



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



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 interim report, and severally and jointly undertake legal liability.
- II. The report has been considered and approved at the 14th meeting of the fourth session of the Board and the ninth meeting of the fourth session of the Supervisory Committee. Mr. Du Weihua, a non-executive Director, was unable to attend the Board meeting in person due to official business, and had authorised Mr. Pan Xinjun, Chairman of the Company, to vote on his behalf. No objection from the Directors or Supervisors was raised to this report.

<u>Position of absent Director</u>	<u>Name of absent Director</u>	<u>Reason for being absent</u>	<u>Name of Proxy</u>
Non-executive Director	Du Weihua	Due to official business	Pan Xinjun

- III. The 2019 interim financial report of the Company, prepared in accordance with the International Financial Reporting Standards (“IFRSs”), was reviewed by Deloitte Touche Tohmatsu. Unless otherwise stated, all financial information is denominated in RMB.
- IV. Pan Xinjun, Chairman of the Company, and Zhang Jianhui, the accounting chief and person-in-charge of the accounting department (head of the accounting department), warrant the truthfulness, accuracy and completeness of the financial report set out in the interim report.
- V. The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period has been reviewed by the Board

The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve into share capital during the first half of 2019.
- VI. Risk representation of the forward-looking statements

Forward-looking statements, including future plans and development strategies, may be contained in this report. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Neither the Company nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information. Investors are advised to pay attention to such investment risks involved and not place undue reliance on forward-looking statements.
- VII. No appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their respective related parties has occurred during the Reporting Period.
- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures during the Reporting Period.
- IX. Chinese and English versions of this report are provided by the Company. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Important Notice

X. 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 Risk Prevention Measures in the section entitled Report of the Board for details.

XI. Unless otherwise stated, all analysis and explanations contained in this report are prepared on a consolidated basis.

CONTENTS

Page

4	Section I Definitions
7	Section II Company Profile and Key Financial Indicators
18	Section III Summary of the Company's Business
24	Section IV Report of the Board
66	Section V Significant Events
106	Section VI Changes in Ordinary Shares and Information on Shareholders
113	Section VII Preference Shares
114	Section VIII Directors, Supervisors and Senior Management
117	Section IX Corporate Bonds
125	Section X Documents Available for Inspection
126	Section XI Information Disclosures of Securities Company
127	Report on Review of Condensed Consolidated Financial Statements
129	Condensed Consolidated Statements of Profit or Loss
130	Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
131	Condensed Consolidated Statements of Financial Position
133	Condensed Consolidated Statements of Changes in Equity
134	Condensed Consolidated Statements of Cash Flow
138	Notes to the Condensed Consolidated Financial Statements

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 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)
“Citi Orient”	Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a controlling subsidiary of the Company
“Citigroup Asia”	Citigroup Global Markets Asia Limited (花旗環球金融亞洲有限公司)
“Company” or “the Company” or “Parent Company” or “DFZQ”	東方證券股份有限公司
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of DFZQ
“Group” or “the Group” or “We”	DFZQ and its subsidiaries

Section I Definitions

“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 Futures”	Orient Futures Co., Ltd (上海東證期貨有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Asset Management”	Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Capital Investment”	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Innovation Investment”	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities International”	Orient Securities International Financial Group Limited (東證國際金融集團有限公司), a wholly-owned subsidiary of Orient Finance Holdings

Section I Definitions

“PRC GAAP”	generally accepted accounting principles in the PRC
“Reporting Period”	January 1, 2019 to June 30, 2019
“RMB, RMB’000, RMB’0000, RMB million, RMB100 million”	Renminbi Yuan, Renminbi’000, Renminbi’0000, Renminbi million, Renminbi 100 million (unless otherwise specified)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	Hong Kong Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Bureau of the CSRC”	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
“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

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of last year
Registered capital	6,993,655,803.00	6,993,655,803.00
Net capital	44,416,785,042.25	40,235,401,281.79

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)
31	Permit to operate securities and futures business	CSRC (No.: 913100001321109141)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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 for options transaction participants of SEE	SEE (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)
70	Qualification for primary market makers of SSE listed funds business	SSE (Shang Zheng Han [2019] No. 101)
71	Qualification for credit derivatives business (inter-bank market credit risk relieving instruments, stock exchange market credit risk relieving instruments and other credit derivatives selling business approved by other regulatory authorities)	CSRC (Ji Gou Bu Han [2019] No. 463)
72	Qualification for market making business of treasure bond futures	CSRC (Ji Gou Bu Han [2019] No. 1023)
73	Standard pilot for Internet investment account	Securities Association of China (Zhong Zheng Xie Han [2019] No.185)

Section II Company Profile and Key Financial Indicators

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

II. CONTACT PERSONS AND CONTACT METHODS

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

III. CHANGES IN BASIC COMPANY INFORMATION

Registered address	22/F, 23/F and 25-29/F, Building 2, No. 318 South Zhongshan Road, 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	http://www.dfzq.com.cn
E-mail	ir@orientsec.com.cn

Section II Company Profile and Key Financial Indicators

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. BRIEF INFORMATION ON SHARES OF THE COMPANY

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

VI. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥))
	Office address	30/F, No. 222 East Yan'an Road, Huangpu District, Shanghai, the PRC
	Name of the signing accountants	Ma Hingfai, Pan Zhuyun
Overseas accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Name of the signing accountants	Ma Hingfai

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
A Share Registrar	Shanghai Branch of CSDCC
H Share Registrar	Computershare Hong Kong Investor Services Limited

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(i) Key Accounting Data

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

Unit: '000 Currency: RMB

Items	From January to June 2019	From January to June 2018	The current period as compared with the previous period
Operating results			
Total revenue, gains and other income	10,708,706	6,975,739	53.51%
Profit before income tax	1,509,250	833,325	81.11%
Profit for the period attributable to shareholders of the Company	1,209,616	715,589	69.04%
Net cash from/(used in) operating activities	3,871,058	(7,562,730)	N/A
Earnings per share (RMB/share)			
Basic earnings per share	0.17	0.10	70.00%
Diluted earnings per share	N/A	N/A	N/A
Indicator of profitability			
Weighted average returns on net assets (%)	2.31	1.37	Increased by 0.94 percentage point

Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

Items	June 30, 2019	December 31, 2018	As at the end of the Reporting Period as compared with as at the end of last year
Indicators of scale			
Total assets	247,225,133	226,869,673	8.97%
Total liabilities	194,494,833	174,597,221	11.40%
Account payables to brokerage clients	35,883,745	32,059,065	11.93%
Equity attributable to shareholders of the Company	52,673,039	51,739,478	1.80%
Share capital ('000 shares)	6,993,656	6,993,656	0.00%
Net assets per share attributable to shareholders of the Company (RMB/share)	7.53	7.40	1.76%
Gearing ratio (%) ^{Note}	75.05	73.17	Increased by 1.88 percentage points

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

(ii) Description of Key Accounting Data and Financial Indicators

In the first half of 2019, the PRC stock market rebounded with turnover in Shenzhen and Shanghai recording a year-on-year increase and major stock indexes registering overall growth. Under such market environment, the Company actively grasped the market opportunity and adhered to steady operation. Each business activity continued to develop steadily, especially the operating performance of the securities proprietary trading and overseas business sectors improved significantly, resulting in a relatively substantial year-on-year increase in the Company's profits. During the Reporting Period, the Company's total revenue, gains and other income and profit for the period attributable to shareholders of the Company increased by 53.51% and 69.04%, respectively over the same period last year.

Section II Company Profile and Key Financial Indicators

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

As at the end of the Reporting Period, the net capital of the Parent Company was RMB44.417 billion, representing an increase of RMB4.182 billion or 10.39% as compared with RMB40.235 billion as at the end of the previous year. During the Reporting Period, the main risk control indicators such as the Parent Company's net capital continued to meet the regulatory standards stipulated in the "Administrative Measures of Risk Control Indicators for Securities Companies" (《證券公司風險控制指標管理辦法》). The main risk control indicators such as the Parent Company's net capital as at the end of the Reporting Period are as follows:

Unit: '000 Currency: RMB

Items	As at the end of the Reporting Period	As at the end of last year
Net capital	44,416,785	40,235,401
Net assets	48,901,022	48,292,941
Risk coverage rate (%)	292.57	289.74
Capital gearing ratio (%)	14.17	16.31
Liquidity coverage ratio (%)	197.35	290.43
Net stable funding ratio (%)	147.34	151.97
Net capital/net assets (%)	90.83	83.32
Net capital/liabilities (%)	31.23	31.86
Net assets/liabilities (%)	34.39	38.24
Proprietary equity-based securities and its derivatives/ net capital (%)	25.34	22.18
Proprietary non-equity securities and its derivatives/ net capital (%)	256.41	254.41

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

VIII. DIFFERENCES BETWEEN IFRSS AND PRC GAAP

Net profits for January to June 2019 and January to June 2018, and net assets as at June 30, 2019 and December 31, 2018 as stated in the consolidated financial statements of the Company prepared in accordance with PRC GAAP are consistent with those prepared in accordance with IFRSs.

Section III Summary of the Company's Business

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

The Company is a comprehensive securities company established under the CSRC's approval, which is engaged in the provision of all-round, one-stop financial services covering securities, futures, asset management, investment banking, 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, alternative investment and securities research services.

The Company engages in professional equity investment and trading business and fixed income investment and trading business, which includes various stocks, funds, bonds, derivatives and others. In the meantime, the Company actively expands FICC business.

The Company conducts financial derivatives trading business by flexibly utilizing derivatives and quantitative trading strategies to obtain absolute income with low risk exposure.

The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include equity investment, special assets investment 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.

- 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.

Section III Summary of the Company's Business

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 trading stocks, funds and bonds by accepting entrustments or on behalf of the clients according to the instructions given to the authorized branches.

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

The Company's margin financing and securities lending business mainly refers to a transaction in which an investor provides the Company with collateral to borrow funds and purchase securities (margin financing transaction) or borrow and sell securities (securities lending transaction).

The Company's collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their stocks or other securities as collateral to obtain financing from the Company and agree to repay the funds on a future date to release such pledge.

The Company provides OTC financial products and also provides transfer, market making quotation and other services to its clients.

The custodian business of the Company mainly includes providing asset custody and fund services to private equity investment funds, publicly offered funds and various asset management institutions.

Section III Summary of the Company's Business

- Investment Banking

The Company carries out investment banking business mainly through its fixed income business headquarters and Citi Orient, a subsidiary.

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 the management of headquarters financing business and liquidity reserves.

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

In the first half of 2019, amid changes in internal and external environment, the domestic economic performance remained stable, and the stock market oscillated upward. During the Reporting Period, the securities industry realized operating income of RMB178.941 billion, increasing by 41.37% from the same period last year. Net profit reached RMB66.662 billion, increasing by 102.86% from the same period last year. In terms of operating income, the securities industry realized a net income of RMB44.4 billion (including seat rental income) from the securities agency business, increasing by 22.06% year-on-year. Net income from securities underwriting and sponsoring business was RMB14.802 billion, and net income from financial consulting business was RMB4.962 billion, increasing by 26.66% and 9.88% respectively year-on-year. Income from securities investment (including changes in fair value) was RMB62.067 billion, increasing by 110.02% year-on-year. Net income from asset management business was RMB12.733 billion, decreasing by 8.32% year-on-year. Net interest income was RMB22.932 billion, increasing by 103.08% year-on-year. The capital scale remained basically stable. As of the end of the Reporting Period, the total assets of the securities industry were RMB6.38 trillion and the net assets were RMB1.86 trillion increasing by 1.92% and -1.59%, respectively from the beginning of the year.

Section III Summary of the Company's Business

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

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

In particular: offshore assets amounted to RMB16,399 million, accounting for 6.63% of the total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company's core competitiveness lies in areas such as talent, capital, business and party building culture.

(i) Professional and Stable Personnel Complemented with a Progressive Personnel System

The Company has a cohesive, stable, aggressive and tolerant senior management team. With an average of 16 years of service with the Company, the senior management personnel are equipped with a profound understanding of the operation dynamics of the capital market and extensive management experience in the securities and financial industry. Our senior management team holds a philosophy which is united, aggressive, practical, professional, responsible, stable and harmonious, which provides a strong safeguard for our long-term sustainable development.

The Company has a professional, high-quality and relatively stable business team. Our business team has accumulated profound experience through years of struggle in the market, improved its professional ability, achieved excellent 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.

The Company has established a progressive personnel system. Over the years, the Company has always been attaching great importance to the cultivation of talents, scientifically formulating talent development plans, continuously broadening talent growth channels and developing and enriching talent pools. The Company focuses on 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 and other measures, thereby securing remarkable achievements in its personnel system.

Section III Summary of the Company's Business

(ii) “A+H” Capital Supplementary Mechanism for Long-term Capital Replenishment

The successful A Share and H Share listing of the Company in recent years contributed to the rapid enhancement of our capital strength and at the same time laid the foundation for the long-term capital replenishment of the Company and broadened opportunities for capital increase. In addition, the Company also expanded its financing channels via issuance of subordinated bonds, corporate bonds and US bonds for the purpose of effective capital replenishment. As of the end of the Reporting Period, the Company's net asset was RMB52.73 billion and total assets were RMB247.225 billion, respectively, both ranking top in the industry. The “A+H” platform serves as the long-term system for capital replenishment of the Company and effectively improves its market competitiveness and risk tolerance.

(iii) Distinguished Investment Capability and Various Market Well-known Business Brands

Leveraging on its distinguished investment management capability, the Company always sticks to an ideal of value investment in securities investment, fixed income, asset management and fund management fields, based on which the Company has achieved leading business results in the industry in the long run and earning a reputation for its investment brand in the market.

With excellent investment performance in the securities investment business, the Company has been leading in the industry in terms of the rate of return on equity investment over the past 20 years. Its investment scale in fixed income business has witnessed stable increase with potent duration control and steady yield in the long run. Orient Securities Asset Management has long enjoyed the leading position in the industry and continued to rank first among peers in terms of revenue from asset management in 2018 and rose to the first in terms of absolute yield on equity funds in the last three years, making “Dong Fang Hong” a token of value investment, customer interest priority and investor interest shelter. With excellent investment performance and leading innovative abilities, China Universal has become the largest fund company in Shanghai area in terms of publicly offered fund management and ranks the first in more than 20 items in the fund industry in the PRC, which boasts of over RMB700 billion in terms of asset management scale and ranks among the top in the industry.

(iv) Strictly adhere to the Bottom Line of Compliance and Enhance Risk Management

The Company has long adhered to the concept of compliance creating value, continuously improved the comprehensive risk management system, implemented the integration of compliance management, risk management and internal control and strengthened the application of information technology in compliance and risk management, thereby constantly improving the effectiveness of compliance risk control. The Company has long been committed to promoting the full coverage of the Group's risk management, continuously improving the risk control indicators, optimizing the risk management system, deepening the coordinated management of major risk issues and employees' behaviors, focusing on making up for deficiencies and implementing measures such as abnormal transaction control and employees' behaviors, emphasizing the compliance management of branches and continuously implementing operational risk management measures. During the Reporting Period, the Company did not incur any major violations or risk incidents, thus effectively ensuring the bottom line of stable operation. It has been rated as a Grade AA, Category A or Grade A, Category A securities company for the eleventh consecutive year.

Section III Summary of the Company's Business

(v) Further Consolidating the Advantages of Party Building and Corporate Culture for Continuous Innovation and Development of the Company

The Company places great emphasis on Party building and corporate culture construction and believes that “Party building and corporate culture are productive forces”. The Company continues to consolidate its foundation via Party building and integrate corporate spirit through culture with due considerations and importance. The Company has carried out a debriefing review on Party building by party secretaries at the grass-roots level and the construction of a clean and honest government. It has also completed the general election of 81 Party branches and set up 2 new Party branches. The establishment of grass-roots party organizations has been further optimized and the role of party branches as battlegrounds has been strengthened. It also promoted the popularization and use of the “Knowledge Empowers Motherland” APP, providing access to nearly all party members of the Company. Innovation on mass organization has been promoted continuously. The Company deepened the construction of enterprise culture brand, cultivated “Sanxin” employees and fostered a people-oriented “Home” Culture, with a view of creating a happy life for its employees. Due to the Company’s continuous devotion to Party building and corporate culture construction, such unity has become a distinctive competitive advantage of the Company, which demonstrated the significant effect of Party building and corporate culture construction on the cohesion of the Company.

Section IV Report of the Board

I. DISCUSSION AND ANALYSIS ON OPERATIONS

(i) Overview of Operations

In the first half of 2019, the global economy remained sluggish amid ongoing trade frictions, overseas central banks' shift to loose policies and increasing expectation for interest rate cuts by the Federal Reserve. Facing a complicated external environment, China continued to promote innovative macro-regulation through implementing large-scale tax cuts and fee reductions, enlarging opening-up of the national economy and capital markets and further improving the financial sector's capability to serve the real economy so as to enhance the vitality and resilience of the national economy. In the first half of 2019, China's GDP increased by 6.3% year-on-year, achieving sustainable and quality economic growth with growth rate ranking top in the world. The multiple changes in the internal and external environment have also resulted in the significant fluctuation in the securities market. In particular, the A-share market went up first and then declined with an overall upward trend in terms of both trading volume and price. In the first half of 2019, the SSE Composite Index rose by 19.45%, the SZSE Component Index rose by 26.78%, and the average daily trading volume of the SSE and SZSE stocks was RMB587.361 billion, up 33.92% year-on-year. The bond market fluctuated within a narrow range with exposure to credit risk and the CSI Aggregate Bond Index rose slightly by 2.07%.

During the Reporting Period, by adhering to the keynote of "risk prevention and growth stabilization" and taking into account the long-term strategy and annual work focus, the Company further optimized the business structure and steadily pushed ahead various tasks. The Company further deepened the transformation of wealth management business through innovation development, and independently developed the first publicly offered fund in the industry, leading to significantly increased sales of equity products. The overall investment segment achieved healthy performance by consolidating the traditional advantageous businesses. The Company vigorously promoting cross-sector collaboration of underwriting business, with substantial growth in issuance size. The subsidiaries maintained their edges in respective businesses, further demonstrating the effectiveness of the collectivized development. In particular, the scale of the custodian asset management of Orient Securities Asset Management achieved growth amid stability and the absolute yield of equity funds was ranked first in the industry in the past three years; Orient Futures recorded 25% year-on-year increase in the size of client equity, and received higher recognition from clients for its advantages in the field of information technology and its development of international business; Orient Finance Holdings completed structural adjustment, and bond underwriting income ranked among the top five PRC brokers in various industries in Hong Kong; the scale of China Universal has been greatly improved with a management scale of exceeding RMB700 billion, among which the scale of publicly offered proprietary equity was ranked first in the industry.

Section IV Report of the Board

During the Reporting Period, the Company did not encounter any material risks or violation of laws and regulations. It has obtained Grade AA of Class A or Grade A of Class A rating in the category of securities company for eleven consecutive years. The governance structure of the Company continued to be improved, and its management efficiency was continuously enhanced to steadily establish the soft strength of the Company. The Company strengthened strategic analysis and research and actively promoted strategy implementation to deepen integration of industry and finance; strengthened the building of talent team and improved the salary management system to promote the employer brand building of the Company; reinforced internal service and information communication to optimize work supervision. The Company exerted the advantages of party building and corporate culture by keeping in mind the initial heart and mission, and the “Happy Homeland” themed practical campaign launched by the grassroots party organization of the Company was awarded the title of “Shanghai State-owned Enterprise Party Building Brand”.

As at the end of June 2019, the Company’s total assets were RMB247.225 billion, representing an increase of 8.97% as compared with the end of last year, and the equity attributable to the Shareholders of the Company was RMB52.673 billion, representing an increase of 1.80% as compared with the end of last year. The net capital of the Parent Company was RMB44.417 billion, increased by 10.39% as compared with the end of last year; profit for the period attributable to Shareholders of the Company was RMB1.210 billion, increased by 69.04% year-on-year. The Group achieved total revenue, gains and other income of RMB10.709 billion, of which: revenue, gains and other income from securities sales and trading business was RMB2.139 billion, accounting for 19.19% of the total; revenue, gains and other income from investment management business was RMB1.142 billion, accounting for 10.25% of the total; revenue, gains and other income from brokerage and securities financing was RMB5.706 billion, accounting for 51.21% of the total; revenue, gains and other income from investment banking business was RMB584 million, accounting for 5.24% of the total; revenue, gains and other income from headquarters and others was RMB1.572 billion, accounting for 14.11% of the total. (Consolidation and offsetting factors were not considered when calculating segment revenue, gains and other income and segment expenses and their proportions. The same approach is adopted below.)

Section IV Report of the Board

Table of Principal Businesses of the Group

Unit: '000 Currency: RMB

Business segment	Principal businesses by segments					
	Segment revenue, gains and other income	Segment expenses	Profit margin (%)	Change in segment revenue, gains and other income over the same period of last year (%)	Change in segment expenses over the same period last year (%)	Change in profit margin over the same period of last year
Securities sales and trading	2,138,904	927,035	55.98	363.40	(7.74)	Increased by 162.64 percentage points
Investment management	1,142,170	624,598	73.41	(37.07)	(29.50)	Increased by 0.40 percentage point
Brokerage and securities financing	5,705,927	5,002,137	12.32	73.75	133.14	Decreased by 22.35 percentage points
Investment banking	584,120	319,972	45.22	(16.09)	(11.58)	Decreased by 2.80 percentage points
Headquarters and others	1,572,024	2,692,562	(71.28)	48.43	16.79	Increased by 46.40 percentage points

(ii) Analysis of Principal Businesses

1. Principal businesses of the Company

(1) Securities sales and trading

The Company conducts securities sales and trading business with its own capital, including proprietary trading (equity investment and trading, fixed income investment and trading, financial derivatives trading), innovative investment and securities research services. During the Reporting Period, the securities sales and trading segment realized revenue, gains and other income of RMB2.139 billion, accounting for 19.19% of the total revenue, gains and other income.

Section IV Report of the Board

Proprietary trading

During the Reporting Period, in the context of more macro uncertainties, the on-going China-US trade war and increased economic downward pressures, more flexible policy counter-cyclical regulations were conducted. The stock market significantly fluctuated affected by external factors, experiencing a rapid rise in the first quarter and adjustment in the second quarter. In the first half of the year, the SSE Composite Index rose by 19.45%, and the SZSE Component Index rose by 26.78%. The overall bond market showed volatility with a decline at first and then followed by a rise in yields, showing certain credit risk exposure. In particular, the yields of ten-year treasury bonds largely maintained stable and the ChinaBond All-bond Full Price Index (中債總全價指數) fell by 0.37%.

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

(In RMB million)	As at June 30, 2019	As at December 31, 2018
Stocks	5,378.88	3,451.98
Funds	1,793.06	3,041.08
Bonds	84,593.87	77,591.00
Others ^(Note)	1,558.09	1,866.90
Total	93,323.90	85,950.96

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

In terms of the equity investment business, the Company has achieved investment gains in volatile market by strictly controlling absolute risk limits as well as identifying for suitable investment opportunities. Through the collaboration within the Group, we actively participated in the research and study of the information of related companies listed on Science and Technology Innovation Board (the “Sci-Tech Board”), and strived to explore diversified investment channels. The Company proactively withdrew funds for NEEQ business, optimized the held stock portfolio and promoted the IPO process of quality enterprises. In the future, the Company will carry out investment work with cautiousness by flexibly managing its position according to market changes, vigorously expand into new business and strengthen coordination with the Group to pursue absolute return in volatile market.

Section IV Report of the Board

In terms of fixed income investment business, the Company further reinforced its core competitiveness in investment and research and actively adjusted its position according to the changes in the market situation, gaining steady growth in the proprietary trading scale of bonds. During the Reporting Period, the spot transaction volume of bonds in the inter-bank market and the transaction volume of exchange bonds recorded a year-on-year growth of 24.5% and 22.8% respectively. Meanwhile, the Company was among the first batch to be qualified for the market makers of treasury bond futures. During the Reporting Period, the inter-bank market spot bonds market-making business ranked fourth and third among 85 market-making institutions and 55 trial market makers, respectively. Turnover of the Bond Connect reached RMB37.142 billion, ranking top three among securities companies and the international clout of its fixed income business was continued to be enhanced. During the Reporting Period, the Company was granted various awards, including the “Outstanding Derivatives Market Trader (優秀衍生品市場交易商)”, the “Outstanding Bond Connect Quotation Institution (優秀債券通報價機構)” and the “Innovation Award of Trading Mechanism (交易機制創新獎)” issued by the China Foreign Exchange Trading Center and National Inter-bank Funding Center, the “Outstanding Long-term Proprietary Liquidation Award of Standard Bonds (標準債券遠期自營清算優秀獎)” issued by the Clearing House, the “Outstanding Comprehensive Market Maker (優秀綜合做市機構)”, the “Outstanding Interest Rate Debt Market Maker (優秀利率債做市機構)” and the “Outstanding Credit Debt Market Maker (優秀信用債做市機構)” issued by the National Association of Securities Dealers, the “Outstanding Quotation Institution (優秀報價機構)” issued by the Bond Connect company, and the “Outstanding Financial Debt Market Maker (金融債優秀做市商)” issued by the National Development Bank. The Company implemented strict credit risk management by strengthening pre-risk control and access for credit bonds investment and keeping continuous tracking and evaluation of bonds position, and achieved effective risk management. In the future, the Company will continue to establish a quantitative investment decision-making system, strengthen trading system building and credit risk management, so as to strive for improved operational performance.

In terms of the gold and bulk commodity business, the Company carried out various proprietary trading businesses including arbitrage, trend, gold ETF market making, hedging, lending and options in a number of exchange markets. During the Reporting Period, the overall scale of the business was steadily ranked in the forefront of securities companies. Furthermore, the Company constantly improved the trading strategies for different products and explored new business models to seize market opportunities to secure profits. The Company became the first security company in the Shanghai Gold Exchange to receive the title of “Outstanding Member in Finance Category”, and offered the market’s first income receipt linked to the agricultural products index and the SSE bond index, receiving recognition from the market and regulators. In the future, the Company will continue to prepare for foreign exchange business, further promote the transformation of sales and trading business and the establishment of FICC industry chain, so as to continuously improve the income structure.

Section IV Report of the Board

In terms of the financial derivative business, the Company's business mainly includes the two types of intelligent trading and derivatives sales and trading. During the Reporting Period, through system optimization and strategy improvement, the trading capability of the intelligent trading business represented by high-frequency market making and quantitative investment gradually enhanced with annualized yields rising substantially. The derivatives sales and trading business represented by block trade and over-the-counter derivatives was operated healthily with significantly reduced yield fluctuation, which contributed stable income to the Company. During the Reporting Period, the Company obtained the qualification for primary market makers of SSE-listed funds, was rated Class A for six consecutive months for the 50 ETF Options market-making business, and its gold futures market making business ranked in the forefront. In the future, the Company will strengthen the application of financial technology, enrich and improve the high-frequency market-making business, increase the use of quantitative strategy, and actively explore for the international business opportunities.

Innovative investment

The Company engages in alternative investment business through its wholly-owned subsidiary Orient Securities Innovation Investment, which mainly covers special asset investment and equity investment business. Since 2019, the slowdown in macroeconomic growth rate, decreased corporate profitability and the uncertainty of the external environment has brought challenges for the Company to carry out project research and risk control of the alternative investment business. As at the end of the Reporting Period, Orient Securities Innovation Investment had 71 existing projects with an investment scale of RMB2.709 billion.

In terms of special asset investment business, Orient Securities Innovation Investment is committed to improving the diversification of the business expansion model, exerting subjective initiative in the project management process and enhancing the core competitiveness of the team. In the future, Orient Securities Innovation Investment will steadily push forward the business layout, fully implement post-investment management, vigorously revitalize existing assets, and gradually enhance its advantages in capital and talent.

Section IV Report of the Board

In terms of equity investment, Orient Securities Innovation Investment closely focused on the specialized fields such as TMT and pharmaceuticals, and seized the market opportunity with the development direction of “financing serves real economy” to cultivate expertise and professional advantages in the equity investment business. At the same time, Orient Securities Innovation Investment actively cooperated with investment banking projects and participated in preparation for the strategic placement on the Sci-Tech Board. At present, the registered capital of Orient Securities Innovation Investment has increased from RMB3 billion to RMB5 billion and paid-up capital reached RMB4 billion.

Securities research

The Company strikes a balance between external commissions and internal services, and has achieved good performance in the highly competitive commission market. It has also focused on serving the Company’s various business units to build internal collaborative layouts. As at the end of the Reporting Period, there are 73 employees in the research positions of the securities research business, of whom 55 are with analyst qualifications and 23 are with investment consultant qualification, publishing 858 research reports of various kinds. The research institute has conducted solid and in-depth research on fundamentals and actively built research system for the Sci-Tech Board.

With respect to external commissions, the Company deeply cultivated the public offering market and strived to increase market share based on institutional customers while expanding customer coverage and actively developing non-public offering customers. During the Reporting Period, the research institute achieved a commission income of RMB150 million, of which RMB134 million were the commission income from publicly offered funds research (including special proceeds account, social security and annuity seats), representing a market share of 2.70%. The Company obtained a rising ranking in respect of core mutual fund client research. At the same time, the research institute secured 11 new bank customers and 10 new private equity clients, fully covering the newly established wealth management subsidiaries of banks.

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

Section IV Report of the Board

During the Reporting Period, the Company ranked first in the military industry and the second in the real estate industry and the new economy (middle and small market capitalization) industry in the Best Analyst Selection by the CBN (第一財經). In the future, the Company will continue to enhance ability to acquire external commissions by strengthening its core competitiveness. At the same time, 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.

(2) *Investment management*

The Company provided clients with asset management schemes, publicly offered securities investment fund products issued by securities dealer and private equity investment business. During the Reporting Period, the investment management business realized revenue, gains and other income of RMB1.142 billion, accounting for 10.25% of the total income.

Asset management

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

During the Reporting Period, with the gradual implementation of the new regulations on asset management, the measures of breaking “rigid payment”, standardizing fund pool model and restricting channel business has achieved initial results. The supervision over the asset management industry has adhered to the principle of “risk prevention and return to the nature of investment”. The successive establishment of wealth management subsidiaries of banks has further reshaped the new ecological pattern of the industry, leading to new competition and cooperation among various institutions under unified regulatory standards. Facing the opportunities and challenges of the external environment, Orient Securities Asset Management will insist on the philosophy of long-term development by taking the interests of customers a priority as well as continuously consolidating and enhancing its core competitiveness to create long-term and stable investment returns for its holders.

Section IV Report of the Board

As at the end of the Reporting Period, the assets under custody of Orient Securities Asset Management reached RMB204.001 billion, of which the discretionary management assets accounted for 98.70%, far above the average level of asset management business of securities firm. From January to June 2019, Orient Securities Asset Management ranked second 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 19.72% while the average annualized return of CSI 300 Index was 10.94% for the same period. The absolute yields of the equity funds and fixed income funds of Orient Securities Asset Management for recent three years was 47.46% and 14.44% respectively, ranking first and eighth respectively in the industry (source: Financial Products Research Center of Haitong Securities). Its medium and long-term performance continued to maintain a leading edge.

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

(In RMB million)	As at June 30, 2019	As at December 31, 2018
Collective asset management scheme	43,985.52	42,406.07
Targeted asset management scheme	48,499.75	59,257.90
Specialized asset management scheme	15,969.46	12,839.58
Publicly offered funds issued by securities dealer	95,545.91	85,640.15
Total	204,000.64	200,143.70

Section IV Report of the Board

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

(In RMB million, except for percentage)	As at June 30, 2019		As at December 31, 2018	
	AUM	Percentage	AUM	Percentage
Discretionary management products	201,352.08	98.70%	197,141.55	98.50%
Channel products	2,648.56	1.30%	3,002.15	1.50%
Total	204,000.64	100.00%	200,143.70	100.00%

As the bellwether in the asset management industry, Orient Securities Asset Management will always focus on the origin of the asset management industry, constantly consolidate and enhance the proprietary equity-based and fixed-income asset management businesses, further strengthen the core advantages of investment research to maintain a leading position in terms of medium and long-term performance; continue to adhere to customer-oriented development philosophy and promote the building of customer service platform through exploring the application of financial technology to provide customers with more convenient and personalized investment services; and intensify core competitiveness while further fulfilling new strategic tasks, through accelerating the layout in the business areas including index funds and pension funds to further enrich the product line so as to meet the long-term wealth appreciation needs of the segment customer groups.

During the Reporting Period, Orient Securities Asset Management won 19 awards including the “Stock Investment Return Fund Management Company Award” (股票投資回報基金管理公司獎) in the 16th “Golden Funds” (金基金) organized by Shanghai Securities News, the 14th “Star Fund Award for Fund Industry in China” (中國基金業明星基金獎) organized by Securities Times and the 16th “Gold Bull Fund Award” (金牛基金獎) organized by China Securities Journal.

Section IV Report of the Board

Fund management through China Universal

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

With respect to business growth and layout, China Universal operated with compliance and developed steadily. As at the end of the Reporting Period, the publicly offered funds under the management of China Universal amounted to RMB491.388 billion, representing an increase of 6.16% as compared to that of the beginning of the year, and an increase of 24.78% as compared to that of the beginning of the year after excluding the currency fund and short-term financial management debt base of RMB216.973 billion, ranking sixth in the industry. Proprietary equity-based asset management amounted to RMB102.146 billion, ranking first¹ among the fund management peers. The business development of special proceeds accounts remained sound and the customer experience of e-commerce platform was further improved. The investment management of pension business was continuously strengthened by actively promoting the development of the individual pension system and setting up multiple pension funds. We attach great importance to the internationalization strategy, continue to push forward organization, talents and external cooperation, and actively expand international business. During the Reporting Period, China Universal did not incur any major compliance risks.

With respect to investment performance, China Universal achieved outstanding performance. The arithmetic average stock investment active management yield of the equity investment fund of China Universal has reached 125.78% in the last five years, ranking first² among the top 10 fund managers during the same period. Excellent performance of overseas investment was maintained with the performance of China-Hong Kong Strategic Fund being rated 5 stars by Morningstar, ranking first³ among the same type of equity funds in the past five years.

¹ Source: Galaxy Securities Fund Research Center, “proprietary equity-based” represents the proportion of stocks (equity) among performance benchmarks is over or equal to 60%.

² Source: Galaxy Securities Fund Research Center, the past five years refer to July 1, 2014 to June 30, 2019, “Top Ten Fund Companies” refer to the list of public fund management scale (excluding monetary fund and short-term financial debt base) published by Galaxy Securities. As of June 30, 2019, The evaluation is defined according to the “Evaluation of Active Management Ability of Stock Investment” system of Galaxy Securities Fund Evaluation Center, including standard stock funds (Class A), stock-leaning funds (60%-95% of the upper and lower limits of stocks, Class A), general partial stock funds (Class A), flexible allocation funds (30%-80% of the upper and lower limits of stocks, Category A), flexible allocation funds (0%-95% of the upper and lower limit of stocks + 60%-100% of the benchmark stock ratio, Class A), and the stock ratio value in the performance comparison benchmark in the latter three categories shall be greater than or equal to 60%, and the calculation method shall be the arithmetic average method.

³ Source: Morningstar (Hong Kong) Fund Evaluation Center.

Section IV Report of the Board

During the Reporting Period, China Universal has successfully offered Sci-Tech themed funds to grasp the important opportunity of Sci-Tech Board. It received multiple honors in the industry such as “Gold Fund” – TOP Fund Company awarded by Shanghai Securities News and “Star Fund Company for Five-year Continuous Return” awarded by China Fund News and Securities Times. Its products have also won several influential awards. For example, China Universal Value Selection and China Universal Consumer Industry were both honored the title of Five-year Open-ended Hybrid Continuous Excellent Gold Bull Fund by China Securities Journal, and “China Universal • Tianfu Pension” was awarded the “2018 Best Financial Technology Application” by Asian Asset Management (《亞洲資產管理》).

In the future, 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 will continue to reinforce the four core capabilities of investment management, risk management, product innovation and customer service, aiming to create the most recognized asset management brand in the PRC.

Private equity investment

The Company mainly engages in private equity investment fund business through its wholly-owned subsidiary, Orient Securities Capital Investment. The business of Orient Securities Capital Investment covers various types such as equity investment, mergers and acquisitions, cross-border investment and financial consultant related to equity investment. Its income is mainly generated from management fees and/or performance-based remuneration based on the contractual covenants and performance. Orient Securities Capital Investment covers a diversified investment fields, involving various industries such as big consumption, big health, big entertainment, big finance, high-end equipment manufacturing, in which the distinct cross-border M&A business is leading in the industry.

As at the end of the Reporting Period, Orient Securities Capital Investment managed 43 funds with a scale of RMB11.812 billion. The total investment of Orient Securities Capital Investment and funds managed by it reached 150 with the accumulated investment of RMB23.16 billion, of which 27 projects have been withdrawn, and a total of 123 projects were under investment involving an investment amount of RMB8.178 billion and USD97.55 million.

Section IV Report of the Board

The Company attaches great importance to practicing the concept of finance serving the real economy, and supports the development of innovative and entrepreneurial enterprises through equity investment so as to facilitate the upgrading of industrial structure. In recent years, Orient Securities Capital Investment has successfully listed the projects of Freely Communication (縱橫通信), Chunqiu Electronic (春秋電子) and Huabao Flavours (華寶香精), and several companies it invested have applied for listing on the Sci-Tech Board. With focus on consolidating existing large-scale M&A investment and pre-IPO investment, Orient Securities Capital Investment will also actively explore strategic emerging industries, and pay attention to the Sci-Tech Board, overseas asset management and early investment business to further enrich the business chain and develop the real economy by using financial services.

(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 revenue, gains and other income of RMB5.706 billion, accounting for 51.21% of the total income.

Securities brokerage

During the Reporting Period, affected by the upward trend amid volatility in the stock market, the trading activity in the market significantly increased with the trading volume of SSE and Shenzhen Stock Exchange equity funds increased by 28.4% year-on-year. The competitive landscape in the industry continued with a declining commission rate. Fin-tech and wealth management became the core competitiveness to attract customers and achieve value-added service revenue.

The brokerage business of the Company is mainly based on the sales department under the wealth management business headquarters. During the Reporting Period, the business developed steadily with further improved layout. As at the end of the Reporting Period, the Company had 168 securities branches in total, covering 81 cities in 31 provinces, autonomous regions and municipalities directly under the central government. During the Reporting Period, the market share of the Company's net income from brokerage trading of securities (including seats) was 1.38%, ranking 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 1.566 million brokerage clients with total value of assets under custody reaching RMB534.799 billion, of which high net worth individuals were 9,184 and institutional clients were 5,268, with total value of assets under custody of high-net-worth clients reaching RMB415.034 billion at the end of the Reporting Period, which accounted for 77.61% of the total assets under custody of brokerage clients, representing a year-on-year increase.

Section IV Report of the Board

The Company strengthened product system research and sales capabilities with an aim to achieve business transformation. During the Reporting Period, the Company comprehensively promoted the construction of asset allocation investment research and management platform, product evaluation system and post-investment management system, selected excellent managers and products, and established private fund coverage pool and core pool. The agent sale capacity of publicly offered funds was outstanding with the sales of many products ranking in the forefront among the channel.

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

(In RMB million)	January to June 2019	January to June 2018
Publicly offered funds	57,426.73	58,114.43
Collective asset management products	64.19	348.19
Trust schemes	1,371.68	201.72
Private equity investment fund products	181.46	257.30
Other financial products	11,617.85	13,075.83
Total	70,661.91	71,997.47

The Company vigorously explored institutional customers through further strengthening synergy within the Group. During the Reporting Period, the Company established a major institutional client department to promote cross-departmental customer resource sharing and business coordination. Leveraging on synergy, the Company successfully won the bid for the securities brokerage service provider selection project of the private banking department of the ICBC, which further improved the Company's comprehensive financial service capabilities and brand influence. The Company continued to develop international business and expand the services for foreign institution groups. It successfully signed the strategic cooperation agreement with Singapore Fudun Company (新加坡富敦公司) and launched the first WFOE product.

Section IV Report of the Board

During the Reporting Period, the Company participated in the “Junding Award” selection organized by the Securities Times and won the “Junding Award for Retail Securities Broker in China”, “Junding Award for Securities Brokerage Service Brand in China” and “Junding Award for Securities Investment Advisory Team in China”. In the future, the Company will further promote the transformation of wealth management and improve services for customer information and trading by utilizing fin-tech; strengthen asset allocation to deliver satisfactory wealth management for medium and high net worth customers; and follow the Company’s overall development goals to develop customers coverage so as to expand its various businesses.

Internet Finance

Financial technology has become one of the important trends in the future development of the industry. The Company has invested more resources from various aspects to drive the advanced development of financial technology. During the Reporting Period, the Company continuously improved and optimized the unified internet portal “Orient Winners Wealth APP (東方贏家財富版APP)”, and successfully completed the migration and integration of multiple mobile terminals. As a result, the capabilities and customer satisfaction of our online comprehensive financial service continued to improve, which strongly supported the high efficient and stable launch of the Sci-Tech Board business. Meanwhile, the Company deeply cultivated the “Orient Tianji (東方天璣)” intelligent service system and further improved the online service ecosystem through the development of a series of featured products. The Company obtained the qualification of standardized pilot Internet financial management account, allowing for the transformation of the wealth management business. The Company also actively promoted the digital transformation of businesses, and built online and offline integrated service capabilities to effectively improve the efficiency and results of business development.

As at the end of the Reporting Period, the Company had more than 390,000 active brokerage clients on the Internet and mobile platforms. The number of customers trading through the Internet and mobile phone terminals accounted for 96.27% of the Company’s stock and fund brokerage customers, and the number of new online accounts accounted for 97.32% 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 92.55% of the total stock and fund brokerage transactions of the Company.

In the future, by taking the mobile Internet platform as the essential point, the Company will continue to improve basic services, and consolidate the foundation of wealth management with financial technology. In the meanwhile, it will further develop intelligent services through expanding service boundaries and exploring for innovative business models.

Section IV Report of the Board

Futures brokerage

The Company conducts futures brokerage business through its wholly-owned subsidiary Orient Futures.

As at the end of the Reporting Period, Orient Futures had 33 branches and 120 securities intermediary business (IB) outlets (by cooperating with securities branches of the Company). Orient Futures had 53,927 clients, with the size of client equity amounting to RMB16.276 billion. During the Reporting Period, Orient Futures completed 258.88 million trading turnover on behalf of clients with a trading volume of RMB15,013.437 billion, of which the trading volumes of commodity futures (including commodity options) and financial futures were RMB13,150.906 billion and RMB1,862.532 billion, respectively.

The Company attaches great importance to exploring business innovation and vigorously develops internet business with the accounts opened online recording a year-on-year increase of 49%. The Company issued the Ke Xing Chuang Li and five other independent management wealth management products to bring into full play the advantages of group synergy and the capacity for agency sales of financial products within the Group was substantially enhanced. The Orient Securities Derivatives Research Data Center project took shape and was launched for trial operation. Operating revenue of risk management subsidiaries registered a year-on-year increase of approximately 340%. The futures business was further expanded to obtain the market making qualification for sugar futures and corn options.

During the Reporting Period, Orient Futures received a number of honors awarded by futures and stock exchanges, and won the “2019 Junding Award for Excellent Futures Company in China” granted by Securities Times. In the future, the Company will continue to improve its business layout, develop industrial customers and overseas customers, strengthen the layout in the field of Internet and asset management, and consolidate its core advantages in investment research capabilities.

Securities financing

With respect to margin financing and securities lending business:

During the Reporting Period, with the market moving upward amid volatility, the margin financing and securities lending business in the whole industry stopped the trend of scale contraction and returned to the level of RMB900 billion. As at the end of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB11.129 billion, an increase of 14.20% as compared to that of the beginning of the year, and our number of related customers was 29,986, an increase of 1,907 as compared to that of the beginning of the year. The number of newly opened accounts increased significantly as compared to those of previous years. The risk control capability of the Company’s margin financing and securities lending business has withstood the test of the market, and no judicial compensation, risk accidents or violations have occurred since the business started.

In the future, the Company will continue to strengthen the tracking and maintenance of customers, optimize and upgrade the mobile service APP, and make proper arrangement for the margin financing and securities lending on the Sci-tech Board.

Section IV Report of the Board

With respect to stock pledge business:

During the Reporting Period, the scale of the stock pledge business in the whole market maintained a steady downward trend, and the market fluctuated greatly with exposures on the rise. As at the end of the Reporting Period, financing balance of stock pledge business in the A share market amounted to RMB1,069.4 billion, representing a decrease of 10.34% from the beginning of the year (source: Shenzhen Stock Exchange). During the Reporting Period, the Company continued to proactively reduce the scale of collateralized stock and adopted various channels to eliminate risks by focusing on “scale control, structural adjustment and risk clearance”. As at the end of the Reporting Period, the balance of the collateralized stock business of the Company was RMB24.053 billion, which was nearly one-third smaller than the historical peak, evidencing effectiveness of scale control.

In the future, by further bringing into play the support of strategic planning, the Company will enhance the level of risk management, build core competitiveness based on customer needs, and establish a distinctive brand image of capital intermediary business.

Other business

OTC business:

Based on the business philosophy of “regulating mature business, perfecting existing business, integrating related business and exploring innovative business”, the Company developed OTC business based on the OTC platform, actively explore for the development direction of the OTC market.

As at the end of the Reporting Period, the total size of the Company’s OTC market was RMB15.832 billion, of which the issuance (including subscription and application) was RMB13.164 billion, and the total business scale achieved year-on-year increase.

During the Reporting Period, in order to overcome the shock and impact of the overall downturn in the securities market on the OTC market business, the Company continued to explore business opportunities for OTC business through constantly enhancing product diversification to further optimize product structure, promoting business synergy within the Group, serving wealth management of the Company, deepening business and product research, and propelling the introduction of external products. The “Private Fund Products Platform Service Team” of the Company’s OTC business won the “Achievement Award for 2018 Shanghai Financial Staff Contribution Competition”.

Section IV Report of the Board

Custodian business:

During the Reporting Period, the Company continued to enhance its service capacity of custodian business, further diversifying the custodian business customers and achieving effective improvement in terms of business scale, number of customers, product types and capacity building. The scale of business and the increase in the number of customers exceeded the average level in the industry.

During the Reporting Period, the Company completed the building of the Company's cross-department integrated online service system "Manager Service Platform 2.0", which realized cross-department integrated online collaborative services for various services such as custody and operation outsourcing, research services and asset management services, and effectively enhanced the comprehensive financial services capabilities of the Company's institutional clients. Leveraging on the qualifications for custodian business of publicly offered funds, the Company actively expanded business cooperation with licensed financial institutions, and introduced the custodian business for asset management products of the three types of licensed financial institutions (i.e. fund companies, asset management companies of securities firm and asset management companies of futures firm), further broadening customer base and the product offerings.

During the Reporting Period, the Company was awarded 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, and the "Best Innovative Cooperation Agency" by the PE Association of Shanghai in 2018. In the future, the Company will further strengthen marketing expansion, reinforce customer service capabilities, fully utilize the qualifications for custodian business of publicly offered funds, and improve operational efficiency.

(4) *Investment banking*

The Company mainly conducts investment banking business through Citi Orient, a subsidiary of the Company, 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 revenue, gains and other income of RMB584 million, accounting for 5.24% of the total income.

Section IV Report of the Board

Stock underwriting

During the Reporting Period, the primary equity market focused on the preparing for the Sci-Tech Board with the overall financing scale declined year-on-year. 66 IPO were completed in the whole market, raising a total of RMB60.33 billion, representing a decline of 34.6% compared with the same period last year. A total of 123 placements were completed, raising RMB296.95 billion, representing a decrease of 19.3% compared with the same period last year.

Facing the complicated market environment, various segments of Citi Orient secured stable advance. During the Reporting Period, Citi Orient completed 4 equity financing projects, its total lead underwriting amount amounted to RMB6.014 billion, ranking 14th, of which 2 were IPO lead underwriting transactions, ranking 10th (according to the statistics of Wind). In response to the new market situation, Citi Orient actively prepared for the Sci-Tech Board in the aspects of business preparation and project reserve, and strengthened intra-group coordination with other business segments in resource areas such as customers and business. As at the end of the Reporting Period, Citi Orient has applied for listing on the Sci-Tech Board for 2 projects. In addition, among the reserve CSRC sponsorship projects, one IPO project was approved and nine were under review; one refinancing project was approved and seven were under review.

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

(In RMB million)	January to June 2019	January to June 2018
IPO:		
Number of issuance	2	1
Lead underwriting amount	1,022.21	842.58
Secondary offering:		
Number of issuance	2	5
Lead underwriting amount	4,991.80	5,241.16
Total:		
Number of issuance	4	6
Lead underwriting amount	6,014.01	6,083.74

Bond underwriting

During the Reporting Period, the bond market maintained a volatile trend, and the differentiation of credit still existed. The market environment for interest rate bonds and high-grade credit bonds was favorable, and the net financing volume of the overall credit bond market continued to increase. The market-wide bond financing amounted to RMB21.72 trillion, of which the total proceeds of credit bonds was RMB6.6 trillion, representing a year-on-year increase of 39% (according to the statistics of Wind).

Section IV Report of the Board

During the Reporting Period, the Company actively seized industry opportunities. The lead underwriting amount of credit bond underwriting business of the Company amounted to RMB50.548 billion, representing an increase of 75.3% year-on-year. In particular, Citi Orient completed 26 debt underwriting projects with lead underwriting amount amounting to RMB33.899 billion.

With respect to interest rate bonds, the Company actively carried out sales of book-entry treasury bonds, financial bonds issued by China Development Bank and bonds issued by Agricultural Development Bank, enabling its underwriting performance ranking top among securities companies. During the Reporting Period, the Company won the “Excellent Underwriting Agency Award (優秀承銷機構獎)” issued by ChinaBond, the “Best Brokerage Institution Award (最佳券商類機構獎)” issued by China Agricultural Development Bank, the “Excellent Underwriters of Exchange Financial Bonds (交易所金融債券優秀承銷商)”, “the Most Socially Responsible Award (最具社會責任獎)”, the “Excellent Underwriters of Local Government Bonds (地方政府債券優秀承銷商)” issued by the SSE and the “Excellent Interest Rate Underwriting Agency (優秀利率債承銷機構)” issued by Shenzhen Stock Exchange. The Far East Leasing Asset Support Notes (Bond Connect) Project (遠東租賃資產支持票據(債券通)項目) won the Junding Award issued by the Securities Times and the 2018 Meritorious Competition Award for Financial Workers in Shanghai issued by Shanghai Financial Working Committee.

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

(In RMB million)	January to June 2019	January to June 2018
Corporate debentures:		
Times of lead underwriting	15	9
Amount lead underwritten	23,299.00	18,160.00
Corporate bonds:		
Times of lead underwriting	9	2
Amount lead underwritten	7,100.00	1,630.00
Financial bonds:		
Times of lead underwriting	14	5
Amount lead underwritten	6,480.00	2,669.69
Asset backed securities:		
Times of lead underwriting	3	1
Amount lead underwritten	4,619.00	3,000.00
Debt financing instruments for non-financial enterprises:		
Times of lead underwriting	21	10
Amount lead underwritten	9,050.33	3,373.33
Total:		
Times of lead underwriting	62	27
Amount lead underwritten	50,548.33	28,833.02

Section IV Report of the Board

Financial advisory services

During the Reporting Period, the Nar project for which Citi Orient acted as an independent financial advisor was unconditionally approved. The project is the fourth M&A project in the market the “Small-sum Rapid” examination standard applies to and was approved by the M&A and Reorganization Committee. It is also the first M&A and reorganization project of the Company this standard applies to, which can be used for reference for the same type of business in the future. As at the end of the Reporting Period, 1 project of the Company passed the administrative review of the M&A and Reorganization Committee, making the Company rank 8th in the industry in the number of projects approved. The Company conducted private placement for 2 NEEQ listed enterprises with a cumulative amount of RMB13 million. It supervised 34 NEEQ listed enterprises accumulatively.

During the Reporting Period, Citi Orient was honored the “2018 Top 100 Enterprises in High-end Service Industry in Huangpu District of Shanghai”, “2019 Junding Award for Financial Advisor in China” and “2019 Junding Award for Rising Investment Bank in China” by Securities Times, “2019 Pioneer Investment Bank for IPO Pass Rate” by International Finance News, “2019 Best M&A and Reorganization Project (Wanhua Chemical)”, etc.

In the future, by upholding the concept of finance serving the real economy, the Company will expand customer base by deeply exploring demand, and manage to complete various stock and bond underwriting and financial advisory projects by conducting appropriate risk control and paying attention to priorities and key aspects. In the meanwhile, it will actively grasp policy opportunities, keep a balance between stability and innovation in business development, and enhance the market influence of the Company’s investment banking business.

(5) *Headquarters and others*

Headquarters and others business of the Company mainly include the headquarters’ treasury business and overseas business. During the Reporting Period, the headquarters and others business realized revenue, gains and other income of RMB1.572 billion, accounting for 14.11% 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.

Section IV Report of the Board

During the Reporting Period, the Company continued to optimize the reserve asset structure to enhance the liquidity's margin of safety and achieve an organic unity of capital safety, liquidity and profitability. Facing high volatility in the monetary market, the Company achieved seasonal smooth transition while ensuring that liquidity indicators continued to meet regulatory requirements. As at the end of the Reporting Period, liquidity coverage ratio and net stable funding ratio of the Parent Company were 197.35% and 147.34%, respectively, leaving much space from the regulatory alert amount.

In the future, 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 window period for debt issuance 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 related to on and off balance sheet, local and foreign currency and domestic and foreign funds.

Overseas business

The Company engages in overseas business through, among the others, Orient Finance Holdings, a wholly-owned subsidiary of the Company, Orient Securities International and its subsidiaries. During the Reporting Period, Orient Finance Holdings and Orient Securities International completed the Group's organizational structure adjustment in Hong Kong and built a new platform of "Management Platform + Business Platform + Professional Subsidiaries" for the international development, and conducted securities brokerage business, futures brokerage business, asset management business, investment bank business, securities lending and margin financing business through wholly-owned subsidiaries licensed by the SFC. This provides a strong guarantee for the Company to achieve common development in domestic and overseas markets and enrich revenue sources and optimize income structure.

Section IV Report of the Board

During the Reporting Period, the various operations of Orient Finance Holdings, Orient Securities International and its subsidiaries maintained balanced development. The Company undertook a number of sponsorship projects for domestic enterprises to seek for listing in Hong Kong, including SinoMab (中國抗體) and Xinyuan Property (鑫苑物業), covering various industries such as pharmaceuticals and real estate. The Company continued to consolidate its advantages in securities proprietary trading business and bond underwriting business, and the bond underwriting income ranked among the top five Chinese brokers in the various industries in Hong Kong. It expanded business drivers and newly established the financial market business. Furthermore, the Company expanded into the financial market business with a focus on the precisely targeted cross-border structured product trading and distribution, and aimed to meet the fast-growing investment and financing needs of domestic and foreign institutional clients by providing a complete set of solutions of cross-border and cross-asset categories and corresponding financial products, contributing to the expansion of the Group's overseas business and the gradual improvement of market competitiveness.

In the future, Orient Finance Holdings and Orient Securities International will continue to optimize the construction of overseas platforms, implement the internationalization strategy of the group company, enhance the basic business capabilities through talent introduction and training, resource introduction, mechanism optimization and other means, consolidate the market competitiveness of advantageous businesses, deepen the Group's collaborative work, promote the development of new businesses, focus on improving internal management and compliance risk control management, strengthen the construction of corporate culture, and expand brand awareness and influence, so as to enhance the Company's comprehensive financial services capabilities.

2. Major items in consolidated statement of profit or loss

(1) Revenue, gains and other income

In the first half of 2019, the Company effectively grasped the market opportunity and achieved steady development of various businesses, significant growth in the performance of securities proprietary trading and overseas businesses, and continuous expansion of the bulk commodity business of its subsidiaries, which led to a substantial increase in the Company's revenue. During the Reporting Period, the Company realized total revenue, gains and other income of RMB10.709 billion, an increase of RMB3.733 billion or 53.51% year-on-year.

Section IV Report of the Board

Details were as follows:

Commission and fee income amounted to RMB2.467 billion, accounting for 23.04% of the total, representing a year-on-year decrease of 22.22%, which was primarily attributable to decrease in revenue from subsidiaries' asset management business.

Interest income amounted to RMB3.080 billion, accounting for 28.76% of the total, representing a year-on-year decrease of 4.66%, which was primarily attributable to decrease in interest income from margin financing and securities lending and share pledged repurchase business.

Net investment gains amounted to RMB1.638 billion, accounting for 15.29% of the total, representing a year-on-year increase of RMB1.939 billion, which was mainly attributable to increase in gains from securities proprietary trading and overseas businesses.

Other income and gains were RMB3.524 billion, accounting for 32.91% of the total, representing a year-on-year increase of 302.91%. It was mainly attributable to the continuous expansion of the bulk commodity business of subsidiaries and significant increase in sales revenue and costs at the same time.

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

Unit:'000 Currency: RMB

Item	From January to June 2019		From January to June 2018		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Commission and fee income	2,466,828	23.04%	3,171,629	45.47%	(704,801)	-22.22%
Interest income	3,079,816	28.76%	3,230,319	46.31%	(150,503)	-4.66%
Net investment gains	1,637,817	15.29%	(300,899)	-4.31%	1,938,716	N/A
Other income and gains	3,524,245	32.91%	874,690	12.54%	2,649,555	302.91%
Total	10,708,706	100.00%	6,975,739	100.00%	3,732,967	53.51%

Section IV Report of the Board

(2) Total expenses

During the Reporting Period, the Company's total expenditure was RMB9.529 billion, representing a year-on-year increase of RMB2.882 billion or 43.36%, which was mainly attributable to the continuous expansion of the bulk commodity business of subsidiaries and corresponding significant increase in sales cost. Details were as follows:

Staff costs amounted to RMB1.796 billion, representing a year-on-year increase of 14.08%, which was mainly attributable to an increase in remuneration payment which fluctuates with business income.

Interest expenses amounted to RMB2.561 billion, representing a year-on-year decrease of 9.13%, which was mainly attributable to a decrease in interest expenses from bond payables and financial assets held under resale agreement.

Commission and fee expenses amounted to RMB257 million, representing a year-on-year increase of 5.45%, which was mainly attributable to the increase in the handling expenses related to the securities brokerage business.

Depreciation and amortization was RMB256 million, representing a year-on-year increase of 165.80%. Under the new lease standards, depreciation incurred from the right-of-use assets for the Reporting Period led to an increase in depreciation and amortization.

Other expenses include operating expenses, taxes and surcharges, donations, and commodity trade expenditures. The total expenditure was RMB4.188 billion, representing a year-on-year increase of 130.75%, which was mainly attributable to the continuous expansion of the bulk commodity business of subsidiaries and corresponding significant increase in sales cost.

The impairment loss was RMB471 million, representing a year-on-year increase of 375.60%, which was mainly attributable to the reporting of the impairment loss caused by the expected loss model during the Reporting Period.

Section IV Report of the Board

The components of the total expenses of the Group for the first half of 2019 are set out as follows:

Unit: '000 Currency: RMB

Item	From January to June 2019	From January to June 2018	Changes	
			Amount	Proportion
Staff costs	1,795,717	1,574,108	221,609	14.08%
Interest expenses	2,560,909	2,818,198	(257,289)	-9.13%
Commission and fee expenses	257,299	243,993	13,306	5.45%
Depreciation and amortization	256,433	96,476	159,957	165.80%
Other expenses	4,187,639	1,814,832	2,372,807	130.75%
Impairment losses	470,748	98,980	371,768	375.60%
Total	9,528,745	6,646,587	2,882,158	43.36%

3. Cash flows

During the Reporting Period, the Company's net cash and cash equivalents increased by RMB3.355 billion. Details were as follows:

- (1) Net cash from operating activities amounted to RMB3.871 billion, which was mainly attributable to:
 - i. net cash inflow of RMB10.468 billion due to increase of financial assets sold under repurchase agreements;
 - ii. net cash inflow of RMB3.825 billion due to increase of account payables to brokerage clients;
 - iii. net cash inflow of RMB2.83 billion due to increase of financial liabilities at fair value through profit or loss and derivative financial liabilities;
 - iv. cash inflow of RMB2.106 billion due to profit before income tax.

Section IV Report of the Board

The cash inflows were partially offset by:

- i. net cash outflow of RMB4.777 billion due to increase of financial assets at fair value through profit or loss and derivative financial assets;
 - ii. net cash outflow of RMB3.996 billion due to increase of bank balances and clearing settlement funds restricted or held on behalf of customers;
 - iii. net cash outflow of RMB3.8 billion due to decrease of deposits due to banks and other financial institutions.
- (2) Net cash used in investment activities was RMB2.87 billion, which was mainly attributable to net cash outflow of RMB4.173 billion due to investment and disposal of financial assets.
- (3) Net cash generated from financing activities was RMB2.353 billion, which was mainly attributable to net cash inflow of RMB4.252 billion due to net increase of borrowings, bond payables and short-term financing bills payables.

(iii) Analysis on Principal Components of Consolidated Statement of Financial Position

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

As at the end of the Reporting Period, the Group's total assets amounted to RMB247.225 billion, an increase of RMB20.355 billion or 8.97% over the end of last year. Total liabilities amounted to RMB194.495 billion, an increase of RMB19.898 billion or 11.40% over the end of last year. The total amount of equity was RMB52.73 billion.

Section IV Report of the Board

The analysis of items in the Group's consolidated statement of financial position is as follows:

Unit:'000 Currency: RMB

Item	June 30,		December 31,		Change	
	2019	Proportion	2018	Proportion	Amount	Proportion
Total assets	247,225,133		226,869,673		20,355,460	8.97%
Cash and bank balances	43,611,480	17.64%	36,764,639	16.21%	6,846,841	18.62%
Clearing settlement funds	9,884,652	4.00%	9,354,272	4.12%	530,380	5.67%
Deposits with exchanges and financial institutions	1,238,335	0.50%	1,025,365	0.45%	212,970	20.77%
Derivative financial assets	819,748	0.33%	318,490	0.14%	501,258	157.39%
Advances to customers	11,499,569	4.65%	10,276,755	4.53%	1,222,814	11.90%
Account receivables	708,015	0.29%	668,408	0.29%	39,607	5.93%
Restricted bank deposits	24,937	0.01%	–	0.00%	24,937	N/A
Financial assets held under resale agreements	27,279,200	11.03%	28,168,584	12.42%	(889,384)	-3.16%
Financial assets at fair value through profit or loss	56,720,212	22.94%	52,035,347	22.94%	4,684,865	9.00%
Debt instruments measured at fair value through other comprehensive income	67,545,762	27.32%	62,209,436	27.42%	5,336,326	8.58%
Equity instruments measured at fair value through other comprehensive income	9,890,928	4.00%	9,316,262	4.11%	574,666	6.17%
Debt instruments measured at amortised cost	7,684,601	3.11%	7,912,596	3.49%	(227,995)	-2.88%
Deferred tax assets	724,150	0.29%	895,832	0.39%	(171,682)	-19.16%
Investments in associates	4,512,910	1.83%	4,015,263	1.77%	497,647	12.39%
Right-of-use assets	805,410	0.33%	–	0.00%	805,410	N/A
Investment properties	27,333	0.01%	–	0.00%	27,333	N/A
Property and equipment	2,201,831	0.89%	2,237,568	0.99%	(35,737)	-1.60%
Other intangible assets	121,671	0.05%	132,340	0.06%	(10,669)	-8.06%
Goodwill	32,135	0.01%	32,135	0.01%	–	0.00%
Other account receivables, other receivables and prepayment	1,892,254	0.77%	1,506,381	0.66%	385,873	25.62%

Section IV Report of the Board

Item	June 30,		December 31,		Change	
	2019	Proportion	2018	Proportion	Amount	Proportion
Total liabilities	194,494,833		174,597,221		19,897,612	11.40%
Due to banks and other financial institutions	7,221,468	3.71%	11,027,067	6.32%	(3,805,599)	-34.51%
Short-term financing bills payables	10,971,889	5.64%	12,411,606	7.11%	(1,439,717)	-11.60%
Account payables to brokerage clients	35,883,745	18.45%	32,059,065	18.36%	3,824,680	11.93%
Financial assets sold under repurchase agreements	59,887,598	30.79%	49,415,677	28.30%	10,471,921	21.19%
Financial liabilities at fair value through profit or loss	10,131,467	5.21%	6,834,381	3.91%	3,297,086	48.24%
Derivative financial liabilities	2,416,477	1.24%	905,809	0.52%	1,510,668	166.78%
Contract liabilities	243,610	0.13%	134,897	0.08%	108,713	80.59%
Current tax liabilities	128,352	0.07%	371,510	0.21%	(243,158)	-65.45%
Accrued staff costs	1,055,354	0.54%	1,249,289	0.72%	(193,935)	-15.52%
Borrowings	1,272,011	0.65%	1,653,162	0.95%	(381,151)	-23.06%
Lease liabilities	786,249	0.40%	–	0.00%	786,249	N/A
Bond payables	61,697,679	31.73%	57,048,968	32.67%	4,648,711	8.15%
Deferred tax liabilities	21	0.00%	–	0.00%	21	N/A
Other account payables, other payables and accruals	2,798,913	1.44%	1,485,790	0.85%	1,313,123	88.38%
Total equity	52,730,300		52,272,452		457,848	0.88%

Note: Proportion 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 amounted to RMB247.225 billion, increased by RMB20.355 billion or 8.97% from the end of last year. The main reason for the change was the increase in financial investment, bank balances and advances to customers. Of the Group's assets, cash and bank balances, clearing settlement funds and deposits with exchanges and financial institutions amounted to RMB54.759 billion, increased by RMB7.615 billion from the end of last year, accounting for 22.15% of the total assets. Financial investment and derivative financial assets reached RMB142.661 billion, increased by RMB10.869 billion from the end of last year, accounting for 57.70% of the total assets. Funds lent, financial assets held under resale agreements and accounts receivable amounted to RMB39.487 billion, increased by RMB373 million from the end of last year, accounting for 15.97% of the total assets. Long-term equity investment, fixed assets and others reached RMB10.318 billion, increased by RMB1.498 billion from the end of last year, accounting for 4.18% of total assets. During the Reporting Period, the Company's assets were stable in scale, reasonable in structure and sufficient in liquidity.

3. *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB194.495 billion, increased by RMB19.898 billion or 11.40% from the end of the previous year. The main reason for the change was the increase in the scale of liabilities such as financial assets sold under repurchase agreements, bond payables and account payables to brokerage clients. After deducting account payables to brokerage clients, the gearing ratio was 75.05%, increased by 1.88 percentage points from the end of last year. Of the Group's liabilities, borrowings, short-term financing bills payables, amount due to banks and other financial institutions, bond payables and financial assets sold under repurchase agreements amounted to RMB141.051 billion, increased by RMB9.494 billion from the end of last year, accounting for 72.52% of the total liabilities. Financial liabilities at fair value through profit or loss and derivative financial liabilities were RMB12.548 billion, increased by RMB4.808 billion from the end of last year, accounting for 6.45% of the total liabilities; Account payables to brokerage clients amounted to RMB35.884 billion, increased by RMB3.825 billion from the end of last year, accounting for 18.45% of the total liabilities. Cost payable to employees, current tax liabilities and others reached RMB5.012 billion, increased by RMB1.771 billion from the end of last year, accounting for 2.58% of the 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 amounted to RMB81.163 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

	June 30, 2019	December 31, 2018
Bond payables	61,697,679	57,048,968
Borrowings	1,272,011	1,653,162
Short-term financing bills payables	10,971,889	12,411,606
Due to banks and other financial institutions	7,221,468	11,027,067
Total	81,163,047	82,140,803

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 32, 36 and 37 in the attached condensed consolidated financial statements.

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

(iv) Analysis on Investments

1. Overall analysis on external equity investment

At the end of the Reporting Period, the Group's investments in associates was RMB4.513 billion, representing an increase of RMB498 million or 12.39%, as compared with the end of last year. The reason for the change was mainly due to the increase in the external equity investment of the Company's subsidiaries, i.e. Orient Securities Capital Investment and Orient Securities Innovation Investment. Please refer to Note 26 to the attached condensed consolidated financial statements for the details of the Group's external equity investment.

Section IV Report of the Board

2. Material equity investments

Unit: '000 Currency: RMB

Name of targets to be held	Percentage of the equity of the company	Carrying value as at the end of the Reporting 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%	1,899,644	190,187	339

3. Material non-equity investments

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

4. Financial assets at fair value

Unit: '000 Currency: RMB

Item	Investment cost as at the end of the Reporting Period	Book value as at the end of the Reporting Period	Net amount purchased or sold during the Reporting Period	Changes in fair value during the Reporting Period	Net investment income during the Reporting Period
1. Financial assets at fair value through profit or loss	55,915,367	56,720,212	3,588,125	958,652	1,949,246
2. Debt instruments at fair value through other comprehensive income	65,674,784	67,545,762	4,781,787	165,400	23,224
3. Equity instruments at fair value through other comprehensive income	10,069,099	9,890,928	135,907	438,759	19,209
4. Derivative financial instruments	(2,313,336)	(1,596,728)	(1,292,215)	327,209	179,436

Section IV Report of the Board

(v) Sale of Major Assets and Equity

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

(vi) 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 June 30, 2019, total assets of Orient Futures amounted to RMB19,479.8211 million, and its net assets amounted to RMB2,970.6261 million. In the first half of 2019, its operating income and net loss amounted to RMB3,566.0217 million and RMB68.0016 million, respectively.

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

2. The registered capital of Shanghai Orient Securities Capital Investment Co., Ltd. was RMB4.0 billion and it was 100% owned by the Company. As at June 30, 2019, total assets of Orient Securities Capital Investment amounted to RMB5,191.1602 million, and its net assets amounted to RMB4,628.9646 million. In the first half of 2019, its operating income amounted to RMB269.7322 million, of which income from principal businesses amounted to RMB269.0119 million and the profit from principal businesses and net profit was RMB198.8384 million and RMB132.2022 million, respectively.

Principal businesses: equity investments of enterprises, or investment of other funds related to equity investment by establishment of direct investment funds; 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 June 30, 2019, total assets of Orient Securities Asset Management amounted to RMB3,040.382 million, and its net assets amounted to RMB2,354.7579 million. In the first half of 2019, its operating income (income from principal businesses) amounted to RMB918.7757 million, and the profit from principal businesses and net profit amounted to RMB381.1607 million and RMB301.6262 million, 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 June 30, 2019, the total assets of Citi Orient amounted to RMB1,870.5805 million, and its net assets amounted to RMB1,489.2473 million. In the first half of 2019, its operating income amounted to RMB356.2538 million, and net profit amounted to RMB62.4957 million.

Section IV Report of the Board

Principal businesses: securities (excluding 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)) underwriting and sponsorship; other businesses permitted by the CSRC.

5. The registered capital of Shanghai Orient Securities Innovation Investment Co., Ltd. was RMB5.0 billion and it was 100% owned by the Company. As at June 30, 2019, total assets of Orient Securities Innovation Investment amounted to RMB3,423.9108 million, and its net assets amounted to RMB3,336.2281 million. In the first half of 2019, its operating income amounted to RMB72.4405 million, and net profit amounted to RMB46.9551 million.

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 June 30, 2019, total assets of Orient Finance Holdings amounted to HKD18,590.3191 million, and its net assets amounted to HKD1,664.5622 million. In the first half of 2019, its operating income, profit from principal businesses and net profit amounted to HKD516.8909 million, HKD306.9367 million and HKD294.0839 million, respectively, of which income from principal businesses amounted to HKD516.2141 million.

Principal businesses: Investment holding, in particular, operation of securities brokerage business, futures brokerage business, asset management business, investment bank business and margin financing and securities lending business as regulated by the SFC in line with SFO through establishment of various subsidiaries and sub-subsidiaries.

7. The registered capital of China Universal Asset Management Company Limited was RMB132,724.224 thousand, and it is 35.412% owned by the Company. As at June 30, 2019, total assets of China Universal amounted to RMB7,331.2265 million, and its net assets amounted to RMB5,508.2283 million. In the first half of 2019, its operating income (income from principal business) amounted to RMB1,815.1579 million, and the profit from principal businesses and net profit amounted to RMB702.1621 million and RMB534.0953 million, respectively.

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

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

Section IV Report of the Board

(vii) Structured Entities Controlled by the Company

The Company incorporated certain structured entities into the consolidation scope, including asset management plans and funds managed and invested by the Company. The Company mainly judges its control over structured entities by three factors, namely, whether it has power over the structured entities, whether it is entitled to variable returns through participation in the activities of structured entities, and whether it has the ability to use the power over structured entities to influence the amount of returns.

As at the end of the Reporting Period, the Company had a total of 19 structured entities included in the consolidated statement, with a total net asset value of RMB6,044,151,349.22. During the Reporting Period, the Company added 2 new structured entities to the consolidation scope, reduced 1 structured entity due to settlement upon maturity.

Structured entities consolidated during the Reporting Period are set out below:

Unit:'000 Currency: RMB

Structured entities consolidated	June 30, 2019 or January to June 2019
Total assets	8,678,862,249.03
Total liabilities	2,634,710,899.81
Total net assets	6,044,151,349.22
Operating income	247,442,258.44
Net profit	217,083,403.55

The above accounting data of structured entities are prepared in accordance with the PRC GAAP.

Section IV Report of the Board

(viii) Capital Raising

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

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

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

- (1) No more than RMB2.5 billion will be utilized for supporting brokerage and securities financing business development;
- (2) No more than RMB3.0 billion will be utilized for investing in securities sales and trading business development;
- (3) No more than RMB2.0 billion will be utilized for improving investment management service capacity;
- (4) No more than RMB2.0 billion will be utilized for expanding innovative business investment;

Section IV Report of the Board

- (5) No more than RMB2.3 billion will be utilized for advancing collectivized development strategy of the Company;
- (6) No more than RMB0.2 billion will be utilized for working capital and other general corporate purposes.

As at the end of the Reporting Period, RMB2.5 billion was utilized by the Company for brokerage and securities financing business development; RMB3.0 billion for investing in securities sales and trading business development; RMB1.25 billion for improving investment management service capacity; RMB2.0 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 RMB243 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.

2. Use of proceeds from the offering of H Shares

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

Section IV Report of the Board

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 overseas business, HKD1,097,250,000.00 for expansion of our investment management business, HKD731,500,000.00 for developing our securities sales and trading business, HKD120,654,611.16 for capital expenditure, and HKD401,451,100.00 for working capital and others. The Company has used HKD7,136,196,975.16 raised from offering of H Shares accumulatively. Save for the above use of funds, approximately HKD194,835,893.07 (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 its actual operation needs to maximize the shareholders' interests.

(ix) Explanation of Scope of Consolidation of the Statements

1. Two consolidated entities were added for the Reporting Period as compared with the end of last year, being two structured entities.
2. Five consolidated entities were reduced for the Reporting Period as compared with the end of last year, being four subsidiaries liquidated and one structured entity reduced.

II. OTHER DISCLOSURES

(i) Potential Risks and Risk Prevention Measures

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

1. Market Risk

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

Section IV Report of the Board

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

The Company closely follows the macro-economic indicators and its trend, and the changes of material economic policies. The Company also evaluates the potential risk of the system caused by investment affected by changes of macro-economic factors, adjusts its investment strategies after regular supervision of market risk indicators, and establishes contingency management mechanism.

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

- (1) Direct credit risk: the risk arising from failure of debtor to perform contractual obligations, mainly refers to credit risks from the credit products investment business and the securities financing business.

For credit products investment, the Company has established an internal rating management system for debtors to comprehensively evaluate debtors' credit status based on a unified and standardized evaluation system and determine its internal credit rating, so as to conduct access and quota management on debtors. Furthermore, the Company realized internal rating, quota management, concentration management, default clients management, stress tests, early warning, risk reporting and other functions through information management systems, so as to control the credit risks from these businesses in a more effective and systematic way.

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

Section IV Report of the Board

- (2) Counterparty risk: The risks arising from breach of contract by the counterparty in derivatives transaction or securities financing transaction. The counterparties are primarily financial institutions or other professional institutions. The Company has defined the internal rating requirements for counterparties, and will set the corresponding limits according to the rating result, and will carefully control the upper limits for the counterparty with lower internal rating. In respect of the failure to make payment on time, failure to cover the security deposits in a timely manner when the losses are made on investments and discrepancy between amounts calculated by the parties in OTC derivative transactions, the Company will set the deposit ratio for margin and restrictions on the transaction size, and control the credit risk exposure through daily mark-to-market, margin calls, forced closure of positions and judicial recourse and other means.
- (3) Settlement risk: the risk arising from breach of contract during the settlement and clearance of a transaction, i.e. the Company performs its delivery obligation, however the counterparty breaches the contract. Security brokerage business transactions in Mainland China are all required to be settled in full by security deposit, which has largely controlled risks relating to trading settlement.

3. *Liquidity Risk*

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

4. *Operational risk*

In respect of operational risk management, the Company has optimized the operational procedure based on its internal control procedure, identified operational risk in the procedures and categorized and managed risk according to its management needs. Based on the impacts from and the possibilities of risks, the Company has established a risk assessment model, and then analyzed, measured and ranked the identified operational risk to identify the risks that need full attention and prioritized 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. The Company has finished the development of operational risk management system and realized the identification, evaluation, monitoring, measurement and reporting of operational risk. 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.

Section IV Report of the Board

5. *Technology Risk*

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

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

Section IV Report of the Board

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

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

(ii) Other Disclosures

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

Section V Significant Events

I. GENERAL MEETINGS OVERVIEW

Session of the meeting	Date of convening	Reference of the website specified for Information disclosure	Publication date of resolutions
2018 annual general meeting	May 28, 2019	http://www.sse.com.cn http://www.hkexnews.hk	May 29, 2019 May 28, 2019

Explanation on general meetings

During the Reporting Period, the Company convened the 2018 annual general meeting at Meeting Room, 4/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC on May 28, 2019, at which 2 special resolutions, namely the “Resolution in Relation to General Mandate to Issue Offshore Debt Financing Instruments” and the “Resolution in Relation to the Amendments to Certain Articles in the Articles of Association of the Company”; and 9 ordinary resolutions, namely, the “Resolution in Relation to the Report of the Board of Directors of the Company for the Year 2018”, the “Resolution in Relation to the Report of the Supervisory Committee of the Company for the Year 2018”, the “Resolution in Relation to the Final Accounts Report of the Company for the Year 2018”, the “Resolution in Relation to the Profit Distribution Proposal of the Company for the Year 2018”, “Resolution in Relation to the Annual Report of the Company for the Year 2018”, the “Resolution in Relation to the Proprietary Business Scale of the Company in 2019”, the “Resolution in Relation to the Engagement of Auditing Firms for the Year 2019”, the “Resolution in Relation to the Projected Routine Related Party Transactions of the Company in 2019” and the “Resolution in Relation to the Expected Provision of Guarantees by the Company in 2019” 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 May 29, 2019.

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

The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve into share capital during the first half of 2019.

Section V Significant Events

III. PERFORMANCE OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Covenantor	Content of Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform if failed to perform timely	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering 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 secondary offering	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the 48 months from the listing and trading of such increased shares on the stock exchange, it would not transfer or entrust other parties to manage the shares of the Company held by it directly and indirectly or cause the Company to repurchase such shares.	Within 48 months from the non-public issuance and listing of A Shares of the Company	Yes	Yes	/	/
	Shares subject to lock-up	Shanghai Haiyan Investment	Shanghai Haiyan Investment undertook that, during the 36 months from the listing and trading of such increased shares on the stock exchange, it would not transfer or entrust other parties to manage the shares of the Company held by it directly and indirectly or cause the Company to repurchase such shares.	Within 36 months from the non-public issuance and listing of A Shares of the Company	Yes	Yes	/	/

Section V Significant Events

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTANT

During the Reporting Period, as considered and approved at the 2018 annual general meeting of the Company, the Company agreed to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) as the domestic auditor and the internal control auditor of the Company for 2019 for a term of one year, who was responsible for provision of relevant audit service in accordance with PRC GAAP and to re-appoint Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) as the offshore auditor of the Company for 2019 for a term of one year, who was responsible for provision of relevant audit and review services in accordance with IFRSs.

V. MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

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

VI. MATERIAL LITIGATION AND ARBITRATION

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

Section V Significant Events

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

Unit: Yuan Currency: RMB

Suitor (sue)	Defendant (being sued)	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
DFZQ	Dalian Changfu Ruihua Group Co.,Ltd. (大連長富瑞華集團有限公司)	Litigation	On-going	RMB0.8 billion and financing interests due and payable, 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	On-going	RMB0.2 billion and financing interests due and payable, 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(有限合伙))	Litigation	On-going	RMB0.17 billion and financing interests due and payable, 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. (北京弘高中大投資有限公司)	Litigation	On-going	RMB0.11 billion and financing interests due and payable, 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

Suitor (sue)	Defendant (being sued)	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	On-going	RMB19.00 million and financing interests due and payable, 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>
Orient Futures	50 cinema management companies under SMI Cinema Chain	Arbitration	New	Approximately RMB0.648 billion and borrowing interests payable and/or other relevant legal obligations.	No	<i>Note 6</i>	<i>Note 6</i>	<i>Note 6</i>

Note 1: Dalian Changfu Ruihua Group Co., Ltd. (大連長富瑞華集團有限公司) (“Changfu Ruihua (長富瑞華)”) and the Company entered into four collateralized stock repurchase transactions in June 2014, pursuant to which Changfu Ruihua pledged the restricted shares held by it under *ST Dakong (*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 Changfu Ruihua was in judicial moratorium and did not pay interest on schedule, the Company issued a formal early repurchase application to Changfu Ruihua on September 21, 2016 according to the requirements under the agreement. Changfu Ruihua 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 August 1, 2017, Dalian Intermediate People’s Court filed the case in accordance with the law, subsequently, Dalian Intermediate People’s Court froze all the *ST Dakong (600747) shares held by Changfu Ruihua 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.

Section V Significant Events

- Note 2:* By virtue of the shares subject to selling restrictions attributable to executives under Leshi Internet (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. As Jia Yueting did not pay full interest on schedule or repurchase duly as required under the agreement, which constituted a breach of contract, the Company applied for the issuance of 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 J&R Optimum Energy (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 Dengshuo (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).
- Note 4:* By virtue of the shares subject to selling restrictions under Honggao Creative (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. In May 2019, the Shanghai High Court issued the withdrawal ruling statement and the judgement of first instance took effect. As of the end of the Reporting Period, the case has entered the implementation stage and the Company is seeking for enforcement measures against the main property of the case (being the pledged shares).
- Note 5:* By virtue of the shares subject to selling restrictions under *ST InfoTM (*ST盈方) (000670), Shanghai InfoTM Microelectronics Co., Ltd. ("InfoTM") conducted the stock-pledged repurchase business with the Company in March 2015. The repurchase date was agreed on March 9, 2018, respectively. The certificates for the transaction agreement whereof were issued by the notary office of Shanghai Huangpu. In view that the pledged shares were 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.

Section V Significant Events

On December 11, 2017, the Company sued and filed a case against InfoTM Microelectronics in the People's Court of Huangpu District of Shanghai. On January 8, 2018, the People's Court of Huangpu District of Shanghai held a hearing to the case. In February 2018, the 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 of RMB19,000,000 and pay the interest, deferment interest, and penalty according to the agreement, and compensate the losses of notary fees, legal fees on a monthly basis, 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 right of execution corresponding to all pledged shares. As of the end of the Reporting Period, the case has entered the implementation stage and the Company is seeking for enforcement measures against the main property of the case (being the pledged shares).

Note 6: Shanghai Dongqi Investment Management Co., Ltd., a subsidiary of Orient Securities Futures, a wholly-owned subsidiary of the Company, submitted to the Shanghai International Arbitration Center for arbitration for holding the Ping An Trust SMI Corporation single fund trust plan which was transferred into creditor's right of principal and interest of RMB648 million of Dongqi Investment from 50 cinema management companies under SMI Corporation with default and received the Notice of Acceptance on May 15, 2019. As of the end of the Reporting Period, the debtor has been subject to property preservation.

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

- (i) In May 2019, Citi Orient, a controlling subsidiary of the Company received the Regulatory Decision of the Hubei Bureau of the CSRC to Issue the Warning Notice to Citi Orient Securities Co., Ltd., Ding Ning and Wang Chenggang [2019] No. 15 (the "Warning Notice"). Hubei Bureau of the CSRC conducted a special investigation on the due diligence of "2017 social responsibility corporate bonds (poverty alleviation)" of Yichang Changle Investment Group Ltd. ("Changle Investment") undertaken by Citi Orient. Upon investigation, the following issues within Citi Orient were identified:

First, it did not maintain reasonable doubts as required under Article 3 of the Guidelines for Due Diligence in Corporate Bonds Underwriting and did not conduct due diligence on whether the 48 official documents and contracts issued by Wufeng County government and other units were issued retrospectively. It failed to identify retrospective issuance, and further failed to find the adjustment of the financial statements of the previous years by Changle Investment based on the documents and contracts issued retroactively.

Second, it did not maintain reasonable doubts as required under Article 3 of the Guidelines for Due Diligence in Corporate Bonds Underwriting and did not conduct due diligence on whether the 5 official documents issued by Wufeng County government were issued retrospectively. It failed to find the retrospective issuance of official documents by Wufeng County government and the non-distribution of related subsidy funds, and further failed to find the insufficient basis for Changle Investment to recognize non-operating income.

Section V Significant Events

The above-mentioned acts were found in violation of the provisions of Article 7 of the Measures for the Issuance and Administration of Corporate Bonds. According to the provisions of Article 58 of the Measures for the Issuance and Administration of Corporate Bonds, Hubei Bureau of the CSRC decided to take the administrative supervision and administration measures of issuing warning notice to Citi Orient and project leaders Ding Ning and Wang Chenggang. At the same time, Citi Orient is required to earnestly rectify the above issues, strengthen the study of relevant laws and regulations on securities and futures, diligently perform due diligence, and submit a written rectification report to Hubei Bureau of the CSRC before May 30, 2019.

Upon receiving the warning notice, Citi Orient attached great importance to it and requested relevant departments to implement corrective measures in accordance with relevant laws and regulations and the provisions and requirements of the Company's internal management system. The rectification is reported as follows:

1. To further strengthen the implementation of due diligence

The Company will strengthen the study of laws and regulations by its employees such as the Company Law, the Securities Law, the Measures for the Issuance and Administration of Corporate Bonds and the Guidelines for Due Diligence in Corporate Bonds Underwriting, enhance the enforcement and quality control of due diligence, reinforce the verification of the impact of documents signed by the government on the authenticity of the issuer's financial statements, ensure the authenticity, accuracy and integrity of the financial data of the issuer of bonds, and resolutely eliminate similar situations.

2. Refining and perfecting relevant rules and regulations

The Company further refined the internal governance documents related to the bond business, such as the Due Diligence Investigation System for Bond Underwriting Business and the Guidance on the Due Diligence Investigation of Important Matters of Corporate Bond Projects, so as to facilitate project executives to understand and consult the specific contents and work processes, and effectively implement due diligence procedures in accordance with the relevant systems.

3. Coordinating the issuer to prepay the bonds

Yichang Changle Investment Group Limited (宜昌長樂投資集團有限公司) held a meeting of bondholders on March 4, 2019 to review the prepayment of all outstanding principal and accrued interest of S17 Changle Bonds. The prepayment proposal was passed unanimously at the meeting. On March 15, 2019, the early payment process of S17 Changle Bonds was completed. During the duration of S17 Changle Bonds, the bond interest was paid on time, causing no loss to bondholders and no harm to the society.

Section V Significant Events

- (ii) The Company has no controlling shareholders or de facto controllers. Except as disclosed above, during the Reporting Period, none of the Company and its directors, supervisors and senior management had been investigated by competent authorities, and no compulsory measures had been imposed on them by the judicial organs or discipline inspection departments, nor had they been handed over to the judicial organs or been investigated for criminal liability, or was subject to investigation as a case or administrative punishment, or banned from access to the market by the CSRC, identified as an inappropriate candidate, punished by other administrative departments, or publicly condemned by stock exchanges. None of the Company's Directors, Supervisors or senior management had violated relevant regulations with regard to trading of the shares of the Company.

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

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

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

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

X. MATERIAL RELATED PARTY TRANSACTIONS

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

Section V Significant Events

(i) Related Party Transactions/Non-exempt Connected Transactions in daily business operation

1. Related/connected transactions between the Group and Shenergy Group as well as its related companies

References are made to the announcements of the Company dated June 26, 2018, July 5, 2018 and June 3, 2019 in relation to the continuing connected transactions. As at 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 2019 Daily Related Transactions” considered and approved at the 2018 annual general meeting, the annual transaction cap of the relevant related/connected transaction as agreed in the “Resolution on the Signing of the Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” considered and approved at the 4th meeting of the fourth session of the Board and the “Resolution on the Signing of the Supplemental Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” considered and approved at the 12th 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
Securities and financial products services	Fee and commission income	The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf and other services.		12,000.00	43.99
	Underwriting fee income	The Company charges securities underwriting fees for providing securities underwriting services to them.			331.08
	Interest expense on the margins of clients	The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services.	Shenergy Group as well as its related companies	2,200.00	6.26
Securities and financial products transactions	Bond transactions	The Company conducts spot transaction of bonds, bond repurchase, interest rate swap and other transactions in the inter-bank market.		230,000.00	42,000.00
Purchase of goods and services	Business and management fee	The Company receives its services such as property and gas supply.		5,000.00	986.33

Note: In the first half of 2019, 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

2. Related transactions between the Group and other related parties

During the Reporting Period, the company entered into related transactions in strict accordance with the annual transaction caps agreed in the “Resolution on Estimation for the Company’s 2019 Daily Related Transactions” which was considered and approved at the 2018 annual general meeting, the implementation of which is as follows:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount			
Fee and commission income		The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf and financial consulting and other services.	Great Wall Fund Management Co., Ltd.	Subject to the actual amount due to unpredictable transaction volume.	129.16			
			Orient International Group Shanghai Investment Limited		5.75			
			Related/connected natural persons		0.57			
						Orient International Group Shanghai Investment Limited		0.20
			Interest expense on the margins of clients		The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services.	Shanghai Shangbao Asset Management Co., Ltd.	Subject to the actual amount due to unpredictable customer funds.	0.14
						DFZQ Xindeyizhang Public Welfare Foundation		0.05
						Huangpu District Federation of Trade Unions		0.01
						Related/connected natural persons		0.52
			Financial advisory business expenses		The Company pays consultancy fees for receiving financial advice and other services from them.	Harvest Capital Management Co., Ltd	Subject to the actual amount due to unpredictability of transaction and the volume.	203.62
						Citigroup Global Markets Asia Limited		6.00
Insurance expenditure		The Company purchases insurances for vehicles and others.	China Pacific Property Insurance Co., Ltd.	Subject to the actual amount due to unpredictability of insurance type, time and amount.	3.77			

Section V Significant Events

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
Securities and financial products services	Bond transactions	Spot bond transactions in the inter-bank market by the Company.	Shanghai Construction Group Co., Ltd.		16,000.00
			Shanghai Xinhua Distribution Group Co., Ltd.	Subject to the actual amount due to uncertainties of the bond market.	14,000.00
			China Pacific Property Insurance Co., Ltd.		10,000.00
			Haitong Securities Co., Ltd.		5,000.00
			China Pacific Insurance (Group) Co., Ltd.		100.00

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

Note 2: In the first half of 2019, the related transactions between the Company and other related parties accounted for a small proportion of the Company's similar transaction amount.

Note 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.

3. *Type of transactions and pricing policy of the related/connected transactions*

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

(1) *Securities and Financial Products Services*

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

Section V Significant Events

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

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

Section V Significant Events

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

(2) *Securities and Financial Products Transactions*

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

Section V Significant Events

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

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

(3) *Purchase of Goods and Services*

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

Section V Significant Events

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

4. *Internal control measures of the related/connected transactions (including continuing connected transactions)*

- The terms (including pricing terms) in respect of the transactions of the securities and financial products services, the securities and financial products transactions and the purchase of goods and services shall be comparable to those offered by/to an independent third party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- Prior to confirming the pricing of transactions with related parties/connected persons, the Group will refer to the pricing of similar transactions or the offer of products or services to two or more independent third parties for the purpose of determining whether the pricing and terms of the relevant transactions are fair and reasonable and no less favorable than those offered by independent third parties (or no less favorable than those offered to an independent third party) (as the case may be). In case none of the above-mentioned prices is available for a particular transaction offered by or to an independent third party, the related/connected transaction shall be considered separately and be subject to approval by the investment decision-making team of the relevant business entity to ensure that the pricing is fair and reasonable as far as the Group is concerned.
- When providing or selling the same batch of securities or financial products to customers (including related parties/connected persons and independent third parties), the Group will offer the same pricing terms to all customers and will not give preferential terms to related/connected customers.

Section V Significant Events

- Before determining the price, proposals regarding the pricing of and supporting materials for the continuing related/connected transactions will be submitted to the relevant internal departments for review and approval. The relevant internal departments will conduct qualification examination and due diligence, and assess whether the pricing of a particular transaction is in compliance with relevant policy and procedure of the Group and whether the price is fair and reasonable, and will grant approval, where appropriate. The internal audit department and the finance department are responsible for reviewing whether the continuing related/connected transactions are in compliance with the aforementioned pricing policies and monitoring the payments of such transactions.
- Any documents and records relating to related/connected transactions must be properly kept and maintained.
- The Company has formulated internal guidelines in accordance with the Hong Kong Listing Rules, stipulating relevant approval procedures for related/connected transactions.

The independent non-executive Directors and auditors of the Company will conduct an annual review of the Company's continuing related/connected transactions, and the Board (including independent non-executive Directors) provides confirmations that the terms of such transactions are fair and reasonable and such transactions are conducted on normal commercial or better terms in the ordinary business process of the Group and in the interests of the Company and its shareholders as a whole.

(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.

Section V Significant Events

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, January 8, 2019 and May 30, 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 held on January 8, 2019, pursuant to which, it is agreed that the Company to acquire the entire 33.33% equity interests of Citi Orient held by 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. Upon completion of the transaction, Citi Orient will become a wholly-owned subsidiary of the Company.

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.

Section V Significant Events

On March 18, 2019, KPMG Huazhen LLP issued the audit report on Citi Orient for 2018 (KPMG Huazhen Shen Zi No. 1900283), pursuant to which, as of December 31, 2018, Citi Orient realized total assets of RMB1,828.3253 million, net assets of RMB1,426.7517 million, operating income of RMB802.7355 million, gross profit of RMB179.1234 million and net profit of RMB131.8051 million for 2018.

The Company and Citi Orient hired Shanghai Zhonghua Assets Appraisal Company Limited (“Zhonghua Appraisal”), an asset appraisal institution with qualifications of securities and futures business, to evaluate the entire equity interest of Citi Orient’s shareholders involved in the 33.33% of the equity interest of Citi Orient held by Citigroup Asia proposed to be acquired by the Company on December 31, 2018 (the Valuation Reference Date). On March 29, 2019, Zhonghua Appraisal issued the Hu Zhong Ping Bao Zi [2019] No. 0133 Assets Appraisal Report. After the appraisal, the value of the entire equity interest of the shareholders of Citi Orient on the Valuation Reference Date was RMB1,432.7685 million. The above appraisal has completed the state-owned asset appraisal filing procedure.

On May 30, 2019, the Company and Citigroup Asia entered into the Equity Transfer Agreement of 33.33% of the Equity Interest in the Registered Capital of Citi Orient (the “Transfer Agreement”). It is agreed in the Transfer Agreement that Citigroup Asia shall transfer its entire 33.33% equity interests of Citi Orient to the Company at a price of RMB475,583,890.59 (calculated according to the audited net assets of Citi Orient which amounted to RMB1,426.7517 million as of December 31, 2018, multiplied by 33.33% of the equity proportion). The Company should pay the transaction consideration in one lump sum in US dollars in accordance with the requirements of the Transfer Agreement. Since the valuation reference date of the equity interest was December 31, 2018, the date of transfer of all economic interests and liabilities in relation to the equity interest to the transferee should be January 1, 2019 (the “Economic Interests Transfer Date”). From the Economic Interests Transfer Date to the date of delivery, increase or decrease in the value of the equity interest due to the Citi Orient’s business activities should be entitled and borne by the transferee. The Equity Transfer Agreement shall take effect when duly signed by both parties. Delivery of the equity transfer shall meet various conditions precedent as stipulated in the Transfer Agreement, including but not limited to approval of securities regulatory authorities.

Section V Significant Events

Meanwhile, the Company, Citi Orient, Citigroup Inc. and Citigroup Asia entered into the Termination Agreement to regulate termination of the shareholders' agreements, the articles of association and relevant documents of Citi Orient. From the date of transfer, the Company, Citigroup Inc. and Citigroup Asia agreed to terminate the shareholder agreement and the articles of association entered into on June 1, 2011 in relation to the establishment of Citi Orient; the Company, Citigroup Asia and Citigroup Inc. agreed to terminate the strategic cooperation framework agreement entered into on June 1, 2011; the Company and Citigroup Asia agreed to terminate the business support and cooperation agreement entered into on June 6, 2012; Citigroup Inc., the Company, Citi Orient and Citigroup Asia agreed to terminate the license contracts entered into on August 27, 2012 in relation to trademarks and licensing names, except for those terms which are expressly stipulated in the shareholders' agreement, the articles of association or the relevant documents of Citi Orient to continue to be valid upon termination of the relevant agreements.

As of the end of the Reporting Period, the abovementioned transaction is subject to the review/approval from relevant securities regulatory authorities and the supervision department such as Ministry of Commerce in the PRC and the completion of equity transfer and relevant matters. The Company will disclose the progress thereof in a timely manner.

The Company confirmed that the abovementioned transaction complies with the requirements under the Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, during the Reporting Period, the Company had no other connected transaction which was required to be disclosed under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, details relating to the related party transactions under the relevant accounting standards were set out in note 43 to the condensed consolidated financial statements. Saved as disclosed above, the related transactions did not constitute the connected transactions required to be disclosed under the Chapter 14A of the Hong Kong Listing Rules.

XI. MATERIAL CONTRACTS AND PERFORMANCE

(i) Custodian, contracting and leasing matters

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

Section V Significant Events

(ii) Guarantees

Unit: 100 million Currency: RMB

External guarantees provided by the Company (excluding guarantees for subsidiaries)	
Total amount of guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)	–
Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	–
Guarantees provided by the Company for subsidiaries	
Total amount of guarantees provided for subsidiaries during the Reporting Period	–
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	70.63
Total amount of guarantees provided by the Company (including those provided for subsidiaries)	
Total amount of guarantees (A+B)	70.63
Percentage of total guarantees over net assets of the Company (%)	13.65
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)	70.63
Amount of total guarantees exceeding 50% of net assets (E)	–
Total amount of the above three types of guarantees (C+D+E)	70.63
Explanations on outstanding guarantees subject to joint liabilities	
Explanations on guarantees	During the Reporting Period, the Company and its wholly-owned subsidiaries, have provided guarantee for its subsidiaries, relating to the issue of offshore bonds. As at June 30, 2019, the guarantee amounted to approximately RMB7,063 million.

Note: The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB1:6.8747 as at the end of June 2019 and the amount of guarantees denominated in EUR was converted at the spot exchange rate of EUR/RMB1:7.8170 as at the end of June 2019.

(iii) Other material contracts

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

Section V Significant Events

XII. POVERTY ALLEVIATION WORKS OF THE LISTED COMPANY

(i) Precise poverty alleviation plan

1. *Basic policies and overall objectives*

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

2. *Main strategies*

- (1) Linking the resource endowment of poverty-stricken counties to poverty alleviation work, and provide industrial supports accordingly. The Company conducted comprehensive field research to learn about the characteristic resources of each poverty-stricken county, and then provided industrial supports accordingly. Currently, the Company has planned to focus on, inter alia, Wufeng, Hubei and Morin Dawa Daur Autonomous Banner, Inner Mongolia, putting much effort to help the local people to develop tea industry, Guniang fruits and other industries with local characteristics and proactively explore long-term effective poverty removal mechanism. By fanning out from point to area, the Company promoted the pair-up assistance initiative steadily and leveraged key opportunities to link efforts.
- (2) Insisting on promoting industrial poverty alleviation as the core and leveraging consumption to strengthen local wealth-generating capacity in poverty counties. The Company primarily focuses on the industrial poverty alleviation mode that may help poor counties achieve sustainable development and has secured initial success in this regard. In future, the Company will continue to mainly lean on industrial poverty, and integrate resources of the Group and from the Internet, including the joint propel of industrial development projects with local characteristics of poverty-stricken counties together with well-known e-commerce platform and famous enterprises from characteristic industries, with an aim to strengthen the wealth-generating capacity of poverty-stricken counties as a long-lasting power.

Section V Significant Events

- (3) Providing talent protection for poverty regions. The Company has adhered to the concept of “alleviating poverty through enlightening people” when launching poverty relief work through various measures such as poverty alleviation through education, organizing financial knowledge lectures and occupational skill training courses. The Company has provided those poverty counties with consultancy support and talents, to help realize a sustainable and healthy development of the counties after the realization of poverty alleviation.
- (4) Fully leveraging the advantages of financial enterprises to bring innovative poverty relief measures. The Company will continue to leverage the competitiveness of financial enterprise and fully integrate and utilize related resources. With innovative precise poverty alleviation pattern, more meaningful and repeatable cases for pushing forward poverty relief work will be provided.
- (5) Promoting the “One Company to One County” initiative, and intensifying efforts in precise poverty alleviation. The Company will leverage the leading and synergic power of financial institutions. Through adjusting measures suiting local circumstances and establishing policies suiting enterprise, the Company assisted the enterprises in the county participating the pair-up initiative in enhancing corporate governance, improving financing conditions and strengthening driving force in the poverty counties, to accomplish its goal of removing regional poverty by supporting the industrial development.
- (6) Strengthening the management of poverty alleviation programs and successfully implementing precise poverty alleviation initiatives. By setting up an internal leading team in charge of poverty alleviation work, the Company can ensure the implementation of key tasks of precise poverty alleviation work every year. Together with the assistances from the daily communication mechanism and on-site visits and staged feedback mechanism in the counties participating the pair-up assistance initiative, the Company shall manage the progress of poverty projects properly and ensure the implementation of poverty relief programs was smooth and practical.

Section V Significant Events

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

Under the guidance and advocacy by the CSRC and Securities Association of China, the Company, proactively responding to the State's call and the industry's guidelines, has committed itself to precise poverty alleviation. As at the end of the Reporting Period, The Company and its subsidiaries have successively signed pair-up assistance agreements with 15 poor counties at the national level, including Moqi in Inner Mongolia, Tongyu County in Jilin Province, Jingle County in Shanxi Province, Muchuan County in Sichuan Province, Wufeng County in Hubei Province, Yanchi County in Ningxia, Yanchang County in Shaanxi Province, Qin'an County in Gansu Province, Jinggu County in Yunnan Province, Lancang County in Yunnan Province, Menglian County in Yunnan Province, Nankang City in Jiangxi Province, Funing County in Yunnan Province, Suibin County in Heilongjiang Province and Maigaiti in Xinjiang Province, to carry out precise poverty alleviation work.

During the Reporting Period, the Company invested a total of RMB6.5091 million (including material cost) in poverty alleviation projects and carried out a total of 9 poverty alleviation projects, including two industrial poverty alleviation projects with an investment of RMB2.4928 million, one financial poverty alleviation project with an investment of RMB1.8 million; 2 educational poverty alleviation projects with an investment of RMB1.2907 million, one consumption poverty alleviation project with an investment of RMB80,000 and three public welfare poverty alleviation projects with an investment of RMB0.8456 million.

The Company gives full play to its financial expertise and actively serves the financing of poor areas and the national green development strategy. During the Reporting Period, the Company helped poor areas raise RMB12.04 billion through various financing methods. Among them, Citi Orient, a subsidiary of the Company, acted as the lead underwriter of the private corporate bonds issued by the Town Investment and Development Co., Ltd. in Xixiu District, Anshun City, Guizhou Province through non-public issuance, helping it to actually raise RMB960 million. The Company's fixed income business headquarters underwrote a total of RMB11.08 billion of bonds issued by the Agricultural Development Bank of China for precise poverty alleviation and other purposes.

Section V Significant Events

(iii) Results of precise poverty alleviation

Unit: '0000 Currency: RMB

Indicator	Amount and Progress
I. Overall condition	
Among which:	
1. Capital	648.91
2. Discount of materials	2.00
3. Number of beneficiaries in recorded poor family (person)	
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including:	
1.1 Types of industrial poverty alleviation project	<input checked="" type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input checked="" type="checkbox"/> E-commerce <input type="checkbox"/> Assets income <input type="checkbox"/> Science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (unit)	2
1.3 Contribution to industrial poverty alleviation projects	249.28
1.4 Number of beneficiaries in recorded poor family (person)	
2. Poverty alleviation through transferring employment	
Including:	
2.1 Contribution to trainings on vocational skills	
2.2 Number of people attended trainings on vocational skills (person/time)	
2.3 Number of poverty-stricken people in recorded poor family who achieved employment (person)	
3. Poverty alleviation by relocation	
Including:	
3.1 Number of beneficiaries under employment from relocated families (person)	

Section V Significant Events

Indicator	Amount and Progress
4. Poverty alleviation by education Including:	
4.1 Contribution to subsidize students in poverty	29.07
4.2 Number of students in poverty being subsidized (person)	108
4.3 Contribution to improve education resources in poverty areas	100
5. Poverty alleviation by healthcare Including:	
5.1 Contribution to medical and healthcare resources in poverty-stricken areas	
6. Poverty alleviation by ecological conservation Including:	
6.1 Project name	<input type="checkbox"/> Development of ecological conservation and construction <input type="checkbox"/> Establishment of compensation method for ecological conservation <input type="checkbox"/> Setting up positions for ecological public welfare <input type="checkbox"/> Others
6.2 Amount of contribution	
7. Protection for the most impoverished people Including:	
7.1 Amount contributed to help the three left-behind groups	
7.2 Number of people of the three left-behind groups helped (person)	
7.3 Amount contributed to help poor people with disabilities	
7.4 Number of poor people with disabilities helped (person)	
8. Poverty alleviation in the society Including:	
8.1 Amount contributed to poverty alleviation in the east and west parts of the country	
8.2 Amount contributed to targeted poverty alleviation work	
8.3 Poverty alleviation public welfare fund	

Section V Significant Events

Indicator	Amount and Progress
9. Other projects	
Including:	
9.1 Number of projects (unit)	5
9.2. Amount of contribution	272.56
9.3. Number of beneficiaries in recorded poor family (person)	
9.4. Description for other projects	
III. Awards obtained (details and class)	

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

1. *Launch the Hubei Wufeng “Dongfanghong Selected Mingqianchun Tea” Industrial Poverty Alleviation Project*

In September 2017, the Company signed a precise poverty alleviation pair-up agreement with the People’s Government of Wufeng Tujia Autonomous County. After several on-site researches, the Company found that the Wufeng county enjoys an unique geomorphic conditions thanks to the geographic location of the county, 30 degrees of north latitude at the west edge of Hubei province. High mountains, sufficient rain, thick fog and large temperature difference between day and night make Wufeng quite suitable place for growth of tea. Besides, nearly half of the arable land in Wufeng County grows tea. Two thirds of the population in the county are engaged in the tea industry. The development of the tea industry is of vital importance to the local poverty alleviation. Therefore, the Company implemented the “Dongfanghong Yi Black Tea” industrial poverty alleviation project in 2018 and achieved sound results.

During the Reporting Period, in order to further promote the development of the tea industry in Wufeng and enhance the popularity of various local tea products, the Company focused on the local Mingqianchun tea and once again joined hands with Benlai Life and Shanghai Tea Leaf Co., Ltd. (上海茶葉有限公司) (the holder of the established famous tea brand of “Wang Yu Tai”) to launch the Hubei Wufeng “Dongfanghong Selected Mingqianchun Tea” industrial poverty alleviation project.

Section V Significant Events

During the Reporting Period, the Company combined the resources of all parties to jointly promote the smooth implementation of the “Dongfanghong Selected Mingqianchun Tea” project. In particular, the Company engaged a professional illustration designer to design a unique outer package for the tea based on the unique rare animal and plant elements in Wufeng, in order to further promote the local customs and practices of Wufeng, which was widely accepted. At the same time, leveraging the influence of its asset management “Dongfanghong” brand, the Company created the “Dongfanghong Selected Mingqianchun Tea” brand, to build up lasting market competitiveness and premium capacity through brand building.

2. *Actively Carry out Village-Enterprise Pair-up Assistance in Funing County of Yunnan Province*

In the second half of 2018, the Company actively responded to the call of Shanghai’s “Double-hundred” village-enterprise pair-up precise poverty alleviation to provide assistance to Funing County of Yunnan Province, and further signed a village-enterprise pair-up agreement with Pingmeng Village, Gula Township, Funing County. During the Reporting Period, the Company continued to carry out a number of precise poverty alleviation work in Funing County of Yunnan Province according to the relevant contents of the agreement.

The two village roads and one village road hardening project funded and aided by the Company in Pingmeng Village of Gula Township have been successfully completed and put into use during the Reporting Period, with hardening mileage exceeding 3 kilometers, greatly facilitating local villagers’ travel and economic development within the village. In addition, the Company also carried out consumption poverty alleviation work in combination with local characteristics and actively purchased camellia oil with local characteristics. A team of experts organized by Orient Futures, a wholly-owned subsidiary of the Company, went to Funing County to carry out financial knowledge training on sugar “insurance + futures” and donated farm implements to poor farmers in Pingmeng village to encourage them to achieve wealth through labor.

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

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

Section V Significant Events

During the Reporting Period, on the basis of sound social benefits achieved in the past two years, the Company continued to launch the “Orient Guniang” industrial project and began to carry out relevant preparatory work, including: to further standardize the operation of the storage and transfer base project aided by the Company, to continuously optimize the links such as fruit collection and storage of Orient Guniang, and to improve product quality and to design an overall plan for the promotion and dissemination of Orient Guniang in Moqi. It is planned to further improve the popularity of the products by developing peripheral derivatives, etc., refine the cooperation mechanism with Benlai Life, and make use of the advantages of the Group and e-commerce channels to increase the promotion and sales of Guniang products to benefit more poor local farmers.

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

The Company achieved substantial progress in the education poverty alleviation works in Morin Banner, Inner Mongolia during the Reporting Period. Through student application and other methods as approved by schools and local poverty alleviation authorities, the Company was enabled to determine the specific number of students who needed assistance. Continuous assistance was made by the Company for this project. The poverty alleviation funds were granted precisely to the families of the students recorded for help, making sure the high school students under this project could finish their school successfully. During the Reporting Period, a total of 108 students suffering poverty in the No.1 Middle School of Ni Er Ji, Morin Banner, Inner Mongolia were benefited from the Company involving an aggregate of capital donation of RMB0.2907 million.

(v) **Subsequent precise poverty alleviation plan**

1. *Solidly Promoting Poverty Alleviation Projects in Various Industries from Different Aspects*

Since pairing up with several poverty-stricken counties, the Company has carried out a number of industrial poverty alleviation projects according to local conditions, including the Orient Guniang Project in Moqi Banner, Inner Mongolia, Dongfanghong Yi Black Tea Project in Wufeng, Hubei, Tan Sheep Breeding Project in Yanchi, Ningxia, etc., and has achieved initial poverty alleviation results. In future, the Company will continue to focus on industrial poverty alleviation, push forward the industrial poverty alleviation projects that have been carried out in several poor counties in a solid way to ensure that the goal of promoting the sustainable development of local industries can be truly achieved, and at the same time replicate the project experience to benefit more poor households in various industries in different poor counties.

Section V Significant Events

2. Continuous Implementation of the “Insurance + Futures” Poverty Alleviation Project

In 2018, the Company and its wholly-owned subsidiary Orient Futures successfully completed the “insurance + futures” financial project and purchased price index insurance for over 10,000 farmers in several poor counties. As of the end of 2018, the accumulated compensation amount of the project exceeded RMB8.8 million, effectively relieving the price fluctuation risks confronting farmers and achieving favorable poverty alleviation results. In the future, the Company and Orient Futures plan to continue to promote the “insurance + futures” project in several poor counties, so as to benefit more farmers.

3. Continuous Promotion of Poverty Alleviation Projects through Education

The Company will continue to carry out education poverty alleviation projects in various poor counties with the focus on assisting poor students, and ensure that the poverty alleviation funds will be accurately distributed to the registered families of poor students, so as to help poor students successfully complete their studies and address their concerns. In addition, the Company also plans to continue to invest funds in primary school renovation, material donations and other projects, and steadily promote the public welfare “love breakfast” learning assistance program.

4. Actively Practicing the “Double-hundred” Pair-up Assistance

In 2018, the Company actively responded to the call of the Shanghai SASAC for “enterprise-village pair-up” to help Pingmeng Village, Gula Township, Funing County, Wenshan Prefecture, Yunnan Province. The Company will continue to focus on “three mobilizations and two transformations”, namely, mobilizing people, goods, industries and transforming ideas and the appearance of villages, sparing no effort to solve the urgent and difficult problems that the local poor people care about and ensure that the precise poverty alleviation achieves the expected results.

5. Continuing to Accomplish Various Public Welfare Poverty Alleviation Projects

According to the on-the-spot investigation and the actual demand in poor counties, the Company and its subsidiaries carried out various public welfare poverty alleviation projects, including building infrastructure, donating office materials and learning and living goods for primary school students, etc., effectively improving and enriching the Company’s precise poverty alleviation work. In the future, the Company will continue to strengthen its daily communication with poor counties, get a thorough understanding of their actual needs, and make use of the strength of its Xindeyizhang Public Welfare Foundation to continue to accomplish various public welfare poverty alleviation projects.

Section V Significant Events

6. *Strengthening Personnel Training in Poor Areas and Increase Financial Support*

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

XIII. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company and its subsidiaries had not issued convertible corporate bonds.

XIV. INFORMATION ON THE ENVIRONMENT

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 of the Company continued to push forward paperless reform and advocate efficient and environmentally-friendly working methods. The Company actively responded to the call of the state to implement waste classification management. Through the use of the Company's network disk, Lenovo cloud and other systems, the Company reduced energy waste and improved the efficiency of document transmission by using science and technology.

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

Section V Significant Events

XV. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

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

Please refer to Note 2 to the attached condensed consolidated financial statements.

(ii) **The Establishment and Disposal of the Company's Business Departments, Branches and Subsidiaries During the Reporting Period**

1. ***New securities branches established by the Company***

According to Shanghai Securities Regulatory Bureau's Reply on Approving DFZQ to Set Up 15 Securities Branches (Hu Zheng Jian Xu Ke [2018] No.73), the Company was allowed to set up one securities branch in each of 15 cities including Beijing and Shenzhen, and the information system construction mode is Type B with business scope being securities brokerage; margin financing and securities lending; securities investment consultation; financial consultation related to securities trading and securities investment; agency sale of securities investment funds and agency sale of financial products.

During the Reporting Period, the Company completed the establishment of all 15 securities branches, bringing the total number of securities branches to 168. The information on newly established branches is set out below:

No.	Name of branch	Address	Date of obtaining the permit
1	DFZQ Hangzhou Jinji Road Securities Branch	No. 327 Jinji Road, Beigan Street, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	January 29, 2019
2	DFZQ Bengbu Shengli West Road Securities Branch	No.101-104, No. 122-126, 1/F, Building 1, Yinhe Center, No. 28 Shengli West Road, Yuhui District, Bengbu City, Anhui Province, the PRC	January 29, 2019
3	DFZQ Ningbo Tiantong North Road Securities Branch	Room 103, 1605, 1607, Block C, Hebang Building, No. 899 Tiantong North Road, Zhonghe Street, Yinzhou District, Ningbo City, Zhejiang Province, the PRC	January 29, 2019
4	DFZQ Wuhan Yunxia Road Securities Branch	No.5, 1/F, Fanhai International Center, No.187 Yunxia Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	February 1, 2019

Section V Significant Events

No.	Name of branch	Address	Date of obtaining the permit
5	DFZQ Nanjing Mochou Lake East Road Securities Branch	No. 8-3, Mochou Lake East Road, Jianye district, Nanjing City, Jiangsu Province, the PRC	February 1, 2019
6	DFZQ Yixing Jiefang East Road Securities Branch	No. 239 and No. 251, Jiefang East Road, Yicheng Street, Yixing City, Jiangsu Province, the PRC	February 1, 2019
7	DFZQ Shenzhen Xinhua Road Securities Branch	2608-2610, Tower B, Phase III, North District, Yifang Center, No. 99 Xinhua Road, Xin'an Street, Bao'an District, Shenzhen City, Guangdong Province, the PRC	February 1, 2019
8	DFZQ Changsha Renmin East Road Securities Branch	East side, No. 107, Building 0, Dongyishiqu Commercial Building, No. 38 Renmin East Road, Yuhua District, Changsha City, Hunan Province, the PRC	February 2, 2019
9	DFZQ Jinzhong Dingyang Road Securities Branch	No. 500 Dingyang Road, Yuci District, Jinzhong City, Shanxi Province, the PRC	February 2, 2019
10	DFZQ Zhengzhou Wan'an Street Securities Branch	No. 103 1/F, No. 104 1/F, No. 105 1/F and No. 106 1/F of Building 7, No. 6 Wan'an Street, Zhengzhou District (Zhengdong), Free Trade Pilot Zone, Henan Province, the PRC	February 2, 2019
11	DFZQ Beijing Wangjing Securities Branch	No. 410C-1(1)5, 1/F, No. 410 Building C, Wangjingxiyuan, Chaoyang District, Beijing, the PRC	February 11, 2019
12	DFZQ Jiujiang Changjiang Avenue Securities Branch	Unit 108-109, Building 2, Xinhua Chaisangchuntian Block 2, No. 358 Changjiang Avenue, Jiujiang City, Jiangxi Province, the PRC	February 11, 2019
13	DFZQ Weihai Shichang Avenue Securities Branch	Room -1, No. 99A Shichang Avenue, Weihai City, Shandong Province, the PRC	February 20, 2019

Section V Significant Events

No.	Name of branch	Address	Date of obtaining the permit
14	DFZQ Weifang Shengli East Street Securities Branch	Shop 1-1-03, Mingyuan Community, No. 4889 Shengli East Street, Kuiwen District, Weifang City, Shandong Province, the PRC	February 20, 2019
15	DFZQ Xi'an Cuihua Road Securities Branch	No.10204, 10206, 2/F, Unit 1, Building 1, Jiahe Commercial Building, No. 500 Cuihua Road, Qujiang New District, Xi'an City, Shaanxi Province, the PRC	February 20, 2019

2. Relocation of securities branches of the Company

- (1) DFZQ Shenzhen Jintian Road Securities Branch was relocated within the same city. The branch was relocated from the 15th floor of Subway Building, No.1016 Fuzhong 1st Road, Futian District, Shenzhen City, Guangdong Province, the PRC to Units 01 and 02 on the 17th floor of Dinghe Building, No.100 Fuhua 3rd Road, Futian District, Shenzhen City, Guangdong Province, the PRC. The name of the branch remains unchanged.
- (2) DFZQ Changchun Tongzhi Street Securities Branch was relocated within the same city. The branch was relocated from the 4/F of Tonghui Building, No. 2222 Tongzhi Street, Changchun City, Jilin Province, the PRC to rooms 705, 707-712 7/F Torch Building, No. 2400 Tongzhi Street, Chaoyang District, Changchun City, Jilin Province, the PRC. The name of the branch remains unchanged.
- (3) DFZQ Hangzhou Tiyuchang Road Securities Branch was relocated within the same city. The branch was relocated from No. 286 Tiyuchang Road, Hangzhou City, Zhejiang Province, the PRC to No. 185 Wuxing Road, Jianggan District, Hangzhou City, Zhejiang Province, the PRC (2/F of Minsheng Financial Center). The name of the branch was changed to DFZQ Hangzhou Wuxing Road Securities Branch.
- (4) DFZQ Linyi Jiefang East Road Securities Branch was relocated within the same city. The branch was relocated from No. 105-108, Block A, Yinqiao Jinju Commercial Building, Hedong District, Linyi City, Shandong Province, the PRC to Room 402, Buildings No. 94-2 and 6, Xuyang City Scenic Street Shops, Tongda Road, Lanshan District, Linyi City, Shandong Province, the PRC. The name of the branch was changed to DFZQ Linyi Tongda Road Securities Branch.

Section V Significant Events

- (5) DFZQ Shanghai Hongkou District Feihong Road Securities Branch was relocated within the same city. The branch was relocated from No.35 Feihong Road, Hongkou District, Shanghai, the PRC to No.307 Haining Road, Hongkou District, Shanghai, the PRC (Room C, 1/F, 12/F). The name of the branch was changed to DFZQ Shanghai Hongkou District Haining Road Securities Branch.
- (6) DFZQ Jinan Jingqi Road Securities Branch was relocated within the same city. The branch was relocated from 2/F, No.319 Jingqi Road, Jinan City, Shandong Province, the PRC to Rooms 108 and 1302-1307, Licheng Finance Building, No.7 Building, Xinyuanxin Center, No.3 Huaxin Road, Licheng District, Jinan City, Shandong Province, the PRC. The name of the business department was changed to DFZQ Jinan Huaxin Road Securities Branch.

(iii) Capital increase in a subsidiary

The 12th meeting of the Company's fourth session of the Board deliberated and passed the "Resolution in relation to Capital Increase to Shanghai Orient Securities Innovation Investment Co., Ltd." It was agreed that the Company would increase capital contribution of RMB2 billion to Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and authorized the Company's management to determine the scale and timing of capital increase by batches and handle capital increase procedures and other related matters within the above limit based on the Company's capital situation. According to the above-mentioned resolution, the Company will contribute another RMB2 billion, and the scale and timing of the capital contribution by batches will be determined according to the Company's capital situation. Orient Securities Innovation Investment has completed the industrial and commercial registration of change of registered capital from RMB3 billion to RMB5 billion and has obtained the Business License renewed by Shanghai Market Supervision and Administration Bureau.

(iv) Implementation of profit distribution

The implementation of the Company's profit distribution plan for the year 2018 was accomplished on July 10, 2019. Based on the total share capital of 6,993,655,803 Shares of the Company, a cash dividend of RMB1.00 (inclusive of tax) for every 10 Shares had been distributed to A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with total cash dividend of RMB699,365,580.30.

Section V Significant Events

(v) Issuance of corporate bonds

1. Subordinated bonds

According to the “Letter of No Objection to the Listing and Transfer of Subordinated Bonds from Non-public Issuance by DFZQ (Shang Zheng Han [2019] No.306)” of the SSE and the “Resolution in relation to the General Mandate to Issue Domestic Debt Financing Instruments” deliberated and passed at the 2017 first extraordinary general meeting:

On March 19, 2019, the Company successfully issued the non-public subordinated bonds (first tranche) of DFZQ in 2019, with the actual issue size of RMB6 billion, a term of 3 years, and the final coupon rate of 4.20%.

On June 14, 2019, the Company successfully issued the non-public subordinated bonds (second tranche) of DFZQ in 2019, with the actual issue size of RMB4 billion, a term of 3 years, and the final coupon rate of 4.20%.

2. Short-term financing bonds

According to the “Notice of the People’s Bank of China on Approving the Maximum Outstanding Balance of Short-term Financing Bonds of DFZQ” (Yin Fa [2019] No.50) and the “Resolution in relation to the General Mandate to Issue Domestic Debt Financing Instruments” deliberated and passed at the 2017 first extraordinary general meeting:

On April 23, 2019, the Company successfully issued the first tranche of short-term financing bonds of DFZQ in 2019, with the actual issue size of RMB4 billion, a term of 91 days, and the final coupon rate of 2.99%.

XVI. CORPORATE GOVERNANCE

As a public company listed in both Mainland China and Hong Kong, the Company has operated its business in a standard manner and in strict compliance with the requirements under the relevant laws, regulations and regulatory documents in the places where the shares of the Company are listed. The Company has made great efforts to maintain and improve the Company’s good image in the market. During the Reporting Period, the corporate governance of the Company was in compliance with the requirements under the PRC Company Law, the PRC Securities Law, the Regulatory Rules for Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate Governance for Listed Companies, the Corporate Governance Code and other relevant laws and regulations as well as the Articles of Association, and the corporate governance standards were continuously improved. The governance structure of “general meeting of Shareholders, the Board, the Supervisory Committee and senior management” of the Company promised clear separation of powers and duties, effective balance of authority and scientific decisions, and therefore guaranteed the scientific and regulated operating of the Company. The Company kept on optimizing the establishment of the internal control management system, which enhanced the integrity, reasonableness and effectiveness of the internal control function. For a long time, the Company has been working on the continuous enhancement of the corporate governance structure and system building.

Section V Significant Events

During the Reporting Period, the operation and management of the Company were standardized and orderly, enabling the Company to continuously optimize its rules and procedures in strict compliance with the relevant requirements under laws and regulations and regulatory documents. During the Reporting Period, according to the revised Company Law and Corporate Governance Guidelines for Listed Companies and based on the actual needs of the Company, the Company revised or improved the relevant provisions of the Articles of Association on the Company's domicile, share repurchase and cumulative voting system. During the Reporting Period, the Company convened one general meeting, five Board meetings, two meetings of the Supervisory Committee, two meetings of the Remuneration and Nomination Committee, four meetings of the Audit Committee, and two meetings of the Compliance and Risk Management Committee, totaling to eight meetings of the special committees under the Board. The convening procedures and voting procedures of the general meetings, Board meetings and meetings of the Supervisory Committee of the Company were legal and valid. During the Reporting Period, the Company continuously strengthened the investor relationship management and information disclosure, hence the investor relationship management was regulated and professional, and the information disclosed was true, accurate, complete, timely and fair, which enhanced the transparency of the Company continuously. By the formulation, continuous improvement and effective implementation of systems, the corporate governance structure of the Company became more standardized and the level of corporate governance kept on improving. There was no discrepancy between the actual corporate governance of the Company and the requirements of the PRC Company Law and relevant regulations of the CSRC. Meanwhile, the Company was in strict compliance with all the code provisions of the Corporate Governance Code, meeting most of the requirements for the recommended best practices set out in the Corporate Governance Code.

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

(i) Shareholders and general meetings

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

Section V Significant Events

(ii) Directors and the Board

The Company appointed and changed its Directors in strict compliance with the relevant provisions of the Articles of Association. The composition and qualification of the Directors were in compliance with the applicable laws and regulations. As at the end of the Reporting Period, the Board comprised 14 Directors, among which two were executive Directors, six were non-executive Directors, five were independent non-executive Directors and one was employee Director. All Directors are able to perform their duties in due diligence and protect the interests of the Company and the shareholders as a whole. The Strategic Development Committee, Audit Committee, Compliance and Risk Management Committee, Remuneration and Nomination Committee of the Board were assigned specific duties, clear authorization and responsibilities, and operated in high efficiency. The Audit Committee and the Remuneration and Nomination Committee were chaired by an independent non-executive Director, and comprised exclusively non-executive Directors with over half of the members being independent non-executive Directors.

The Audit Committee was established under the Board, which is in compliance with the relevant requirements of the CSRC, SSE and Hong Kong Listing Rules. As at the end of Reporting Period, the Audit Committee comprised five members, namely, Mr. Jin Qinglu, Mr. Wu Junhao, Mr. Xu Jianguo, Mr. Xu Guoxiang and Mr. Wei Anning. The Audit Committee is mainly responsible for facilitating communication between the internal and external auditors of the Company, supervision and review of the audit process, and provision of professional advice to the Board. The Audit Committee has reviewed and confirmed the 2019 interim financial report of the Company.

(iii) Supervisors and Supervisory Committee

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

(iv) Senior management

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

Section V Significant Events

(v) Investors' relationship management work carried out

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

In the first half of 2019, the Company received four on-exchange investigations by agencies and analysts, participated in 31 investor activities such as listed company associations or securities exchange meetings, held 1 2018 annual performance conference and 1 overseas roadshow, answered investor hotline calls and investor questions, answered 25 related questions from various investors through the e-interactive platform launched by the SSE, received more than 200 investors, and conducted timely interactive QA with investors to enhance investors' recognition of the Company and promote the common development of investors and the Company.

In the first half of 2019, reception of research of the Company is as follows:

No.	Date	Place	Manner	Visiting parties	Topics
1	2019-01-10	the Company	On-site research	Tianfeng Securities Co., Ltd. (天風證券股份有限公司), GF SECURITIES CO., LTD. (7 visitors)	The Company's operation status and development strategy
2	2019-04-10	the Company	On-site research	Caitong Securities Asset Management Co., Limited (財通證券資產管理有限公司), Tebon Securities Co., Ltd. (德邦證券股份有限公司) (8 visitors)	The Company's operation status and development strategy

Section V Significant Events

No.	Date	Place	Manner	Visiting parties	Topics
3	2019-05-30	the Company	On-site research	Caitong Fund Management Co., Ltd. (財通基金管理有限公司), China Construction Bank Asset Management Business Center (3 visitors)	The Company's operation status and development strategy
4	2019-05-31	the Company	On-site research	Pacific Asset Management Co., Ltd. (1 visitor)	The Company's operation status and development strategy

(vi) Information disclosure

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

Section VI Changes in Ordinary Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

During the Reporting Period, there was no change in the total number of shares and shareholding structure of the Company.

(ii) Changes in restricted shares

During the Reporting Period, there was no change in restricted shares of the Company.

II. INFORMATION ON SHAREHOLDERS

(i) Total number of shareholders:

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

148,345

Section VI Changes in Ordinary Shares and Information on Shareholders

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

Unit: share

Name of shareholder (Full name)	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	400	1,026,967,580	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	-500,000	242,517,306	3.47	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited	-	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	-10,799,999	183,273,859	2.62	-	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)	-5,532,201	143,661,386	2.05	-	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 shareholder	Number of circulating non-restricted shares held	Type and number of shares	
		Type	Number
Shenergy (Group) Company Limited	1,537,522,422	RMB ordinary shares	1,537,522,422
HKSCC Nominees Limited	1,026,967,580	Overseas listed foreign shares	1,026,967,580
Shanghai Haiyan Investment Management Company Limited	286,271,333	RMB ordinary shares	286,271,333
Shanghai United Media Group	242,517,306	RMB ordinary shares	242,517,306
China Securities Finance Corporation Limited	209,110,425	RMB ordinary shares	209,110,425
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	183,273,859	RMB ordinary shares	183,273,859
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)	143,661,386	RMB ordinary shares	143,661,386
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	Not applicable		

Section VI Changes in Ordinary Shares and Information on Shareholders

Shareholdings of the top ten shareholders of restricted shares and restrictions

Unit: share

No.	Name of restricted shareholders	Number of restricted shares held	Listing and trading of restricted shares		Restriction
			Time for listing and trading	Number of shares newly added for listing and trading	
1	Shenergy (Group) Company Limited	230,000,000	December 28, 2021		– 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	Not applicable			

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

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

III. CHANGES OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

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

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 June 30, 2019, to the best knowledge of the Company and its Directors, having made all reasonable enquiries, the following substantial shareholders and other parties (excluding the directors, supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name of shareholders	Type of share	Nature of interests	Number of shares ^(Note 1)	Approximate percentage of total share capital of relevant class in issue of the Company (%) ^(Note 2)	Approximate percentage of total share capital in issue of the Company (%) ^(Note 2)
Shenergy (Group) Company Limited	A Share	Beneficial owner	1,767,522,422 (L)	29.62	25.27
China National Tobacco Corporation ^(Note 3)	A Share	Interests in controlled corporation	345,486,596 (L)	5.79	4.94
Shanghai Tobacco (Group) Company ^(Note 3)	A Share	Interests in controlled corporation	345,486,596 (L)	5.79	4.94

Section VI Changes in Ordinary Shares and Information on Shareholders

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

Section VI Changes in Ordinary Shares and Information on Shareholders

Notes:

1. (L) represents the long position.
2. As at June 30, 2019, the Company has issued 6,993,655,803 shares in total, including 5,966,575,803 A Shares and 1,027,080,000 H Shares.
3. Shanghai Haiyan Investment Management Company Limited is wholly owned by Shanghai Tobacco (Group) Co., Ltd., which in turn is wholly owned by China National Tobacco Corporation. Therefore, each of China National Tobacco Corporation and Shanghai Tobacco (Group) Co., Ltd. is deemed to be interested in the shares of the Company held by Shanghai Haiyan Investment Management Company Limited under the SFO.
4. Kaiser Century Investments Limited is owned as to 100% by Hung Jia Finance Limited. Hung Jia Finance Limited is owned as to 50% by each of Mr. Zhu Lijia and his spouse Ms. Sun Hongyan. Therefore, each of Mr. Zhu Lijia, Ms. Sun Hongyan and Hung Jia Finance Limited is deemed to be interested in the shares of the Company held by Kaiser Century Investments Limited under the SFO.
5. Raise Sino Investments Limited is owned as to 100% by Chu Lam Yiu.
6. BOCOM International Global Investment Limited is wholly owned by BOCOM International Asset Management Limited. BOCOM International Asset Management Limited is wholly owned by BOCOM International Holdings Company Limited, which in turn is wholly owned by Bank of Communications (Nominee) Company Limited. Bank of Communications (Nominee) Company Limited is wholly owned by Bank of Communications Co., Ltd. Therefore, each of Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited, BOCOM International Holdings Company Limited and BOCOM International Asset Management Limited is deemed to be interested in the shares of the Company held by BOCOM International Global Investment Limited under the SFO.

Save as disclosed above, as at June 30, 2019, none of the other substantial shareholders or parties has any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

As at June 30, 2019, according to the information available to the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

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

Section VII Preference Shares

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

Section VIII Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDING

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

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

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

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

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

During the Reporting Period, there was no change in Directors, Supervisors and senior management of the Company.

III. OTHER EXPLANATIONS

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

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

Section VIII Directors, Supervisors and Senior Management

(ii) Changes in Material Information of Directors and Supervisors

1. Mr. Chen Bin, a non-executive Director of the Company, ceased to be the deputy general manager of Shanghai Haiyan Investment Management Company Limited from June 2019 and has served as the deputy general manager of Pudong Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團浦東煙草糖酒有限公司) since June 2019.
2. Mr. Li Xiang, a non-executive Director of the Company, ceased to be a director of Shanghai Morning Post Culture Media Co., Ltd. from January 2019 and ceased to be a director of Shanghai Wenhui Xinmin Training Institute from July 2019.
3. Mr. Xu Jianguo, a non-executive Director of the Company, has been the chairman of Shanghai Haiya Industrial Co., Ltd. since March 2019, the chairman of Shanghai Kaihai Industrial Co., Ltd. since June 2019, and ceased to be the supervisor of Shanghai Prime Machinery Company Limited since June 2019.
4. Mr. Yao Yuan, an employee representative Supervisor of the Company, has been a director of Dongzheng International Financial Group Co., Ltd. (東證國際金融集團有限公司) since April 2019.

Save for those disclosed above, there was no changes in material information of Directors, Supervisors and senior management during the Reporting Period under Rule 13.51B of the Hong Kong Listing Rules.

(iii) Service Contracts of Directors and Supervisors

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

Section VIII Directors, Supervisors and Senior Management

(iv) Employees and Remuneration Policy

As at the end of the Reporting Period, the Group had 5,407 employees, of whom 3,782 were employed by the Parent Company and 1,625 were employed by the subsidiaries.

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

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

(v) Training Programs

During the Reporting Period, the Company continued to improve the personnel training mechanism, promote the growth of employees, effectively improve the multi-level, diversified and multi-form personnel training system, and help employees improve their overall quality. The Company further increased investment in training various talents, innovated diversified training mechanisms, and provided customized training courses for various talents to ensure the knowledge refreshment for outstanding talents.

Section IX Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Issuing date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue
2014 Corporate Bonds issued by 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

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. On April 15, 2019, the Company completed the non-public issuance of 2018 corporate bonds (first tranche), with the issue size of RMB8 billion, a term of 1 year, and the coupon rate of 4.83% and completed repayment of principal and interest and delisting from the SSE on April 15, 2019 with total principal and interest repaid reaching RMB8.3864 billion.

Other information on corporate bonds

On February 13, 2017, the 25th meeting of the third session of the Board of the Company deliberated and passed the Resolution in relation to the General Mandate to Issue Domestic Debt Financing Instruments, which was deliberated and passed at the Company's 2017 first extraordinary general meeting held on April 14, 2017. The Company applied to the SSE and obtained the "Letter of No Objection to the Listing and Transfer of Subordinated Bonds from Non-public Issuance by DFZQ (Shang Zheng Han [2019] No.306)" The approval approved the Company to issue non-public subordinated bonds with a total amount of not more than RMB25.5 billion to qualified institutional investors, which can be listed and transferred on the SSE after issuance. The above quota will expire in February 2020.

Section IX Corporate Bonds

On March 19, 2019, the Company successfully issued the non-public subordinated bonds (first tranche) of DFZQ in 2019, with the actual issue size of RMB6 billion, a term of 3 years, and the final coupon rate of 4.2%.

On June 14, 2019, the Company successfully issued the non-public subordinated bonds (second tranche) of DFZQ in 2019, with the actual issue size of RMB4 billion, a term of 3 years, and the final coupon rate of 4.2%.

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, Jing'an District, Shanghai, the PRC
	Contact person	Zhou Ping
	Telephone no.	+86-021-22169999
Bonds trustee manager	Name	Dongguan Securities Limited (東莞證券股份有限公司)
	Office address	25/F, Pudong Kerry City Office Building, No. 1155 Fangdian Road, Pudong New Area, Shanghai, the PRC
	Contact person	Wu Kunsheng
	Telephone no.	+86-021-50155120
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司)
	Office address	8/F, Anji Building, No.760 Xizang South Road, Huangpu District, Shanghai, the PRC

Other explanations

On June 5, 2015, the Securities Association of China published the Code of Conduct for Corporate Bonds Trustee Manager, which introduced the concept of bonds trustee manager, therefore, the Company did not engage any corporate bonds trustee manager for the 2014 corporate bonds.

Everbright Securities Company Limited was the bonds trustee manager for the Company's 2015 publicly issued corporate bonds, and Dongguan Securities Limited was the bonds trustee manager for the Company's 2017 non-publicly issued corporate bonds, 2017 publicly issued corporate bonds and 2018 non-publicly issued corporate bonds.

Section IX Corporate Bonds

III. USE OF PROCEEDS FROM CORPORATE BONDS

(i) 14 Orient Securities Bonds

On August 26, 2014, the Company issued RMB6 billion five-year corporate bonds under private placement. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of issuing expenses) for replenishing its working capital so as to expand the business scope and scale, optimize the business structure and improve the comprehensive competitiveness of the Company.

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

(ii) 15 Orient Securities Bonds

The Company publicly issued RMB12 billion five-year corporate bonds on November 26, 2015. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital so as to expand its business scale and improve its market competitiveness and anti-risk capability.

The proceeds from such bonds had been transferred to the designated proceeds account specified by the Company in the prospectus, and were used for replenishing the Company's working capital, which was in line with the purposes and other covenants undertaken in the prospectus. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued a capital verification report (De Shi Bao (Yan) Zi (15) No. 1759) in respect of receipt of the proceeds.

(iii) 17 Orient Securities 01, 17 Orient Securities 02

On June 9, 2017, the Company non-publicly issued RMB5 billion three-year corporate bonds. "17 Orient Securities 01" was with a term of three years and issue size of RMB4 billion, and "17 Orient Securities 02" was with a term of five years and issue size of RMB1 billion. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure so as to expand its business scale, improve its market competitiveness and anti-risk capability.

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

Section IX Corporate Bonds

(iv) 17 Orient Bonds

On August 3, 2017, the Company publicly issued RMB4 billion ten-year corporate bonds. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure so as to expand its business scale, improve its market competitiveness and anti-risk capability.

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

(v) 18 Orient Securities 01

On April 13, 2018, the Company non-publicly issued RMB8 billion one-year corporate bonds. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure.

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

IV. RATING OF CORPORATE BONDS

During the Reporting Period, China Chengxin Securities Ratings Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company's issued "14 Orient Securities Bonds", "15 Orient Securities Bonds" and "17 Orient Bonds" and issued the Follow-up Rating Report on the 2014 Corporate Bonds of DFZQ (2019) (Xin Ping Wei Han Zi [2019] Gen Zong No. 092), the Follow-up Rating Report on the 2015 Corporate Bonds publicly issued by DFZQ (2019) (Xin Ping Wei Han Zi [2019] Gen Zong No. 093), and the Follow-up Rating Report on the 2017 Corporate Bonds publicly issued by DFZQ (2019) (Xin Ping Wei Han Zi [2019] Gen Zong No. 094) which maintained the AAA ratings given to the Company's "14 Orient Securities Bonds", "15 Orient Securities Bonds" and "17 Orient Bonds", and also maintained the AAA ratings and a stable outlook given to the issuer of such bonds.

Section IX Corporate Bonds

V. CREDIT ENHANCEMENT MECHANISM, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

During the Reporting Period, there was no credit enhancement mechanism.

Repayment plan and other relevant information is set out below:

(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” was 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.

(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” was 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.

Section IX Corporate Bonds

VI. MEETINGS OF CORPORATE BONDHOLDERS

During the Reporting Period, the Company did not convene any meetings of corporate bondholders.

VII. DUTY PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

The issuance of “18 Orient Securities 01” was completed on April 13, 2018. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfilment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and 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 fulfilment 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” were completed on June 9, 2017. Dongguan Securities Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfilment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and 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 “15 Orient Securities Bonds” was completed on November 26, 2015. Everbright Securities Company Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfilment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

Section IX Corporate Bonds

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

Major indicators	As at the end of the Reporting Period	As at the end of last year	Increase or decrease at the end of the Reporting Period as compared with the end of last year (%)	Reason for change
Current ratio	1.23	1.26	-2.38	The increase in current assets lags behind that of current liabilities
Quick ratio	1.23	1.26	-2.38	The increase in quick assets lags behind that of current liabilities
Gearing ratio	75.05%	73.17%	Increase by 1.88 percentage points	Increase in liabilities
Loan repayment rate	100.00%	100.00%	-	
	The Reporting Period (January to June)	Corresponding period last year	Increase or decrease at the end of the Reporting Period as compared with the corresponding period last year (%)	Reason for change
EBITDA interest coverage ratio	1.70	1.33	27.82	Mainly due to the increase in profit before interest and tax
Interest coverage ratio	100.00%	100.00%	-	

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

Section IX Corporate Bonds

IX. OVERDUE DEBT

During the Reporting Period, the Company repaid the principal and interest on schedule on other bonds and debt financing instruments, and there was no overdue default.

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

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

XI. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the Company received aggregate banking facilities of RMB412.6 billion from 104 banks, in which aggregate facilities of RMB180.5 billion was from state-owned large-scale commercial banks and joint-stock banks, and an aggregate facility of RMB232.1 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 enable the Company to have a strong short-term and mid-long term financing capability.

XII. PERFORMANCE OF THE RELEVANT UNDERTAKINGS OR COMMITMENTS INCORPORATE BONDS PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly implemented the relevant agreements or commitments in the Company's bond prospectus, and the investment of the raised funds was consistent with the agreement in the prospectus. The Company strictly performed information disclosure responsibilities, paid bond interest in a timely manner to protect the legitimate rights and interests of investors. During the Reporting Period, there was no default in the payment and interest of bonds issued by the Company; The Company maintained a stable operation with sound profitability, and has not found any risks that may lead to failure to pay on schedule in the future.

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

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

Section X Documents Available for Inspection

Documents Available for Inspection	The full text and summary of the interim report signed by the legal representative and sealed with the corporate seal
	The 2019 interim financial report signed and sealed by the legal representative, the accounting chief and person-in-charge of the accounting department (head of the accounting department)
	Others

Chairman of the Board: Pan Xinjun

Date of approval by the Board: August 29, 2019

Section XI Information Disclosures of Securities Company

I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

No.	Issued by	Title of document	Number of document	Issuing date
1	SSE	Notice on the Business Qualification of Market Makers of Listed Funds of DFZQ	Shang Zheng Han [2019] No.101	January 17, 2019
2	Shanghai Bureau of the CSRC	Reply on Approving DFZQ to Change Business Scope	Hu Zheng Jian Xu Ke [2019] No.8	January 21, 2019
3	People's bank of China	Notice of the People's Bank of China on Approving the Maximum Outstanding Balance of Short-term Financing Bonds of DFZQ	Yin Fa [2019] No.50	February 13, 2019
4	CSRC	Regulatory Opinion on DFZQ 's Application for Credit Derivatives Business	Ji Gou Bu Han [2019] No.463	February 28, 2019
5	CSRC	Reply on Relevant Opinions of DFZQ on Developing Treasury Bond Futures Market Making	Ji Gou Bu Han [2019] No.1023	May 6, 2019
6	China National Development and Reform Commission	Registration Certificate for Enterprises Borrowing Foreign Debt	Fa Gai Ban Wai Zi Bei [2019] No. 395	May 16, 2019
7	Securities Association of China	Letter on Approving the Standard Pilot of Internet Investment Account	Zhong Zheng Xie Han [2019] No. 185	May 19, 2019

II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2019, the Company was rated as a Grade A, Category A company.

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF 東方證券股份有限公司

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 東方證券股份有限公司 (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 129 to 216, which comprise the condensed consolidated statement of financial position as at June 30, 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2019, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 29, 2019

Condensed Consolidated Statements of Profit or Loss

For the six months ended June 30, 2019

	NOTES	Six months ended June 30,	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue			
Commission and fee income	5	2,466,828	3,171,629
Interest income	6	3,079,816	3,230,319
Net investment gains/(losses)	7	1,637,817	(300,899)
Other income and gains or losses	8	3,524,245	874,690
Total revenue, gains/(losses) and other income		10,708,706	6,975,739
Depreciation and amortisation	9	(256,433)	(96,476)
Staff costs	10	(1,795,717)	(1,574,108)
Commission and fee expenses		(257,299)	(243,993)
Interest expenses	11	(2,560,909)	(2,818,198)
Other operating expenses	12	(4,187,639)	(1,814,832)
Impairment losses under expected credit loss model, net of reversal		(470,748)	(98,980)
Total expenses		(9,528,745)	(6,646,587)
Share of results of associates		329,289	504,173
Profit before income tax		1,509,250	833,325
Income tax expense	13	(255,306)	(73,847)
Profit for the period		1,253,944	759,478
Attributable to:			
Shareholders of the Company		1,209,616	715,589
Non-controlling interests		44,328	43,889
		1,253,944	759,478
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)			
– Basic	14	0.17	0.10

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Profit for the period	1,253,944	759,478
Other comprehensive (expense)/income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on investment in equity instruments designated as at fair value through other comprehensive income	394,421	(803,866)
Income tax relating to items that will not be reclassified to profit or loss	(98,605)	200,967
Share of other comprehensive expense of associates, net of related income tax	–	(25,819)
Subtotal	295,816	(628,718)
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on:		
debt instruments measured at fair value through other comprehensive income		
– net fair value changes during the period	188,624	436,660
– reclassification adjustment to profit or loss on disposal	(23,224)	(22,763)
– reclassification adjustment to profit or loss on expected credit loss	5,601	(2,683)
income tax impact relating to items that may be reclassified to profit or loss	(42,750)	(102,804)
Share of other comprehensive expense of associates, net of related income tax	(867)	(16,263)
Exchange differences arising on translation	111	12,028
Subtotal	127,495	304,175
Other comprehensive expense for the period, net of income tax	423,311	(324,543)
Total comprehensive income for the period	1,677,255	434,935
Attributable to:		
Shareholders of the Company	1,632,927	391,046
Non-controlling interests	44,328	43,889
	1,677,255	434,935

The accompanying notes presented on pages 138 to 216 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Financial Position

As at June 30, 2019

	NOTES	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Cash and bank balances	15	43,611,480	36,764,639
Clearing settlement funds	17	9,884,652	9,354,272
Deposits with exchanges and financial institutions	18	1,238,335	1,025,365
Derivative financial assets		819,748	318,490
Advances to customers	19	11,499,569	10,276,755
Account receivables	20	708,015	668,408
Restricted bank deposits	15	24,937	–
Financial assets held under resale agreements	21	27,279,200	28,168,584
Financial assets at fair value through profit or loss	22	56,720,212	52,035,347
Debt instruments measured at fair value through other comprehensive income	23	67,545,762	62,209,436
Equity instruments measured at fair value through other comprehensive income	24	9,890,928	9,316,262
Debt instruments measured at amortised cost	25	7,684,601	7,912,596
Deferred tax assets		724,150	895,832
Investments in associates	26	4,512,910	4,015,263
Right-of-use assets		805,410	–
Investment properties		27,333	–
Property and equipment	28	2,201,831	2,237,568
Other intangible assets		121,671	132,340
Goodwill	29	32,135	32,135
Other loans, receivables and prepayments	31	1,892,254	1,506,381
Total assets		247,225,133	226,869,673

Condensed Consolidated Statements of Financial Position

As at June 30, 2019

	NOTES	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Due to banks and other financial institutions		7,221,468	11,027,067
Short-term financing bills payables	32	10,971,889	12,411,606
Account payables to brokerage clients	33	35,883,745	32,059,065
Financial assets sold under repurchase agreements	34	59,887,598	49,415,677
Financial liabilities at fair value through profit or loss	35	10,131,467	6,834,381
Derivative financial liabilities		2,416,477	905,809
Contract liabilities		243,610	134,897
Current tax liabilities		128,352	371,510
Accrued staff costs		1,055,354	1,249,289
Borrowings	36	1,272,011	1,653,162
Lease liabilities		786,249	–
Bond payables	37	61,697,679	57,048,968
Deferred tax liabilities		21	–
Other account payables, other payables and accruals	38	2,798,913	1,485,790
Total liabilities		194,494,833	174,597,221
Share capital	39	6,993,656	6,993,656
Reserves	41	38,727,585	38,203,098
Retained profits		6,951,798	6,542,724
Equity attributable to shareholders of the Company		52,673,039	51,739,478
Non-controlling interests		57,261	532,974
Total equity		52,730,300	52,272,452
Total equity and liabilities		247,225,133	226,869,673

The condensed consolidated financial statements on pages 129 to 216 were approved for issue by the Board of Directors on August 29, 2019 and signed on its behalf by:

Pan Xinjun
Chairman of Board

Zhang Jianhui
Chief Financial Officer

The accompanying notes presented on pages 138 to 216 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019

	Equity attributable to shareholders of the Company										
	NOTE	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Reserves		Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
						Revaluation reserve/debt or equity investment revaluation reserve RMB'000	Translation reserve RMB'000				
Unaudited											
As at January 1, 2019		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
Profit for the period		-	-	-	-	-	-	1,209,616	1,209,616	44,328	1,253,944
Other comprehensive income for the period		-	-	-	-	423,200	111	-	423,311	-	423,311
Total comprehensive income for the period		-	-	-	-	423,200	111	1,209,616	1,632,927	44,328	1,677,255
Capital returned to non-controlling shareholders upon liquidation of subsidiaries		-	-	-	-	-	-	-	-	(35,353)	(35,353)
Appropriation to general reserve		-	-	-	67,923	-	-	(67,923)	-	-	-
Dividends recognised as distribution	40	-	-	-	-	-	-	(699,366)	(699,366)	(9,104)	(708,470)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	33,253	-	(33,253)	-	-	-
Forward arrangement for acquiring additional interests in a subsidiary (Note 38)	38	-	-	-	-	-	-	-	-	(475,584)	(475,584)
As at June 30, 2019		6,993,656	28,254,930	3,085,378	7,129,528	264,079	(6,330)	6,951,798	52,673,039	57,261	52,730,300
Unaudited											
As at January 1, 2018		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 period		-	-	-	-	-	-	715,589	715,589	43,889	759,478
Other comprehensive (expenses)/income for the period		-	-	-	-	(336,571)	12,028	-	(324,543)	-	(324,543)
Total comprehensive (expenses)/income for the period		-	-	-	-	(336,571)	12,028	715,589	391,046	43,889	434,935
Additional interests acquired from non-controlling shareholders of the subsidiary		-	-	-	-	-	-	-	-	(184)	(184)
Appropriation to general reserve		-	-	-	72,994	-	-	(72,994)	-	-	-
Dividends recognised as distribution	40	-	-	-	-	-	-	(1,398,732)	(1,398,732)	(11,055)	(1,409,787)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	(20,519)	-	20,519	-	-	-
As at June 30, 2018		6,993,656	28,254,931	3,052,204	6,677,964	(266,679)	(22,305)	6,505,355	51,195,126	547,613	51,742,739

The accompanying notes presented on pages 138 to 216 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flow

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	1,509,250	833,325
Adjustments for		
Interest expenses	2,560,909	2,818,198
Share of results of associates	(329,289)	(504,173)
Depreciation and amortisation	256,433	96,476
Impairment losses under expected credit loss model, net of reversal	470,748	98,980
Losses on disposal of property and equipment	1,148	536
Foreign exchange (gains)/losses	(760)	16,581
Net realised gains and income arising from FVTPL	(158,101)	(85,487)
Net realised gains and interest income arising from debt instruments at fair value through other comprehensive income	(1,330,691)	(1,191,734)
Dividend income arising from equity instruments at fair value through other comprehensive income	(19,209)	–
Net realised losses arising from derivative financial instruments	53,319	–
Interest income from debt instruments measured at amortised cost	(150,654)	(128,428)
Unrealised fair value change of financial assets at fair value through profit or loss	(958,652)	1,529,857
Unrealised fair value change of financial liabilities at fair value through profit or loss	529,086	(8,095)
Unrealised fair value change of derivative financial instruments	(327,209)	(360,812)

Condensed Consolidated Statements of Cash Flow

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Operating cash flows before movements in working capital	2,106,328	3,115,224
(Increase)/decrease in advances to customers	(1,226,946)	556,308
Decrease in financial assets held under resale agreements	483,190	5,027,778
Increase in financial assets at fair value through profit or loss and derivative financial assets	(4,776,803)	(1,155,566)
Increase in deposits and reserve funds and deposits with exchanges (Increase)/decrease in bank balances and clearing settlement funds restricted or held on behalf of customers	(236,030)	(1,101,508)
Increase in account receivables, other receivables and prepayments	(3,996,089)	908,426
Increase/(decrease) in other account payables, other payables and accruals	(505,110)	(1,021,779)
Increase/(decrease) in account payables to brokerage clients	95,018	(1,537,865)
Increase in financial liabilities at fair value through profit or loss and derivatives financial liabilities	3,824,680	(413,986)
Increase/(decrease) in financial assets sold under repurchase agreements	2,829,907	413,467
Decrease in deposits due to banks and other financial institutions	10,468,052	(9,004,542)
	(3,800,000)	(1,660,000)
Cash generated from/(used in) operations	5,266,197	(5,874,043)
Income taxes paid	(468,163)	(517,649)
Interest paid	(926,976)	(1,171,038)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	3,871,058	(7,562,730)

Condensed Consolidated Statements of Cash Flow

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	1,532,314	1,743,032
Proceeds on disposal of property and equipment and other intangible assets	3,474	2,022
Proceeds from disposal or redemption of:		
financial assets at fair value through profit or loss	9,273,311	8,009,774
equity instruments at fair value through other comprehensive income	45,044	124,965
debt instruments at fair value through other comprehensive income	27,181,594	12,992,612
debt instrument at amortised cost	160,822	73,000
Capital injection in associates	(449,465)	(8,550)
Purchases of		
financial assets at fair value through profit or loss	(8,668,069)	(7,622,148)
equity instruments at fair value through other comprehensive income	(225,289)	(63,968)
debt instruments at fair value through other comprehensive income	(31,940,203)	(11,877,320)
debt instrument at amortised cost	–	(2,343,536)
Purchases of property and equipment and other intangible assets	(116,015)	(139,978)
Payments for right-of-use assets	(169)	–
Proceeds from disposal of or capital reduction from associates	332,880	152,653
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(2,869,771)	1,042,558
FINANCING ACTIVITIES		
Proceeds from bonds and short-term financing bills payables issued	25,386,936	14,446,472
Repayments on bonds and short-term financing bills payables issued	(22,202,640)	(12,345,777)
Proceeds from borrowings	2,053,850	279,257
Repayments of borrowings	(986,354)	(445,085)
Repayments of leases liabilities	(124,187)	–
Dividends paid to shareholders	(51,141)	(160,860)
Interest of bonds and short-term financing bills payables paid	(1,585,717)	(1,532,109)
Interest of borrowings paid	(89,467)	(23,310)
Interest paid on lease liabilities	(12,662)	–
Payments on acquisition of additional interests in a subsidiary	–	(184)
Payments on capital returned to non-controlling shareholders	(35,353)	–
NET CASH FROM FINANCING ACTIVITIES	2,353,265	218,404

Condensed Consolidated Statements of Cash Flow

For the six months ended June 30, 2019

	NOTES	Six months ended June 30,	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,354,552	(6,301,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	16	13,729,707	22,316,837
Effect of foreign exchange rate changes		28,457	54,064
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16	17,112,716	16,069,133

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

1. GENERAL INFORMATION

東方證券股份有限公司, formerly known as the Orient Securities Limited Liability Company (東方證券有限責任公司), a limited liability company was established on 10 December, 1997. On 8 October, 2003, upon approval from the China Securities Regulatory Commission (“CSRC”) and the Shanghai Municipal Government, Orient Securities Limited Liability Company was converted into a joint stock limited liability company, and was renamed as 東方證券股份有限公司. On 23 March, 2015, the Company became listed on the Shanghai Stock Exchange with the stock code of 600958. On 8 July, 2016, the Company became listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with the stock code of 03958.

The registered office of the Company is located at 22F, 23F and 25-29F, Building 2, No. 318, South Zhongshan Road, Shanghai, the People’s Republic of China (“PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities and futures brokerage, margin financing and securities lending, securities investment advisory, securities proprietary trading, asset management, agency sale of financial products, security underwriting and sponsorship, and other business activities approved by the CSRC.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated financial statements of the Group should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2018.

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

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

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

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB, which are applicable for the Group’s financial year beginning on January 1, 2019:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

The application of the new and amendments to IFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements except for the following:

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* (“IAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and equipment/buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments (“IFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019. As permitted by the transitional provisions of IFRS 16, the Group elects not to restate comparative figures.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- applied 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);
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued rental payments by applying IFRS 16.C8(b)(ii) transition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.14%.

	As at January 1, 2019 RMB'000
Operating lease commitment disclosed as at December 31, 2018	905,495
Less:	
Recognition exemption – short-term leases	(12,333)
Lease liabilities discounted at relevant incremental borrowing rates	(77,219)
Lease liabilities as at January 1, 2019	815,943

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	811,242
Reclassified from prepaid rental payments <i>(Note)</i>	23,855
Less: Accrued lease liabilities at January 1, 2019	(30)
Total	835,067

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)* *As a lessee (Continued)*

By Class

Leasehold buildings	834,144
Motor Vehicles	923
Total	835,067

Note: Prepayments for leasehold buildings in the PRC were classified as prepaid rental payments as at December 31, 2018. Upon application of IFRS 16, the prepaid rental payments amounting to RMB23,855 thousand were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at January 1, 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at January 1, 2019. However, effective January 1, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessor (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	At December 31, 2018 RMB'000 (audited)	IFRS 16 RMB'000	As at January 1, 2019 RMB'000 (restated)
Assets			
Right-of-use assets	–	835,067	835,067
Investment properties	–	4,701	4,701
Other loans, receivables and prepayments	1,506,381	(23,855)	1,482,526
Total assets	1,506,381	815,913	2,322,294
Liabilities			
Lease liabilities	–	815,943	815,943
Other account payables, other payables and accruals	1,485,790	(30)	1,485,760
Total liabilities	1,485,790	815,913	2,301,703

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

3. KEY SOURCES AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statement for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018.

4. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the "CODM") of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to CODM, which are consistent with the accounting and measurement criteria in the preparation of the condensed consolidated financial statements.

Specifically, the Group's reportable and operating segments are as follows:

- (a) Securities sales and trading, which included investment gains and investment income earned from trading of stocks, bonds, funds, derivatives and other financial products and fees earned from providing related investment research activities, generating primarily from the "Proprietary Trading Business" comprising the Securities Investment Department, the Fixed Income Department and the Derivatives Department of the Company;
- (b) Investment management, which primarily includes management and advisory fees earned from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from private equity and alternative investments;
- (c) Brokerage and securities financing, which primarily included fees and commissions earned from providing brokerage and investment advisory services for the trading of stocks, bonds, funds, and warrants, as well as futures on behalf of the customers, and also interest earned from providing margin financing and securities lending services;

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

4. SEGMENT REPORTING *(Continued)*

- (d) Investment banking, which primarily includes commissions and fees earned from equity underwriting, debt underwriting and financial advisory services;
- (e) Headquarters and others, includes head office operations and the overseas business of Hong Kong, including interest income earned and expense incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended June 30, 2019 and 2018.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

4. SEGMENT REPORTING (Continued)

The segment information provided to the CODM for the six months ended June 30, 2019 and 2018 are as follows:

Operating segment

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended June 30, 2019								
Unaudited								
<i>Segment revenue and results</i>								
Segment revenue and net investment (losses)/gains	2,133,516	1,073,366	2,323,085	565,582	1,521,106	7,616,655	(432,194)	7,184,461
Segment other income and gains	5,388	68,804	3,382,842	18,538	50,918	3,526,490	(2,245)	3,524,245
Segment revenue, gains/(losses) and other income	2,138,904	1,142,170	5,705,927	584,120	1,572,024	11,143,145	(434,439)	10,708,706
Segment expenses	(927,035)	(624,598)	(5,002,137)	(319,972)	(2,692,562)	(9,566,304)	37,559	(9,528,745)
Segment results	1,211,869	517,572	703,790	264,148	(1,120,538)	1,576,841	(396,880)	1,179,961
Share of results of associates	(14,558)	320,950	(552)	-	-	305,840	23,449	329,289
Profit/(loss) before income tax	1,197,311	838,522	703,238	264,148	(1,120,538)	1,882,681	(373,431)	1,509,250
As at June 30, 2019								
Unaudited								
<i>Segment assets and liabilities</i>								
Segment assets	103,331,550	10,088,842	80,466,246	1,820,506	64,879,467	260,586,611	(14,085,628)	246,500,983
Deferred tax assets								724,150
Group's total assets								247,225,133
Segment liabilities	62,130,345	1,247,790	42,062,212	381,213	90,553,597	196,375,157	(1,880,345)	194,494,812
Deferred tax liabilities								21
Group's total liabilities								194,494,833
For the six months ended June 30, 2019								
Unaudited								
<i>Other segment information</i>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	8,067	13,327	104,755	11,527	120,218	257,894	(1,461)	256,433
Provision for impairment losses	5,701	2,815	456,101	121	6,010	470,748	-	470,748
Capital expenditure	1,348	12,553	74,225	67,912	60,384	216,422	(1,171)	215,251

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

4. SEGMENT REPORTING (Continued)

Operating segment (Continued)

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended June 30, 2018								
Unaudited								
<i>Segment revenue and results</i>								
Segment revenue and net investment								
(losses)/gains	461,550	1,786,977	2,516,022	652,209	1,014,041	6,430,799	(329,750)	6,101,049
Segment other income and gains	19	27,940	768,002	43,955	45,073	884,989	(10,299)	874,690
Segment revenue, gains/(losses) and other income	461,569	1,814,917	3,284,024	696,164	1,059,114	7,315,788	(340,049)	6,975,739
Segment expenses	(1,004,813)	(885,990)	(2,145,575)	(361,897)	(2,305,442)	(6,703,717)	57,130	(6,646,587)
Segment results	(543,244)	928,927	1,138,449	334,267	(1,246,328)	612,071	(282,919)	329,152
Share of results of associates	50,922	396,161	-	-	-	447,083	57,090	504,173
Profit/(loss) before income tax	(492,322)	1,325,088	1,138,449	334,267	(1,246,328)	1,059,154	(225,829)	833,325
As at December 31, 2018								
Audited								
<i>Segment assets and liabilities</i>								
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
For the six months ended June 30, 2018								
Unaudited								
<i>Other segment information</i>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	1,347	4,129	27,687	3,051	60,262	96,476	-	96,476
Provision for/(reversal of) impairment losses	(275)	(597)	95,706	107	4,041	98,982	(2)	98,980
Capital expenditure	268	6,595	27,195	2,324	103,596	139,978	-	139,978

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

4. SEGMENT REPORTING *(Continued)*

Operating segment *(Continued)*

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operations in the PRC.

The Group has no single customer which contributes to 10 percent or more of the Group's revenue for the six months ended June 30, 2019 and 2018.

5. COMMISSION AND FEE INCOME

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Commission on securities dealing, broking and handling fee income	854,963	771,336
Underwriting, sponsors and financial advisory fee income	542,482	610,749
Commission on futures and options contracts dealing, broking and handling fee income	109,525	118,627
Asset and fund management fee income	910,441	1,570,982
Consultancy fee income	39,589	91,406
Others	9,828	8,529
	2,466,828	3,171,629

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

6. INTEREST INCOME

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Advances to customers and securities lending	393,036	479,733
Financial assets held under resale agreements	749,224	942,220
Deposits with exchanges and financial institutions and bank balances	463,577	493,773
Interest from debt securities measured at amortised cost	150,654	128,428
Interest from debt instruments at fair value through other comprehensive income	1,307,467	1,168,971
Others	15,858	17,194
	3,079,816	3,230,319

7. NET INVESTMENT GAINS/(LOSSES)

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Net realised gains from disposal of debt instruments at FVTOCI	23,224	22,763
Dividend income from equity instruments at FVTOCI	19,209	–
Net realised gains/(losses) from disposal of financial assets at FVTPL	262,448	(77,191)
Dividend income and interest income from financial assets at FVTPL	728,146	738,936
Net realised (losses)/gains arising from financial liabilities at FVTPL	(4,212)	11,116
Net realised (losses)/gains arising from derivative financial instruments	(147,773)	164,427
Unrealised fair value change of financial assets at FVTPL	958,652	(1,529,857)
Unrealised fair value change of financial liabilities at FVTPL	(529,086)	8,095
Unrealised fair value change of derivative financial instruments	327,209	360,812
	1,637,817	(300,899)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

8. OTHER INCOME AND GAINS OR LOSSES

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Foreign exchange gains/(losses)	760	(16,581)
Rental income	6,562	8,730
Government grants (<i>Note</i>)	140,726	134,728
Losses on disposals of property and equipment	(137)	(536)
Bulk commodity trading income and others	3,376,334	748,349
	3,524,245	874,690

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

9. DEPRECIATION AND AMORTISATION

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Depreciation of property and equipment	99,257	65,361
Depreciation of right-of-use assets	120,335	–
Depreciation of investment properties	2,558	–
Amortisation of other intangible assets	34,283	31,115
	256,433	96,476

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB1,568 million (unaudited) and RMB1,378 million (unaudited) for the period ended June 30, 2019 and 2018 respectively.

11. INTEREST EXPENSES

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest on liabilities wholly repayable within five years:		
– Account payables to brokerage clients	37,645	36,514
– Financial assets sold under repurchase agreements	794,920	972,311
– Borrowings	35,185	35,231
– Due to banks and other financial institutions	90,894	137,923
– Short-term financing bills payables	242,420	83,295
– Bond payables	1,344,222	1,552,924
– Lease liabilities	15,623	–
	2,560,909	2,818,198

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Advisory expenses	55,835	80,902
Auditor's remuneration	2,753	1,685
Business travel expenses	45,824	43,509
Communication expenses	39,284	37,774
Electronic equipment operating expenses	81,269	74,269
Entertainment expenses	38,616	35,171
Administrative expenses	120,574	106,600
Operating lease rentals in respect of rented premises	–	138,370
Operating lease rentals in respect of short-term leases/ low value assets	29,611	–
Products distribution expenses	257,950	422,060
Securities and futures investor protection funds	21,735	22,092
Stock exchange management fees	20,404	19,433
Sundry expenses	40,395	32,653
Tax and surcharges	32,944	43,022
Donation	27,060	17,346
Bulk commodity trading and others	3,373,385	739,946
	4,187,639	1,814,832

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

13. INCOME TAX EXPENSE

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current tax:		
– PRC Enterprise Income Tax	154,324	264,217
– Hong Kong Profits Tax	11,605	949
	165,929	265,166
Adjustments in respect of current income tax in relation to prior years:		
– PRC Enterprise Income Tax	97,456	46,449
Deferred tax	(8,079)	(237,768)
	255,306	73,847

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

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 Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

13. INCOME TAX EXPENSE *(Continued)*

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

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Profit before income tax	1,509,250	833,325
Tax at the statutory tax rate of 25%	377,313	208,331
Tax effect of share of results of associates	(39,722)	(45,053)
Adjustments for prior years	97,456	46,449
Tax effect of expenses not deductible for tax purpose	39,317	181
Tax effect of income not taxable for tax purpose	(201,867)	(201,890)
Tax effect of tax losses not recognised	10,144	83,809
Utilisation of tax losses previously not recognised	(21,356)	(17,491)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(5,979)	(489)
Income tax expense for the period	255,306	73,847

14. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)
Earnings for the purpose of basic earnings per share:		
– Profit for the period attributable to shareholders of the Company	1,209,616	715,589
Number of shares:		
– Weighted average number of ordinary shares in issue (in thousand)	6,993,656	6,993,656
Basic earnings per share (RMB)	0.17	0.10

For the six months ended June 30, 2019 and 2018, there were no potential ordinary shares in issue.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

15. CASH AND BANK BALANCES

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
House accounts	15,535,671	12,502,960
Cash held on behalf of clients (<i>Note a</i>)	28,100,746	24,261,679
	43,636,417	36,764,639
Less: restricted bank deposits	(24,937)	–
	43,611,480	36,764,639

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

Note a: The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in account payables to brokerage clients (*Note 33*).

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Cash and bank balances	15,506,308	12,471,720
Clearing settlement funds	1,639,345	1,265,987
Less: clearing settlement funds of		
Shanghai Orient Securities Futures Co., Ltd.	(8,000)	(8,000)
restricted bank deposits	(24,937)	–
	17,112,716	13,729,707

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

17. CLEARING SETTLEMENT FUNDS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	1,639,345	1,265,987
Clients	8,245,307	8,088,285
	9,884,652	9,354,272

18. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Deposits with stock exchanges:		
– Shanghai Stock Exchange	88,502	69,129
– Shenzhen Stock Exchange	51,860	41,229
– Hong Kong Exchanges	1,320	1,314
– Others	1,038	1,115
Deposits with futures and commodity exchanges:		
– Shanghai Futures Exchange	129,999	76,249
– Dalian Commodity Exchange	95,306	18,115
– Zhengzhou Commodity Exchange	67,409	9,102
– China Financial Futures Exchange	180,083	172,085
– Shanghai Gold Exchange	17,952	137
Guarantee fund paid to Shanghai Stock Exchange	10,863	6,880
Guarantee fund paid to Shenzhen Stock Exchange	11,803	9,578
Deposits with China Securities Finance Corporation Limited	332,877	329,958
Deposits with Shanghai Clearing House	116,287	148,286
Deposits with other financial institutions	133,036	142,188
	1,238,335	1,025,365

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

19. ADVANCES TO CUSTOMERS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Loans to margin clients	11,229,850	9,920,032
Other advances to customers	478,062	560,934
Subtotal	11,707,912	10,480,966
Less: impairment allowance	(208,343)	(204,211)
	11,499,569	10,276,755
The movements of the impairment allowance are set out below:		
At beginning of the period/year	204,211	170,908
Charge for during the period/year, net	3,296	26,408
Exchange differences	836	6,895
At end of the period/year	208,343	204,211

As at June 30, 2019 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,153	207,190	208,343

As at December 31, 2018 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,560	202,651	204,211

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

19. ADVANCES TO CUSTOMERS *(Continued)*

Loans to margin clients which are secured by the underlying pledged securities and cash collateral as disclosed in Note 33 are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call when the customers have to make up the difference.

Advances to customers were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of all the collaterals held in all clients' margin accounts in respect of margin financing business amounted to approximately RMB41,218 million (unaudited) and RMB28,205 million (audited) as at June 30, 2019 and December 31, 2018, respectively.

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

20. ACCOUNT RECEIVABLES

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Account receivables from/related to:		
– Clearing house	90,267	151,964
– Brokers	155,925	105,808
– Asset management fee and trading seats commission	451,760	412,268
– Advisory and investment banking commission	26,586	12,004
Less: impairment allowance	(16,523)	(13,636)
	708,015	668,408

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

20. ACCOUNT RECEIVABLES *(Continued)*

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

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Within 1 year	596,532	628,912
Between 1 and 2 years	94,394	25,211
Between 2 and 3 years	12,021	13,465
Over 3 years	5,068	820
	708,015	668,408

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Analysed by collateral type:		
– Stock	22,864,423	24,093,807
– Bonds	5,654,716	4,908,522
Subtotal	28,519,139	29,002,329
Less: impairment allowance	(1,239,939)	(833,745)
	27,279,200	28,168,584
Analysed by market:		
– Stock exchange	24,138,414	28,852,332
– Inter-bank market	4,380,725	149,997
Less: impairment allowance	(1,239,939)	(833,745)
	27,279,200	28,168,584

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(Continued)*

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.

The movements of the impairment allowance are set out below:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
At beginning of the period/year	833,745	993,062
Charge for during the period/year, net	406,194	110,986
Transfer out during the period/year	-	(270,303)
At end of the period/year	1,239,939	833,745

As at June 30, 2019 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	24,871	1,215,068	1,239,939

As at December 31, 2018 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	9,907	823,838	833,745

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Mandatorily measured at FVTPL		
– Debt securities	25,625,008	24,879,152
– Equity securities	7,658,765	6,427,238
– Funds	11,898,246	10,567,823
– Other investments (<i>Note a</i>)	11,538,193	10,161,134
	56,720,212	52,035,347
Analysed as:		
– Listed (<i>Note b</i>)	27,121,423	22,292,048
– Unlisted	29,598,789	29,743,299
	56,720,212	52,035,347

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.

Note b: Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Stock Exchange and other stock exchanges are included in the “Listed” category.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

23. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Government bonds	28,640,154	28,455,694
Bonds issued by policy banks	2,715,935	1,816,677
Bonds issued by commercial banks and other financial institutions	2,284,567	2,202,047
Other debt securities (<i>Note a</i>)	33,905,106	29,735,018
	67,545,762	62,209,436
Analysed as:		
– Listed (<i>Note b</i>)	40,016,941	33,449,319
– Unlisted	27,528,821	28,760,117
	67,545,762	62,209,436

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, the Shenzhen Stock Exchange and the Stock Exchange are included in the “Listed” category.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

The movements of the impairment allowance are set out below:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
At beginning of the period/year	102,953	100,758
Charge for during the period/year, net	5,601	2,195
At end of the period/year	108,554	102,953

As at June 30, 2019 and December 31, 2018, a substantial proportion of debt instruments at fair value through other comprehensive income is in stage 1 of which the loss allowance is measured at 12 month ECL.

As at June 30, 2019 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	21,537	87,017	108,554

As at December 31, 2018 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	18,293	84,660	102,953

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

24. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
– Equity securities (Note a)	1,472,514	1,535,175
– Perpetual instruments (Note b)	3,311,020	3,004,399
– Other investment (Note c)	5,107,394	4,776,688
	9,890,928	9,316,262
Analysed as:		
– Listed (Note d)	2,693,645	2,499,582
– Unlisted	7,197,283	6,816,680
	9,890,928	9,316,262

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 private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI for the strategy of holding these investments for long-term purposes.

In the current period, the Group mainly disposed of the investment in equity securities of Beijing Hanbroad Commercial Management Co.,Ltd and Kangwo Power Co., Ltd, at a consideration of RMB8,665 thousand and RMB1,130 thousand respectively, which were also the fair value as at the date of disposal as the investment no longer meets the investment objective of the Group. The cumulative loss on disposal of RMB16,932 thousand on equity security of Beijing Hanbroad Commercial Management Co.,Ltd and RMB15,833 thousand on equity security of Kangwo Power Co., Ltd have been transferred to retained profits respectively.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

24. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Note c: Other investment is a special account managed by China Securities Finance Corporation Limited (the “CSFCL”). CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. As at June 30, 2019, 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.

25. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Analysed by type:		
– Debt securities	7,686,398	7,914,537
Less: impairment allowance	(1,797)	(1,941)
	7,684,601	7,912,596
Analysed as:		
– Listed <i>(Note a)</i>	4,110,548	4,273,688
– Unlisted <i>(Note b)</i>	3,574,053	3,638,908
	7,684,601	7,912,596

The movements of the impairment allowance are set out below:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
At beginning of the period/year	1,941	739
(Reversal)/charge for during the period/year, net	(144)	1,202
At end of the period/year	1,797	1,941

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

25. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (Continued)

As at June 30, 2019 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,797	–	1,797

As at December 31, 2018 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,941	–	1,941

Note a: As at June 30, 2019, the listed debt securities were listed on Shanghai Stock Exchange and Shenzhen Stock Exchange.

Note b: As at June 30, 2019, the unlisted debt securities were traded on inter-bank market.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

26. INVESTMENTS IN ASSOCIATES

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Cost of unlisted investments in associates	2,701,341	2,172,646
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,811,569	1,842,617
	4,512,910	4,015,263

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

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2019 (unaudited)	As at December 31, 2018 (audited)	
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC 3 February 2005	35.41%	35.41%	Fund management
上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd.	PRC 7 April 2010	45.00%	45.00%	Equity investment
上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Investment Co., Ltd.* ("ICY New Energy")	PRC 12 July 2011	27.73%	27.73%	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%	Equity investment

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

26. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2019 (unaudited)	As at December 31, 2018 (audited)	
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%	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	30.00%	30.00%	Equity investment
東證騰駿(上海)投資合夥企業(有限合夥) Orient Tengjun (Shanghai) Investment LLP.*	PRC 11 September 2015	38.69%	38.69%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP.*	PRC 16 December 2015	45.45%	45.45%	Investment management
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 Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

26. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2019 (unaudited)	As at December 31, 2018 (audited)	
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
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%	74.42%	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%	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%	45.00%	Investment management
誠泰融資租賃(上海)有限公司 Chengtai financial leasing (Shanghai) Co., Ltd.**	PRC 11 September, 2015	21.67%	10.36%	Leasing

* English translated names are for identification purpose only.

** The investment in Chengtai financial leasing (Shanghai) Co., Ltd was recognized as financial assets at FVTPL as of December 31, 2018, as the Group has no significant influence before additional injection by the Group during the six months ended June 30, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

26. INVESTMENTS IN ASSOCIATES *(Continued)*

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

China Universal

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Total assets	7,331,226	7,239,199
Total liabilities	1,822,998	1,959,618
Net assets	5,508,228	5,279,581

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Total revenue	1,815,158	1,766,292
Profit for the period	534,095	466,195
Other comprehensive income	958	1,868
Total comprehensive income	535,053	468,063

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

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Equity attributable to equity holders of the associate	5,364,771	5,133,150
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	1,899,644	1,817,621

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

27. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the periods. Except for the structured entities the Group has consolidated as disclosed in Note 30, 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 RMB216,244 million (unaudited) and RMB220,960 million (audited) as at June 30, 2019 and December 31, 2018, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as financial assets at FVTPL as at June 30, 2019 and December 31, 2018. As at June 30, 2019 and December 31, 2018, the carrying amounts of the Group's interests in unconsolidated management schemes are RMB448 million (unaudited) and RMB548 million (audited), respectively, which approximates the maximum risk exposure of the Group, and the assets management fee income for the six months ended June 30, 2019 and 2018, are RMB841 million (unaudited) and RMB1,508 million (unaudited), respectively.

The carrying amount of the structured entities sponsored by third party institutions in the condensed consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at June 30, 2019 and December 31, 2018, which are set out below:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Financial assets at FVTPL	15,688,319	14,829,122
Equity instruments at FVTOCI	5,107,394	4,776,688
	20,795,713	19,605,810

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

28. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Unaudited							
COST							
As at January 1, 2019	1,914,586	743,536	40,457	98,308	404,789	61,063	3,262,739
Additions	-	34,556	2,253	1,743	32,206	21,662	92,420
Disposals	-	(12,576)	(535)	(22,108)	-	-	(35,219)
Transfer during the period	(18,725)	16,714	-	4,221	-	(34,628)	(32,418)
Exchange difference	-	46	2	7	37	(6)	86
As at June 30, 2019	1,895,861	782,276	42,177	82,171	437,032	48,091	3,287,608
ACCUMULATED DEPRECIATION							
As at January 1, 2019	86,221	530,194	26,244	66,633	315,879	-	1,025,171
Charge for the period	30,446	44,174	1,842	4,532	18,263	-	99,257
Eliminated on disposals	-	(11,827)	(519)	(18,251)	-	-	(30,597)
Transfer during the period	(8,132)	-	-	-	-	-	(8,132)
Exchange difference	-	43	1	7	27	-	78
As at June 30, 2019	108,535	562,584	27,568	52,921	334,169	-	1,085,777
CARRYING VALUES							
As at June 30, 2019	1,787,326	219,692	14,609	29,250	102,863	48,091	2,201,831

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

28. 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
Audited							
COST							
As at January 1, 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 December 31, 2018	1,914,586	743,536	40,457	98,308	404,789	61,063	3,262,739
ACCUMULATED DEPRECIATION							
As at January 1, 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 December 31, 2018	86,221	530,194	26,244	66,633	315,879	-	1,025,171
CARRYING VALUES							
As at December 31, 2018	1,828,365	213,342	14,213	31,675	88,910	61,063	2,237,568

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

29. GOODWILL

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Cost and carrying value		
Unit A – securities brokerage branches	18,948	18,948
Unit B – Shanghai Orient Securities Futures Co., Ltd.	13,187	13,187
	32,135	32,135

30. 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.

Interests in all consolidated asset management schemes held by the Group amounted to fair value of RMB5,712 million (unaudited) and RMB5,682 million (audited) as at June 30, 2019 and December 31, 2018, 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.

The financial impact of the results and cash flows of these consolidated asset management products for the six months ended June 30, 2019 and 2018, are not significant and therefore are not disclosed separately.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

31. OTHER LOANS, RECEIVABLES AND PREPAYMENTS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Other receivables	575,737	647,722
Dividends receivable	108,504	–
Other loans	446,630	549,606
Prepayments	344,328	226,358
Others	802,201	414,904
Less: impairment allowance (<i>Note a</i>)	(385,146)	(332,209)
	1,892,254	1,506,381

Note a: The allowance for other receivables of the Group included the impairment allowance for the unsettled amounts of financial assets (pledged by stocks) held under resale agreements after disposal of the pledged stocks.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

As at June 30, 2019 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	9,303	375,843	385,146

December 31, 2018 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	9,758	322,451	332,209

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

32. SHORT-TERM FINANCING BILLS PAYABLES

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Unsecured and unguaranteed:		
Short-term financing bill payables (<i>Note a</i>)	5,006,400	9,260,044
Income certificates (<i>Note b</i>)	5,965,489	3,151,562
	10,971,889	12,411,606
Analysed as:		
Stock exchange	5,006,400	8,278,420
Over the counter	5,965,489	4,133,186
	10,971,889	12,411,606

Note a: As at June 30, 2019, short-term financing bills payables were unsecured and unguaranteed debt securities issued on over-the counter by the Company and were repayable within 1 year.

Note b: According to the consent letter from Securities Association of China (“SAC”) regarding the pilot of over the counter income certificate business (SAC[2014]285), the Group has the authorization to conduct income certificate business. As at June 30, 2019 and December 31, 2018, the yields of all the outstanding income certificates were ranged from 3.00% to 7.80% and from 2.70% to 7.50% per annum, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

33. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

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

As at June 30, 2019 and December 31, 2018, included in the Group's account payable to brokerage clients were approximately RMB1,932 million (unaudited) and RMB1,326 million (audited), respectively, of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Analysed by collateral type		
– Bonds	56,116,878	45,432,091
– Funds	1,772,758	1,037,316
– Advances to customers backed repurchase agreement	1,997,962	2,946,270
	59,887,598	49,415,677
Analysed by market		
– Stock exchange	35,636,951	26,545,987
– Inter-bank market	18,024,096	15,793,848
– Over the counter	6,226,551	7,075,842
	59,887,598	49,415,677

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Coupon bearing bonds (<i>Note a</i>)	1,697,186	1,496,012
Gold borrowings	7,420,548	5,026,036
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities (<i>Note b</i>)	332,552	312,333
– Others (<i>Note c</i>)	681,181	–
	10,131,467	6,834,381

Note a: As at June 30, 2019 and December 31, 2018, 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 recognized 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.

Note c: Others include the structured notes issued by a subsidiary of the Group of which the balance is linked to performance of the perpetual instruments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

36. BORROWINGS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Unsecured short-term borrowings repayable within one year (<i>Note a</i>)	1,272,011	1,250,110
Secured short-term borrowings repayable within one year	–	403,052
	1,272,011	1,653,162

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

As at June 30, 2019, the newly added unsecured bank borrowing, amounting to RMB20 million and bearing the fixed rate of 4.70% per annum is repayable within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

37. BOND PAYABLES

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Unsecured and unguaranteed:		
Corporate bonds (Note a)	26,935,626	27,404,305
Subordinated bonds (Note a)	27,781,392	16,777,484
Income certificates (Note b)	1,900,433	7,806,484
Offshore bonds (Note a)	5,080,228	5,060,695
	61,697,679	57,048,968

Note a:

Name		Issue amount	Issue date	Maturity date	Coupon rate
14 Corporate Bond	RMB	6,000,000,000	26/08/2014	26/08/2019	6.00%
15 Corporate Bond	RMB	12,000,000,000	26/11/2015	26/11/2020	3.90%
16 Orient Subordinated Bond	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
17-1 Orient Subordinated Bond	RMB	1,500,000,000	26/04/2017	26/04/2020	4.90%
17-2 Orient Subordinated Bond	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-3 Orient Subordinated Bond	RMB	1,500,000,000	15/05/2017	15/05/2020	5.15%
17-4 Orient Subordinated Bond	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
17-1 Corporate Bond	RMB	4,000,000,000	09/06/2017	09/06/2020	5.30%
17-2 Corporate Bond	RMB	1,000,000,000	09/06/2017	09/06/2022	5.50%
17-3 Corporate Bond	RMB	4,000,000,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond	USD	500,000,000	30/11/2017	30/11/2022	3.63%
18 Offshore USD Bond	USD	250,000,000	22/03/2018	30/11/2022	3.63%
18 Orient Subordinated Bond	RMB	6,400,000,000	12/07/2018	12/07/2020	5.18%
19-1 Orient Subordinated Bond ⁽¹⁾	RMB	6,000,000,000	19/03/2019	18/03/2022	4.20%
19-2 Orient Subordinated Bond ⁽²⁾	RMB	4,000,000,000	14/06/2019	14/06/2022	4.20%

(1) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB6 billion on 19 March 2019. The bond bears an interest rate of 4.20% with a maturity period of 3 years and the interest is paid annually.

(2) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB4 billion on 14 June 2019. The bond bears an interest rate of 4.20% with a maturity period of 3 years and the interest is paid annually.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

37. BOND PAYABLES *(Continued)*

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 June 30, 2019 and December 31, 2018, the yields of the outstanding income certificates varied from 3.45% to 6.00% and from 3.60% to 6.30% per annum, respectively.

38. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Other account payables		
– Payables for underwriting and products distribution fees	181,095	173,817
– Settlement payables	517,431	237,785
Other payables and accruals		
– VAT and other taxes	57,474	140,706
– Payables for securities and futures investor protection fund	22,414	12,319
– Futures risk reserve	74,280	68,914
– Dividends payable	657,409	80
– Advance receipts	715	15,512
– Deposit received from customers	161,240	132,236
– Others <i>(Note)</i>	1,126,855	704,421
	2,798,913	1,485,790

Note: Others included the gross obligation for the payment amounting to RMB475.58 million to acquire 33.33% of the equity interests in Citi Orient Securities Co., Ltd (the "Citi Orient") from Citigroup Global Markets Asia Limited (the "Citigroup Asia"). On May 30, 2019, Citigroup Asia, being the transferor and the Company, being the transferee entered into a transfer agreement, that the transferor shall transfer 33.33% of the equity interests in Citi Orient, a non-wholly owned subsidiary of the Group to the transferee at a consideration of RMB475.58 million, subject to the terms and conditions included in the transfer agreement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

39. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):			
As at December 31, 2018, January 1, 2019 and June 30, 2019	6,993,656	–	6,993,656

40. DIVIDENDS

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Dividends recognised as distribution	699,366	1,398,732

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended June 30, 2019 and 2018.

Pursuant to the resolution of the general meeting of Shareholders held on 28 May, 2019, the Company recognised cash dividends as distribution of RMB1.00 for every 10 shares (tax included) based on 6.99 billion shares held amounting to RMB0.7 billion in total for the year ended December 31, 2018.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

41. RESERVES

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Capital reserve	28,254,930	28,254,930
Debt investment revaluation reserve	364,507	237,123
Equity investment revaluation reserve	(133,631)	(462,700)
Translation reserve	(6,330)	(6,441)
Surplus reserve	3,085,378	3,085,378
General reserves	7,129,528	7,061,605
Others	33,203	33,203
	38,727,585	38,203,098

42. CAPITAL COMMITMENTS

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Capital expenditure in respect of acquisition of property and equipment:		
Contracted but not provided for	43,383	43,583

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related party

The Group and major shareholders

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

	Percentage of shares held	
	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
申能(集團)有限公司 Shenergy (Group) Company Limited	25.27%	25.27%

The Group and associates

The details of the associates of the Group is set out in Note 26.

Other related parties

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances

As at June 30, 2019 and December 31, 2018, the Group had the following material balances with major shareholder and entities under its control:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Accounts payable to brokerage clients		
– Shanghai Dazhong Gas Co., Ltd.*	2,649	2,644
– Shanghai Gas (Group) Co., Ltd.*	9	9,246
– Shenergy (Group) Company Limited	13	–
– Shanghai Jiu Lian Group Co., Ltd.*	6,651	25,379
– Shanghai Shenergy Property Management Co., Ltd.*	14	14
Other receivables		
– Shenergy Company Limited	1,856	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the six months ended June 30, 2019 and 2018, the Group had the following material transactions with major shareholder and entities under its control:

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Commission and fee income		
– Shenergy (Group) Company Limited	1,126	–
– Shanghai Jiu Lian Group Co., Ltd.*	12	9
– Shenergy Company Limited	2,086	4,350
– Shanghai Gas (Group) Co., Ltd.*	500	–
Interest expenses		
– Shenergy (Group) Company Limited	10	–
– Shenergy Company Limited	2	–
– Shanghai Gas (Group) Co., Ltd.*	1	2
– Shanghai Jiu Lian Group Co., Ltd.*	18	4
– Shanghai Dazhong Gas Co., Ltd.*	5	3
Other operating expenses		
– Shanghai Shenergy Property Management Co., Ltd.*	8,681	–
– Shanghai Dazhong Gas Co., Ltd.*	1,182	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

As at June 30, 2019 and December 31, 2018, the Group had the following material balances with associates:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Accounts payable to brokerage clients		
– China Universal	337,389	2,068
– Orient Jiashi (Shanghai) Investment Management LLP*	1	1
– Haining Chunqiu Investment Partnership LLP.*	824	–
– Shanghai Junyu Investment Center LLP.*	2,282	984
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	950	4
– Shanghai Dongkai Capital Co., Ltd.*	3,273	–
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP.*	9,798	–
Other account payables		
– Beijing Orient Zhiyun Equity Investment Center LLP.*	–	409,346

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the six months ended June 30, 2019 and 2018, the Group had the following material transactions with associates:

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Commission and fee income		
– China Universal	42,956	56,422
– Shanghai Junyu Investment Center LLP.*	–	2,075
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	14,079	19,034
– Orient Jiashi (Shanghai) Investment Management LLP*	3,179	–
– Haining Chunqiu Investment Partnership LLP.*	10	–
– Shanghai Dongkai Capital Co., Ltd.*	1	–
– Orient Securities Ruibo (Shanghai) Investment Center LLP.*	4,292	–
Interest expenses		
– China Universal	866	80
– Haining Chunqiu Investment Partnership LLP.*	2	–
– Shanghai Dongkai Capital Co., Ltd.*	1	–
– Shanghai Junyu Investment Center LLP.*	2	1

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

As at June 30, 2019, the Group had the following material balances with other related parties**:

	As at June 30, 2019 RMB'000 (unaudited)	As at December 31, 2018 RMB'000 (audited)
Accounts payable to brokerage clients		
– China Pacific Property Insurance Co., Ltd	1	–
– Shanghai Construction Group., Ltd.	6	6
Financial assets at FVTPL		
– China Pacific Insurance (Group) Co. Ltd.	1,085	1,000
– Haitong Securities Co., Ltd.	52,064	51,355
Equity investment at FVTOCI		
– Shanghai Construction Group., Ltd.	169,511	165,357
Debt investment at FVTOCI		
– Shanghai XinHua Distribution Group Co., Ltd.	142,194	49,790
– China Pacific Property Insurance Co., Ltd	104,519	102,603

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the six months ended June 30, 2019 and 2018, the Group had the following material transaction with other related parties:

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Commission and fee income:		
– Great Wall Fund Management Co., Ltd	1,292	1,553
– Citigroup Global Markets Asia Limited	–	1,154
Interest expenses:		
– Shanghai Construction Group., Ltd.	–	36
Advisory expenses:		
– Yun Zhuo capital investment (Beijing) Co., Ltd.	–	2,100
– Yun Zhuo capital investment (Chengdu) Co., Ltd.	–	2,800
– Harvest Capital Management Co., Ltd.	2,036	–
– Citigroup Global Markets Asia Limited	60	–
– China Pacific Property Insurance Co., Ltd	38	–

* These companies do not have official English names. English translated names are for identification only.

** The directors and supervisors of the Company have been appointed as directors or senior management of these related parties or these related parties are major shareholders of subsidiaries of the Company as at June 30, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(3) Key management personnel

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

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Short-term benefits:		
– Salaries, allowance and bonuses	25,845	19,892

44. FINANCIAL RISK MANAGEMENT

44.1 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 Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.1 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.2 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.

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. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.2 Credit risk *(Continued)*

(2) *Credit risk and impairment assessment*

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 period ended June 30, 2019.

The Group mainly relies on external credit ratings to assess the credit risk of bond investments.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.2 Credit risk *(Continued)*

(2) *Credit risk and impairment assessment (Continued)*

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

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument's external credit rating;
- expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- an actual or expected significant change in the quality of credit enhancement; and
- significant changes in the expected performance and behavior of the borrower.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.2 Credit risk *(Continued)*

(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.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.2 Credit risk *(Continued)*

(3) *Measurement of ECL (Continued)*

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Some of the financial assets and financial liabilities are measured at fair value at the end of the period. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Some of the financial assets and financial liabilities are measured at fair value as at June 30, 2019 and December 31, 2018. 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
	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)				
1) Debt instruments measured at FVTOCI						
Debt securities						
- Traded on stock exchanges	40,016,941	33,449,319	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on inter-bank market	27,528,821	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
	67,545,762	62,209,436				

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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
	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)				
2) Equity instruments measured at FVTOCI						
Equity investments						
- Traded on stock exchanges	408,975	296,321	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	473,100	605,972	Level 2	Recent transaction prices.	N/A	N/A
- Private equity investments	289,181	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 Discount for lack of marketability	The higher the discount, lower the fair value The higher the multiples, the higher the fair value
- Restricted shares	301,258	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. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.	Discount for lack of marketability	The higher the discount, the lower the fair value
- Perpetual instruments traded on stock exchanges	1,983,411	1,936,221	Level 1	Quoted bid price in an active market.	N/A	N/A
- Perpetual instruments traded on inter-bank market	1,327,609	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	5,107,394	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
	9,890,928	9,316,262				

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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
	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)				
3) Financial assets at FVTPL						
Debt securities						
- Traded on stock exchanges	16,785,467	15,547,002	Level 1	Quoted bid price in an active market.	N/A	N/A
- Trade on inter-bank market	8,839,541	9,332,150	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	3,574,395	1,478,615	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	937,462	1,278,472	Level 2	Recent transaction prices.	N/A	N/A
- Private equity investments	2,449,486	2,678,785	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 Discount for lack of marketability	The higher the discount, the lower the fair value The higher the multiples, the higher the fair value
- Restricted shares	697,422	991,366	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.	Discount for lack of marketability	The higher the discount, the lower the fair value
Funds						
- Traded on stock exchanges	1,711,344	1,082,829	Level 1	Quoted bid price in an active market.	N/A	N/A
- Other funds	10,186,902	9,484,994	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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
	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)				
3) Financial assets at FVTPL (Continued)						
Other investments						
- Collective assets management schemes issued by financial institutions	5,832,566	5,565,510	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	371,595	479,642	Level 3	The fair value is determined with reference to the net asset value of the underlying investments with an adjustment of discount for the credit risk of counterparty.	Discount rate	The higher the discount, the lower the fair value
- Perpetual instruments traded on stock exchanges	3,551,035	3,011,079	Level 1	Quoted bid price in an active market.	N/A	N/A
- Perpetual instruments traded on inter-bank market	1,782,997	1,104,903	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
	56,720,212	52,035,347				
4) Financial liabilities at FVTPL						
Debt securities						
- Trade on inter-bank market	1,697,186	1,496,012	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	7,420,548	5,026,036	Level 1	Quoted bid price in an active market.	N/A	N/A
Others	681,181	-	Level 2	Transaction price of its underlying assets.	N/A	N/A
Interests attributable to other holders of consolidated structured entities	332,552	312,333	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
	10,131,467	6,834,381				

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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
	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)				
5) Derivative financial instruments						
Interest rate swaps – liabilities	(302)	–	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
Interest rate swaps – assets	–	3,327	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	–	(97)	Level 1	Quoted bid price in an active market.	N/A	N/A
Treasury bond futures – assets	–	35	Level 1	Quoted bid price in an active market.	N/A	N/A
Commodity forwards – liabilities	–	(436)	Level 2	Recent transaction prices.	N/A	N/A
Equity return swaps – assets	43,212	65,849	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	9,956	10,204	Level 2	Recent transaction prices.	N/A	N/A
Stock options – liabilities	(12,191)	(3,604)	Level 2	Recent transaction prices.	N/A	N/A
Equity linked derivatives – assets	3,843	26,394	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 Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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
	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)				
5) Derivative financial instruments <i>(Continued)</i>						
Equity linked derivatives – liabilities	(4,106)	(5,620)	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
Derivatives embedded in income certificates	(1,083)	(4,484)	Level 2	Calculated based on contracted interest rates with reference to the market prices of underlying assets.	N/A	N/A
Commodity swaps – assets	681,801	176,937	Level 1	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Gold forwards – assets	–	10,170	Level 1	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Currency swaps – assets	25,295	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	(5,581)	(4,542)	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
Credit default swap – assets	1,617	–	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 – assets	54,024	–	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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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
	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)				
5) Derivative financial instruments (Continued)						
Commodity option arrangement - liabilities	(2,393,214)	(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
	(1,596,729)	(587,319)				

As at June 30, 2019 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
- Debt securities	40,016,941	27,528,821	-	67,545,762
Equity instruments at FVTOCI				
- Equity investments	2,392,386	1,800,709	590,439	4,783,534
- Others	-	5,107,394	-	5,107,394
Financial assets at FVTPL				
- Debt securities	16,785,467	8,839,541	-	25,625,008
- Equity investments	3,574,395	937,462	3,146,908	7,658,765
- Funds	1,711,344	10,186,902	-	11,898,246
- Others	3,551,035	7,615,563	371,595	11,538,193
Derivative financial assets	681,801	137,947	-	819,748
Total	68,713,369	62,154,339	4,108,942	134,976,650
Financial liabilities:				
Financial liabilities at FVTPL	7,420,548	2,710,919	-	10,131,467
Derivative financial liabilities	-	2,416,477	-	2,416,477
Total	7,420,548	5,127,396	-	12,547,944

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

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

As at December 31, 2018 (audited)

	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	15,547,002	9,332,150	–	24,879,152
– 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	3,011,079	6,670,413	479,642	10,161,134
Derivative financial assets	187,142	131,348	–	318,490
Total	56,988,528	62,108,332	4,782,675	123,879,535
Financial liabilities:				
Financial liabilities at FVTPL				
Derivative financial liabilities	97	905,712	–	905,809
Total	5,026,133	2,714,057	–	7,740,190

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

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

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

Equity instruments at FVTOCI:

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
At the end of the prior period	632,882	–
Effect of application of IFRS 9	–	130,160
At the beginning of the period	632,882	130,160
Changes in fair value recognised in other comprehensive income	(42,443)	(20,821)
At the end of the period	590,439	109,339

Financial assets at FVTPL:

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
At the end of the prior period	4,149,793	810,366
Effect of application of IFRS 9	–	2,580,462
At the beginning of the period	4,149,793	3,390,828
Changes in fair value recognised in profit or loss	(88,225)	(12,888)
Purchases	843,175	4,746,905
Transfer in to level 3 <i>(Note a)</i>	168,499	106,620
Transfer out of Level 3 <i>(Note b)</i>	(928,820)	(634,649)
Disposal	(625,919)	(225,623)
At the end of the period	3,518,503	7,371,193
Total gains for assets		
– unrealized gains recognized in profit or loss	(121,033)	(17,600)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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)

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.

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

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is determined by the active market quotation or estimated using discounted cash flow method.

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

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

	As at June 30, 2019		As at December 31, 2018	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Financial assets				
Debt instruments measured at amortised cost	7,684,601	7,577,123	7,912,596	7,813,512
Financial liabilities				
Bond payables				
– Corporate bonds	26,935,626	26,400,000	27,404,305	27,280,065
– Subordinated bonds	27,781,392	27,102,780	16,777,484	16,771,308
– Income certificates	1,900,433	1,829,696	7,806,484	7,451,943
– Others	5,080,228	4,847,174	5,060,695	4,573,685
Total	61,697,679	60,179,650	57,048,968	56,077,001

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

45. 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 June 30, 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	4,021,191	3,555,932	–	7,577,123
Financial liabilities				
Bond payables	47,505,600	12,674,050	–	60,179,650

As at December 31, 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	4,246,619	3,566,893	–	7,813,512
Financial liabilities				
Bond payables	38,056,089	18,020,912	–	56,077,001

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

46. RECLASSIFICATION OF COMPARATIVE FIGURES

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

47. SUBSEQUENT EVENT

On July 19, 2019, the Company has issued a short-term financing bill with par value of RMB3 billion. The short-term financing bill bears an interest rate of 2.75% with maturity of three months.

On August 20, 2019, the Company has issued a floating rate bond with par value of USD300 million and a senior bond with par value of EUR200 million. The floating rate bond bears a floating interest rate with maturity of three years. The senior bond bears an interest rate of 0.625% with maturity of three years.

