and resigned in Mar 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 56. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

- s. Li Zhiqiang was appointed as independent director in March 2011, and resigned in October 2017.
- t. Pan Fei was appointed as independent director in June 2015, and resigned in July 2017.
- u. Song Xuefeng was appointed as director in August 2013, and was appointed as chairman of the supervisory board in October 2014, and resigned in Mar 2018.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services as supervisors of the Company.

The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. The amounts of bonus paid and disclosed for the year ended 31 December 2018 are actually performance bonus in 2017.

For the year ended 31 December 2018 and 2017, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

## 57. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in note 56. Details of the remuneration of the five highest paid employees during the year ended 2018 and 2017 are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Basic salaries and allowances	13,122	11,238
Discretionary bonuses	98,440	75,955
Employer's contribution to pension schemes	183	112
	<b>111,745</b>	<b>87,305</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 57. HIGHEST PAID INDIVIDUALS (Continued)

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2018 and 2017.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Emolument bands		
– HKD17,500,001 to HKD18,000,000	1	–
– HKD19,000,001 to HKD19,500,000	1	–
– HKD21,000,001 to HKD21,500,000	–	1
– HKD21,500,001 to HKD22,000,000	1	1
– HKD22,000,001 to HKD22,500,000	1	–
– HKD23,500,001 to HKD24,000,000	–	1
– HKD24,000,001 to HKD24,500,000	1	–
– HKD27,500,001 to HKD28,000,000	–	1
– HKD32,000,001 to HKD32,500,000	–	1
	5	5

## 58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (1) Relationship of related party

#### *The Group and major shareholder*

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (1) Relationship of related party *(Continued)*

#### *The Company and subsidiaries*

The details of the Company's subsidiaries is set out in note 36.

#### *The Group and associates*

The details of the associates of the Group is set out in note 32.

### (2) Related party transaction and balances

As at 31 December 2018 and 2017, the Group had the following material balances with the major shareholder and entities under its control:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Accounts payable to brokerage clients		
– Shanghai Dazhong Gas Co., Ltd.*	2,644	1,441
– Shenergy Group Finance Company Limited*	–	1,007
– Shanghai Gas (Group) Co., Ltd.*	9,246	14,673
– Shenergy (Group) Company Limited	–	12
– Shanghai Jiu Lian Group Co., Ltd. *	25,379	16,016
– Shanghai Shenergy Property Management Co., Ltd.*	14	14

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the year ended 31 December 2018 and 2017, the Group had the following material transactions with major shareholders and entities under their control:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Commission and fee income		
– Shenergy Group Finance Company Limited*	883	59
– Shenergy (Group) Company Limited	4,662	–
– Shanghai Jiu Lian Group Co., Ltd. *	18	6
Interest expenses		
– Shanghai Dazhong Gas Co., Ltd.*	7	3
– Shenergy Group Finance Company Limited*	99	17
– Shanghai Gas (Group) Co., Ltd.*	17	19
– Shenergy (Group) Company Limited	29	29
– Shanghai Jiu Lian Group Co., Ltd. *	21	39
Other operating expense		
– Shanghai Shenergy Property Management Co., Ltd.*	7,761	–
– Shanghai Dazhong Gas Co., Ltd.*	33	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Accounts payable to brokerage clients		
– China Universal	2,068	20,001
– Orient Jiashi (Shanghai) Investment Management LLP*	1	1
– Shanghai Orient Jinyuan Equity Investment LLP.*	178	–
– Shanghai Junyu Investment Center LLP.*	984	589
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	4	13
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP.*	–	9,798
– Shanghai Junyu Investment Center LLP.*	–	2,200
– Orient Tengjun (Shanghai) Investment LLP.*	–	1,940
– Shanghai Tengxi Investment LLP	–	1,427
Other account payables		
– Beijing Orient Zhiyun Equity Investment Center LLP.*	409,346	409,346

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the year ended 31 December 2018 and 2017, the Group had the following material transaction with associates:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Commission and fee income		
– Orient Jiashi (Shanghai) Investment Management LLP.*	–	5,189
– Orient Tengjun (Shanghai) Investment LLP.*	1,830	1,830
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	18,042	18,108
– China Universal	125,916	75,570
– Shanghai Orient Securities Chunyi Investment Center LLP.*	–	9,243
– Shanghai Orient Jinyuan Equity Investment LLP.*	936	1,180
– Shanghai Junyu Investment Center LLP.*	2,075	2,076
– Shanghai Tengxi Investment LLP.*	256	1,346
Interest expenses		
– Orient Jiashi (Shanghai) Investment Management LLP*	–	13
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	2	32
– Shanghai Orient Jinyuan Equity Investment LLP.*	1	3
– Shanghai Junyu Investment Center LLP.*	3	1
– China Universal	66	–
– Shanghai Tengxi Investment LLP	27	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

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

As at 31 December 2018 and 2017, the Group had the following material balances with other related parties\*\*:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Accounts payable to brokerage clients		
– Shanghai Orient Xindeyizhang Public Welfare Foundation*	3	5,236
– Shanghai Construction Group., Ltd.	6	20,058
Financial assets at FVTPL		
– China Pacific Insurance (Group) Co. Ltd.	1,000	–
– Haitong Securities Co., Ltd.	51,355	–
Equity investment at FVTOCI		
– Shanghai Construction Group., Ltd.	165,357	–
Debt investment at FVTOCI		
– Shanghai XinHua Distribution Group Co.,Ltd.	49,790	–
– China Pacific Property Insurance Co., Ltd	102,603	–

For the year ended 31 December 2018 and 2017, the Group had the following material transaction with other related parties:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Commission and fee income		
– Great Wall Fund Management Co.,Ltd.	1,556	1,641
– China Pacific Insurance (Group) Co. Ltd.	1,321	–
Interest expenses		
– Shanghai Orient Xindeyizhang Public Welfare Foundation*	11	19
– Shanghai Construction Group., Ltd.	62	28
Other operating expense		
– Yunzhuo Capital Investment (Beijing) Co., Ltd.*	21,000	–
– Yunzhuo Capital Investment (Chengdu) Co., Ltd.*	28,000	–
– China Pacific Insurance (Group) Co. Ltd.	4,231	41,116

\* These companies do not have official English names. English translated names are for identification only.

\*\* The Directors and Supervisors of the Company have been appointed as directors or senior management of these related parties as at 31 December 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 58. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### (3) Key management personnel

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Short-term benefits:		
Salaries, allowance and bonuses	26,366	19,292
Post-employment benefits:		
Employer's contribution to pension schemes/annuity plans	2,118	2,002
	<b>28,484</b>	21,294

The amounts of bonus paid and disclosed for the year ended 31 December 2018 are actually performance bonus in 2017.

### (4) Guarantees provided by the Company

In November 2017, the Company agreed to provide the USD591 million amounts of guarantee in respect of bonds issued by the Orient HuiZhi Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited which is the Company's wholly-owned subsidiary.

In March 2018, the Company agreed to provide the USD293 million amounts of guarantee in respect of bonds issued by the Orient HuiZhi Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited which is the Company's wholly-owned subsidiary.

In August and September 2018, Orient Finance Holdings (Hong Kong) Limited agreed to provide the EUR63.50 million and EUR63.32 million amounts of guarantee in respect of bonds issued by the Orient ZhiSheng Limited, the subsidiary of Orient Finance Holdings (Hong Kong) Limited.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 59. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Cash and bank balances	16,652,307	28,764,613
Clearing settlement funds	5,108,806	5,995,853
Deposits with exchanges and financial institutions	752,083	789,075
Derivative financial assets	222,468	168,360
Advances to customers	9,915,282	12,624,307
Accounts receivables	209,565	284,443
Restricted bank deposits	–	–
Financial assets held under resale agreements	27,450,131	34,353,350
Financial assets at fair value through profit or loss	32,895,462	33,881,571
Debt instruments measured at fair value through other comprehensive income	62,209,436	–
Equity instruments measured at fair value through other comprehensive income	9,108,018	–
Debt instruments measured at amortised cost	7,912,596	–
Available-for-sale financial assets	–	67,399,458
Held-to-maturity investments	–	110,500
Deferred tax assets	671,011	–
Investments in an associate	1,817,622	1,680,601
Investments in subsidiaries	11,897,753	10,097,753
Property and equipment	2,170,396	1,984,437
Other intangible assets	110,380	111,082
Goodwill	18,948	18,948
Other loans, receivables and prepayments	300,374	2,141,318
<b>Total assets</b>	<b>189,422,638</b>	<b>200,405,669</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 59. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Due to banks and other financial institutions	11,027,067	11,200,000
Short-term financing bills payables	11,428,294	1,810,486
Account payables to brokerage clients	14,850,111	17,481,712
Financial assets sold under repurchase agreements	45,284,205	51,621,319
Financial liabilities at fair value through profit or loss	5,066,887	5,616,807
Derivative financial liabilities	901,170	613,301
Accrued staff costs	246,453	721,231
Bond payables	51,969,955	59,182,941
Deferred tax liabilities	–	90,946
Other account payables, other payables and accruals	355,556	2,082,144
<b>Total liabilities</b>	<b>141,129,698</b>	<b>150,420,887</b>
Share capital	6,993,656	6,993,656
Reserves	37,244,857	36,610,759
Retained profits	4,054,427	6,380,367
<b>Total equity</b>	<b>48,292,940</b>	<b>49,984,782</b>
<b>Total equity and liabilities</b>	<b>189,422,638</b>	<b>200,405,669</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 59. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000	General reserve RMB'000	Investment revaluation reserve RMB'000	Retained profit RMB'000	Total RMB'000
As at 31 December, 2017	6,993,656	28,157,008	3,052,204	5,985,881	(584,334)	6,380,367	49,984,782
Adjustments	-	-	-	-	627,751	(996,305)	(368,554)
As at 1 January, 2018	6,993,656	28,157,008	3,052,204	5,985,881	43,417	5,384,062	49,616,228
Profit for the year	-	-	-	-	-	221,159	221,159
Other comprehensive expenses for the year	-	-	-	-	(145,716)	-	(145,716)
Total comprehensive (expenses)/income for the year	-	-	-	-	(145,716)	221,159	75,443
Appropriation to surplus reserve	-	-	33,174	-	-	(33,174)	-
Appropriation to general reserve	-	-	-	57,502	-	(57,502)	-
Dividends recognised as distribution	-	-	-	-	-	(1,398,731)	(1,398,731)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal	-	-	-	-	61,387	(61,387)	-
At 31 December 2018	6,993,656	28,157,008	3,085,378	6,043,383	(40,912)	4,054,427	48,292,940
At 1 January 2017	6,215,452	17,978,032	2,685,798	5,350,777	429,127	5,871,486	38,530,672
Profit for the year	-	-	-	-	-	2,442,709	2,442,709
Other comprehensive expenses for the year	-	-	-	-	(1,013,461)	-	(1,013,461)
Total comprehensive (expenses)/income for the year	-	-	-	-	(1,013,461)	2,442,709	1,429,248
Non-public issuance of A shares	778,204	10,280,072	-	-	-	-	11,058,276
Costs of non-public issuance of A shares	-	(101,096)	-	-	-	-	(101,096)
Appropriation to surplus reserve	-	-	366,406	-	-	(366,406)	-
Appropriation to general reserve	-	-	-	635,104	-	(635,104)	-
Dividends recognised as distribution	-	-	-	-	-	(932,318)	(932,318)
At 31 December 2017	6,993,656	28,157,008	3,052,204	5,985,881	(584,334)	6,380,367	49,984,782

Note a: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 60. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Financial assets</b>		
Available-for-sale financial assets	–	72,234,378
Financial assets at fair value through profit or loss	52,353,837	48,198,166
Held-to-maturity investments	–	110,500
Debt instruments measured at FVTOCI	62,209,436	–
Equity instruments measured at FVTOCI	9,316,262	–
Financial assets measured at amortised cost	95,450,642	–
Loans and receivables	–	104,758,014
	<b>219,330,177</b>	<b>225,301,058</b>
<b>Financial liabilities</b>		
Financial liabilities at fair value through profit or loss	7,740,190	6,687,903
Other financial liabilities	164,942,240	169,103,628
	<b>172,682,430</b>	<b>175,791,531</b>

## 61. FINANCIAL RISK MANAGEMENT

### 61.1 Risk management overview and organization

#### (1) Risk management overview

The Group is committed to the philosophy that “full compliance by all staff and based on risk control.” The Group focuses on building management mechanisms for overall risk and internal controls and fostering a risk management culture. The Group strives to realize organic integration and interlinking of risk management, compliance management and internal control. The Group has established a substantially mature and endogenous overall risk management system and an effective internal control mechanism. The Group’s system covers all businesses, departments, branches and employees and runs through the processes of decision-making, execution, supervision and feedback.

The risk management implemented by the Group fully covers market risk, credit risk, liquidity risk, operation risk, technique risk, reputation risk, compliance risk, legal risk and ethical risk, etc. realizing the management control in the entire procedure from risk recognition, assessment, supervision to control/controlled-release and reporting risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.1 Risk management overview and organization *(Continued)*

#### *(2) Structure of the risk-management organization*

The Group is committed to establishing a robust and effective risk management system that features “three lines of defense” approach. The first line of defense is the check-and-balance mechanism of two-person, dual roles, dual responsibilities and position separation in the important front-line positions in each operational department, branch and subsidiary; the second line is inspection and supervision on the compliance and risk management affairs by relevant functional management departments within their range of duties; the third line is effective risk supervision performed by risk supervision and management departments on the risk management affairs of each functional management departments.

Pursuant to the requirements of the Rules for the Risk Management of Securities Firms (《證券公司全面風險管理規範》) and our own operations, the Group has set up a risk management structure with five levels, comprising: (i) the Board, (ii) the management, (iii) Chief Risk Officer and Compliance Officer, (iv) each functional unit in charge of risk management, and (v) risk management function for each business department, branch and subsidiary.

### 61.2 Credit risk

Credit risk mainly refers to the risk of loss arising from the counterparty or a debtor’s failure to meet its contractual obligations in a timely manner, or the deterioration of credit quality of them. Currently, the Group faces credit risk primarily from the credit risk of counterparties in the securities financing business 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 sets the indicators of risk control including scale, counterparty and risk exposure in an overall manner hierarchically by modules relating to net capital management and risk tolerance, and manages the credit risk exposure in a refining manner from the perspectives of varieties, models and hedging, so as to control the credit risk effectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.2 Credit risk *(Continued)*

#### **(1) Credit risk management *(Continued)***

The Group establishes credit risk management systems respectively for the bond issuers, counterparty and customers of margin financing and securities lending. The Group strengthens their qualification and risk assessments, and achieves credit risk management by contract inspections and transaction monitoring. Besides, the Group pays attention to the potential default links throughout the transaction process, and prepares risk treatment contingency plan. Regarding the bond investments and other businesses relating to credit risk, the Group strengthens the fundamental analysis on the bond issuers and counterparties and establishes internal rating system to prevent credit risk. The Group realises various functions the internal rating, uniform credit management, investment concentration management, defaulting client management, pressure testing, monitor early-warning, risk reporting through credit risk management system, strengthening credit risk control and enhancing the ability of credit risk management ability. In the derivative transactions, the Group sets margin ratio and trade rules to counterparties, and controls the credit risk exposure of counterparty by the means of daily mark-to-market, margin calls and forced close of positions, etc. In the securities lending and margin financing business, the Group establishes mechanisms including credit rating of clients, facility and collateral management, monitoring report and others, and addresses the potential risk in a timely manner through dynamic liquidation.

#### **(2) Credit risk and impairment assessment**

As explained in note 2, the Group performs impairment assessment under ECL model upon application of IFRS 9 on account receivables using life-time ECL under the simplified approach. The Group monitors all other financial assets to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk since initial recognition, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds including bank balances, clearing settlement funds, deposits with exchanges and financial institutions is limited because the counterparties are state-owned banks, clearing house, stock exchanges, futures exchanges, commodity exchanges, or banks with high credit ratings assigned by international credit-rating agencies. There have been no significant increase in credit risk since initial recognition associated with the amounts of cash and bank balances, clearing settlement funds, deposits with exchanges and financial institutions for the year ended December 31, 2018.

The Group mainly relies on external credit ratings to assess the credit risk of bond investments and the Group invests primarily in bonds with rating of AA or above as of 31 December 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.2 Credit risk *(Continued)*

#### (2) *Credit risk and impairment assessment (Continued)*

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interests or securities lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities, whenever necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. The Group considers margin trading assets to have experienced a significant increase in credit risk if the margin calls were triggered by a decrease of the ratio of financing assets to collateral below the warning line taking into consideration the obligor's credit quality. Regarding the financial assets held under resales agreements, the Group mainly focus on the loan to collateral ratio, overdue status and other qualitative and quantitative criteria to determine whether credit risk has increased significantly. The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

In making the impairment assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

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

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument's external credit rating;
- expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.2 Credit risk *(Continued)*

#### **(2) Credit risk and impairment assessment *(Continued)***

- an actual or expected significant change in the quality of credit enhancement; and
- significant changes in the expected performance and behavior of the borrower.

#### **(3) Measurement of ECL**

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

##### *Stage 1: 12-month ECL*

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

##### *Stage 2: Lifetime ECL – not credit impaired*

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

##### *Stage 3: Lifetime ECL – credit impaired*

For financial assets that are credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.2 Credit risk *(Continued)*

#### (3) *Measurement of ECL (Continued)*

The Group uses PD, EAD and LGD to measure credit risks:

- (i) PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data and expectations of future conditions;
- (ii) EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life; and
- (iii) LGD is an estimate of the loss arising on default. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility, including but not limited to Gross Domestic Product ("GDP"), Industrial Product Price Index ("PPI"), Consumers Price Index ("CPI"), Stock Index, etc.

In order to determine the relationship between these economic indicators and the default probability as well as the default loss rate, the Group constructs an econometric model to determine the impact of historical changes in these indicators on the PD and LGD.

The Group makes forward-looking estimation of the ECL based on the scenario reflecting key economic indicators above. When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value ratios). The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.2 Credit risk *(Continued)*

#### (3) *Measurement of ECL (Continued)*

The maximum credit risk exposure of the Group as follows:

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Advances to customers	<b>10,276,755</b>	12,940,064
Account receivables	<b>668,408</b>	962,844
Other loans and receivables	<b>1,280,023</b>	3,516,342
Debt instruments at FVTOCI	<b>62,209,436</b>	–
Available-for-sale financial assets	–	55,396,558
Financial assets held under resale agreements	<b>28,168,584</b>	34,618,491
Financial assets at fair value through profit or loss	<b>25,358,794</b>	25,791,241
Debt instruments measured at amortised cost	<b>7,912,596</b>	–
Held-to-maturity investments	–	110,500
Derivative financial assets	<b>318,490</b>	168,719
Deposits with exchanges and financial institutions	<b>1,025,365</b>	1,025,096
Clearing settlement funds	<b>9,354,272</b>	9,349,322
Cash and bank balances	<b>36,764,639</b>	41,895,955
Restricted bank deposits	–	449,900
	<b>183,337,362</b>	186,225,032

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.3 Market risk

Market risk is the risk of loss arising from fluctuations in stock prices, interest rates and exchange rates in the securities markets. The Group faces market risk primarily in the Group's securities investment business. The Group's business departments, branches and subsidiaries are the first line of defense against market risk. The Group's risk management functional units are responsible for overall market risk management.

To enhance the management of market risk, the Group currently adopts the following measures:

- Marking-to-market, concentration analysis and quantitative risk model, to manage scale, leverage, risk exposure, duration and to establish dynamic-tracking stop-loss mechanisms.
- Identifying the key factors affecting portfolio returns through sensitivity analysis, and evaluating the tolerance of investment portfolios to extreme market fluctuations by using scenario analysis and stress-testing.
- Ensuring diversified and scientific asset allocation, using derivatives such as stock index futures to hedge against risks, and using various investment strategies for hedging.
- Closely monitoring the macroeconomic indicators and trends and significant development in economic policies, and evaluating the systematic risk on investment that may arise from changes in macro factors.
- Set up the institution for decision-making, performance and responsibility for the significant events, prepare emergency plans under various predictable extreme cases, and grade and manage the significant events according to the seriousness.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, advances to customers, clearing settlement funds, available-for-sale financial assets, financial assets at fair value through profit or loss, bond payables, accounts payable to brokerage clients, borrowings and financial assets sold under repurchase agreements and so on. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group are always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China, Shanghai Inter-bank offered rate and Hong Kong Inter-bank offered rate are the major sources of the Group's cash flow interest rate risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT (Continued)

### 61.3 Market risk (Continued)

#### Interest rate risk (Continued)

The tables below summarize the Group's interest bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

As at 31 December 2018

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
<b>Financial Assets</b>							
Advances to customers	361,473	9,670,532	-	-	-	244,750	10,276,755
Account receivables	-	-	-	-	-	668,408	668,408
Other loans and receivables	-	122,668	329,824	87,620	-	739,911	1,280,023
Financial assets held under resale agreements	14,245,636	2,382,281	9,489,601	1,611,456	-	439,610	28,168,584
Debt instruments at fair value through other comprehensive income	319,243	719,997	4,052,020	34,099,111	21,886,711	1,132,354	62,209,436
Financial assets at fair value through profit or loss	808,958	30,319	1,226,434	14,247,131	8,569,566	27,152,939	52,035,347
Debt instrument measured at amortised cost	49,914	29,831	407,918	4,243,989	2,981,840	199,104	7,912,596
Derivative financial assets	-	-	-	-	-	318,490	318,490
Deposits with exchanges and financial institutions	1,025,365	-	-	-	-	-	1,025,365
Clearing settlement funds	9,354,272	-	-	-	-	-	9,354,272
Cash and bank balances	36,733,399	-	-	-	-	31,240	36,764,639
<b>Subtotal</b>	<b>62,898,260</b>	<b>12,955,628</b>	<b>15,505,797</b>	<b>54,289,307</b>	<b>33,438,117</b>	<b>30,926,806</b>	<b>210,013,915</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.3 Market risk *(Continued)*

#### *Interest rate risk (Continued)*

**As at 31 December 2018 *(Continued)***

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
<b>Financial Liabilities</b>							
Borrowings	1,135,855	262,860	249,431	-	-	5,016	1,653,162
Bonds Payables	1,000,000	1,620,000	10,849,902	38,444,218	4,000,000	1,134,848	57,048,968
Accounts payable to brokerage clients	32,059,065	-	-	-	-	-	32,059,065
Other account payables and other payables	-	-	-	-	-	1,326,695	1,326,695
Due to banks and other financial institutions	9,500,000	1,000,000	500,000	-	-	27,067	11,027,067
Short-term financing bills payables	561,355	1,681,097	9,873,139	-	-	296,015	12,411,606
Financial liabilities at fair value through profit or loss	432,404	996,100	3,850,324	855,873	379,258	320,422	6,834,381
Derivative financial liabilities	-	-	-	-	-	905,809	905,809
Financial assets sold under repurchase agreements	41,622,608	149,721	7,549,712	-	-	93,636	49,415,677
<b>Subtotal</b>	<b>86,311,287</b>	<b>5,709,778</b>	<b>32,872,508</b>	<b>39,300,091</b>	<b>4,379,258</b>	<b>4,109,508</b>	<b>172,682,430</b>
<b>Net interest-bearing position</b>	<b>(23,413,027)</b>	<b>7,245,850</b>	<b>(17,366,711)</b>	<b>14,989,216</b>	<b>29,058,859</b>	<b>26,817,298</b>	<b>37,331,485</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT (Continued)

### 61.3 Market risk (Continued)

#### Interest rate risk (Continued)

As at 31 December 2017

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
<b>Financial Assets</b>							
Advances to customers	315,757	12,624,307	-	-	-	-	12,940,064
Account receivables	-	-	-	-	-	962,844	962,844
Other loans and receivables	28,306	-	281,923	-	-	3,206,113	3,516,342
Financial assets held							
under resale agreements	7,238,388	4,081,434	13,365,671	9,932,998	-	-	34,618,491
Available-for-sale financial assets	1,940,694	2,962,766	9,488,719	22,615,102	18,389,277	16,837,820	72,234,378
Financial assets at fair value							
through profit or loss	697,038	1,417,417	4,608,269	11,998,130	7,070,387	22,238,206	48,029,447
Held-to-maturity investments	8,000	25,000	40,000	37,500	-	-	110,500
Derivative financial assets	-	-	-	-	-	168,719	168,719
Deposits with exchanges and							
financial institutions	1,025,096	-	-	-	-	-	1,025,096
Clearing settlement funds	9,349,322	-	-	-	-	-	9,349,322
Cash and bank balances	41,895,955	-	-	-	-	-	41,895,955
Restricted bank deposits	-	-	449,900	-	-	-	449,900
<b>Subtotal</b>	<b>62,498,556</b>	<b>21,110,924</b>	<b>28,234,482</b>	<b>44,583,730</b>	<b>25,459,664</b>	<b>43,413,702</b>	<b>225,301,058</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.3 Market risk *(Continued)*

#### *Interest rate risk (Continued)*

**As at 31 December 2017 *(Continued)***

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
<b>Financial Liabilities</b>							
Borrowings	613,068	1,065,219	649,383	-	-	-	2,327,670
Bonds Payables	1,100,000	2,338,217	8,201,180	49,670,298	3,999,992	-	65,309,687
Accounts payable to brokerage clients	28,219,521	-	-	-	-	-	28,219,521
Other account payables and other payables	-	-	-	-	-	4,116,260	4,116,260
Due to banks and other financial institutions	9,700,000	1,000,000	500,000	-	-	-	11,200,000
Short-term financing bills payables	171,542	168,742	1,470,202	-	-	-	1,810,486
Financial liabilities at fair value through profit or loss	16,380	1,092,000	4,328,427	193,199	16,210	413,511	6,059,727
Derivative financial liabilities	-	-	-	-	-	628,176	628,176
Financial assets sold under repurchase agreements	38,815,000	1,173,871	13,191,133	2,940,000	-	-	56,120,004
Subtotal	78,635,511	6,838,049	28,340,325	52,803,497	4,016,202	5,157,947	175,791,531
Net interest-bearing position	(16,136,955)	14,272,875	(105,843)	(8,219,767)	21,443,462	38,255,755	49,509,527

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.3 Market risk *(Continued)*

#### *Interest rate risk (Continued)*

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities, which covers both the cash flow interest rate risk of variable rate instruments and fair value interest rate risk of fixed rate financial assets at fair value through profit or loss and available-for-sale financial assets. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each respective reporting periods were outstanding for the whole year. When reporting to the management on the interest rate risk, a 50 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, when considering the reasonably possible change in interest rates.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
<b>Profit for the year</b>		
50 basis points increase	(259,834)	(216,000)
50 basis points decrease	250,777	223,214
<b>Equity</b>		
50 basis points increase	(1,251,312)	(1,042,736)
50 basis points decrease	1,222,376	1,045,003

#### *Currency risk*

Currency risk refers to the unfavourable volatilities of the Group's financial condition and cash flows due to the fluctuation of the foreign exchange rates. Except for overseas subsidiaries which hold financial assets that are denominated in foreign currencies different from the relevant group entity's functional currency, the Group only holds a minimal amount of foreign currency denominated investment. The management considers the foreign exchange rate risk of the Group is not material as the proportion of the Group's total asset and liability that the Group's foreign currency assets and liabilities account for is minimal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.3 Market risk *(Continued)*

#### *Price risk*

Price risk is primarily about the unfavorable changes of share price, gold price, financial derivative instruments prices and commodity price that cause financial losses. Quantitatively, price risk the Group facing is mainly the proportionate fluctuation in the Group's profits due to the price fluctuation of the trading financial instrument and the proportionate fluctuation in the Group's equity due to the price fluctuation of the available-for-sale financial instruments. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly use risk sensitivity indicators, stress testing indicators in daily risk monitoring.

#### *Sensitivity analysis*

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit before income tax for the year		
Increase by 10%	2,221,547	1,673,804
Decrease by 10%	(2,221,547)	(1,673,804)
Other comprehensive income before income tax for the year		
Increase by 10%	1,044,862	1,415,005
Decrease by 10%	(1,044,862)	(1,415,005)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.4 Liquidity risk

Liquidity risk refers to securities firms' potential failure to obtain sufficient funds at reasonable cost to repay liabilities in a timely manner as they become due, meet other payment obligations and satisfy capital requirements in the normal course of business. The Group's objectives in liquidity risk management are to establish a sound liquidity risk management system and to effectively identify, measure, monitor and control liquidity risk, to ensure that the Group's liquidity demand can be met at reasonable cost and in a timely manner.

In the aspect of liquidity risk management, during the reporting period, the Company improves the liquidity risk management system and internal management system continuously, and sets up a special position in charge of dynamic monitoring, early-warning, analysis and reporting of the liquidity risk in accordance with the Rules for the Risk Management of Securities Firms (《證券公司全面風險管理規範》) and new measures for the administration of risk control indicators. The Company prudently determines the qualitative principles and quantitative standards of liquidity risk preference at the beginning of each year, and adjusts the relevant liquidity risk control indicators timely in accordance with the market changes and business development in the middle of year. The Company also conducts liquidity pressure testing and emergency drilling regularly, and requires the regulator to report the indicators like liquidity coverage rate and net stable capital rate daily. The above practices can ensure that the Company is able to satisfy the liquidity demand timely at reasonable cost, and will control the liquidity risk within the tolerable scope.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.4 Liquidity risk *(Continued)*

#### *Undiscounted cash flows by contractual maturities of non-derivative financial liabilities*

The tables below present the cash flows payable by the Group within the remaining contractual maturities of non-derivative financial liabilities at the end of each respective periods. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of respective reporting periods. The liquidity risk of derivative financial liabilities of the Group is insignificant and not disclosed in the table below.

#### **As at 31 December 2018**

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	5,016	682,915	999,151	-	-	1,687,082	1,653,162
Short-term financing bills payables	-	2,273,779	10,298,912	-	-	12,572,691	12,411,606
Due to banks and other financial institutions	-	10,535,226	512,892	-	-	11,048,118	11,027,067
Account payables to brokerage clients	32,059,065	-	-	-	-	32,059,065	32,059,065
Financial liabilities at fair value through profit or loss	8,089	1,708,652	4,011,933	1,041,327	576,316	7,346,317	6,834,381
Other account payables and other payables	1,326,695	-	-	-	-	1,326,695	1,326,695
Financial assets sold under repurchase agreements	-	42,019,361	7,637,367	-	-	49,656,728	49,415,677
Bond Payables	-	2,857,284	13,338,271	41,966,560	4,796,800	62,958,915	57,048,968
	<b>33,398,865</b>	<b>60,077,217</b>	<b>36,798,526</b>	<b>43,007,887</b>	<b>5,373,116</b>	<b>178,655,611</b>	<b>171,776,621</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.4 Liquidity risk *(Continued)*

*Undiscounted cash flows by contractual maturities of non-derivative financial liabilities*  
*(Continued)*

**As at 31 December 2017**

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	-	809,760	1,572,887	-	-	2,382,647	2,337,746
Short-term financing bills payables	-	355,301	1,543,340	-	-	1,898,641	1,835,773
Due to banks and other financial institutions	-	10,736,344	512,892	-	-	11,249,236	11,227,854
Account payables to brokerage clients	28,219,521	-	-	-	-	28,219,521	28,219,521
Financial liabilities at fair value through profit or loss	-	1,343,370	4,615,977	212,532	17,288	6,189,167	6,102,037
Other account payables and other payables	2,506,234	-	-	-	-	2,506,234	2,506,234
Financial assets sold under repurchase agreements	-	40,156,935	13,470,716	3,065,038	-	56,692,689	56,201,180
Bond Payables	-	3,675,665	9,466,036	56,984,634	4,996,000	75,122,335	66,733,010
	30,725,755	57,077,375	31,181,848	60,262,204	5,013,288	184,260,470	175,163,355

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.5 Capital management

The Group's and the Company's objectives of capital management are:

- To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's and the Company's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Firms (Revision 2016) (the "Administrative Measures") issued by CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio of core net capital divided by the sum of on-balance-sheet and off-balance-sheet assets shall be no less than 8% ("Ratio 2");
3. The ratio of high-quality liquid assets divided by net cash outflow of the next thirty days shall be no less than 100% ("Ratio 3");
4. The ratio of available stable capital divided by required stable capital shall be no less than 100% ("Ratio 4");
5. The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
6. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
7. The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");
8. The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and
9. The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 61. FINANCIAL RISK MANAGEMENT *(Continued)*

### 61.5 Capital management *(Continued)*

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2018 and 2017, the Company has maintained the above ratios as follows:

	As at 31 December	
	2018	2017
Net capital (RMB'000)	<b>40,235,401</b>	43,731,920
Ratio 1	<b>289.74%</b>	290.25%
Ratio 2	<b>16.31%</b>	18.89%
Ratio 3	<b>291.76%</b>	247.63%
Ratio 4	<b>152.60%</b>	147.55%
Ratio 5	<b>83.32%</b>	87.49%
Ratio 6	<b>31.86%</b>	32.90%
Ratio 7	<b>38.24%</b>	37.60%
Ratio 8	<b>22.18%</b>	39.97%
Ratio 9	<b>254.41%</b>	189.18%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Company mainly comprises its total equity.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated by the active market quotation or determined in accordance with discounted cash flow method.

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

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

	As at 31 December			
	2018		2017	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Debt instruments measured at amortised cost	7,912,596	7,813,512	–	–
Held-to-maturity financial assets	–	–	110,500	110,904
<b>Financial liabilities</b>				
Bond payables				
– Corporate bonds	27,404,305	27,280,065	26,999,407	26,607,628
– Subordinated bonds	16,777,484	16,771,308	17,999,705	17,999,328
– Income certificates	7,806,484	7,451,943	14,808,217	14,747,880
– Others	5,060,695	4,573,685	5,502,358	5,260,974
<b>Total</b>	<b>57,048,968</b>	<b>56,077,001</b>	<b>65,309,687</b>	<b>64,615,810</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

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

As at 31 December 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Debt instruments measured at amortised cost	4,084,131	3,430,414	–	7,514,545
<b>Financial liabilities</b>				
Bond payables	37,413,200	18,020,912	–	55,434,112

As at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Held to maturity financial assets	70,882	40,022	–	110,904
<b>Financial liabilities</b>				
Bond payables	38,010,000	26,605,810	–	64,615,810

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of respective group entities or counterparties.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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

Some of the financial assets and financial liabilities are measured at fair value at the end of the year of 2018 and 2017. 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
	31 December 2018	31 December 2017				
<b>1) Available-for-sale financial assets</b>						
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>1) Available-for-sale financial assets <i>(continued)</i></b>						
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 Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>2) Debt instruments measured at FVTOCI</b>						
Debt securities						
- Traded on stock exchanges	33,449,319	-	Level 1	Quoted bid price in an active market.	N/A	N/A
- Trade on inter-bank market	28,760,117	-	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
	62,209,436	-				
<b>3) Equity instruments measured at FVTOCI</b>						
Equity investments						
- Traded on stock exchanges	296,321	-	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	605,972	-	Level 2	Recent transaction prices.	N/A	N/A
- Private equity investments	365,842	-	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, lower the fair value The higher the multiples, the higher the fair value

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>3) Equity instruments measured at FVTOCI (continued)</b>						
Equity investments						
– Restricted shares	267,040		– 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
– Perpetual instruments traded on stock exchanges	1,936,221		– Level 1	Quoted bid price in an active market.	N/A	N/A
– Perpetual instruments traded on inter-bank market	1,068,178		– Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of perpetual instruments as the key parameter.	N/A	N/A
Other investments						
– Investment in a special account managed by CSFCL	4,776,688		– 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
	9,316,262		–			

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>4) Financial assets at FVTPL</b>						
Debt securities						
– Traded on stock exchanges	<b>15,547,003</b>	14,583,654	Level 1	Quoted bid price in an active market.	N/A	N/A
– Trade on inter-bank market	<b>9,332,150</b>	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	<b>1,478,615</b>	9,081,033	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	<b>1,278,472</b>	3,522,534	Level 2	Recent transaction prices.	N/A	N/A

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>4) Financial assets at FVTPL</b> <i>(continued)</i>						
Equity securities						
– Private equity investments	<b>2,678,785</b>		– 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
– Restricted shares	<b>991,366</b>	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
Funds						
– Traded on stock exchanges	<b>1,082,829</b>	1,469,660	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	<b>9,484,994</b>	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 Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>4) Financial assets at FVTPL</b> <i>(continued)</i>						
Other investments						
- Collective assets management schemes issued by financial institutions	<b>5,565,510</b>	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
- Other assets management schemes	<b>479,642</b>		- Level 3	Discounted cash flows. Future cash flows are estimated based on contractual terms, discounted at a rate that reflects the credit risk of counterparty.	Discount rate	The higher the discount, the lower the fair value

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>4) Financial assets at FVTPL</b>						
<i>(continued)</i>						
Other investments						
- Perpetual instruments Traded on stock exchanges	<b>3,011,078</b>		- Level 1	Quoted bid price in an active market.	N/A	N/A
- Perpetual instruments Traded on inter-bank market	<b>1,104,903</b>		- 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
	<b>52,035,347</b>	48,029,447				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>5) Financial liabilities at FVTPL</b>						
Debt securities						
– Trade on inter-bank market	<b>1,496,012</b>	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 inputs.	N/A	N/A
Gold borrowings	<b>5,026,036</b>	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	<b>312,333</b>	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
	<b>6,834,381</b>	6,059,727				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>6) Derivative financial instruments</b>						
Interest rate swaps – assets	<b>3,327</b>	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
Stock index futures – liabilities	<b>(97)</b>	–	Level 1	Quoted bid price in an active market.	N/A	N/A
Treasury bond futures – assets	<b>35</b>	–	Level 1	Quoted bid price in an active market.	N/A	N/A
Commodity forwards – assets	<b>–</b>	68	Level 2	Recent transaction prices.	N/A	N/A
Commodity forwards – liabilities	<b>(436)</b>	–	Level 2	Recent transaction prices.	N/A	N/A



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	31 December 2018	31 December 2017	Fair value hierarchy			
<b>6) Derivative financial instruments</b> <i>(continued)</i>						
Equity return swaps – assets	<b>65,849</b>	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	<b>10,204</b>	10,763	Level 2	Recent transaction prices.	N/A	N/A
Stock options – liabilities	<b>(3,604)</b>	(20,995)	Level 2	Recent transaction prices.	N/A	N/A
Equity linked derivatives – assets	<b>26,394</b>	136,355	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the company and the counterparty.	N/A	N/A

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>6) Derivative financial instruments</b> <i>(continued)</i>						
Equity linked derivatives – liabilities	<b>(5,620)</b>	(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	<b>(4,484)</b>	(332)	Level 2	Calculated based on contracted interest rates with reference to the market prices of underlying assets.	N/A	N/A
Commodity swaps – assets	<b>176,937</b>	–	Level 1	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Commodity swaps – liabilities	–	(58,365)	Level 1	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Gold forwards – assets	<b>10,170</b>	–	Level 1	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Gold forwards – liabilities	–	(24,430)	Level 1	Calculated based on the quoted price of the underlying gold.	N/A	N/A

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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
	31 December 2018	31 December 2017				
<b>6) Derivative financial instruments</b> <i>(continued)</i>						
Currency swaps – assets	25,574	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and the contracted exchange rate.	N/A	N/A
Credit default swap – liabilities	(4,542)	(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
Commodity option arrangement – liabilities	(887,026)	–	Level 2	Discounted cash flows. Future cash flows represents the different exercise prices of commodity option purchased and sold under the arrangement and discounted by observable yield curve.	N/A	N/A
	<b>(587,319)</b>	<b>(459,457)</b>				

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	33,449,319	28,760,117	–	62,209,436
Equity instruments at FVTOCI				
– Equity investments	2,232,542	1,674,150	632,882	4,539,574
– Others	–	4,776,688	–	4,776,688
Financial assets at FVTPL				
– Debt securities	15,547,003	9,332,150	–	24,879,153
– Equity investments	1,478,615	1,278,472	3,670,151	6,427,238
– Funds	1,082,829	9,484,994	–	10,567,823
– Others	3,011,078	6,670,413	479,642	10,161,133
Derivative financial assets	187,142	131,348	–	318,490
<b>Total</b>	<b>56,988,528</b>	<b>62,108,332</b>	<b>4,782,675</b>	<b>123,879,535</b>
Financial liabilities:				
Financial liabilities at FVTPL	5,042,890	1,808,345	–	6,851,235
Derivative financial liabilities	97	905,711	–	905,808
<b>Total</b>	<b>5,042,987</b>	<b>2,714,056</b>	<b>–</b>	<b>7,757,043</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. 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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt securities	32,047,973	23,348,585	–	55,396,558
– Equity investments	673,753	388,352	40,880	1,102,985
– Funds	408,683	1,462,816	–	1,871,499
– Others	–	11,175,561	–	11,175,561
Financial assets at FVTPL				
– Debt securities	14,583,654	11,207,587	–	25,791,241
– Equity investments	9,081,033	3,522,534	810,366	13,413,933
– Funds	1,469,660	5,148,545	–	6,618,205
– Others	–	2,206,068	–	2,206,068
Derivative financial assets	–	168,719	–	168,719
<b>Total</b>	<b>58,264,756</b>	<b>58,628,767</b>	<b>851,246</b>	<b>117,744,769</b>
Financial liabilities:				
Financial liabilities at FVTPL				
Derivative financial liabilities	4,957,680	1,102,047	–	6,059,727
	82,795	545,381	–	628,176
<b>Total</b>	<b>5,040,475</b>	<b>1,647,428</b>	<b>–</b>	<b>6,687,903</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

There were no transfers between instruments in Level 1 and Level 2 during the relevant year.

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

### Equity instruments at FVTOCI

	Year ended 31 December 2018 RMB'000
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 recognized in other comprehensive income	(15,891)
Purchases	277,254
Transfer in of Level 3 <i>(Note a)</i>	245,519
Disposal	(4,160)
At the end of the year	632,882
Total gains for assets held at 31 Dec 2018	
– unrealized gains recognized in profit or loss	2,109

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 62. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### Financial assets at FVTPL

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
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 year	3,390,828	187,077
Changes in fair value recognised in profit or loss	112,054	(66,988)
Purchases	6,454,856	746,236
Transfer in level 3 (Note a)	306,020	–
Transfers out of level 3 (Note b)	(4,817,176)	(55,959)
Disposal	(1,296,789)	–
At the end of the year	4,149,793	810,366
Total gains for assets held at 31 Dec 2018		
– unrealized gains recognized in profit or loss	17,490	65,092

### Available-for-sale financial assets

	Year ended 31 December 2017 RMB'000
At the beginning of the year	333,801
Changes in fair value recognised in other comprehensive income	(23,035)
Purchases	–
Transfers out of level 3 (Note b)	(269,886)
At the end of the year	40,880

*Note a:* These are equity securities previously traded on National Equities Exchange and Quotations. They were transferred from Level 2 to Level 3 when they were delisted from the market and became private.

*Note b:* 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 63. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Bond payables and short-term financing bills payables RMB'000	Derivative financial liabilities RMB'000	Interest payable (Note) RMB'000	Dividend payable RMB'000	Total RMB'000
At 31 December 2017	2,327,670	67,120,173	–	1,458,686	80	70,906,609
Transfer to corresponding liabilities	10,078	1,448,608	–	(1,458,686)	–	–
Financing cash flows	(822,399)	(2,555,510)	848,861	–	(1,419,803)	(3,948,851)
Interest expenses	97,110	3,292,009	–	–	–	3,389,119
Dividends declared	–	–	–	–	1,419,803	1,419,803
Fair value adjustments	–	–	38,165	–	–	38,165
Foreign exchange	40,703	155,294	–	–	–	195,997
At 31 December 2018	1,653,162	69,460,574	887,026	–	80	72,000,842

	Borrowings RMB'000	Bond payables and short-term financing bills payables RMB'000	Interest payable (Note) RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2017	1,339,761	69,526,890	1,317,565	80	72,184,296
Financing cash flows	1,040,853	(2,260,077)	(3,349,108)	(946,051)	(5,514,383)
Interest expenses	–	11,619	3,490,229	–	3,501,848
Dividends declared	–	–	–	946,051	946,051
Foreign exchange	(52,944)	(158,259)	–	–	(211,203)
At 31 December 2017	2,327,670	67,120,173	1,458,686	80	70,906,609

Note: Interest payable only includes those arising from borrowings, bond payables and short-term financing bills payables.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 64. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group based on the remaining contractual maturity as at 31 December 2018 and 2017 is as follows:

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<b>As at 31 December 2018</b>						
Assets						
Advances to customers	244,750	10,032,005	-	-	-	10,276,755
Account receivables	668,408	-	-	-	-	668,408
Other loans and receivables	739,912	452,491	87,620	-	-	1,280,023
Debt investments classified as:						
Financial assets at fair value through profit or loss	476,385	2,065,711	3,461,038	10,786,094	8,569,566	25,358,794
Debt instruments at fair value through other comprehensive income	1,132,354	5,091,260	3,804,220	30,294,891	21,886,711	62,209,436
Debt instrument measured at amortised cost	199,104	487,663	476,384	3,767,605	2,981,840	7,912,596
Financial assets held under resale agreements	439,610	26,117,517	1,551,988	59,469	-	28,168,584
Deposits with exchanges and financial institutions	1,025,365	-	-	-	-	1,025,365
Clearing settlement funds	9,354,272	-	-	-	-	9,354,272
Cash and bank balances	36,764,639	-	-	-	-	36,764,639
	51,044,799	44,246,647	9,381,250	44,908,059	33,438,117	183,018,872

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 64. MATURITY PROFILE OF ASSETS AND LIABILITIES *(Continued)*

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Liabilities						
Borrowings	5,016	1,648,146	-	-	-	1,653,162
Due to banks and other financial institutions	27,067	11,000,000	-	-	-	11,027,067
Account payables to brokerage clients	32,059,065	-	-	-	-	32,059,065
Other account payables and other payables	1,326,695	-	-	-	-	1,326,695
Short-term financing bills payables	296,015	12,115,591	-	-	-	12,411,606
Financial liabilities at fair value through profit or loss	-	6,834,381	-	-	-	6,834,381
Financial assets sold under repurchase agreements	93,635	49,322,042	-	-	-	49,415,677
Bond payables	1,134,848	13,469,902	25,399,797	13,044,421	4,000,000	57,048,968
	34,942,341	94,390,062	25,399,797	13,044,421	4,000,000	171,776,621

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 64. MATURITY PROFILE OF ASSETS AND LIABILITIES *(Continued)*

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2017						
Assets						
Advances to customers	–	12,940,064	–	–	–	12,940,064
Account receivables	962,844	–	–	–	–	962,844
Other loans and receivables	3,206,113	310,229	–	–	–	3,516,342
Debt investments classified as:						
Financial assets at fair value through profit or loss	–	5,695,667	4,079,047	8,810,168	7,206,359	25,791,241
Available-for-sale investments	–	6,781,351	5,067,641	24,106,872	19,440,694	55,396,558
Held-to-maturity investments	–	73,000	37,500	–	–	110,500
Financial assets held under resale agreements	–	24,685,493	8,613,173	1,319,825	–	34,618,491
Deposits with exchanges and financial institutions	1,025,096	–	–	–	–	1,025,096
Clearing settlement funds	9,349,322	–	–	–	–	9,349,322
Cash and bank balances	41,895,955	–	–	–	–	41,895,955
Restricted bank deposits	–	449,900	–	–	–	449,900
	56,439,330	50,935,704	17,797,361	34,236,865	26,647,053	186,056,313

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 64. MATURITY PROFILE OF ASSETS AND LIABILITIES *(Continued)*

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Liabilities						
Borrowings	-	2,327,670	-	-	-	2,327,670
Due to banks and other financial institutions	-	11,200,000	-	-	-	11,200,000
Account payables to brokerage clients	28,219,521	-	-	-	-	28,219,521
Other account payables and other payables	4,116,260	-	-	-	-	4,116,260
Short-term financing bills payables	-	1,810,486	-	-	-	1,810,486
Financial liabilities at fair value through profit or loss	-	6,059,727	-	-	-	6,059,727
Financial assets sold under repurchase agreements	-	53,180,004	2,940,000	-	-	56,120,004
Bond payables	-	11,639,397	13,449,752	36,220,546	3,999,992	65,309,687
	32,335,781	86,217,284	16,389,752	36,220,546	3,999,992	175,163,355

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 65. RECLASSIFICATION OF COMPARATIVE FIGURES

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

## 66. SUBSEQUENT EVENTS

On 8 January 2019, the Board of Directors approved the resolution as to the cash-paid acquisition of 33.33% of equity interests of Citi Orient Securities Co., Ltd., held by Citigroup Asia at a transaction price of the audited net assets of Citi Orient Securities Co., Ltd., as at December 31, 2018 multiplied by 33.33%.

On 19 March 2019, the Company has issued a subordinated bond with par value of RMB6,000 million. The bond bears an interest rate of 4.2% with a maturity period of 3 years.

Pursuant to the Board resolution held on 28 March 2019, it is proposed cash dividends of RMB1.00 be distributed for every 10 shares (tax included) based on the Company's existing share capital of 6.99 billion shares. This proposed distribution of cash dividends is subject to the approval by the Shareholders' meetings.

