

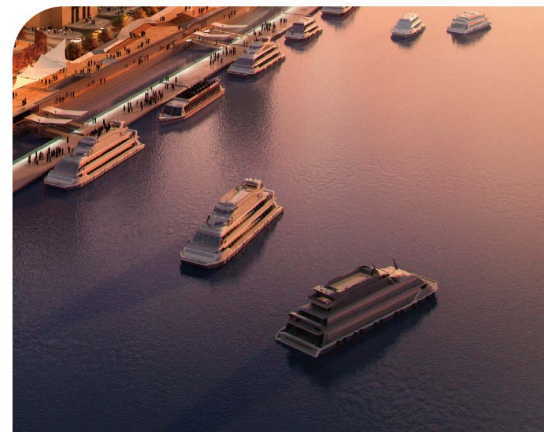
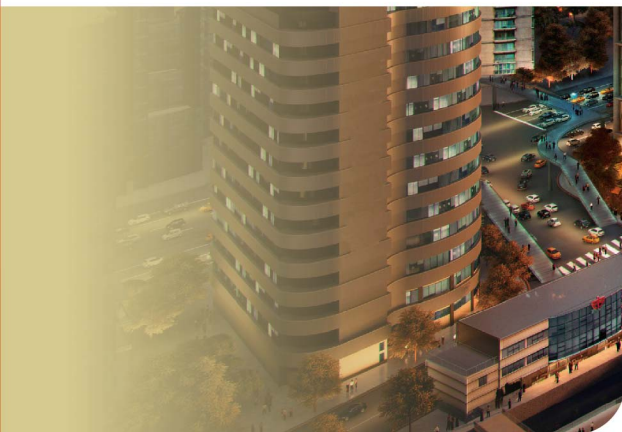
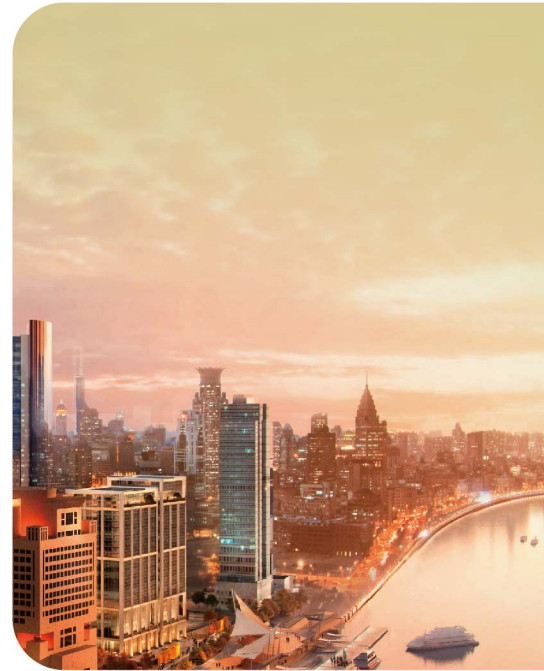
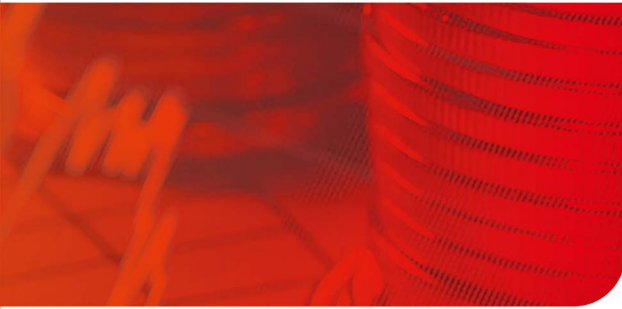


东方证券

— 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 and its Directors, Supervisors and senior management warrant that the information contained herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this interim report, and severally and jointly accept legal liability.
- II. The report has been considered and approved at the 21st meeting of the fourth session of the Board and the 16th meeting of the fourth session of the Supervisory Committee. Mr. Li Xiang and Ms. Xia Jinghan, non-executive Directors, failed to attend the Board meeting in person due to official business and authorised Mr. Pan Xinjun, the Chairman to vote on their behalf. No objection from the Directors or Supervisors was raised to this report.

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

- III. The 2020 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. Mr. Pan Xinjun, Chairman of the Company, Mr. Zhang Jianhui, the accounting chief, and Mr. You Wenjie, the 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 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 2020.
- 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 Prevention Measures under the discussion and analysis on the Company's future development 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.



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Section I Definitions

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

Definitions of the frequently used terms

“A Share(s)”	the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE
“Articles of Association”	the articles of association of DFZQ
“Board” or “Board of Directors”	the board of directors of DFZQ
“CDB”	China Development Bank (國家開發銀行)
“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)
“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 (中國證券監督管理委員會)
“Director(s)”	the director(s) of DFZQ
“GEM”	growth enterprise market board of the Shenzhen Stock Exchange
“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
“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 Investment Banking”	Orient Securities Investment Banking Co., Ltd (東方證券承銷保薦有限公司), 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 Co., Ltd. (東證國際金融集團有限公司), a wholly-owned subsidiary of Orient Finance Holdings
“Orient Securities Runhe”	Orient Securities Runhe Capital Management Co., Ltd. (東證潤和資本管理有限公司), a wholly-owned subsidiary of Orient Futures

Section I Definitions

“Reporting Period”	January 1, 2020 to June 30, 2020
“RMB, RMB’000, RMB’0000, RMB million, RMB100 million”	Renminbi Yuan, Renminbi’000, Renminbi’0000, Renminbi million, Renminbi 100 million (unless otherwise specified)
“Sci-Tech Innovation Board”	the science and technology innovation board launched by the SSE
“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
“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	Wang Rufu, Leung Wing Han Sharon

Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

	As at the end of this Reporting Period	As at the end of last year
Registered capital	6,993,655,803.00	6,993,655,803.00
Net capital	37,390,213,480.61	40,108,215,816.68

Business scope of the Company

Securities brokerage; margin financing and securities lending; securities investment consultancy; financial consultancy related to securities trading and securities investing activities; proprietary trading of securities; proxy sale of securities investment funds; intermediary 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	Securities and Futures Commission of Hong Kong (CE No. AVD362)
	Type 4 Licence – Advising on securities	
19	Type 9 Licence – Asset management	Securities and Futures Commission of Hong Kong (CE No. AVH864)
20	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
21	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
22	Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business	CSRC (Zheng Jian Xu Ke [2011] No. 2136)
23	Qualification for trial operation of dealer-quoted collateralized bond repurchase business	CSRC (Ji Gou Bu Bu Han [2012] No. 20)
24	Qualification for provision of integrated services to insurance institutional investors	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
25	Qualification for conducting securities repurchase agreement transaction business	CSRC (Ji Gou Bu Bu Han [2012] No. 481)
		SSE (Shang Zheng Hui Zi [2012] No. 167) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 15)
26	Qualification for investment manager of insurance funds	Announcement of the China Insurance Regulatory Commission
27	Qualification of pilot margin refinancing	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2012] No. 149 and Zhong Zheng Jin Han [2012] No. 153)
28	Qualification for assets management business	CSRC (Zheng Jian Xu Ke [2012] No. 1501)
29	Qualification for conducting special institutional client business of insurance institutions	China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions)
30	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
31	Permit to operate securities and futures business	CSRC (No.: 913100001321109141)
32	Qualification for financial products distribution business	Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)
33	Qualification for conducting brokerage business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Han [2013] No. 44)
34	Conducting comprehensive custodian business for private equity fund (limited partnership)	CSRC (Ji Gou Bu Bu Han [2013] No. 174)
35	Qualification for conducting pilot consumption and payment service of securities funds of clients	CSRC (Ji Gou Bu Bu Han [2013] No. 207)
36	Permit to operate securities investment business	CSRC (RQF2013HKS015)
37	Qualification for collateralized stock repurchase business	SSE (Shang Zheng Hui [2013] No. 77) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 60)
38	Qualification for conducting securities pledge registration agency business	CSDCC (Confirmation on Qualification for Securities Pledge Registration Agency Business)
39	Qualification for management business of publicly offered securities investment fund	CSRC (Zheng Jian Xu Ke [2013] No. 1131)
40	Qualification for equity-based return swaps and OTC options business	Securities Association of China (Zhong Zheng Xie Han [2013] No. 923)
41	Qualification for conducting pilot securities refinancing business	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227)
42	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
43	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
44	Qualification for conducting market maker business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No. 707)
45	Qualification of first batch of quotation and service participants of private fund products trading between companies	China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch])

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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)
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)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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
61	Qualification for issue of short-term financing bills	CSRC (Ji Gou Bu Han [2015] No. 3337)
62	License of Money Lenders	Eastern Magistrates' Courts of Hong Kong (No. 0048/2016)
63	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326)
64	Qualification for inter-bank Gold Price Asking Transactions	Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81)
65	Qualification of stock options transaction participants of SSE	SSE (Shang Zheng Han [2017] No. 165)
66	Authorization 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 regulatory authorities)	CSRC (Ji Gou Bu Han [2019] No. 463)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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)
74	Authorisation for trading of stock option business on Shenzhen Stock Exchange	Shenzhen Stock Exchange (Shen Zheng Hui [2019] No. 470)
75	Qualification for commodity options market making business	CSRC (Ji Gou Bu Han [2019] No. 3058)
76	Qualification for stock index options market making business	CSRC (Ji Gou Bu Han [2019] No. 3067)
77	Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on Shenzhen Stock Exchange	Shenzhen Stock Exchange (Shen Zheng Hui [2019] No. 483)
78	Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on SSE	SSE (Shang Zheng Han [2019] No. 2300)
79	Operation Qualification of Settlement and Sale of Foreign Exchange Business	State Administration of Foreign Exchange (Hui Fu [2020] No. 10)

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
Tel	+86-021-63325888	+86-021-63325888
Fax	+86-021-63326010	+86-021-63326010
E-mail	wangrf@orientsec.com.cn	litingting@orientsec.com.cn

Section II Company Profile and Key Financial Indicators

III. BASIC COMPANY INFORMATION

Registered address	Orient Securities Building, No. 119 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
Company website	http://www.dfzq.com.cn
E-mail	ir@orientsec.com.cn

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, Orient Securities Building, 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	東方證券	600958
H Shares	Hong Kong Stock Exchange	DFZQ	03958

Section II Company Profile and Key Financial Indicators

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	Shi Man, Pan Zhuyun
Overseas accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Name of the signing accountant	Ma Hingfai
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	

Section II Company Profile and Key Financial Indicators

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 2020	From January to June 2019	The current period as compared with the previous period
Operating results			
Total revenue, gains and other income	12,051,783	10,708,706	12.54%
Profit before income tax	1,777,103	1,509,250	17.75%
Profit for the period-attributable to shareholders of the Company	1,526,024	1,209,616	26.16%
Net cash from operating activities	2,004,770	3,871,058	(48.21%)
Earnings per share (RMB/share)			
Basic earnings per share	0.22	0.17	29.41%
Diluted earnings per share	N/A	N/A	N/A
Indicator of profitability			
Weighted average returns on net assets (%)	2.80	2.31	Increased by 0.49 percentage point

Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

Items	June 30, 2020	December 31, 2019	As at the end of the Reporting Period as compared with as at the end of last year
Indicators of scale			
Total assets	270,757,901	262,971,442	2.96%
Total liabilities	216,269,680	208,959,805	3.50%
Account payables to brokerage clients	50,045,135	40,179,178	24.55%
Equity attributable to shareholders of the Company	54,458,246	53,965,516	0.91%
Share capital ('000 shares)	6,993,656	6,993,656	0.00%
Net assets per share attributable to shareholders of the Company (RMB/share)	7.79	7.72	0.91%
Gearing ratio (%) ^{Note}	75.31	75.75	Decreased by 0.44 percentage point

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

Section II Company Profile and Key Financial Indicators

(ii) 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 RMB37.39 billion, representing a decrease of RMB2.718 billion or 6.78% as compared with RMB40.108 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	37,390,213	40,108,216
Net assets	51,083,395	50,586,896
Risk coverage rate (%)	226.42	265.40
Capital gearing ratio (%)	12.73	13.04
Liquidity coverage ratio (%)	247.69	295.21
Net stable funding ratio (%)	134.17	134.55
Net capital/net assets (%)	73.19	79.29
Net capital/liabilities (%)	24.82	26.61
Net assets/liabilities (%)	33.91	33.57
Proprietary equity-based securities and its derivatives/net capital (%)	37.14	30.03
Proprietary non-equity securities and its derivatives/net capital (%)	322.28	291.38

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 2020 and January to June 2019, and net assets as at June 30, 2020 and December 31, 2019 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 provides 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 its competitive business sectors such as proprietary investment, asset management and securities research.

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

- Securities Sales and Trading

The Company conducts securities sales and trading business with its own capital, including equity investment and trading 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, single 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 services such 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 conducts risk management business through Orient Securities Runhe, a wholly-owned subsidiary of Orient Futures and facilitates companies to manage price risks during operations via warehouse receipt services, basis trade and OTC options in futures and spot markets.

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 Orient Investment Banking, a wholly-owned subsidiary of the Company.

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 business regulated by the SFC in accordance with the SFO through Orient Securities International, its wholly-owned subsidiary and various licensed companies.

Section III Summary of the Company's Business

During the first half of 2020, amid the COVID-19 pandemic and international trade friction, the domestic economy was exposed to numerous uncertainties and the stock market and bond market performed with significant fluctuation. During the Reporting Period, the securities industry achieved operating income of RMB213.404 billion, an increase of 19.26% over the same period of last year and net profit of RMB83.147 billion, an increase of 24.73% over the same period of last year. In terms of operating income, the securities industry achieved net income from agency sales of RMB53.21 billion (including seat rental income), an increase of 17.82% year-on-year, net income of securities underwriting and sponsorship business of RMB22.11 billion, representing a year-on-year increase of 49.37% and net income of financial advisory business of RMB3.207 billion, representing a decrease of 35.37% year-on-year. Securities investment income (including changes in fair value) amounted to RMB70.274 billion, a year-on-year increase of 13.24%; net income of asset management business reached RMB14.291 billion, a year-on-year increase of 12.24% and net interest income was RMB27.566 billion, up 20.21% year-on-year. In terms of capital scale, the capital strength of the securities industry was steadily enhanced. As of the end of the Reporting Period, the total assets and net assets of the securities industry were RMB8.03 trillion and RMB2.09 trillion, respectively, representing an increase of 10.61% and 3.47% compared with the beginning of the year.

During the Reporting Period, the Company maintained stable overall strength and industry position and recorded sound financial condition. The Company actively seized market opportunities regarding its securities sales and trading business, kept its leading position in the industry in terms of investment management business, continued to deepen transformation of wealth management, and advanced with stability with respect to the investment banking, private equity investment and other businesses. The Company strictly adhered to the bottom line of risk control, and was rated as a Grade A, Category A company among brokers. It has been rated as a Grade AA, Category A or Grade A, Category A securities company for the twelfth consecutive year.

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 RMB17.747 billion, accounting for 6.55% of the total assets.

Section III Summary of the Company's Business

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core competitiveness of the Company lies in talents, mechanism, business, party-building and corporate culture.

(i) Professional and Stable Talent Team with an Ever-evolving Talent Mechanism

The Company boasts a professional, stable and rationally-structured talent team. First of all, the Company owns a united, stable, enterprising and inclusive senior management team, who have, on average, served the Company for 17 years and accumulated profound experience in the capital market and insight into the securities and financial industries. With concerted efforts, pragmatism, professionalism and accountability, the senior management team of the Company guarantees the sustainability of the Company's development strategies. Secondly, the Company has a professional, high-quality and relatively stable business team who have gained extensive market experience through the years and excellent expertise, which has contributed to the establishment of several business brands. Thirdly, the talent team of the Company is rationally structured. Recent years, the Company focused on introducing leaders and top-notch talents as well as strengthening the pool of backup talents. Our workforce features quality, youthfulness and professionalism, and the talent structure is further optimized to strike a better balance among quantity, post competence, form of employment and labor costs.

The Company maintains a talent mechanism that keeps pace with the times. The Company has established a clear channel for staff development, constantly improved the mechanism of "normalized promotion + project talent development + cadre competition and selection", strengthened the construction of younger cadres, promoted the exchange of cadres and talents, and enhanced the reserve of cadres and talents. The Company attaches great importance to the market-oriented mechanism of talents, benchmarked staff salaries against market practices, and launched the H-share employee stock ownership plan, thereby securing fruitful results for the talent mechanism.

(ii) Time-tested Advantageous Business with Impressive Investment Capacity

Leveraging its impressive investment capacity, the Company has been committed to the value investment concept in various investment business lines, such as asset management, fund management, fixed income and securities investment, and survived the tests of various bullish and bearish markets, which has facilitated the Company to achieve leading business results in the industry in the long run and earning a reputation for its investment brands in the market.

Section III Summary of the Company's Business

The asset management business of the Company has achieved long-term remarkable results. Orient Securities Asset Management stayed at the forefront of the industry in terms of revenue, witnessed steady increase in management scale and has been leading the industry in terms of the yields of equity funds and fixed income products for the latest three and five years with long-term outstanding performance. The “Dong Fang Hong (東方紅)” brand enjoys a sound reputation in the market. China Universal amounts to approximately RMB900 billion in total scale, active equity funds secured significant growth and the mid to long-term investments maintained excellent performance. Investment yields of fixed income business of the Company remained stable, debt underwriting and issuance capacity won sound reputation and trading volume of bond connect business ranked third among securities dealers, which garnered the “Bond Connect Outstanding Quotation Agency Award (債券通優秀報價機構獎)”. Adhering to the value investment strategy, the Company achieved satisfactory long-term results in equity investment by harvesting sound absolute gains on the precondition of risk control.

(ii) Expanding Development Potential Leveraging Innovation and Transformation, and Adhering to the Bottom Line of Prudent Operation with Compliance and Risk Control

The Company attaches great importance to innovation and transformation and has achieved sound progress. It has complete innovation qualifications, and innovation revenue accounts for more than 30% of total revenue. Certain innovative businesses have formed brand effect and first-mover advantage in the industry, and numerous innovative business projects have won various innovation awards. In the first half of 2020, the Company obtained the qualification of foreign exchange settlement and sales business approved by the State Administration of Foreign Exchange, which laid the foundation for accessing the domestic foreign currency market, and the FICC business chain of the Company basically took shape. The Company's “Monitoring and Positioning of Abnormal Securities Transactions” project won the first prize of the 2019 Research Project of the Financial Technology Research and Development Center of Securities and Futures Industry (Shenzhen); and two major projects, being the “artificial intelligence-based abnormal transaction monitoring system V1.0” and the “strategic container engine-based commodity and precious metal arbitrage system V1.0”, have also been identified as Shanghai high-tech achievements transformation projects. The Company pressed ahead with innovation and transformation, which has greatly expanded the Company's innovation and development potential.

Section III Summary of the Company's Business

Upholding the concept of creating value through compliance, the Company implemented comprehensive risk management, established a sound organizational structure, focused on strengthening compliance risk management of subsidiaries, and deepened key tasks such as customer management, anti-money laundering, employee practice behavior, product management, internal control and operational risk management, and continuously improved the construction of risk management system and indicator system. Besides, the Company synchronized business development, achieved full audit coverage, and strengthened audit project management and audit quality control. It implemented the ISO27001 information security management system on a comprehensive basis to ensure stable running of all information systems and system development functioned standardly and under control. In the first half of 2020, the Company did not experience any major irregularities or risk-related events, and did not encounter any information system security incidents, thus effectively sustaining the bottom line of prudent operation.

(iv) Promoting the Strength of Party Building to Achieve Another New Height in Party-building Culture Construction

The Company attaches great importance to the construction of party building and corporate culture, always adheres to the concept that “party building and corporate culture are productive forces”, and insists on cementing the foundation by party building and uniting efforts by culture, and focused on and gave due consideration to both party building and corporate culture. The Company carried out the “remain true to our original aspiration and keep our mission firmly in mind” in-depth theme education activity, celebrated the 70th anniversary of the founding of New China, held the 7th Art Festival, organized the “Belt and Road Initiative Sharing and Win-Win” walking activity, and held the annual labor competition. Through the continuous construction of party building, the soft power of party building and corporate culture construction has been continuously enhanced, and the sense of belonging, trust and gain of cadres and employees has been further enhanced. The Company’s “Happy Home” theme practice activity was awarded the “Shanghai State-owned Enterprise Party Building Brand”, and the Company again won Forbes’ “Best Employer Worldwide in 2019”, and achieved the highest rating among 31 Chinese peer companies in the ESG rating organized by MSCI, which further enhanced its brand image and reputation.

Section IV Report of the Board

I. DISCUSSION AND ANALYSIS OF OPERATION

(i) Overview of Operations

During the first half of 2020, the COVID-19 pandemic rose to be the most significant variable to economic development and the capital market, striking a blow to global economy. A recession therefrom forced governments across the world to launch stimulus measures, leading to loose liquidity around the globe and substantial fluctuations in the capital market. In particular, benefited from the strict epidemic control measures, economic recovery in the PRC gained sound momentum, where GDP for the second quarter of 2020 rebounded to record a year-on-year increase of 3.2%. During the Reporting Period, A-share market witnessed an upsurge after a decline amid sharp divergences in the first half of 2020, as shown by a 2.15% drop in the SSE Composite Index, a surge of 14.97% in the SZSE Component Index and a rise of 35.60% in GEM Index. The average daily trading volume of the SSE and SZSE stocks reached RMB757.972 billion, representing a year-on-year increase of 29.05%. The bond market curbed at a high level after an upsurge, with 10-year treasury bonds trending downwards to around 2.82% by 31bp and the ChinaBond Aggregate Full Price Index picking up by 0.84%.

During the Reporting Period, upholding the operation strategy of “growth stabilization, risk control and reform promotion”, the Company pooled concerted efforts towards business operations in addition to epidemic containment. In terms of the proprietary investment, the Company tapped into its investment and research capabilities, optimized portfolio structure and achieved satisfactory yields. Trading volume of the Company’s spot transaction of bonds in the inter-bank market and interest swap business ranked at the forefront of the industry, which attained the membership of foreign exchange settlement and sales in the inter-bank foreign exchange market and the membership of foreign currency lending in the inter-bank foreign exchange market. Leveraging the asset-end advantages, the Company secured remarkable progress in terms of agency sale of financial products, with sales volume of non-cash products reaching RMB13.1 billion, representing an increase of 42% year-on-year. The Company consolidated its leading position in the asset management business. The total asset under management of Orient Securities Asset Management exceeded RMB230 billion and the absolute yields of equity funds for the latest five years and fixed income funds for the latest three years ranked ahead in the industry, maintaining the competitive edge in sustainability in terms of the long-term development ability. Total asset under management of China Universal reached RMB895.9 billion, including publicly offered funds of RMB635.4 billion, representing an increase of 22.33% from the beginning of the year. Orient Investment Banking won the bid for the IPO project of CICC and was shortlisted as the lead underwriter of Shanghai Pudong Development Bank’s new capital bonds. Orient Futures exerted its advantages in research and technology to witness a steady increase in customer base and maintained the first place among peers in terms of trading volume and market share.

Section IV Report of the Board

The Company carried out epidemic prevention and control in a strict and orderly manner, focused on continuous investigation and launched employee welfare insurance jointly with insurers. The Company continued to improve corporate governance, standardized information disclosure and attached importance to various systems after the introduction of the new securities law. The Company comprehensively implemented the new rules on risk indicators, regularly conducted liquidity stress tests, and optimized the reserve structure. All indicators met the regulatory requirements, and no major risks and irregularities were identified. The Company adhered to the concept of integrated development in terms of financial technology, improved the function construction of information, market and data center, and completed the establishment of Xinchuang pilot cloud as one of the seven pilot securities companies designated by the CSRC. The Company initiated and successfully implemented the H-share employee stock ownership plan, marking a milestone for the reform and innovation of the long-term incentive mechanism for employees. The Company continued to promote the institutionalization of corporate culture construction and effectively enhance the influence of corporate culture construction.

As at the end of June 2020, the Company's total assets were RMB270.758 billion, representing an increase of 2.96% as compared with the end of last year, and the equity attributable to the Shareholders of the Company was RMB54.458 billion, representing an increase of 0.91% as compared with the end of last year. The net capital of the Parent Company was RMB37.39 billion, representing a decrease of 6.78% as compared with the end of last year; profit for the period attributable to Shareholders of the Company was RMB1.526 billion, representing an increase of by 26.16% year-on-year. The Group achieved total revenue, gains and other income of RMB12.052 billion, of which: revenue, gains and other income from securities sales and trading business was RMB3.251 billion, accounting for 25.54% of the total; revenue, gains and other income from investment management business was RMB1.450 billion, accounting for 11.39% of the total; revenue, gains and other income from brokerage and securities financing was RMB6.068 billion, accounting for 47.67% of the total; revenue, gains and other income from investment banking business was RMB609 million, accounting for 4.78% of the total; and revenue, gains and other income from headquarters and others was RMB1.352 billion, accounting for 10.62% 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	3,250,533	1,008,106	68.98	51.97	8.75	Increased by 13.00 percentage points
Investment management	1,449,870	911,992	59.02	26.94	46.01	Decreased by 14.39 percentage points
Brokerage and securities financing	6,068,127	6,160,997	(1.52)	6.35	23.17	Decreased by 13.84 percentage points
Investment banking	608,571	298,891	50.89	4.19	(6.59)	Increased by 5.67 percentage points
Headquarters and others	1,351,925	2,375,545	(75.57)	(14.00)	(11.77)	Decreased by 4.29 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 funds, including proprietary trading (equity investment and trading, fixed income investment and trading, financial derivatives trading business), and innovative investment and securities research services. During the Reporting Period, the securities sales and trading business segment realized segment revenue, gains and other income of RMB3.251 billion, accounting for 25.54% of the total income.

Section IV Report of the Board

Proprietary trading

During the Reporting Period, mixed influence of multiple factors such as the epidemic and trade friction put much pressure on the economic growth, resulting in significant fluctuations in the stock market. In the first half of 2020, the SSE Composite Index fell by 2.15%, the SZSE Component Index rose by 14.97% and the average valuation of A shares remained at the low level. During the Reporting Period, equity-biased funds of 553 billion were issued, and the allocation of social assets turned to equity. Meanwhile, under the flexible and moderate monetary policy and the relatively loose liquidity, the yields of 10-year treasury bonds dropped by 31bp to around 2.82%, the 10-year CDB yields dropped by 47bp to around 3.1%, the total price index of ChinaBond increased by 0.84%, and the ChinaBond Aggregate Full Price Index increased by 0.79%.

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

(in RMB million)	As at June 30, 2020	As at December 31, 2019
Stocks	9,339.61	6,948.16
Funds	2,396.01	2,553.75
Bonds	86,041.14	87,906.29
Others <i>(Note)</i>	1,294.77	933.75
Total	99,071.53	98,341.95

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

In terms of equity investment business, the Company adhered to the concept of value investment, leveraged the advantages of traditional investment research to tap into the study of the industry and individual stocks, and explored the investment value of individual stocks through continuous tracking. At the same time, the Company implemented a strict dynamic trailing stop-loss mechanism according to the volatility characteristics of the stock market, and flexibly adjusted its positions based on market trends. Thanks to the investment and research advantages and reasonable stop-loss mechanism, the Company achieved sound absolute returns during the Reporting Period. In addition, the Company actively diversified its investment business, enriched its revenue sources and expanded to overseas investment, quantitative investment and other fields, thereby laying a solid foundation for reducing the impact of unilateral market fluctuations on its investment portfolio. In the future, the Company will continue to strengthen investment research, improve the rate of return on the premise of strict risk control and seize the opportunities in the equity investment market.

Section IV Report of the Board

In terms of NEEQ business, with the implementation of policies such as setting up the Premium New Third Board (PNTB), lowering the threshold of investors, opening up public fund investment and cross-market transfer, the popularity of the NEEQ market has increased significantly and the liquidity has therefore been improved. During the Reporting Period, the Company continued to optimize the stock investment portfolio on the NEEQ, promoted the initial public offering of high-quality enterprises and the application for the PNTB, further enhanced the quality of market-making business, and won the title of “Excellent Market Maker of the Year in Terms of Scale (年度優秀做市規模做市商)” of the NEEQ in 2019. As of the end of the Reporting Period, over ten projects in which the Company held positions met the public offering conditions of the PNTB. In the future, the Company will actively participate in the reform of the NEEQ while boosting and consolidating its investment and research strength, and invest in the PNTB in an orderly manner, so as to strive to seize the reform opportunity and improve the investment yields.

In terms of FICC business, the Company consolidated its core competitiveness in investment and research, and maintained its leading position in the industry in terms of scale and performance of proprietary business. During the Reporting Period, the Company timely adjusted the position structure of fixed-income proprietary trading business while strengthening the credit risk management of bonds. The trading volume of spot bonds in the inter-bank market increased by 50.2% year-on-year, while the trading volume of interest rate swaps decreased by 44.1% year-on-year, both ranking ahead among securities dealers. The Company secured outstanding achievements in the market-making business of the inter-bank bond market. During the Reporting Period, the trading volume of the market-making business in the inter-bank market increased by 58.9% year-on-year, remaining at the forefront of the attempting market-making institutions, and the trading volume through the Bond Connect also remained as one of the top three in the industry. During the Reporting Period, the innovation and transformation of the Company’s FICC business progressed steadily. In terms of gold and bulk commodities business, the Company carried out various proprietary trading businesses, including arbitrage, trend, gold ETF market making, hedging, lending and options in several exchange markets and the overall business scale stood at the forefront of brokers. During the Reporting Period, the Company won six honors, including “Outstanding Special Member Award (優秀特別會員獎)” of Shanghai Gold Exchange in 2019. In terms of foreign exchange business, the Company successively obtained the membership of foreign exchange settlement and sales in the inter-bank foreign exchange market and membership of foreign currency lending in the inter-bank foreign exchange market, and completed the infrastructure construction of foreign exchange transactions. At present, it has routinely carried out spot and derivative transactions of proprietary foreign exchange settlement and sales, with a steady increase in transaction scale and gradually enriched trading strategies. In the future, the Company will further promote the transformation of fixed income business sales transactions and agency business, promote the improvement of FICC industrial chain and increase the proportion of intermediary income.

Section IV Report of the Board

In terms of derivatives business, during the Reporting Period, the Company's active quantification, intelligent trading and over-the-counter derivatives business maintained steady development. In particular, the active quantitative investment secured impressive performance. Through system optimization and strategy improvement, the transaction level has been gradually enhanced, and the business yield increased amid stability. The Company's intelligent trading business achieved stable income, and the artificial intelligence big data platform and low-latency trading system have been put into use and achieved initial results, realizing the financial technology empowerment derivatives business. The Company actively participated in the market-making business of the exchanges, and currently is qualified for market-making of SSE 50ETF options, Shanghai and Shenzhen 300ETF options, SSE listed funds, Shanghai and Shenzhen 300ETF options of the Shenzhen Stock Exchange, CFFEX Shanghai and Shenzhen 300 stock index options, silver futures, rebar futures and gold options of the Shanghai Futures Exchange and cotton yarn futures of Zhengzhou Commodity Exchange. In addition, the Company actively explored the potential of over-the-counter derivatives trading business, in an effort to secure stable income for the Company. In the future, the Company will continue to strengthen the active quantification business, enrich and improve the high-frequency market-making business, deepen the application of artificial intelligence at the transaction level, and grasp the policy benefits to actively tap the potential of over-the-counter derivatives business.

Innovative investment

The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company.

During the Reporting Period, the special asset business of Orient Securities Innovation Investment achieved satisfactory development despite various uncertainties such as the COVID-19 pandemic. In the first half of 2020, it invested in a total of 7 projects with an investment amount of RMB976 million. As of the end of the Reporting Period, its existing special assets business amounted to 27 and the scale thereof reached RMB3.151 billion. In terms of equity investment, during the Reporting Period, Orient Securities Innovation Investment added 5 new equity investments, totaling RMB138 million, and one of the existing projects applied for IPO of the PNTB. In addition, Orient Securities Innovation Investment actively participated in the strategic placement of Sci-Tech Innovation Board, and completed a follow-up investment project in the first half of 2020, with a cumulative investment scale of RMB43 million.

Section IV Report of the Board

In the future, Orient Securities Innovation Investment will build a nationally renowned high-quality investment team in the special asset business field by improving the talent structure. At the same time, with the implementation of the registration system of Sci-Tech Innovation Board and GEM, the technology equity investment market will offer new opportunities. Orient Securities Innovation Investment will continue to focus on the technology industry, take the initiative to integrate the investment strategy of the leading industry capital, and constantly search for pre-IPO projects with good cost performance, so as to achieve higher investment returns under controllable risks.

Securities research

The Company pays equal attention to external commissions and internal services, and has achieved sound results through persistence in the highly competitive commission compartment market. Meanwhile, it focuses on serving all business departments of the Company to build an internal collaborative layout. As at the end of the Reporting Period, the Company's securities research business had a total of 74 researchers, including 59 with analyst qualification and 25 with investment consultancy qualification; and published a total of 1,016 research reports. The Securities Research Institute carried out thorough research on fundamentals, and has built a mature and perfect research system of Sci-Tech Innovation Board. Furthermore, the Company continuously establishes and deepens strategic research, striving to cultivate new competitive advantages in related fields.

In terms of external commissions, the Company cultivated the public offering market and strived to improve the market share leveraging institutional customers. Besides, it expanded customer coverage and actively explored non-public offering customers. During the Reporting Period, the securities research institute realized commission income of RMB230 million, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB212 million, with a market share of 2.89% and improved ranking among customers of core public offering funds. At the same time, 1 public offering customer, 1 bank customer and 9 private placement and insurance customers were newly secured, comprehensively covering the new bank wealth management subsidiaries.

In terms of internal collaboration, the securities research institute has established cooperation programs with various business lines of the Company to study and promote the development of investment banking, wealth management and other businesses, explore service paths for corporate customers, and provide high-value services for industrial capital in a broader sense through internal collaboration.

In the future, the Company will continue to strengthen its core competitiveness and enhance its capacity to obtain external commissions. Besides, it will focus on research, give full play to the synergy of the Group, and provide comprehensive financial services for all kinds of customers.

Section IV Report of the Board

(2) *Investment Management*

The Company provided clients with asset management schemes, securities firms' publicly offered fund products for equity investment and private equity investment business. During the Reporting Period, the investment management business realized segment revenue, gains and other income of RMB1.450 billion, accounting for 11.39% of the total income.

Asset management

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

During the Reporting Period, due to the impact of the COVID-19 pandemic, the capital market experienced substantial fluctuations, the equity market was subject to abrupt structural sentiment, and the bond market recovered from the significant wide-range volatilities. With the acceleration of transformation of the net worth bank wealth management, the public offering reform of asset management of securities dealers is speeding up, the internal competition in the pan-asset management industry is gradually intensified, and the industry resources are further concentrated in the leading institutions, so that cultivating investment characteristics and creating differentiated competitive advantages become the key to breakthroughs.

Orient Securities Asset Management has long been committed to the principle of putting the interests of customers first, firmly carried out the practice of long-term value investment, focused on improving the core competitiveness driven by both "professional investment research + professional services", and maintained the leading position in terms of the medium and long-term investment performance. In order to better safeguard the interests of customers, Orient Securities Asset Management has conducted beneficial practices in delivering value investment ideas, introducing long-term funds and establishing long-term assessment mechanisms, and has always been devoted to facilitating investors to obtain long-term and sustainable investment returns.

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As of the end of the Reporting Period, the scale of entrusted asset management of Orient Securities Asset Management reached RMB230.98 billion, of which the scale of active management accounted for 99.51%. From January to June 2020, the net income of the entrusted asset management business of Orient Securities Asset Management ranked second in the industry (source: China Securities Industry Association). From 2005 to the end of the Reporting Period, the average annualized rate of return of equity products actively managed by Orient Securities Asset Management was 20.12%, while the average annualized rate of return of CSI 300 Index was 10.80% for the same period. The absolute rate of return of equity fund of Orient Securities Asset Management for the latest five years was 65.93%, and the absolute rate of return of fixed income fund for the latest three years was 16.73%, both of which ranked in the forefront of the industry (source: Financial Products Research Center of Haitong Securities Research Institute), and maintained a leading position in medium and long-term performance.

The following table sets forth the scale of assets under management (AUM) of the Company by product type:

(in RMB million)	As at June 30, 2020	As at December 31, 2019
Collective asset management scheme	56,060.81	48,466.07
Single asset management scheme	29,079.87	35,045.61
Specialized asset management scheme	10,239.06	15,955.69
Publicly offered funds issued by securities dealer	135,599.85	123,411.98
Total	230,979.59	222,879.35

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

(in RMB million, except for percentage)	As at June 30, 2020		As at December 31, 2019	
	Asset management scale	Proportion	Asset management scale	Proportion
Discretionary management products	229,842.95	99.51%	221,231.40	99.26%
Non-discretionary management products	1,136.64	0.49%	1,647.95	0.74%
Total	230,979.59	100.00%	222,879.35	100.00%

During the Reporting Period, Orient Securities Asset Management won 12 awards, including the Stock Investment Return Fund Management Company Award of the 17th “Golden Fund (金基金)” Award of Shanghai Securities News, the 15th Top Ten Star Fund Companies of Securities Times, the Five-Year Sustainable Return Star Fund Company, the Active Equity Investment Star Fund Company and the 17th Equity Investment Golden Bull Fund Company of China Securities Journal.

As a bellwether in the asset management industry, Orient Securities Asset Management will always root itself in the asset management industry, continuously consolidate and upgrade its active equity and fixed-income businesses, give full play to its core business advantages, maintain its leading position in terms of the medium and long term performance, continue to adhere to the development concept of putting the interests of customers first and build a professional service system. At the same time, it will expand the core competitiveness, speed up the layout in asset allocation products, index products and other fields, increase the product portfolio, and further consolidate the Dong Fang Hong brand.

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.

In the first half of 2020, with the continuous deepening of the reform and opening up of the capital market, the explosive growth of residents’ financial needs, and the accelerated entry of incremental funds such as pensions and foreign capital into the market, the asset management industry in the PRC ushered in the spring of rapid development. China Universal adheres to its own strategy, continuously strengthens its core competence on investment management, risk management, customer service and product innovation based on the initiative of “Capacity Enhancement Year”, and achieved comprehensive and steady development in all its business lines.

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As of the end of the Reporting Period, the monthly scale of non-monetary wealth management publicly offered funds of China Universal reached RMB336.488 billion¹. During the Reporting Period, the public offering product line of China Universal was further improved, several active equity funds with greater market influence were newly issued, many pure debt and index funds were distributed, and “fixed income +” and “fundamental hedging” absolute income strategy products were vigorously promoted. The medium and long-term investment performance maintained excellence. During the Reporting Period, the private asset management business of China Universal progressed steadily and continued to deepen cooperation with strategic customers such as banks, insurers and wealth management subsidiaries. It continued to expand into the pension business and actively participated in the construction of the third pillar system of pension. Meanwhile, the e-commerce business developed rapidly and further optimized the customer experience of the Cash Treasure platform. China Universal enhanced layout in the international business and proactively conducted cross-border business cooperations. Compliance risk control was further strengthened, and the construction of compliance risk control system was continuously improved.

¹ Source: Asset Management Association of China, as of the end of second quarter of 2020.

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During the Reporting Period, China Universal Value Selection, China Universal Blue Chip Stability, China Universal Consumer Industry and many other funds won awards such as “Golden Bull Fund (金牛基金)” and “Star Fund (明星基金)” issued by China Securities Journal and Securities Times.

In the future, China Universal will continue to practice the cultural construction requirements of the securities fund industry, firmly establish the industrial cultural concept of “compliance, integrity, professionalism and stability”, and adhere to the value of “customer first” and the business philosophy of “from a long-term perspective”, so as to strive to build the most recognized asset management brand in the PRC, and make greater contributions to meeting investors’ financial needs, promoting capital market construction and serving the development of the real economy.

Private equity investment

The Company mainly engages in private equity investment fund business through Orient Securities Capital Investment, a wholly-owned subsidiary of the Company.

The private equity investment fund business of Orient Securities Capital Investment mainly covers various types of services such as equity investment, M&A and restructuring, cross-border investment and financial advisory services related to equity investment, and mainly generates income by collecting management fees and/or obtaining performance fee according to the contractual covenants and performance of funds. As at the end of the Reporting Period, Orient Securities Capital Investment managed 47 funds with a scale of RMB13.937 billion. The total number of investment projects of Orient Securities Capital Investment and funds managed by it reached 171 with an accumulated investment of RMB24.98 billion. Among which, 42 projects have achieved investment exit, a total of 129 projects were under investment involving an investment amount of approximately RMB9.2 billion, and six projects were in the pipeline.

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Orient Securities Capital Investment has a diversified investment portfolio, involving industries such as big consumption, big health, big entertainment, big finance, and high-end equipment manufacturing. In recent years, many of its investment projects successfully underwent IPO. During the Reporting Period, two investment targets applied for listing on the Sci-Tech Innovation Board and two of the projects submitted before completed listing on the Sci-Tech Innovation Board. Meanwhile, Orient Securities Capital Investment's cross-border M&A business enjoys a leading position among private fund subsidiaries of securities firms. In recent years, Orient Securities Capital Investment has led the merger and acquisition of five large overseas projects and invested in several projects in Silicon Valley, and realized the global layout in certain fields such as new economy, high-end manufacturing and chip AI.

During the Reporting Period, Orient Securities Capital Investment won the "Top 50 Best Private Equity Investment Institution in China (中國最佳私募股權投資機構TOP50)", "Top 30 Best Chinese-funded Private Equity Investment Institution in China (中國最佳中資私募股權投資機構TOP30)", "Top 10 Best Private Equity Fund Subsidiary of Brokers in China (中國最佳券商私募基金子公司TOP10)", and "Top 20 Best Investment Institution in Advanced Manufacturing and High-tech Industry in China (中國先進製造與高科技產業最佳先進製造領域投資機構TOP20)" of 2019 China Venture Awards. In the future, with a focus on consolidating the existing large-scale M&A investment and pre-IPO investment, Orient Securities Capital Investment will actively explore strategic emerging industries, pay attention to the impact of the Sci-Tech Innovation Board and the GEM registration system on the equity investment market, actively explore overseas asset management business and early-stage investment, and further enrich the business chain.

(3) *Brokerage and Securities Financing*

The Company's brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business, bulk commodities trading and securities financing business including margin financing and securities lending and collateralized stock repurchase. During the Reporting Period, the brokerage and securities financing business achieved segment revenue, gains and other income of RMB6.068 billion, accounting for 47.67% of the total income.

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Securities brokerage

The brokerage business of the Company mainly relies on the wealth management business headquarters and its branches. During the Reporting Period, confronted with the complex external market environment, the Company actively prevented and controlled the pandemic and ensured the smooth operation of trading services. As of the end of the Reporting Period, the Company had 169 securities branches, covering 82 cities and 31 provinces, autonomous regions and municipalities directly under the Central Government. According to the monthly data of the Securities Industry Association, in the first half of 2020, the market share of the net income of the Company's securities brokerage business was 1.54%, ranking 20th in the industry, which was the same as that of the same period last year. The basic business was steadily consolidated. During the Reporting Period, the cumulative number of newly opened accounts increased by 40% year-on-year, and assets of the newly opened accounts increased by 87% year-on-year. As of the end of the Reporting Period, the number of corporate customers reached 1.6663 million, and the total assets under custody was RMB572.545 billion. In particular, there were 9,017 high-net-worth customers, and the total assets under custody at the end of the Reporting Period amounted to RMB437.595 billion, accounting for 76% of the total assets of the Company's customers.

Taking advantage of the asset end, the financial products agency sales business has achieved remarkable progress. During the Reporting Period, affected by the recovery of the market and the profit-making effect of public offering funds, the newly raised public offering funds in the industry approximated RMB1 trillion. The Company strengthened the strict selection of assets, broadened cooperation channels in addition to Orient Securities Asset Management and China Universal, and established deep cooperative relations with more high-quality managers in the industry, in an effort to further strengthen the leading edge on the asset end and enhance the layout in investment consultation on the buy-side. During the Reporting Period, sales volume of the non-cash products of the Company reached RMB13.1 billion, up 42% year-on-year. In particular, sales volume of China Universal mid-cap value selection hybrid fund reached RMB1.952 billion (before placement), ranking first among brokers and the ownership of equity products ranked at the forefront in the industry.

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

(in RMB million)	January-June 2020	January-June 2019
Publicly offered funds	75,957	57,427
Collective asset management products	1	64
Trust schemes	1,362	1,372
Private equity investment fund products	356	181
Other financial products	3,196	11,618
Total	80,872	70,662

Focus on developing institutional brokerage business. On the one hand, the Company implements the positioning of institutional brokerage business focusing on quantitative transactions, and provides customers with a series of optimized support services from strategy generation to transaction execution, software and hardware configuration, etc. It has established a sound reputation among key customer groups such as public offering, trust, banking, insurance and quantitative private placement, and has become one of the mainstream brokers in the field of quantitative transactions. On the other hand, with the two-way opening of finance, the Company actively expanded its service to foreign-funded institutions, and steadily developed QFII business, with revenue increasing by 105% year-on-year, achieving full coverage of WFOE customers' services. During the Reporting Period, the Company entered into comprehensive strategic cooperative agreements with foreign asset managers such as Azimut, Neuberger Berman and BEA Union.

In terms of Internet finance, the Company continued to optimize the mobile portal Oriental Winners APP to ensure the normal development of various services such as market trends and transactions during the pandemic. Focusing on the concept of asset allocation, the Company actively promoted the online construction of buy-side investment consultation business represented by fund investment consultation; accelerated the integration of business in various sectors and built multiple mobile terminals such as Oriental Winner Options APP to provide professional services for customers in options and global asset allocation. As of the end of the Reporting Period, the Company had more than 410,000 active brokerage customers on the Internet and mobile phone platforms. The number of customers trading through the Internet and mobile terminals accounts for 98% of the total number of customers, the online transaction amount accounts for 87% of the total, and the number of newly opened online accounts takes up for 99% of all accounts opened in the same period.

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During the Reporting Period, the Company was honored as the “National Investment and Education Base (國家級投教基地)” by the CSRC, and was awarded the “All-round Securities Broker Junding Award (全能證券經紀商君鼎獎)”, “Retail Securities Broker Junding Award (零售證券經紀商君鼎獎)” and “Securities Broker Team Junding Award (證券經紀人團隊君鼎獎)” in the PRC by Securities Times in 2020.

In the future, the Company will be fully committed to the transformation of wealth management, actively grasp industry development and policy opportunities, promote private banking business, explore the ultra-high net worth customer service model, optimize the institutional service system and expand the cooperation potential, and improve the buy-side investment consultation and operation capacity and training system, so as to improve the comprehensive business income.

Futures brokerage

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

During the Reporting Period, Orient Futures upheld the business strategy of co-development of wealth management, mobile finance, financial product sales, asset management, institutional business, international business and risk management business. Bringing into full play of the advantages of its research and technology, during the Reporting Period, the customer equity scale of Orient Futures increased by 15% year-on-year as compared with that of the end of 2019, and the market share thereof remained first in the industry. The total asset management scale reached RMB8.74 billion, representing an increase of RMB3.481 billion compared with that of the end of 2019. The scale and growth rate of the institutional business maintained a leading position in the industry. During the Reporting Period, 629 new institutional accounts were opened, representing an increase of 56.47% year-on-year. The data center Fanwei constantly added and improved data sources and launched article push and online roadshow promotion. The Singapore subsidiaries expanded into over-the-counter foreign exchange business with brokerage membership qualification basically covering major futures and options exchanges around the world. In addition, Orient Futures also paid attention to Group-level cooperation in research, technology, institutional recommendation, investment banking and other fields to generate operating income for multiple departments of the group company.

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During the Reporting Period, amid drastic fluctuations of commodity prices, Orient Futures carried out risk management business through Orient Securities Runhe, a wholly-owned subsidiary of Orient Futures to facilitate enterprises to manage operating price risks through warehouse receipt services, basis trade and OTC options in futures and spot markets. During the Reporting Period, Orient Securities Runhe obtained 8 new market-making qualifications for futures and options, and actively promoted the testing of spot purchase, sale and deposit management system and OTC business management system.

During the Reporting Period, Orient Futures won the Outstanding Member Award issued by major futures exchanges and was recommended by the Insurance Asset Management Association of China as the “Most Favored Futures Company (最受險資歡迎期貨公司)”, “Most Favored Futures Company – Stock Index Futures Business (最受險資歡迎期貨公司 – 股指期貨業務)” and “Most Favored Futures Company – Research Services (最受險資歡迎期貨公司 – 研究服務)” in the activity of “IAMAC Promotion – Most Favored Investment Business Cooperation Institution in China’s Insurance Asset Management Industry in 2019 (IAMAC 推介 – 2019 年中國保險資管業最受歡迎投資業務合作機構)”. In the future, Orient Futures will primarily focus on financial technology empowered derivatives, build two core competitiveness of research and technology through financial technology means such as big data, cloud computing, artificial intelligence and blockchain, adhere to the development path of marketization, internationalization and collectivization, and continue to move towards the goal of building a first-class derivatives service provider.

Securities financing

In terms of the margin financing and securities lending business, during the Reporting Period, the scale of margin financing and securities lending across the whole market increased steadily in line with market recovery. As of the end of the Reporting Period, the balance of margin financing and securities lending on SSE and the Shenzhen Stock Exchange totaled RMB1,163.768 billion, representing an increase of 14.17% over the beginning of the year, securing the trillion Yuan breakthrough. The balance of margin financing and securities lending of the Company reached RMB14.689 billion, representing an increase of 14.29% compared with the beginning of the year, of which the balance of securities lending increased by more than 100%. Through strengthening cooperation with publicly offered funds, peers and Group members, the Company promoted the synchronous growth of business scale and customer base. Under the background of severe internal and external risk challenges in the capital market, the Company further strengthened refined management and risk management and control, actively responded to the impact of the epidemic, and smoothly released and resolved various risks, thereby maintaining a guarantee ratio higher than the market average.

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In terms of the collateralized stock business, the balance of collateralized stock financing across the whole market continued to decline. As of the end of the Reporting Period, the scale of collateralized stock with proprietary funds across the whole market amounted to RMB360.217 billion, representing a decrease of 16.45% from the beginning of the year. During the Reporting Period, against the background of severe economic situation and repeated epidemic situation, the Company stuck fast to the keynote of “risk control and scale reduction” to strengthen the management of existing collateralized stock projects, and intensify scale reduction and risk disposal. As of the end of the Reporting Period, the balance of the Company’s collateralized stock business amounted to RMB17.918 billion, down 13.42% from the beginning of the year and half from the historical peak. In particular, the balance of collateralized stock with proprietary funds reached RMB17.418 billion, representing a decrease of approximately RMB2.3 billion compared with the beginning of the year. The scale was effectively reduced and the business risks were effectively resolved.

The Company will actively and closely keep track of the macroeconomic condition, regulatory requirements and market changes, focus on customer needs, expand business ideas in a timely manner, actively integrate various resources, consolidate and develop advantageous businesses, comprehensively strengthen the risk management system, and maintain overall stable business development.

Other business

In terms of the OTC business, during the Reporting Period, the Company closely focused on the market and rooted itself on the OTC platform to empower wealth management, including deepening product research, strengthening product selection and risk tracking, and activating trading functions, so as to significantly enhance customer stickiness; enhancing platform services and supporting business development such as issuance, market making, transfer, investment and financing, so as to serve and meet multi-level customer needs; and boosting intra-group cooperation and services in securities branches. During the Reporting Period, despite year-on-year decline in the overall business scale of the industry, scale of the Company’s OTC business maintained steady increase, with a cumulative total amount of RMB19.332 billion, of which the scale of issuance and sales (including subscription) reached RMB18.516 billion, representing an increase of 40.65% year-on-year; and the transaction business totaled RMB218 million, up 118% year-on-year. In the future, the Company’s OTC business will continue to focus on customers, reply on the platform, leverage on services, driven by group collaboration and sustain the compliance bottom line, in a bid to continuously promote the development of OTC business.

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In terms of the custody business, the Company continued to strengthen the marketing of custody and fund service business, deepen intra-group collaboration and enrich the customer service content of “smart custody”. During the Reporting Period, the business scale, product quantity and customer base increased by 23.03%, 13.03% and 9.08%, respectively as compared with the beginning of the year, and the Company was awarded the “Best Private Equity Fund Service Organization in 2019 (2019年度最佳私募基金服務機構)” award by Shanghai Equity Investment Association. In the future, the Company will further strengthen group collaboration and promote scientific and technological innovation to meet the diversified and comprehensive financial service needs of institutional customers.

(4) *Investment Banking*

The Company mainly engages in investment banking business through Orient Investment Banking, a wholly-owned subsidiary of the Company, and the fixed income business department. The principal businesses of Orient Investment Banking are stocks and corporate bonds underwriting and sponsoring, enterprise bonds and asset-backed securities underwriting, financial advisory services relating to M&A and restructuring, listing on NEEQ and enterprise reform. The Fixed Income Business Department is principally engaged in underwriting services for treasury bonds and financial bonds. During the Reporting Period, investment banking business realized segment revenue, gains and other income of RMB609 million, accounting for 4.78% of the total income.

Stock underwriting

In the first half of 2020, the equity market ushered in multiple opportunities, the registration system was introduced to the GEM, and the demand for equity financing increased after the publication of new re-financing regulations. During the Reporting Period, a total of 118 IPOs were completed across the whole market, with the total raised proceeds of RMB139.274 billion, representing a year-on-year increase of 130.86%. As affected by the new regulations of private placement, the number of new re-financing projects recorded a sharp rise, which is expected to embrace the peak of fund-raising.

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In face of the rapidly changing market and policy environment, Orient Investment Banking actively seized the market opportunities with various businesses on track of steady development. During the Reporting Period, Orient Investment Banking completed 5 equity financing projects with the lead underwriting amount of RMB5.81 billion. Confronted with the new market condition, Orient Investment Banking actively prepared for the registration system, carried out business preparation and project reserve, and enhanced the synergy with other business segments of the Group in the areas of customers, business and other resources. As of the end of the Reporting Period, there were 15 IPO projects under review, including 8 IPO projects under the registration system.

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

(in RMB million)	January-June 2020	January-June 2019
IPO:		
Number of issuance	2	2
Amount underwritten as lead underwriter	1,721.23	1,022.21
Secondary offering		
Number of issuance	3	2
Amount underwritten as lead underwriter	4,088.30	4,991.80
Total:		
Number of issuance	5	4
Amount underwritten as lead underwriter	5,809.53	6,014.01

Bond underwriting

In the first half of 2020, the bond market yield experienced substantial adjustment and fluctuation. The domestic bond primary market institutions raised RMB25.80 trillion in the first half of 2020, representing an increase of 18% year-on-year; treasury bond surged by 40% year-on-year, short and medium-term financing bonds increased by 55%, and the issuance of credit bonds and interest rate bonds reached a record high. At the same time, issuers preferred short-term financing, and the financing structure remained to be optimized.

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During the Reporting Period, the Company conducted 76 lead underwriting projects, with a total underwritten amount of RMB48.857 billion. In particular, Orient Investment Banking completed 46 bond lead underwriting projects, with the underwritten amount of RMB34.433 billion. During the Reporting Period, Orient Investment Banking achieved breakthroughs in debt projects of several large financial institutions such as Shanghai Pudong Development Bank, Bank of Communications and Jiangsu Bank.

During the Reporting Period, sales of the Company's interest rate bonds remained at the forefront of the industry; and book-entry treasury bond underwriting, CDB financial bond underwriting and Agricultural Development Bank financial bond underwriting stood among the top two among brokers. The Company actively participated in the underwriting of local government bonds, among which the underwriting of local government bonds in SSE and Shenzhen Stock Exchange continued to maintain the second place in the industry. The Company's non-financial corporate debt financing instruments ranked 11th among the lead underwriters of brokers.

The table below sets forth the breakdown of bonds underwritten by the Company as lead underwriter:

(in RMB million)	January-June 2020	January-June 2019
Corporate debentures:		
Number of underwriting as lead underwriter	38	15
Amount underwritten as lead underwriter	27,090	23,299
Corporate bonds:		
Number of underwriting as lead underwriter	3	9
Amount underwritten as lead underwriter	2,023	7,100
Financial bonds:		
Number of underwriting as lead underwriter	3	14
Amount underwritten as lead underwriter	3,860	6,480
Asset-backed securities:		
Number of underwriting as lead underwriter	2	3
Amount underwritten as lead underwriter	1,460	4,619
Debt financing instruments of non-financial enterprises:		
Number of underwriting as lead underwriter	30	21
Amount underwritten as lead underwriter	14,424	9,050
Total:		
Number of underwriting as lead underwriter	76	62
Amount underwritten as lead underwriter	48,857	50,548

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Financial advisory services

As of the end of the Reporting Period, Orient Investment Banking served as an independent financial consultant for 3 merger and reorganization projects under administrative review (Danhua Technology, Boshen and Nasida); and two announced pipeline projects (Shanghai Phoenix and Yuancheng Gold); and significant progress has been made in one cross-border acquisition financial consultation project (acquisition of the equity of Guoxuan Hi-Tech by Volkswagen Group). As of the end of the Reporting Period, 8 companies were listed on the NEEQ as innovation stocks under the supervision of Orient Investment Banking, of which 6 met the requirements of the PNTB (only in terms of financial indicators), accounting for a higher proportion than the market average.

During the Reporting Period, the Company won the “2020 China Bond Financing Team Junding Award (2020年中國區債券融資團隊君鼎獎)” and “2020 China Bond Project Award (2020年中國區債券項目獎)”, while Orient Investment Banking won the Securities Times “2020 China Growth Enterprise Market Investment Bank Junding Award (2020中國區創業板投行君鼎獎)”, “2020 China Inter-bank Bond Investment Bank Junding Award (2020中國區銀行間債券投行君鼎獎)” and “2020 China Asset Securitization Team Junding Award (2020中國區資產證券化團隊君鼎獎)”.

In the future, Orient Investment Banking will actively grasp policy opportunities and tap business potential. Focusing on the market development trend of new economy and hard technology, it will strengthen internal cooperation, emphasize the business linkage of primary market and market research, and cultivate the professional capacity to serve new customers. Meanwhile, the Company will continue to strictly control the quality of bond projects, transform to diversified, quality and internationalized project supply, actively serve quality customers and fulfill social responsibilities and national policies.

(5) Headquarters and Others

Headquarters and others business of the Company mainly include the headquarters' treasury business, overseas business and financial technology business. During the Reporting Period, the headquarters and others business realized segment revenue, gains and other income of RMB1.352 billion, accounting for 10.62% of the total.

Treasury business

Treasury business is aimed to enhance the comprehensive capital management of the Company, mainly including liquidity risk management, liabilities management and liquidity reserve management. During the Reporting Period, the Company continuously maintained close track of the safety margin of liquidity indicators, and optimized the structure of reserve assets to realize the organic unity of capital security, liquidity and profitability. In the face of significant fluctuations in the money market, the Company achieved stable cross-season sales while ensuring that liquidity indicators continue to meet regulatory requirements. As of the end of the Reporting Period, the liquidity coverage ratio and net stable capital ratio of the Parent Company were 247.69% and 134.17%, respectively, leaving a high margin of safety from the regulatory warning line.

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The Company will continue to improve the liquidity management system, give full play to the leading role of internal fund transfer pricing in business, and rationally guide the effective allocation of resources. It will steadily promote the centralized and overall management of corporate debt financing tools, strive to seize the window of debt issuance and effectively reduce financial expenditures, focus on improving the synergy effect of the Group and continuously improve the comprehensive management capacity of on-balance sheet and off-balance-sheet, local and foreign currencies and domestic and overseas funds.

Overseas business

The Company engages in overseas business through Orient Finance Holdings and Orient Securities International, wholly-owned subsidiaries of the Company, and their subsidiaries. In particular, as the Group's international business platform, Orient Securities International conducts securities brokerage, futures brokerage, asset management, investment banking, margin financing and securities lending and other businesses through wholly-owned subsidiaries licensed by the SFC.

During the Reporting Period, in the wake of the COVID-19 pandemic, the oil crisis and the Sino-US trade war, the number of companies going debut in Hong Kong dropped sharply. The interruption of cross-border business exerted great pressure on investment banking business and under the impact of liquidity crisis, the prices of various assets were exposed to drastic decline, taking a toll on performance of investment business. In face of several unfavorable external factors, Orient Securities International stabilized its basic business, consolidated the infrastructure and optimized internal management. In terms of investment banking business, the amount of bonds underwritten by Orient Securities International ranked third in the G3 (excluding Japan) high-yield bonds underwritten by Chinese brokers in Asia. In terms of asset management business, the total management scale exceeded HKD10 billion and Dong Fang Hong Incremental Fund products won the best offshore RMB fund (5-year) award in the third professional investment award issued by the Insight & Mandate platform. Besides, the asset management product line was gradually improved, and the product Dong Fang Hong Mingye Equity Fund was newly established to further enhance the overseas market influence of "Dong Fang Hong" brand. In terms of retail brokerage business, relying on the Internet channel, the total number of accounts opened with Orient Securities International witnessed explosive growth, with the total number of customers reaching more than 140,000, representing an increase of 442% compared with the end of 2019. The development of institutional transaction business has been steadily advanced. Leveraging the multi-functional PB system as the technical carrier and the wealth management APP to expand marketing channels and customer resources, Orient Securities International and the research institute of the Group jointly established a research team on Hong Kong stocks to provide high-quality sellside research services to institutional customers, and the "Trinity" business ecological framework has been basically completed.

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In the future, Orient Securities International will continue to strengthen the sellside business advantages, expand the scale of asset management; develop institutional trading business, promote the transformation of wealth management, cultivate bond financing business, enhance sales service capabilities, strengthen domestic and overseas linkage and advocate business innovation mindset.

Financial technology

The Company attaches great importance to the layout in the field of financial technology, and leverages cloud computing, big data and artificial intelligence to extend the digital integrated financial service experience to all customers and employees, so as to cover all business needs such as customer service, investment decision-making and risk control decision-making. In 2019, the Company established Orient Securities Financial Science and Technology Innovation Research Institute, which was deeply integrated with various business lines, management layers and subsidiaries to strengthen technology research and application.

In terms of construction of important systems, for customers with high-frequency trading and quantitative trading, the Company provides a set of extremely low-latency and super-fast trading counters for institutional customers through independent research and development, and builds a technological moat to form differentiated competitive advantages. In order to facilitate the Company's wealth management transformation, the Company establishes an asset allocation investment and research management platform, enhances the Company's overall institutional customer service and customer acquisition capabilities to form a systematic investment and research service brand for Orient institutional customer. The Company cooperated with industry leading technology enterprises to jointly create an "Orient Brain", explore the application of AI technologies such as search engine technology in the Company, and promote the realization of comprehensive intelligent transformation. At present, the online trial operation of the basic computing platform has been launched to fully mobilize all AI resources and support business decisions. In the future, the Company will promote the construction of an intelligent excellence center.

The Company actively promotes the competitiveness of financial technology through external cooperation. The Company's big data demonstration project was supported by funds designated for informatization development in Shanghai. The Company cooperated with Shanghai Jiaotong University to set up a joint laboratory of artificial intelligence and financial big data, collaborated with Chinese Academy of Sciences to explore programmable chips, and carried out a school-enterprise cooperation project of "customer value system analysis" with East China University of Science and Technology.

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In the first half of 2020, the Company won the Shanghai High-tech Achievement Transformation Award in 2020 for its development achievements in artificial intelligence and arbitrage system, and the abnormal transaction monitoring project was awarded the first prize of the 2019 Securities and Futures Industry Financial Technology Research and Development Center (Shenzhen). In the future, adhering to the principle of “science and technology empowers business development and business tests scientific and technological achievements”, the Company will promote the integration between technology research and business development, and turn a new leaf in financial technology.

2 Major items in consolidated statement of profit or loss

(1) Revenue, gains and other income

In the first half of 2020, adhering to the business strategy of “growth stabilization, risk control and reform promotion”, the Company diligently carried out epidemic prevention and control, actively responded to market changes, and exerted efforts to improve risk management and control. Revenue from principal businesses of securities brokerage, securities proprietary trading and asset management achieved rapid growth. During the Reporting Period, the Company realized revenue and other income of RMB12.052 billion, representing an increase of RMB1.343 billion, or 12.54% year-on-year.

Details were as follows:

Commission and fee income amounted to RMB3.182 billion, accounting for 26.40% of the total, representing a year-on-year increase of 28.99%, which was primarily attributable to increase in fee income of brokerage business and asset management business.

Interest income amounted to RMB2.718 billion, accounting for 22.56% of the total, representing a year-on-year decrease of 11.74%, which was primarily attributable to the reduction in the scale of funds raised from stock pledged repurchase business and the corresponding decrease in interest income.

Net investment income amounted to RMB2.518 billion, accounting for 20.89% of the total, representing a year-on-year increase of 53.72%, which was primarily attributable to the growth of performance of securities proprietary investment business.

Other income and gains amounted to RMB3.634 billion, accounting for 30.15% of the total, representing a year-on-year increase of 3.11%, which was primarily attributable to an increase in foreign exchange gains and losses and sales revenue of the bulk commodity business of subsidiaries.

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Components of the Group's revenue and other income in the first half of 2020 are set out below:

Unit:'000 Currency: RMB

Item	From January to June 2020		From January to June 2019		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Commission and fee income	3,182,024	26.40%	2,466,828	23.04%	715,196	28.99%
Interest income	2,718,287	22.56%	3,079,816	28.76%	(361,529)	(11.74%)
Net investment gains	2,517,706	20.89%	1,637,817	15.29%	879,889	53.72%
Other income and gains	3,633,766	30.15%	3,524,245	32.91%	109,521	3.11%
Total	12,051,783	100.00%	10,708,706	100.00%	1,343,077	12.54%

(2) Total expenditure

During the Reporting Period, total expenditure of the Company was RMB10.718 billion, representing an increase of RMB1.189 billion, or 12.48% over the same period of last year, which was mainly due to the increase of provision for impairment of stock pledged repurchase business and the increase of various costs and expenses related to the business. Details were as follows:

Staff costs amounted to RMB2.033 billion, representing an increase of 13.21% year-on-year, which was mainly due to the increase of staff cost in line with fluctuations of business revenue.

Interest expense amounted to RMB2.382 billion, representing a decrease of 7.00% year-on-year, which was mainly due to the decrease of interest expenses from financial assets held under resale agreement.

Commission and fee expenses amounted to RMB365 million, representing an increase of 41.77% year-on-year, which was mainly due to the increase in fee expenses of securities brokerage business.

Depreciation and amortization expenses amounted to RMB319 million, representing a year-on-year increase of 24.39%, which was mainly due to the increase in depreciation of the right-of-use assets.

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Other expenses include operating expenses, taxes and surcharges, donations, bulk commodity trading expenses, etc., with a total expenditure of RMB4.329 billion, representing an increase of 3.38% year-on-year, which was mainly due to the increase in operating expenses of electronic equipment, sales cost of bulk commodity business of the subsidiaries and product distribution expenses.

Impairment loss amounted to RMB1.29 billion, representing a year-on-year increase of 174.06%, which was mainly due to the increase of impairment provision for stock pledged repurchase business.

The components of the total expenses of the Group for the first half of 2020 are set out as follows:

Unit: '000 Currency: RMB

Item	From January to June 2020	From January to June 2019	Changes	
			Amount	Proportion
Staff costs	2,032,919	1,795,717	237,202	13.21%
Interest expenses	2,381,679	2,560,909	(179,230)	(7.00%)
Commission and fee expenses	364,773	257,299	107,474	41.77%
Depreciation and amortization	318,968	256,433	62,535	24.39%
Other expenses	4,329,043	4,187,639	141,404	3.38%
Impairment losses	1,290,110	470,748	819,362	174.06%
Total	10,717,492	9,528,745	1,188,747	12.48%

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3 Cash flows

During the Reporting Period, cash and cash equivalents of the Company decreased by RMB1.604 billion. In particular:

- (1) Net cash from operating activities amounted to RMB2.005 billion, which was primarily attributable to:
 - i. net cash inflow of RMB9.866 billion due to increase in account payables to brokerage clients;
 - ii. net cash inflow of RMB3.058 billion due to decrease in advances to customers and financial assets held under resale agreements;
 - iii. net cash inflow of RMB2.157 billion due to profit before income tax;
 - iv. net cash outflow of RMB9.484 billion due to increase in cash or clearing settlement funds restricted or held on behalf of customers.
- (2) Net cash from investment activities amounted to RMB2.376 billion, which was primarily attributable to:
 - i. net cash inflow of RMB1.579 billion due to dividends and interests received from investments;
 - ii. net cash inflow of RMB1.368 billion due to investment and disposal of financial investments.
- (3) Net cash used in financing activities amounted to RMB5.985 billion, which was primarily attributable to:
 - i. net cash outflow of RMB2.851 billion due to issuance, borrowing and repayment of bonds, short-term financing bills and borrowings;
 - ii. net cash outflow of RMB1.581 billion due to payment of bonds, short-term payables and interests on borrowings.

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(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 RMB270.758 billion, representing an increase of RMB7.786 billion or 2.96% over the end of last year. Total liabilities amounted to RMB216.270 billion, representing an increase of RMB7.310 billion or 3.50% over the end of last year. The total amount of equity was RMB54.488 billion.

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

Unit: '000 Currency: RMB

Item	As at the end of		As at the end of		Change	
	June 2020	Proportion	2019	Proportion	Amount	Proportion
Total assets	270,757,901		262,971,442		7,786,459	2.96%
Cash and bank balances	53,791,981	19.87%	48,940,834	18.61%	4,851,147	9.91%
Clearing settlement funds	17,267,045	6.38%	13,243,654	5.04%	4,023,391	30.38%
Deposits with exchanges and non-bank financial institutions	2,077,582	0.77%	1,642,894	0.62%	434,688	26.46%
Derivative financial assets	1,113,745	0.41%	609,102	0.23%	504,643	82.85%
Advances to customers	14,785,284	5.46%	13,214,262	5.02%	1,571,022	11.89%
Account receivables	1,390,260	0.51%	1,019,920	0.39%	370,340	36.31%
Financial assets held under resale agreements	18,446,288	6.81%	24,206,542	9.21%	(5,760,254)	(23.80%)
Financial assets at fair value through profit or loss	73,197,911	27.04%	66,901,093	25.45%	6,296,818	9.41%
Right-of-use assets	909,545	0.34%	1,002,749	0.38%	(93,204)	(9.29%)
Investment properties	35,700	0.01%	30,071	0.01%	5,629	18.72%
Debt instruments at fair value through other comprehensive income	60,126,084	22.22%	64,895,563	24.68%	(4,769,479)	(7.35%)
Equity instruments at fair value through other comprehensive income	10,788,355	3.98%	10,832,873	4.12%	(44,518)	(0.41%)
Debt instruments at amortised cost	6,537,909	2.41%	7,193,554	2.74%	(655,645)	(9.11%)
Other account receivables, other receivables and prepayment	2,065,551	0.76%	1,633,724	0.62%	431,827	26.43%
Deferred tax assets	716,299	0.26%	760,995	0.29%	(44,696)	(5.87%)
Investments in associates	5,154,090	1.90%	4,453,754	1.69%	700,336	15.72%
Property and equipment	2,160,806	0.80%	2,189,204	0.83%	(28,398)	(1.30%)
Other intangible assets	161,331	0.06%	168,519	0.06%	(7,188)	(4.27%)
Goodwill	32,135	0.01%	32,135	0.01%	0	0.00%

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Item	As at the end of		As at the end of		Change	
	June 2020	Proportion	2019	Proportion	Amount	Proportion
Total liabilities	216,269,680		208,959,805		7,309,875	3.50%
Due to banks and other financial institutions	5,569,321	2.58%	6,384,659	3.06%	(815,338)	(12.77%)
Short-term financing bills payables	13,693,059	6.33%	16,113,200	7.71%	(2,420,141)	(15.02%)
Account payables to brokerage clients	50,045,135	23.14%	40,179,178	19.23%	9,865,957	24.55%
Accrued staff costs	1,198,190	0.55%	1,601,086	0.77%	(402,896)	(25.16%)
Other account payables, other payables and accruals	2,155,881	1.00%	2,596,211	1.24%	(440,330)	(16.96%)
Current tax liabilities	154,361	0.07%	161,569	0.08%	(7,208)	(4.46%)
Financial liabilities at fair value through profit or loss	14,767,079	6.83%	12,630,961	6.04%	2,136,118	16.91%
Derivative financial liabilities	1,099,037	0.51%	2,643,375	1.27%	(1,544,338)	(58.42%)
Contract liabilities	294,115	0.14%	208,114	0.10%	86,001	41.32%
Financial assets sold under repurchase agreements	57,011,559	26.36%	57,478,063	27.50%	(466,504)	(0.81%)
Borrowings	842,308	0.39%	640,154	0.31%	202,154	31.58%
Lease liabilities	908,594	0.42%	995,005	0.48%	(86,411)	(8.68%)
Bond payables	68,475,293	31.65%	67,309,199	32.20%	1,166,094	1.73%
Deferred tax liabilities	55,748	0.03%	19,031	0.01%	36,717	192.93%
Total equity	54,488,221		54,011,637		476,584	0.88%

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

2. Assets

As at the end of the Reporting Period, the Group's total assets amounted to RMB270.758 billion, representing an increase of RMB7.786 billion or 2.96% 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 non-bank financial institutions amounted to RMB73.137 billion, which increased by RMB9.309 billion from the end of last year, accounting for 27.02% of the total assets. Financial investment and derivative financial assets reached RMB151.764 billion, which increased by RMB1.332 billion from the end of last year, accounting for 56.06% of the total assets. Funds lent, financial assets held under resale agreements and accounts receivable amounted to RMB34.622 billion, which decreased by RMB3.819 billion from the end of last year, accounting for 12.78% of the total assets. Long-term equity investment, fixed assets and others reached RMB11.235 billion, which increased by RMB964 million from the end of last year, accounting for 4.14% of total assets. During the Reporting Period, the Company's assets were stable in scale, reasonable in structure and sufficient in liquidity.

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3. Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB216.270 billion, which increased by RMB7.310 billion or 3.50% from the end of the previous year. The main reason for the change was the increase in the scale of liabilities such as account payables to brokerage clients, financial liabilities at fair value through profit or loss and bond payables. After deducting account payables to brokerage clients, the gearing ratio was 75.31%, which decreased by 0.44 percentage point from the end of last year. Of the Group's liabilities, borrowings, short-term financing bills payable, amount due to banks and other financial institutions, bond payables and financial assets sold under repurchase agreements amounted to RMB145.592 billion, which decreased by RMB2.334 billion from the end of last year, accounting for 67.31% of the total liabilities. Financial liabilities at fair value through profit or loss and derivative financial liabilities were RMB15.866 billion, which increased by RMB592 million from the end of last year, accounting for 7.34% of the total liabilities. Account payables to brokerage clients amounted to RMB50.045 billion, which increased by RMB9.866 billion from the end of last year, accounting for 23.14% of the total liabilities. Cost payable to employees, current tax liabilities and others reached RMB4.767 billion, which decreased by RMB814 million from the end of last year, accounting for 2.21% of the total liabilities.

4. Borrowings and bond financing

As at the end of the Reporting Period, the Company's total borrowings and bond financing amounted to RMB88.580 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

	As at the end of June 2020	As at the end of 2019
Bond payables	68,475,293	67,309,199
Borrowings	842,308	640,154
Short-term financing bills payable	13,693,059	16,113,200
Due to banks and other financial institutions	5,569,321	6,384,659
Total	88,579,981	90,447,212

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.

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(iv) Analysis on Investments

1. Overall analysis on external equity investment

As at the end of the Reporting Period, the Group's long-term equity investment was RMB5.154 billion, representing an increase of RMB700 million or 15.72%, as compared with the end of last year. The reason for the change was mainly due to increase of the Group's external investments in associates and investment profit or loss recognized under the equity method. Please refer to Note 26 to the attached condensed consolidated financial statements for the details of the Group's external equity investment.

2. Material equity investments

Unit:'000 Currency: RMB

Name of targets held	Percentage of the equity of the company	Carrying value as at the end of the 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%	2,033,514	229,257	2,154

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 held for trading	71,251,308	73,197,911	5,560,938	801,972	2,000,200
2. Other debt investments	58,004,092	60,126,084	(4,917,819)	51,917	417,972
3. Other investments in equity instruments	11,134,544	10,788,355	34,695	(79,215)	87,428
4. Derivative financial instruments	(967,199)	14,708	1,513,137	537,306	467,828

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(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, 2020, total assets of Orient Futures amounted to RMB30,551.7492 million, and its net assets amounted to RMB3,257.8891 million. In the first half of 2020, its operating income and net profit amounted to RMB3,885.515 million and RMB96.3722 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, 2020, total assets of Orient Securities Capital Investment amounted to RMB4,718.049 million, and its net assets amounted to RMB4,594.0507 million. In the first half of 2020, its operating income (income from principal businesses) amounted to RMB307.3458 million, and the profit from principal businesses and net profit was RMB223.7791 million and RMB203.8958 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, 2020, total assets of Orient Securities Asset Management amounted to RMB3,170.4305 million, and its net assets amounted to RMB2,046.8224 million. In the first half of 2020, its operating income (income from principal businesses) amounted to RMB1,199.7959 million, and the profit from principal businesses and net profit amounted to RMB379.1174 million and RMB332.2303 million, respectively.

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

- (4) The registered capital of Orient Securities Investment Banking Co., Ltd was RMB0.8 billion and it was 100% owned by the Company. As at June 30, 2020, the total assets of Orient Investment Banking amounted to RMB1,818.1085 million, and its net assets amounted to RMB1,507.2575 million. In the first half of 2020, its operating income amounted to RMB298.5065 million, and net profit amounted to RMB35.5766 million.

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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 RMB5.8 billion and it was 100% owned by the Company. As at June 30, 2020, total assets of Orient Securities Innovation Investment amounted to RMB6,214.5172 million, and its net assets amounted to RMB5,933.7649 million. In the first half of 2020, its operating income amounted to RMB178.3995 million, and net profit amounted to RMB107.2575 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 HKD2.2 billion and it was 100% owned by the Company. As at June 30, 2020, total assets of Orient Finance Holdings amounted to HKD16,552.107 million, and its net assets amounted to HKD1,473.9543 million. In the first half of 2020, its operating income and net loss were HKD-66.3587 million and HKD201.4979 million, respectively.

Principal businesses: Investment holding, in particular, operation of brokerage business, corporate financing and asset management 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, 2020, total assets of China Universal amounted to RMB8,834.7639 million, and its net assets amounted to RMB5,889.4844 million. In the first half of 2020, its operating income (income from principal business) amounted to RMB2,394.0922 million, and the profit from principal businesses and net profit amounted to RMB832.1598 million and RMB652.0996 million, respectively.

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

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(vii) Structured Entities Controlled by the Company

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

As at the end of the Reporting Period, the Company had a total of 21 structured entities included in the consolidated statement, with a total net asset value of RMB6.136 billion. During the Reporting Period, the Company added 3 new structured entities to the consolidation scope.

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

Unit:'000 Currency: RMB

Structured entities consolidated	As at the end of June 2020 or from January to June 2020
Total assets	7,062,876
Total liabilities	926,617
Total net assets	6,136,259
Operating income	(225,291)
Net profit	(247,261)

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(viii) Capital Raising

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.

Use of proceeds as committed in the H share prospectus of the Company is as follows:

- (1) approximately 35% to be used to further develop the Company's brokerage and securities finance business;
- (2) approximately 30% to be used to develop the Company's overseas business;
- (3) approximately 15% to be used to expand the Company's investment management business;
- (4) approximately 10% to be used to develop the Company's securities sales and trading business;
- (5) approximately 5% to be used for capital expenditure to upgrade information systems and expand the network of light business branches;
- (6) approximately 5% to be used for working capital and other general corporate purposes.

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As at the end of the Reporting Period, the details relating to utilization of the proceeds from the offering of H Shares by the Company are set out below: HKD2.56 billion was used to further develop the Company's brokerage and securities financing business, HKD2.225 billion for developing the Company's foreign operation, HKD1.097 billion for expansion of the Company's investment management business, HKD0.732 billion for developing our securities sales and trading business, HKD0.150 billion for capital expenditure, and HKD0.401 billion for working capital and others. The Company utilized a cumulative of HKD7.165 billion of proceeds raised through H shares. Save for the above use of funds, approximately HKD0.227 billion (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 the next three years according to the Company's development strategy and actual requirements. (The exchange rate of utilized raised funds through issuance of H shares denominated in Renminbi has been calculated according to the actual exchange settlement rate, while the exchange rate of unutilized raised funds through issuance of H shares denominated in Renminbi has been calculated according to the final exchange rate.)

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

(ix) Explanation of Scope of Consolidation of the Statements

- (1) Three consolidated entities were added for the Reporting Period as compared with the end of last year, being two structured entities newly consolidated into the Group and one structured entity consolidated into Orient Securities Innovation Investment.
- (2) No consolidated entities were reduced for the Reporting Period as compared with the end of last year.

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II. OTHER DISCLOSURES

(i) Potential Risks

The Company has established a risk management system based on market risk, credit risk, liquidity risk, net capital and subsidiary management through a series of measures such as indicator construction, system construction and regime construction, which effectively supports the Company's development and guarantees the Company's business development. The risks confronted by the Company during business activities mainly include: market risk, credit risk, liquidity risk, operational risk, technical risk, etc. Specifically, the major risks and respective countermeasures are as follows:

1. Market risk

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

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

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

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

In the first half of 2020, as affected by the COVID-19 pandemic, the global capital market was exposed to significant shock, the domestic economy came under downward pressure, and the stock market experienced substantial fluctuations. With the improvement of the domestic pandemic prevention and control situation, the economic data in the second quarter of 2020 rebounded. As of the end of June 2020, the SSE Composite Index basically picked up to the pre-pandemic level.

During the Reporting Period, the Company kept track of the price changes through market research, monitored the exchange rate risk exposure, adjusted the size of proprietary positions in a timely manner based on changes in market conditions, and utilized various derivatives for hedging management to effectively control market risks. As of the end of the Reporting Period, the overall VaR of the Company's market risk was RMB136 million.

2. *Credit risk*

Credit risk mainly refers to the probability of loss the Company would suffer because of the failure of debtor or counterparty to perform the contractual obligations or the deterioration of their credit quality. The first is direct credit risk, i.e. the risk arising from failure of issuer to perform contractual obligations; the second is counterparty risk, i.e. the risk arising from a breach of contract by the counterparty and financier in a derivatives transaction or securities financing transaction; the third is settlement risk, i.e. the risk arising from a breach of contract during the settlement and delivery of a transaction, in short, the Company performs its delivery obligation, however the counterparty breaches the contract.

Centering on net capital management and risk tolerance, the Company implements overall management on risk control indicators relating to scale, counterparty and risk exposure according to specific level and module, and implements refined management on credit risk exposure from the perspective of product type, model and hedging to effectively control credit risk.

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The Company has established its respective credit risk management system with regard to bonds issuer, counterparties and financing clients from the perspective of business practices. The Company has enhanced evaluation of qualities and risk and implemented credit risk management through means including contract review and monitoring of transaction and public sentiment. The Company pays great attention to possible non-compliance in the transaction and developed contingency plans for risks. In bond investment and counterparty transactions associated with credit risk, the Company has enhanced analysis on the fundamentals of bonds issuer and counterparties, and established the corporate internal scoring system for credit risk, and realized internal rating, united credit management, collective management of investment, defaulting clients management, stress tests, early warning, risk reporting and other functions through the credit risk management system, thus strengthening its credit risk management and enhancing credit risk management. In derivative transactions, the Company has set the margin deposit ratio for counterparty and rule restrictions on the transaction, controlled the counterparty's credit risk exposure through daily mark-to-market, margin calls, forced closure of positions and other means. In securities financial business, the Company has established mechanisms of credit rating assessment for clients, credit facilities management, collateral management and supervisory reporting, and handled potential risks through dynamic exit mechanism.

3. *Liquidity risk*

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds at a reasonable cost in time to pay its debts when falling due, fulfill other payment obligations and meet the capital demand for normal business development.

According to the regulatory requirements including the Guideline on Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) and for the purpose of its own risk management, the Company continuously refines the liquidity risk management system and internal management system and has dedicated personnel responsible for dynamic monitoring, pre-warning, analysis and reporting of the Company's liquidity risk. During the Reporting Period, the Company further improved the liquidity risk management system and realized the effective identification, measurement, monitoring and control of liquidity risk through information system. At the beginning of each year, the Company carefully determines the qualitative principles and quantitative indicators of liquidity risk appetite, and has established irregular adjustment mechanism to implement limit management of liquidity risk and conduct monitoring and reporting of compliance with limits. The Company conducts regular liquidity stress testing and emergency exercise; meanwhile, it submits the indicators including liquidity coverage ratio and net stable funding rate pursuant to the regulatory requirements on a daily basis, with a view to make sure that the Company is able to meet its liquidity requirements with reasonable cost in a timely manner, and control the liquidity risk within an acceptable range.

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4. *Operational risk*

Operational risk refers to risk of losses which may be caused by weakness or problem existing in internal procedure, staff and information technology systems as well as by external events.

For the purpose of managing operational risk, with careful review on the operational procedure based on its internal control procedure, the Company has identified operational risks in the procedure and categorized risks according to its management needs. Based on the impacts from and the possibilities of risks, the Company has established an operational risk assessment model to analyze, measure and rank the identified operational risk, so as to identify the risks that need special attention and prioritized control. By establishing key risk indicators monitoring system, the Company has realized quantified monitoring management of key operational risks. The Company has realized internal operational risk reporting and industry operational risk events collection and management with the operational risk losses reporting mechanism. In addition, the Company has completed the development of operational risk management system and realized the identification, evaluation, monitoring, measurement and reporting of operational risk. The Company has completed the implementation of operational risk management of wholly-owned and controlling subsidiaries to align with the Parent Company.

5. *Money laundering and terrorism financing risk*

Money laundering risk refers to the risk that the products or services of financial institutions are manipulated by criminals to engage in money laundering activities, which will adversely affect the Company in terms of law, reputation, compliance and operation.

In order to effectively implement the requirements of the Guidelines for Management of Money Laundering and Terrorism financing risk of Corporate Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》) issued by the People's Bank of China, in January 2020, the Board of Directors of the Company considered and approved the Measures for Risk Management of Money Laundering and Terrorist Financing of Orient Securities Company Limited, which clarified the anti-money laundering responsibilities of the Board of Directors, the Supervisory Committee, the management, the business departments and the functional management departments, and proposed the Company's money laundering risk management objectives, money laundering risk management culture construction objectives, money laundering risk management principles, strategies and procedures, so as to manage money laundering risks at the Group level in a united manner. At the same time, the Company carried out anti-money laundering customer information governance, optimized and improved anti-money laundering system functions, and carried out money laundering risk assessment. In addition, the Company will engage third-party consulting agencies to carry out the Group's money laundering risk assessment and gap analysis, so as to continuously improve the efficiency of anti-money laundering task and the duty performance. In face of the comprehensively strict regulatory environment, the Company has continuously strengthened its anti-money laundering performance and improved its anti-money laundering compliance management level.

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6. *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 protection and backup measures for 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 great 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 Company 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 Company 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 monthly basis as per the annual plan, and set system permissions according to the established process which includes approval, recording and filing.

7. *Reputational risk*

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

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During the year, the Company did not encounter any material events affecting its reputation, and certain sensitive events were addressed efficiently and properly. In terms of management of corporate reputation risk, the Company mainly strengthened the following three aspects during the year: first, it launched the reputation risk event reporting process on the OA intranet, and further improved the sensitive public opinion reporting system; secondly, the monthly report on reputation risk public opinion was upgraded and improved to add the Company's active dissemination, negative public opinion management situation, peer public opinion comparison and interpretation, so as to have a more comprehensive understanding of the public opinion environment of the Company and lay a solid foundation for reputation risk management; and thirdly, training on reputation risk management engaged by all the employees was completed, which enhanced the awareness of reputation risk of all staff and achieved good results.

In addition, like other financial institutions, the Company is inevitably exposed to certain degree of compliance risks, legal risks, moral risks, etc. The comprehensive risk management system implemented by the Company has fully covered such risks, the corresponding responsible departments have been specified, the management systems have been established and the technical measures have been implemented.

The Company has formulated corresponding risk management policies and measures to identify and evaluate the above risks, sets appropriate risk limits and internal control processes, continuously monitors the above risks through reliable management and information systems, and strives to maintain such risks to be 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
2019 annual general meeting	May 15, 2020	http://www.sse.com.cn http://www.hkexnews.hk	May 16, 2020 May 15, 2020

Explanation on general meetings

During the Reporting Period, the Company convened the 2019 annual general meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on May 15, 2020, at which 3 special resolutions, namely the “Proposal in Relation to General Mandate to Issue Onshore Debt Financing Instruments”, the “Proposal in Relation to the Amendments to Certain Articles in the Articles of Association of the Company” and the “Proposal Regarding the General Mandate to the Board of Directors of the Company to Issue Additional A and/or H Shares of the Company”; and 12 ordinary resolutions, namely, the “Proposal in Relation to the Report of the Board of Directors of the Company for the Year 2019”, the “Proposal in Relation to the Report of the Supervisory Committee of the Company for the Year 2019”, the “Proposal in Relation to the Final Accounts Report of the Company for the Year 2019”, the “Proposal in Relation to the Profit Distribution Proposal of the Company for the Year 2019”, “Proposal in Relation to the Annual Report of the Company for the Year 2019”, the “Proposal in Relation to the Proprietary Business Scale of the Company in 2020”, the “Proposal Regarding the Conduction of Asset-backed Securitization Business with the Company’s Credit Assets from its Financing Businesses”, the “Proposal in Relation to the Projected Routine Related Party Transactions of the Company in 2020”, the “Proposal in Relation to the Expected Provision of Guarantees by the Company in 2020”, the “Proposal in Relation to the Engagement of Auditing Firms for the Year 2020”, the “Proposal in Relation to the Election of Non-executive Director of the Company” and the “Proposal in Relation to the Shareholders’ Returns in the Next Three Years (2020-2022)” 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 16, 2020.

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 2020.

Section V Significant Events

III. PERFORMANCE OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Covenantor	Content of undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform if failed to perform timely	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	To solve the problem of business competition	Shenergy Group	Shenergy Group has issued the Commitment Letter of Avoiding Business Competition to the Company and undertook that it and the companies and enterprises under its direct or indirect control would not participate in any form of business or operation that compete or might compete with the Company and its subsidiaries.	After the public offering and listing of 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 2019 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 2020 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 2020 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 litigations and arbitrations (representing more than 90% of the total litigation and arbitration of the Company) in which the Company is involved are as follows:

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Dalian Changfu Ruihua Group Co., Ltd. (大連長富瑞華集團有限公司)	Litigation	Dalian Changfu Ruihua Group Co., Ltd. ("Changfu Ruihua") conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Dalian Holdings (大連控股)" (600747) held by it in June 2014. The above-mentioned transaction has been in default.	Principal of RMB800 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	The application for enforcement was accepted in June 2017, and Liaoning High Court made a ruling in July 2017, designating Dalian Intermediate Court as the jurisdiction of the case. In January 2018, Dalian Intermediate Court obtained the right to dispose of the collateralized securities from the first court. After that, the case entered the judicial auction procedure in August 2019. During the judicial evaluation process, the collateralized securities were delisted from the market in December 2019, and there were third-party creditors who applied for bankruptcy and liquidation of the debtor, which was accepted by Xigang District Court of Dalian as designated by Dalian Intermediate People's Court. Therefore, the execution procedure was terminated according to law, and the materials of the case were transferred to the bankruptcy court. In April 2020, the bankruptcy administrator was determined and the creditor's rights declaration was initiated. In May, upon the application of the Company, the manager agreed to dispose of the pledged equity in advance, and auctioned it for the first time in June but the auction was unsuccessful.

Section V Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (上海郁泰登碩投資中心(有限合伙)) and Shanghai Fuxing Industrial Group Co., Ltd. (上海阜興實業集團有限公司) and Shanghai Yutai Investment Management Co., Ltd. (上海郁泰投資管理有限公司), as guarantors	Litigation	Shanghai Yutai Dengshuo Investment Center (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of “Jianrui Woneng (堅瑞沃能)” (300116) held by it in September 2016 and Shanghai Fuxing Industrial Group Co., Ltd. provided the unconditional, irrevocable and joint guarantee. The above-mentioned transaction has been in default.	Principal of RMB170 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	In August 2018, the case was filed with enforcement procedure in Shanghai No.2 Intermediate People’s Court and the first freeze on collateralized securities was completed in September. In September 2019, the case entered the execution phase. In October, certain collateralized shares were disposed of through judicial entrustment in secondary market, and certain implementation funds were recovered. After the remaining collateralized shares were unsuccessfully auctioned off by judicial auction in January 2020, the court made a ruling of paying off debts by shares, and completed the transfer in March. In March, the Company sued Shanghai Yutai Investment Management Co., Ltd., the guarantor, in the Shanghai Financial Court for the shortfall between the pledged shares and the debts.
DFZQ	Beijing Honggao Zhongtai Investment Co., Ltd. (北京弘高中太投資有限公司)	Litigation	Beijing Honggao Zhongtai Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of “Honggao Innovation (弘高創意)” (002504) held by it in April 2016. The above-mentioned transaction has been in default.	Principal of RMB110 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	The Company sued in Shanghai Financial Court in August 2018 and received the first-instance judgment supporting the claims of the plaintiff in November. After the judgment came into effect, the case entered the enforcement procedure and the Company obtained the disposal right from the first court in March 2020. In April, the Company received the ruling of Shanghai Financial Court on disposal of pledged shares through judicial auction, and completed the pre-auction evaluation procedure in June. Official auction is pending to be initiated.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Wenzhou (Shanghai) Industry Co., Ltd. (聞舟(上海)實業有限公司), Fujian Tongfu Industry Co., Ltd. (福建同孚實業有限公司)	Litigation	Wenzhou (Shanghai) Industry Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Guanfu Limited (冠福股份)" (002102) held by it in May 2017 and Fujian Tongfu Industry Co., Ltd. provided the unconditional, irrevocable and joint guarantee. The above-mentioned transaction has been in default.	Principal of RMB405 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In July 2019, the case was executed and filed with Shanghai Financial Court, and in October, the Company received the letter from Hangzhou Shangcheng District Court, the court of first instance, approving to transfer the disposal right. In April 2020, the Shanghai Financial Court ruled that the pledged shares should be disposed of by judicial auction and the auction was completed in July.
DFZQ	Lin Wenhong and his spouse	Litigation	Lin Wenhong conducted the share collateralized repurchase transaction with the Company by way of the circulating shares of "Guanfu Limited (冠福股份)" (002102) held by him since March 2014. The above-mentioned transaction has been in default.	Principal of RMB50.91 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In July 2019, the Company filed a lawsuit with Shanghai Financial Court and completed the litigation preservation. In January 2020, the first trial was held, and in March, the Company received the ruling in relation to the success of the first trial. In April, the court decided to move the case into execution proceeding.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Lin Wenzhi, his spouse and Fujian Tongfu Industry Co., Ltd. (福建同孚實業有限公司), the guarantor of the third tranche of transaction	Litigation	Lin Wenzhi conducted three tranches of share collateralized repurchase transactions with the Company by the circulating shares of "Guanfu Limited (冠福股份)" (002102) held by him since September 2014 and Fujian Tongfu Industry Co., Ltd. provided the unconditional, irrevocable and joint guarantee for one of the transactions. The above-mentioned transaction has been in default.	Principal of RMB126.87 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In July 2019, the Company filed a joint lawsuit with Shanghai Financial Court for three transactions and litigation preservation was completed. Subsequently, the presiding judge intended to split the above three transactions into two cases, and formally held a trial in January 2020 on two transaction cases involving a principal of RMB90.87 million, and the Company received the judgment in relation to the success of the first instance in March and in April, the court executed the case. Another transaction dispute with a principal of RMB36 million was ruled to be transferred to Huangpu District Court of Shanghai for trial, which will be heard for the first time in August.
DFZQ	Beijing Wutong Yuxiang Investment Co., Ltd. (北京市梧桐翔宇投資有限公司)	Litigation	Beijing Wutong Yuxiang Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Deao Freight (德奧通航)" (002260) held by it in August 2016. The above-mentioned transaction has been in default.	Principal of RMB123.6708 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In July 2019, the case was filed with the Shanghai Financial Court, and in May 2020, the Company received the judgment in relation to the success of the first instance.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Lin Wenchang	Litigation	Lin Wenchang conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Guanfu Limited (冠福股份)" (002102) held by him since June 2016. The above-mentioned transaction has been in default.	Principal of RMB283.1 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In September 2019, Quanzhou Intermediate People's Court officially accepted the case and completed the enforcement preservation. In early March 2020, Quanzhou Intermediate People's Court obtained the right to dispose of pledged shares, and the Company will actively promote the follow-up disposal procedures.
DFZQ	Zhang Qingwen	Litigation	Zhang Qingwen conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Bangxun Technology (邦訊技術)" (300312) held by him in December 2015. The above-mentioned transaction has been in default.	Principal of RMB185.8101 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In October 2019, the case entered into enforcement procedure and was executed and filed with Beijing No.1 Intermediate People's Court. At the end of 2019, the bank account and provident fund account of Zhang Qingwen were deducted by the court, totaling RMB227,775.56. From March to April 2020, the court received the disposal right of pledged shares transferred from the first-instance courts, Shenzhen Intermediate People's Court and Shanghai No.1 Intermediate People's Court. At present, the Company is communicating with Beijing No.1 Intermediate People's Court on the follow-up disposal plan.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Dai Furong	Litigation	Dai Furong conducted the share collateralized repurchase transaction with the Company by the circulating shares of “Bangxun Technology (邦訊技術)” (300312) held by her since September 2015. The above-mentioned transaction has been in default.	Principal of RMB150 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	<p>It is divided into two judicial cases:</p> <p>The transaction with a principal of RMB25.1 million was executed and was filed with Shanghai Huangpu Court in September 2019, and the defendant filed a jurisdictional objection, which was rejected by Huangpu Court and the defendant appealed to Shanghai Financial Court. In January 2020, the defendant received a final ruling from Shanghai Financial Court rejecting the defendant’s jurisdictional objection. In May, the first trial was held, and in June, the Company received the judgment in relation to the success of the first instance. The defendant filed an appeal and the Company is at present following up the second trial procedure.</p> <p>The transaction with the principal of RMB124.9 million was executed and filed with Beijing No.1 Intermediate People’s Court in October 2019 according to the execution certificate. At the end of 2019, the court executed the deduction of RMB136,000 from Dai Furong’s provident fund account. In April 2020, Beijing No.1 Intermediate People’s Court received the pledge share disposal right transferred by Shanghai No.1 Intermediate People’s Court, and at present the Company is communicating with Beijing No.1 Intermediate People’s Court on the follow-up disposal plan.</p>

Section V Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Xu Lelei	Litigation	Xu Lelei conducted the share collateralized repurchase transaction with the Company by the shares of "Huangshi Group (皇氏集團)" (002329) held by her since November 2016. The above-mentioned transaction has been in default.	Principal of RMB119.0308 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In October 2019, the case was put on file with enforcement procedure in Beijing No. 3 Intermediate People's Court. In December, the execution settlement agreement was reached with the executed party. However, due to the defendant's failure to repay the loan, the Company applied for resumption of enforcement procedure in January 2020. In April, Beijing No.3 Intermediate People's Court asked Nanning Intermediate People's Court to resend the transfer and disposal letter. In June, Nanning Intermediate People's Court replied that it was awaiting the opinions of the collegiate bench.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Huang Xiuzhen, Wang Wenqi, Jia Xiaoyu, the legal successors of Jia Quanchen and the transaction guarantors, Jia Xiaoyu and Wang Jingjing	Litigation	Jia Quanchen (deceased) conducted the share collateralized repurchase transaction with the Company by the circulating shares of “Qingdao Zhongcheng (青島中程)” (300208) held by him in September 2016 and Jia Xiaoyu and Wang Jingjing provided the unconditional, irrevocable and joint guarantee for the transaction. Jia Quanchen deceased before the maturity date and failed to buy back the shares due, which constituted a breach of contract and the collateralized shares were frozen by the judiciary. Therefore, the Company claimed creditor’s rights from its property heirs Wang Wenqi, Jia Xiaoyu and the guarantor.	Principal of RMB115 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	In October 2019, the case was filed with Shanghai Financial Court, and in April 2020, the first court session was held, but the defendant was not present, and proposed to postpone the court session. At present, the Company is awaiting the court’s legal judgment.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Beijing Dongfang Junsheng Investment Co., Ltd. (北京東方君盛投資有限公司) and its guarantors Feng Biao, Gao Zhonglin and their spouses	Litigation	Beijing Dongfang Junsheng Investment Co., Ltd. ("Dongfang Junsheng") conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Hainan Yedao (海南椰島)" (600238) held by it since September 2017 and Feng Biao and Gao Zhonglin provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB425 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In November 2019, the case was filed with Shanghai Financial Court, and the litigation preservation was completed. In March 2020, the court rejected the jurisdictional objections raised by Dongfang Junsheng and Feng Biao. In April, the objectors appealed against the rejection. In June, the Shanghai High Court ruled in the second instance on the objection to jurisdiction, and upheld the original ruling. At present, the Company is waiting for the Shanghai High Court's feedback on the delivery of the second instance ruling of jurisdiction objection to the objectors.
DFZQ	Shenzhen Laohuhui Asset Management Co., Ltd. (深圳市老虎匯資產管理有限公司) and the guarantor Feng Biao and his spouse	Litigation	Shenzhen Laohuhui Asset Management Co., Ltd. ("Laohuhui") conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Jiaying Pharmacy (嘉應製藥)" (002198) held by it in February 2017 and Feng Biao, the de facto controller, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB470 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In November 2019, the case was filed with Shanghai Financial Court, and the litigation preservation was completed. Laohuhui and Feng Biao filed an objection to jurisdiction. In March 2020, the court rejected the jurisdictional objection. Feng Biao and others appealed in this regard. At present, the Company is awaiting for hearing of the appeal of jurisdictional objection by Shanghai High Court.

Section V Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shanghai Zhengjing Investment Management Partnership (Limited Partnership) (上海箏菁投資管理合夥企業(有限合夥)) and Fengyuanhong (Beijing) Holding Group Co., Ltd. (灑沅弘(北京)控股集團有限公司), the guarantor	Litigation	Shanghai Zhengjing Investment Management Partnership (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the shares of "Fenzhong Media (分眾傳媒)" (002027) held by it in May 2017 and Fengyuanhong (Beijing) Holding Group Co., Ltd. provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB251.22 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In April 2020, the Company applied to Shanghai Financial Court for compulsory execution and was accepted and the preservation was completed and the bank accounts were frozen. In May, the executive judge gave feedback that the letter approving to transfer the disposal right was received from the court of first instance. In June, the court issued an agreement to sell through the secondary market, and the pledged shares are currently on sale.
DFZQ	Kedi Food Group Co., Ltd (科迪食品集團股份有限公司) and Zhang Qinghai, the guarantor	Litigation	Kedi Food Group Co., Ltd conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Kedi Dairy (科迪乳業)" (002770) held by it in December 2015 and Zhang Qinghai, the de facto controller, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB231.86 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In May 2020, Zhang Qinghai, the guarantor, was sued together in Shanghai Financial Court, and the lawsuit was filed. In June, the court made a preservation ruling. At present, it is in the process of implementation of property preservation and the scheduled court session.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shanghai Huaimao Equity Investment Fund Management Partnership (Limited Partnership) (上海淮茂股權投資基金管理合夥企業(有限合夥)) and Shanghai Dingbai Equity Investment Fund Management Partnership (Limited Partnership) (上海鼎柏股權投資基金管理合夥企業(有限合夥)), the guarantor	Litigation	Shanghai Huaimao Equity Investment Fund Management Partnership (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Gangtai Holdings (剛泰控股)" (600687) held by it in January 2016 and Shanghai Dingbai Equity Investment Fund Management Partnership (Limited Partnership) provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB415.9174 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In April 2020, the Company applied to Shanghai Financial Court for compulsory execution and it was formally accepted by the court at the end of June.

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Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Linlu Investment (Shanghai) Co., Ltd. (霖瀟投資(上海)有限公司) and Chen Zhonghua, Ji Jun and his spouse, the guarantors	Litigation	Linlu Investment (Shanghai) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Huayi Jiaxin (華誼嘉信)" (300071) held by it in August 2016 and Chen Zhonghua, the legal representative and Ji Jun, a shareholder, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB109 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In June 2020, the Company filed a lawsuit with Shanghai Financial Court, and the litigation preservation and the first-instance freezing of the pledged shares was completed. At present, the Company is waiting for the scheduled court session after completion of delivery.

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

During the Reporting Period, the Company and its Directors, Supervisors and senior management personnel were not investigated by competent authorities, taken compulsory measures by judicial organs or discipline inspection departments, transferred to judicial authorities or investigated for criminal responsibilities, filed for investigation or administrative punishment by CSRC, banned from the market, recognized as inappropriate candidates, given major administrative punishment by other administrative departments such as environmental protection, safety supervision and taxation departments, or publicly condemned by stock exchanges.

Section V Significant Events

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

The Company's largest shareholder is 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. THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR IMPACTS

In order to establish and improve the benefit co-sharing mechanism between employees and the Company, improve the cohesion among employees and the competitiveness of the Company, attract and retain quality talents, promote the long-term, sustainable and healthy development of the Company, and maximize the interests of the Company, Shareholders and employees, the Company implemented the H-share employee stock ownership plan in 2020.

At the 20th meeting of the 4th session of the Board, the 15th meeting of the 4th session of the Supervisory Committee and the 2020 first extraordinary general meeting, the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 and the Proposal in relation to the Authorization to the Board to Fully Handle Matters Related to the Employee Stock Ownership Plan were considered and approved. On July 7, 2020, the 4th plenary meeting of the third session of the employee congress of the Company was convened, at which the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 was considered and approved. The actual number of participants in the employee stock ownership plan of the Company is 3,588, and the total amount of funds raised is RMB316,657,000, of which the subscription amount of Directors, Supervisors and senior management personnel of the Company accounts for 8.27% of the total amount of the employee stock ownership plan.

On July 23, 2020, the first meeting of the holders of the Company's employee stock ownership plan was convened through online voting, at which the Proposal on Election of Members of the Employee Stock Ownership Plan Management Committee of 東方證券股份有限公司 and the Proposal on Authorizing the Employee Stock Ownership Plan Management Committee of 東方證券股份有限公司 to Handle Matters Related to the Employee Stock Ownership Plan were considered and approved.

X. MATERIAL RELATED-PARTY/CONNECTED TRANSACTIONS

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

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(i) Related-party/connected transactions related to daily operation

1. Related-party/Connected Transactions between the Group and Shenergy Group and its related companies

Reference is made to the announcement of the Company dated 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 2020 Daily Related Transactions” considered and approved at the 2019 annual general meeting, 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.	Shenergy Group and its related companies	15,000.00	4.55
	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.		2,500.00	2.18
Purchase of goods and receiving of services	Business and management fee	The Company receives its services such as property and gas supply.		5,000.00	366.69

Note: In the first half of 2020, the related-party/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 party transactions between the Group and other related parties

During the Reporting Period, the Company carried out connected transactions in strict compliance with the annual transaction amount caps stipulated in the “Proposal on Estimation for the Company’s 2020 Daily Related Transactions” reviewed and approved at the 2019 annual general meeting. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
Securities and financial products services	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 for related parties.	Great Wall Fund Management Co., Ltd.	Subject to the actual amount due to unpredictable transaction volume.	146.85
			Harvest Capital Management Co., Ltd.		28.49
			Shanghai DFZQ Xindeyizhang Public Welfare Foundation		0.80
			Orient International Group Shanghai Investment Limited		0.29
			Related/connected natural persons		1.08
	Interest income	The Company achieves interest income for holding bonds issued by the related parties.	Shanghai Xinhua Distribution Group Co., Ltd.	Subject to actual amount due to unpredictability of scale and term of the bonds held.	107.21
			Shanghai Shangbao Asset Management Co., Ltd.		81.77
			Greenland Holdings Group Co., Ltd.		38.87
	Investment yields	The Company achieves investment yields for acquisition of securities, funds, insurance and other products issued by the related parties.	Great Wall Fund Management Co., Ltd.	Subject to the actual amount due to unpredictability of scale and yields of securities and other products acquired.	665.78
Interest expense on clients' deposits	The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services for related parties.	Greenland Holdings Group Co., Ltd.	Subject to the actual amount due to unpredictability of scale of funds.	28.07	
		Shanghai Construction Group Co., Ltd.		2.37	
		Shanghai DFZQ Xindeyizhang Public Welfare Foundation		0.08	
		Orient International Group Shanghai Investment Limited		0.01	
		Related/connected natural persons		0.62	

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Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
	Derivative financial liabilities	Balance of the derivative trading between the Company and related parties such as over-the-counter option business as at the end of the period.	Harvest Capital Management Co., Ltd.	Subject to the actual amount due to unpredictability of the business and scale.	68.78
Securities and financial products services	Securities trading	Balance of the stocks, bonds, funds and other products which are issued by the related parties and subscribed for by the Company as at the end of the period.	Shanghai Construction Group Co., Ltd.		16,004.88
			Great Wall Fund Management Co., Ltd.		13,461.32
			China Pacific Property Insurance Co., Ltd.		10,000.00
			Shanghai Qizhong Golf Club Co., Ltd.		5,800.00
			Shanghai Xinhua Distribution Group Co., Ltd.		5,000.00
			Shanghai Shangbao Asset Management Co., Ltd.	Subject to the actual amount due to unpredictability of the business and scale.	4,000.00
			Greenland Holdings Group Co., Ltd.		1,844.86
			Haitong Securities Co., Ltd.		1,498.30
			China Pacific Insurance (Group) Co., Ltd.		6.39
			Jiangsu Financial Leasing Co., Ltd.		1.48
			Yantai Zhangyu Grape Wine Co., Ltd.		1.32
			Shanghai Jinqiao Export Processing Zone Development Co., Ltd.		1.25
			China Greatwall Technology Group Co., Ltd.		1.06

Notes:

- (1) The inter-group transaction and the transactions with their parent companies of the subsidiaries who have a control relationship and are incorporated in the Company's consolidated financial statements were offset.
- (2) In the first half of 2020, the related transactions between the Company and other related parties accounted for a small proportion of the Company's similar transactions.
- (3) The related/connected natural persons include: natural persons who directly or indirectly hold more than 5% of the shares of the listed company; directors, supervisors and senior management of the Company; close family members of the above-mentioned persons. All the applicable percentage ratios for aforesaid transaction calculated fall below the de minimis threshold as stipulated under Rule 14A.76 (1) of the Hong Kong Listing Rules, these transactions therefore will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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3. *Transaction categories and pricing policies for related-party/connected transactions*

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

(1) *Securities and Financial Products Services*

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

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

- 1) Securities and Futures Brokerage Services – The commission rate for these services is generally transparent and standardized and determined after fair negotiations with reference to the prevailing market rates of similar securities or futures industries; fees (as the case may be) will be determined by reference to, among other things, the brokerage transaction fees, interest rates and commissions of the independent third party customers in the market and the total amount of the expected broker transaction. For futures brokerage, each unilateral commission is different depending on (i) the type of futures contract; (ii) the futures exchange where the trading is conducted; and (iii) whether the trading is conducted in Hong Kong during the day or night. For brokerage related services, the fees (as the case may be) will be determined with reference to the expected cost;
- 2) Sales of Securities and Financial Products Services – Factors determining service fees include market prices, industry practices and total sales of financial products with reference to the level of fees charged by the Group for sales of products of similar types and nature;
- 3) Custodian Asset Management Services – The market rates of these services are generally transparent in the market and determined after fair negotiations with reference to factors such as current market rates, the number of products sold on behalf of customers or the size of the custodian assets and the complexity of providing designated services;

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- 4) Investment Advisory Services – These service fees are based on the current market charge levels of similar types and sizes of transactions, which are determined by the relevant business units after fair negotiations with reference to the service costs of the parties;
- 5) Securities Underwriting Services – The market for securities underwriting services is highly competitive, and market commissions are generally transparent and standardized. The underwriting commission was determined after fair negotiations and considering a number of factors, including current market conditions, size of the proposed offering, recent general market commission rates with similar nature and size, and rates charged by the Group to independent third parties. The securities underwriting market is highly competitive, and the underwriting commission rate is generally transparent and standardized, and may be determined based on market pricing by the Group;
- 6) Financial Advisory Services – Factors determining the financial advisory fees and other service fees include the nature and size of the transaction and the prevailing market conditions. Investment banking service charges are generally transparent in the market and may be determined based on market pricing by the Group;
- 7) Asset Custody Services – These service fees are determined by fair negotiations with reference to the current market charge levels for transactions of similar type and size.

(2) *Securities and Financial Products Transactions*

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

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

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

(3) *Purchasing goods and receiving services*

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

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

4. *Internal control measures for related-party/connected transactions (including continuing connected transactions)*

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

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

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

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

At the Board meeting of the Company held on January 8, 2019, 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, pursuant to which, the Company acquired 33.33% equity interests of Citi Orient Securities Co., Ltd. (“Citi Orient”) held by Citigroup Global Markets Asia Limited (“Citigroup Asia”).

On December 3, 2019, the Company received the Letter of No Objection to Shareholder Change of Citi Orient Securities Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2019] No. 465) (《關於東方花旗證券有限公司股東變更的無異議函》(滬證監機構字[2019]465號)) from the Shanghai Bureau of the CSRC, pursuant to which, the Shanghai Bureau of the CSRC in principle has no objection to the Company’s acquisition of the 33.3% equity interests in Citi Orient held by Citigroup Asia in Citi Orient.

During the Reporting Period, the Company completed the registration of industrial and commercial change regarding the acquisition of the 33.33% equity interests of Citi Orient and change of name of Citi Orient, and received the new business license issued by the Shanghai Market Supervision and Administration Bureau. The company name of Citi Orient was changed to Orient Securities Investment Banking Co., Ltd. Orient Securities Investment Banking Co., Ltd becomes a wholly-owned subsidiary of the Company.

The Company confirmed that the above-mentioned 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.

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XI. MATERIAL CONTRACTS AND PERFORMANCE

(i) Custody, contracting and leasing matters

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

(ii) Guarantees

Unit: 100 million Currency: RMB

External guarantees of the Company (excluding guarantees to its 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	3.54
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	107.49
Total amount of guarantees provided by the Company (including those provided for subsidiaries)	
Total amount of guarantees (A+B)	107.49
Percentage of total guarantees over net assets of the Company (%)	19.92
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)	93.33
Amount of total guarantees exceeding 50% of net assets (E)	–
Total amount of above three types of guarantees (C+D+E)	93.33
Explanations on outstanding guarantees subject to joint liabilities	
Explanations on guarantees	During the Reporting Period, the Company and its wholly-owned subsidiary provided guarantee on financing activities of its subsidiaries of RMB8.059 billion and non-financing guarantee of RMB2.690 billion.

Note: The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB = 1:7.0795 as at the end of June 2020; and the amount of guarantees denominated in HKD was converted at the spot exchange rate of HKD/RMB = 1:0.91344 as at the end of June 2020.

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(iii) Other material contracts

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

XII. POVERTY ALLEVIATION OF THE LISTED COMPANY

(i) Precise poverty alleviation plan

1. Basic policies and overall objectives

To actively respond to the national 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, financing, education, consumption, welfare 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” and combat the war of fighting poverty on schedule.

2. Main strategies

(1) Leveraging the resource endowment of poor counties and supporting industries based on local conditions. On the basis of comprehensive on-the-spot investigation and understanding of the characteristic resources of each poverty-stricken county, the Company provides industrial assistance according to local conditions. At present, the Company takes Wufeng in Hubei and Morin Banner in Inner Mongolia and other places as the subject of key projects, focuses on helping the local development of tea, Guniang fruits and other characteristic industries, actively explores the establishment of a long-term anti-poverty mechanism, and steadily advances pair-up counties to get them out of poverty through rippling effect selectively.

Section V Significant Events

- (2) Insisting on giving priority to poverty alleviation through industry support, and promoting poor counties to realize the function of “Blood Generation” through consumption channels. In various poverty alleviation programs, the Company focuses on the industrial poverty alleviation model that can achieve sustainable development for poor counties, which has achieved initial results. The Company continues to focus on industrial poverty alleviation, and through the integration of the Group’s resources and Internet resources, including joint efforts with well-known e-commerce websites and well-known enterprises in specialty industries, to promote the development of local specialty industries in poor counties hands in hands, aiming to realize the “Blood Generation” function for poor counties in the long run.
- (3) Providing talent guarantee for poor areas. The Company adheres to the idea of “prioritizing knowledge support” in poverty alleviation work, and continues to provide poverty-stricken counties with knowledge support and transportation of relevant talents through various methods such as educational poverty alleviation, financial knowledge lectures, and vocational skills training, in a bid to help poor counties to continue to maintain stable and healthy development after being lifted out of poverty.
- (4) Making full use of the advantages of financial enterprise and innovating a new model of precise poverty alleviation. The Company continues to give full play to the advantages of financial enterprise, and assists many poor counties to reduce the risk of agricultural product price fluctuations through “insurance + futures” poverty alleviation, etc., and fully integrates and uses relevant resources to innovate the precise poverty alleviation model, aiming to provide more relevant and replicable cases for precise poverty alleviation.
- (5) Strengthening the process management of poverty alleviation projects and promoting the smooth implementation of precise poverty alleviation. The Company sets up an internal group for poverty alleviation to establish the key tasks of precise poverty alleviation each year, and through the daily work contact mechanism with paired poverty alleviation counties, field visits and investigations, and feedback during and after poverty alleviation mechanisms, to better manage the poverty alleviation project process and ensure smooth implementation of poverty alleviation to make sure the implementation of poverty alleviation projects.

Section V Significant Events

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

Under the guidance and initiative of the CSRC and the China Securities Association, the Company actively responded to the national call and industry guidelines and made solid progress in the precise poverty alleviation work. By the end of the Reporting Period, the Company and its subsidiaries had signed twinning assistance agreements with 18 national poverty-stricken counties, including Morin Banner 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 Province, 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, Maigaiti in Xinjiang Province, Tongbai County in Henan Province, Lindian County in Heilongjiang Province, and Xichou County in Yunnan Province.

During the Reporting Period, the Company invested a total of RMB3.1554 billion in poverty alleviation projects and carried out six poverty alleviation projects, including one industrial poverty alleviation project with an investment of RMB2.1389 billion; one financial poverty alleviation project with an investment of RMB0.300 billion; one educational poverty alleviation project with an investment of RMB0.3450 billion; two consumption poverty alleviation projects with an investment of RMB0.105 billion and one public welfare poverty alleviation project with an investment of RMB0.2665 billion.

In addition, the Company gave full play to its financial expertise and actively served the financing of poor areas and the national green development strategy. During the Reporting Period, the Company helped poor areas raise RMB26.320 billion through various financing methods. In particular, Orient Investment Banking, a subsidiary of the Company, mainly underwrote the private issue of corporate bonds designated for the purpose of poverty alleviation in 2020 by Communications Construction Investment Co., Ltd. in Bozhou District, Zunyi, Guizhou province, helping it to actually raise RMB350 million. The Company's fixed income business headquarters underwrote a total of RMB25.970 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	315.54
2. Material equivalent	
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)	1
1.3 Contribution to industrial poverty alleviation projects	213.89
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

Unit:'0000 Currency: RMB

Indicator	Amount and Progress
4. Poverty alleviation by education Including:	
4.1 Contribution to subsidize students in poverty	34.50
4.2 Number of students in poverty being subsidized (person)	115
4.3 Contribution to improve education resources in poverty areas	
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)	

Section V Significant Events

Unit:'0000 Currency: RMB

Indicator	Amount and Progress
8. Poverty alleviation in the society Including:	
8.1 Amount contributed to poverty alleviation in the east and west parts of the country	
8.2 Amount contributed to targeted poverty alleviation work	
8.3 Poverty alleviation public welfare fund	
9. Other projects Including:	
9.1. Number of projects (unit)	4
9.2. Amount of contribution	67.15
9.3. Number of beneficiaries in recorded poor family (person)	
9.4. Description for other projects	Including fighting poverty in financing, consumption and welfare
III. Awards obtained (details and class) Nil	

(iv) Milestone progresses achieved in fulfilling the social responsibilities of precision poverty alleviation

1. *Implementing the Hubei Wufeng “Dongfanghong Selected Mingqian Spring 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 in Hubei Province. After rounds of on-the-spot investigations, the Company found that Wufeng County is located in the western border of Hubei at 30 degrees north latitude, and enjoys a unique geomorphic environment with towering mountains, plentiful rainfalls, thick fog and significant temperature differences between day and night, which is very suitable for the growth of tea. Besides, nearly half of the arable land in Wufeng County grows tea and 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. In order to further promote the development of Wufeng tea industry, the Company continued to carry out poverty alleviation work in the local characteristic tea industry, and continued to implement the “Dongfanghong Selected Mingqian Spring Tea” industrial poverty alleviation project.

Section V Significant Events

During the Reporting Period, the Company has pooled the resources from various sides to jointly promote the smooth implementation of the “Dongfanghong Selected Mingqian Spring Tea” project. In particular, the Company engaged a professional illustrator to design distinctive outer packaging for the tea based on the unique rare animals and plant elements in Wufeng, so as to further promote the local customs of Wufeng, which was widely accepted. At the same time, capitalizing on the influence of its “Dongfanghong” asset management brand, the Company created the brand of “Dongfanghong Selected Mingqian Spring Tea”, and established lasting market competitiveness and premium capacity through brand building.

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

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 signed follow-up village-enterprise pair-up agreements with Pingmeng Village, Gula Township, Funing County. During the Reporting Period, the Company continued to carry out precise poverty alleviation initiatives in Funing County of Yunnan Province pursuant to the agreements.

In particular, a village road into Pingmeng Village, Gula Township, which was funded by the Company, was successfully constructed and put into use. It covered a hardened mileage of over 2.5 kilometers and greatly facilitated the travel of local villagers and the economic development of the village. Furthermore, the Company launched the preparations for a new road hardening project, which progressed smoothly by the end of the Reporting Period.

3. *Steadily Promoting the “Orient Guniang” Industrial Poverty Alleviation in Morin Banner, Inner Mongolia*

In Morin Banner of Inner Mongolia, one of the pair-up counties, the Company took Guniang fruits industry, the featured industry of the county, as the focus for the poverty alleviation initiative, 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, Inner Mongolia and smooth progress has been achieved at present.

During the Reporting Period, given the sound social benefits achieved in the past three years, the Company continued to launch the “Orient Guniang” industrial project, and commenced to carry out relevant preparations, including promoting the standardized operation of the warehousing and transshipment base project funded by the Company, continuously optimizing the fruit collection and storage of Orient Guniang fruits to improve product quality; designing an overall plan for the promotion and dissemination of Moqi Guniang fruits to further enhance product awareness by developing peripheral derivatives; improving the cooperation mechanism with Benlai Life, and taking advantage of the Group and e-commerce channels to increase the promotion and sales of Guniang products, so as to benefit more poor local farmers.

Section V Significant Events

4. *Constant Progress in 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 approval 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 115 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 RMB0.3450 million. The Company has successively carried out seven poverty assistance programs in No. 1 Middle School of Ni Er Ji in Morin Banner, benefiting approximately 700 impoverished students, with total amount of aid exceeding RMB2.1 million.

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

1. *Solidly Promoting Poverty Alleviation Projects in Various Industries of Different Regions*

Since pairing up with several poverty-stricken counties, the Company has carried out a number of industrial poverty alleviation projects according to local conditions and taking its resources into consideration, 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 sound poverty alleviation results. In the future, the Company will continue to focus on industrial poverty alleviation, push forward the key 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, so as to help combat the battle against poverty.

2. *Continuously Promoting Poverty Alleviation Projects through Education*

The Company will continue to carry out education poverty alleviation projects in various poor counties based on the actual situation 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 daily life, stationery and other material donations and other projects.

Section V Significant Events

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

The Company actively responded to the call of the Shanghai State-owned Assets Supervision and Administration Commission 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, so as to help Funing County get out of poverty as soon as practicable.

4. *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.

5. *Strengthening Personnel Training in Poor Areas and Enhancing 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, market-makers and etc. According to the needs of the poverty-stricken counties, the Company will provide popular education of financial knowledge to the locals, 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, neither the Company nor its subsidiaries had issued convertible corporate bonds.

Section V Significant Events

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; 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 and options market making business and securities investment fund custodian business.

Under the background of low-carbon economy, the Company always advocates and implements the concept of “green office and low-carbon life”, seeks for an energy-saving, environment-friendly and efficient management mode, implements the concept of green environmental protection in the Company’s operation and management process, and actively fulfills the responsibilities of corporate citizens.

The Company continuously strengthens the control of energy conservation and emission reduction, strictly controls travelling by its own vehicles, encourages the use of public transportation and vehicle co-sharing, and leverages telephone video conferencing system to replace on-site meetings to reduce carbon emissions generated during the Company’s operations. It continues to promote paperless reform, resorts to OA office system, network disk, cloud disk and other systems to conduct business approval through electronic circulation, and takes advantage of science and technology to reduce paper consumption and energy waste while improving office efficiency. The Company also actively responds to the call of the state, promotes waste classification management, encourages reuse of waste office supplies and paper, and entrusts qualified units to recycle and dispose of various wastes.

During the Reporting Period, the Company held the “care for the earth together at this moment” theme activity on the World Environment Day. Through the theme photography exhibition, coffee green plant exhibition and on-site interactive activities, the Company advocated all employees to actively take sustainable actions to jointly care for the future of the earth.

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**

During the Reporting Period, there was no change in the accounting policies, accounting estimates and accounting methods of the Group.

(ii) **Correction of material accounting errors subject to retrospect and restatement during the Reporting Period and the amount, reason and impact thereof**

During the Reporting Period, no retrospect or restatement due to correction of material accounting errors was made within the Group.

(iii) **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 Bureau of CSRC's Reply on Approving DFZQ to Set Up 11 Securities Branches (Hu Zheng Jian Xu Ke [2019] No.119), the Company was allowed to set up one securities branch in each of 11 cities including Datong and Jincheng in Shanxi, 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 1 securities branch, bringing the total number of securities branches to 169. The information on newly established branch is set out below:

No.	Name of branch	Address	Date of obtaining the permit
1	DFZQ Dongying Fuqian Avenue Securities Branch	22/F, Block A, Huali International Financial Plaza, No.128 Fuqian Avenue, Dongying Development Zone, Shandong Province, the PRC	May 19, 2020

Section V Significant Events

2. *Relocation of securities branches of the Company*

- (1) DFZQ Beijing Anyuan Road Securities Branch was relocated within the same city. The branch was relocated from No.5 Xiaoguan North Road, Anyuan Road, Chaoyang District, Beijing, the PRC to No.202 and No.203, 2/F and No.301, 3/F, Building 27, No.8 Beichen East Road, Chaoyang District, Beijing, the PRC. The name of the branch was changed to DFZQ Beijing Anli Road Securities Branch.
- (2) DFZQ Shenyang Huigong Street Securities Branch was relocated within the same city. The branch was relocated from 1-3/F, Block CD, No. 167 Huigong Street, Shenhe District, Shenyang, Liaoning, the PRC to Gates 2 and 3, No.423 Shifu Road, Shenhe District, Shenyang, Liaoning, the PRC. The name of the branch was changed to DFZQ Shenyang Shifu Road Securities Branch.
- (3) DFZQ Zhengzhou Commercial Park Securities Branch was relocated within the same city. The branch was relocated from No. 1801, 18/F, Building 1, No. 2 Commercial Central Park, Zhengdong New District, Zhengzhou, Henan, the PRC to No.109 Courtyard, Huanghe road, Jinshui District, Zhengzhou, Henan, the PRC. The name of the branch was changed to DFZQ Zhengzhou Huanghe Road Securities Branch.
- (4) DFZQ Putian Licheng Middle Avenue Securities Branch was relocated within the same city. The branch was relocated from 1-3/F, No. 2299 Licheng Middle Avenue, Longqiao Street, Chengxiang District, Putian, Fujian, the PRC to 1-2/F, No.1102 and No.1106 Shengli North Street, Zhenhai Street, Licheng District, Putian, Fujian, the PRC. The name of the branch was changed to DFZQ Putian Shengli North Street Securities Branch.
- (5) DFZQ Lhasa Jinzhu West Road Securities Branch was relocated within the same city. The branch was relocated from No.158 Jinzhu West Road, Lhasa, Tibet Autonomous Region, the PRC to No.123 Jinzhu West Road, Lhasa, Tibet Autonomous Region, the PRC. The name of the branch remains unchanged.
- (6) DFZQ Shanghai Minhang District Gulong Road Securities Branch was relocated within the same city. The branch was relocated from No.218 Gulong Road, Minhang District, Shanghai, the PRC to Unit 201, 2/F, Building 85, No.700 Yishan Road, Xuhui District, Shanghai, the PRC. The name of the branch was changed to DFZQ Shanghai Xuhui District Yishan Road Securities Branch.

Section V Significant Events

- (7) DFZQ Shanghai Pudong New Area Yaohua Road Securities Branch was relocated within the same city. The branch was relocated from 1/F and 4-6/F, No.58 Yaohua Road, Pudong New Area, Shanghai, the PRC to Room 107, 1/F and 16/F, No.488 Yaohua Road, Pudong New Area, Shanghai, the PRC. The name of the branch remains unchanged.
- (8) DFZQ Nanchong Wenhua Road Securities Branch was relocated within the same city. The branch was relocated from No.501, 5/F, Universal House Hotel, No.1 Wenhua Road, Shunqing District, Nanchong, Sichuan, the PRC to 1/F and 3/F, No.83 Hongguang Road, Shunqing District, Nanchong, Sichuan, the PRC. The name of the branch was changed to DFZQ Nanchong Hongguang Road Securities Branch.

(iv) Capital increase in a subsidiary

During the Reporting Period, the Company increased capital contribution of RMB0.8 billion to Orient Securities Innovation Investment, a wholly-owned subsidiary and completed registration of industrial and commercial change. Since then, the registered capital of Orient Securities Innovation Investment has been changed from RMB5.0 billion to RMB5.8 billion. The capital increase was considered and approved at the president office meeting of the Company.

(v) Implementation of profit distribution

The implementation of the Company's profit distribution plan for the year 2019 was accomplished on July 10, 2020. Based on the total share capital of 6,993,655,803 Shares of the Company, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares had been distributed to A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with total cash dividend of RMB1,049,048,370.45.

Section V Significant Events

XVI. CORPORATE GOVERNANCE

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

During the Reporting Period, the operation and management of the Company were standardized and orderly, enabling the Company to continuously optimize its rules and procedures in strict compliance with the relevant requirements under laws and regulations and regulatory documents. During the Reporting Period, according to the Regulations on Equity Management of Securities Companies, Guidelines on Articles of Association of Listed Companies (amended in 2019) and the Official Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to Overseas 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 equity management, business scope and notice period and convening procedures of general meetings. During the Reporting Period, the Company convened one general meeting, four Board meetings, four meetings of the Supervisory Committee, two meetings of the Remuneration and Nomination Committee, two meetings of the Audit Committee, and two meetings of the Compliance and Risk Management Committee, six meetings of the special committees to the Board in total. 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.

Section V Significant Events

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.

(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 whom 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 the 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 2020 interim financial report of the Company.

(iii) Supervisors and Supervisory Committee

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

Section V Significant Events

(iv) Senior management

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

(v) 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.

During the Reporting Period, the Company received two on-site investigations by agencies and analysts, participated in 12 investor activities such as listed company associations or securities strategies exchange meetings, held 1 on-line performance conference and 1 on-line performance telephone brief, answered investor hotline calls and addressed investors' questions, patiently answered 30 related questions from various investors through the e-interactive platform launched by the SSE, conducted timely interactive QA with investors and posted 15 articles regarding the operations of the Company on the "DFZQ Investors' Relations Platform" official account to enhance investors' recognition of the Company and facilitate synergies between investors and the Company from a multiple of perspectives and promote the common development of investors and the Company.

(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 streamlined and updated the insider registration and management system of the Company in accordance with the "Guidelines for Listed Companies Declaring Insiders with Inside Information" issued by the SSE in February 2020 and 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)

137,886

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						Nature of 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	
Shenergy (Group) Company Limited	0	1,767,522,422	25.27	230,000,000	Nil	-	State-owned legal person
HKSCC Nominees Limited	(50)	1,026,967,530	14.68	-	Nil	-	Offshore legal person
Shanghai Haiyan Investment Management Company Limited	0	345,486,596	4.94	59,215,263	Nil	-	State-owned legal person
Shanghai United Media Group	(120,000)	241,622,906	3.45	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited	0	209,110,425	2.99	-	Nil	-	Unknown
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	0	208,700,000	2.98	-	Nil	-	State-owned legal person
China Post Group Corporation	0	178,743,236	2.56	-	Nil	-	State-owned legal person
Shanghai Electric (Group) Corporation	(36,330,000)	148,063,859	2.12	-	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)	(1,595,998)	137,065,398	1.96	-	Nil	-	Domestic non-state owned legal person
Shanghai Construction Group Co., Ltd.	0	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	1,026,967,530	Overseas listed foreign shares	1,026,967,530
Shanghai Haiyan Investment Management Company Limited	286,271,333	RMB ordinary shares	286,271,333
Shanghai United Media Group	241,622,906	RMB ordinary shares	241,622,906
China Securities Finance Corporation Limited	209,110,425	RMB ordinary shares	209,110,425
Zheneng Capital Holdings Limited	208,700,000	RMB ordinary shares	208,700,000
China Post Group Corporation	178,743,236	RMB ordinary shares	178,743,236
Shanghai Electric (Group) Corporation	148,063,859	RMB ordinary shares	148,063,859
Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	137,065,398	RMB ordinary shares	137,065,398
Shanghai Construction Group Co., Ltd.	133,523,008	RMB ordinary shares	133,523,008
Related party relationship or parties acting in concert among above shareholders	N/A		

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 shareholder	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	N/A			

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

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

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, 2020, 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
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

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)
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
Shanghai Wealspring Asset Management Co., Ltd (上海寧泉資產管理有限公司)	H Share	Investment manager	103,188,000 (L)	10.05	1.48

Notes:

- (L) represents the long position.
- As at June 30, 2020, 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.
- 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.

Section VI Changes in Ordinary Shares and Information on Shareholders

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, 2020, none of the other substantial shareholders or other parties has any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

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, 2020, 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 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

Name	Position	Change
Zhou Donghui	Non-executive Director	Election
Chen Xiaobo	Employee representative Director	Election
Du Weihua	Vice chairman of the Supervisory Committee and employee representative Supervisor	Election
Chen Bin	Non-executive Director	Resignation
Du Weihua	Employee representative Director, vice president	Resignation
Li Bin	Vice chairman of the Supervisory Committee and employee representative Supervisor	Resignation
Yang Yucheng	Vice president	Resignation

Section VIII Directors, Supervisors and Senior Management

Explanations on changes in Directors, Supervisors and senior management of the Company

1. At the 2019 annual general meeting of the Company held on May 15, 2020, Mr. Zhou Donghui was elected as a non-executive Director of the fourth session of the Board with a term of office to the expiry of the fourth session of the Board. Mr. Zhou Donghui will not receive remuneration from the Company during his tenure as a non-executive Director.
2. At the seventh joint meeting of the third session of the employee congress held on February 14, 2020, Mr. Chen Xiaobo was elected as an employee representative Director of the fourth session of the Board. Mr. Chen Xiaobo officially took office on March 5, 2020 with a term of office to the expiry of the fourth session of the Board. The remuneration of Mr. Chen Xiaobo is determined based on the remuneration and assessment system of the Company.
3. On March 27, 2020, Mr. Chen Bin resigned as a non-executive Director and member of the Remuneration and Nomination Committee of the fourth session of the Board due to work rearrangement.
4. On February 14, 2020, Mr. Du Weihua resigned as an employee representative Director, member of the Strategic Development Committee of the Board and vice president of the Company due to work rearrangement. At the 12th meeting of the fourth session of the Supervisory Committee held on February 19, 2020, Mr. Du Weihua was elected as the vice chairman of the Supervisory Committee with a term of office to the expiry of the fourth session of the Supervisory Committee. The remuneration of Mr. Du Weihua is determined based on the remuneration and assessment system of the Company.
5. On February 14, 2020, Mr. Li Bin ceased to act as an employee representative Supervisor and vice chairman of the Supervisory Committee due to age reason.
6. On May 15, 2020, Mr. Yang Yucheng resigned as the vice president of the Company due to work rearrangement.

Section VIII Directors, Supervisors and Senior Management

III. OTHER EXPLANATIONS

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

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

(ii) Changes in Material Information of Directors and Supervisors

1. Mr. Zhou Donghui, a non-executive Director, has served as a non-executive director of Haitong Securities Co., Ltd. since May 2020 and was elected as a non-executive director of China Pacific Insurance (Group) Co., Ltd. in May 2020 with his qualifications subject to approval by China Banking and Insurance Regulatory Commission.
2. Mr. Wei Anning, an independent non-executive Director, has been an independent director of Haicheng Bondex Supply Chain Management Co., Ltd (海程邦達供應鏈管理股份有限公司) since April 2020 and ceased to be a director of Yantai Zhangyu Grape Wine Co., Ltd. since May 2020 and an executive director of Ningxia Guwang Investment Management Limited since June 2020.
3. Mr. Zhang Qian, chairman of the Supervisory Committee, ceased to be the chairman of Shanghai Shenxin Environmental Protection Industry Co., Ltd. since April 2020.
4. Mr. Du Weihua, vice chairman of the Supervisory Committee, ceased to be a director of Orient Securities Asset Management since March 2020, a director of Orient Securities Capital Investment since June 2020 and a director of Orient Securities Innovation Investment since June 2020 and has served as a director-general in Shanghai Orient Securities Xindeyizhang Foundation since April 2020, a supervisor of Orient Securities Capital Investment since June 2020 and a supervisor of Orient Securities Innovation Investment since June 2020.
5. Mr. Liu Wenbin, a Supervisor, ceased to be the financial controller of China Greatwall Technology Group Co., Ltd. since January 2020 and has served as a senior vice president and chief financial officer of Pactera Technology International Ltd. since February 2020.
6. Mr. Yao Yuan, an employee representative Supervisor, ceased to be a supervisor of Orient Securities Capital Investment since June 2020, general manager of the risk management headquarters of the Company since April 2020 and general manager of the compliance legal management headquarters of the Company since June 2020 and has served as the general manager of the securities financing business department of the Company since June 2020.

Section VIII Directors, Supervisors and Senior Management

Save as disclosed above, according to the requirements of Rule 13.51B of the Hong Kong Listing Rules, there was no material change in the information of Directors, Supervisors and senior management of the Company during the Reporting Period.

(iii) Service Contracts of Directors and Supervisors

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

(iv) Employees and Remuneration Policy

As at the end of the Reporting Period, the Group had 5,874 employees, of whom 4,065 were employed by the Parent Company and 1,809 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
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 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
2019 Corporate Bonds publicly issued by DFZQ (first tranche)	19 Orient Bonds	163024	November 25, 2019	November 25, 2022	49	3.50	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2020 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 1)	20 Orient Securities 01	166372	March 24, 2020	March 24, 2021	20	2.70	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2020 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 2)	20 Orient Securities 02	166373	March 24, 2020	March 24, 2022	30	2.95	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2020 Corporate Bonds non-publicly issued by DFZQ (second tranche)	20 Orient Securities 03	167010	June 18, 2020	June 18, 2023	40	3.45	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE

Section IX Corporate Bonds

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 June 9, 2020, the Company repaid the principal and interest of and delisted 2017 Corporate Bonds non-publicly issued by DFZQ (first tranche) (Type 1).

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 (光大證券股份有限公司)
	Office address	No. 1508 Xinzha Road, Jingan District, Shanghai, the PRC
	Contact person	Zhou Ping
	Tel	+86-021-22169999

Bonds trustee manager	Name	Dongguan Securities Limited (東莞證券股份有限公司)
	Office address	25/F, Pudong Kerry City Office Building, No. 1155, Fangdian Road, Pudong New District, Shanghai, the PRC
	Contact person	Zhao Yizhi
	Tel	+86-021-50155120

Credit rating agency	Name	China Chengxin International Credit Rating Co., Ltd.
	Office address	Building 6, Yinhe SOHO, No.2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing, the PRC

Other explanations

Everbright Securities Company Limited was the bonds trustee manager for the Company's 2015 corporate bonds, and Dongguan Securities Limited was the bonds trustee manager for the Company's 2017 non-publicly issued corporate bonds, 2017 publicly issued corporate bonds, 2018 non-publicly issued corporate bonds, 2019 publicly issued corporate bonds and 2020 non-publicly issued corporate bonds.

Section IX Corporate Bonds

III. USE OF PROCEEDS FROM CORPORATE BONDS

(i) 15 Orient Securities Bonds

The Company publicly issued the 5-year corporate bonds with the issuance size of RMB12 billion on November 26, 2015. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital so as to expand its business scale and improve its market competitiveness and anti-risk capability.

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

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

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

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

(iii) 17 Orient Bonds

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

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

Section IX Corporate Bonds

(iv) 19 Orient Bonds

On November 25, 2019, the Company publicly issued corporate bonds with a term of three years and issue size of RMB4.9 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital, satisfying the needs of its business operations and adjusting its debt structure.

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

(v) 20 Orient Securities 01, 20 Orient Securities 02

On March 24, 2020, the Company non-publicly issued RMB5 billion corporate bonds. “20 Orient Securities 01” was with a term of one year and issue size of RMB2 billion, and “20 Orient Securities 02” was with a term of two years and issue size of RMB3 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer fully used the net proceeds (after deduction of expenses related to the issuance) for repaying due or repurchased debt financing instruments and optimizing the debt structure of the Company.

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

(vi) 20 Orient Securities 03

On June 18, 2020, the Company non-publicly issued corporate bonds with a term of three years and issue size of RMB4 billion. Pursuant to the relevant contents in the prospectus of such bonds, the issuer fully used the net proceeds (after deduction of expenses related to the issuance) for repaying due or repurchased debt financing instruments and optimizing the debt structure of the Company.

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 Rating Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company’s issued corporate bonds “15 Orient Securities Bonds”, “17 Orient Bonds” and “19 Orient Bonds” and issued the Follow-up Rating Report of Orient Securities Company Limited (2020) (Xin Ping Wei Han Zi [2020] Gen Zong No. 0337), pursuant to which the creditworthiness ratings of the corporate bonds “15 Orient Securities Bonds”, “17 Orient Bonds” and “19 Orient Bonds” were maintained as AAA, the creditworthiness rating of the issuer of such bonds was also maintained as AAA and the rating outlook maintained stable.

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

(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 “20 Orient Securities 03” shall be paid on June 18 each year commencing from 2021 to 2023; the interest of “20 Orient Securities 02” shall be paid on March 24 each year commencing from 2021 to 2022; the interest of “20 Orient Securities 01” shall be paid on March 24, 2021; the interest of “19 Orient Bonds” shall be paid on November 25 each year commencing from 2020 to 2022; 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 02” shall be paid on June 9 each year commencing from 2018 to 2022; the interest of “17 Orient Securities 01” was paid on June 9 each year commencing from 2018 to 2020; and the interest of “15 Orient Securities Bonds” shall be paid on November 26 each year commencing from 2016 to 2020 (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 “20 Orient Securities 03” shall be paid on June 18, 2023; the principal of “20 Orient Securities 02” shall be repaid on March 24, 2022, the principal of “20 Orient Securities 01” will be repaid on March 24, 2021; the principal of “19 Orient Bonds” shall be paid on November 25, 2022; the principal of “17 Orient Bonds” will be repaid on August 3, 2027; the principal of “17 Orient Securities 02” shall be repaid on June 9, 2022; the principal of “17 Orient Securities 01” was repaid on June 9, 2020; and the principal of “15 Orient Securities Bonds” shall be repaid on November 26, 2020 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).

Section IX Corporate Bonds

2. The repayment of the bonds principal is carried out through the bonds registration authority and other relevant institutions. Details of principal repayment will be explained by the issuer in the repayment announcement published in the media designated by the CSRC in compliance with the relevant state regulations.

VI. MEETINGS OF CORPORATE BONDHOLDERS

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

VII. DUTY PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

The corporate bonds trustee manager of “15 Orient Securities Bonds” is Everbright Securities Company Limited, which conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

The corporate bonds trustee manager of “17 Orient Securities 01”, “17 Orient Securities 02”, “17 Orient Bonds”, “19 Orient Bonds”, “20 Orient Securities 01”, “20 Orient Securities 02” and “20 Orient Securities 03” was Dongguan Securities Limited, which conducted continuous follow-up and supervision on the fulfillment of obligations under the bonds prospectus by the Company during the effective period of the bonds, and issued the bonds trustee management report for the last year before June 30 each year during the effective period of the bonds.

Section 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)

Unit: Yuan Currency: Renminbi

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	1.36	1.31	3.82	Increase in current assets and decrease in current liabilities
Quick ratio	1.36	1.31	3.82	Increase in current assets and decrease in current liabilities
Gearing ratio (%) ^{Note}	75.31%	75.75%	Decreased by 0.44 percentage point	Decrease in scale of 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	1.90	1.70	11.76	Increase in EBITDA and decrease in interest expense
Interest coverage ratio (%)	100.00%	100.00%	–	

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

Section IX Corporate Bonds

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 Company's other debt financing instruments included short-term financing bills, money lent, financial assets sold under repurchase agreements and income receipts of securities company, which were repaid on time without any defaults.

XI. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the Company received aggregate banking facilities of RMB431.7 billion from 105 banks, in which aggregate facilities of RMB199.6 billion was from state-owned large-scale commercial banks and joint-stock banks, and an aggregate facilities 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 enables the Company to have a strong short-term and mid-long term financing capability.

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

During the Reporting Period, The Company strictly implemented the relevant agreements or covenants of the bond prospectus, and the use of proceeds was consistent with those agreed in the prospectus. It strictly fulfilled the information disclosure responsibility and paid the bond interest on time to protect the legitimate rights and interests of investors. During the Reporting Period, there was no default in the interest payment of the Company's issued bonds. The company's operations remained stable with sound profitability, and no risk was found that could lead to failure to pay interest on time in future.

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 2020 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)

Chairman of the Board: Pan Xinjun

Date of approval by the Board: August 28, 2020

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	State Administration of Foreign Exchange	Approval Regarding the Operation Qualification of Settlement and Sale of Foreign Exchange Business of 東方證券股份有限公司	Hui Fu [2020] No. 10	January 16, 2020
2	SSE	Letter of No Objection to the Listing and Transfer of Non-publicly Issued Corporate Bonds of 東方證券股份有限公司	Shang Zheng Han [2020] No. 160	January 21, 2020
3	Shanghai Bureau of the CSRC	Approval Regarding the Change of Material Articles of the Articles of Association of 東方證券股份有限公司	Hu Zheng Jian Xu Ke [2020] No. 25	April 30, 2020
4	CSRC	Reply on the Opinions of Capital Increase by 東方證券股份有限公司 to Orient Finance Holdings (Hong Kong) Limited	Ji Gou Bu Han [2020] No. 1412	June 15, 2020

II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2020, 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 135 to 208, which comprise the condensed consolidated statements of financial position as at June 30, 2020 and the related condensed consolidated statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the six-month period then ended, 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 these 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 the 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 28, 2020

Condensed Consolidated Statements of Profit or Loss

For the Six Months ended June 30, 2020

	NOTES	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue			
Commission and fee income	5	3,182,024	2,466,828
Interest income	6	2,718,287	3,079,816
		5,900,311	5,546,644
Net investment gains	7	2,517,706	1,637,817
Other income, gains and losses	8	3,633,766	3,524,245
Total revenue, gains/ (losses) and other income		12,051,783	10,708,706
Depreciation and amortisation	9	(318,968)	(256,433)
Staff costs	10	(2,032,919)	(1,795,717)
Commission and fee expenses		(364,773)	(257,299)
Interest expenses	11	(2,381,679)	(2,560,909)
Other operating expenses	12	(4,329,043)	(4,187,639)
Impairment losses under expected credit loss model, net of reversal		(1,290,110)	(470,748)
Total expenses		(10,717,492)	(9,528,745)
Share of results of associates		442,812	329,289
Profit before income tax		1,777,103	1,509,250
Income tax expense	13	(252,232)	(255,306)
Profit for the period		1,524,871	1,253,944
Attributable to:			
Shareholders of the Company		1,526,024	1,209,616
Non-controlling interests		(1,153)	44,328
		1,524,871	1,253,944
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)			
– Basic	14	0.22	0.17

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the Six Months ended June 30, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit for the period	1,524,871	1,253,944
Other comprehensive income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on investment in equity instruments at fair value through other comprehensive income	(67,109)	394,421
Income tax relating to items that will not be reclassified to profit or loss	16,777	(98,605)
Subtotal	(50,332)	295,816
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/ (losses) on:		
debt instruments measured at fair value through other comprehensive income		
– net fair value changes during the period	469,889	188,624
– reclassification adjustment to profit or loss on disposal	(417,972)	(23,224)
– reclassification adjustment to profit or loss on expected credit loss	12,680	5,601
Income tax relating to items that may be reclassified to profit or loss	(16,149)	(42,750)
Share of other comprehensive expense of associates, net of related income tax	(6,594)	(867)
Exchange differences arising on translation	12,304	111
Subtotal	54,158	127,495
Other comprehensive income for the period, net of income tax	3,826	423,311
Total comprehensive income for the period	1,528,697	1,677,255
Attributable to:		
Shareholders of the Company	1,529,850	1,632,927
Non-controlling interests	(1,153)	44,328
	1,528,697	1,677,255

The accompanying notes presented on pages 144 to 208 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Financial Position

As at June 30, 2020

	NOTES	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (unaudited)
Cash and bank balances	15	53,791,981	48,940,834
Clearing settlement funds	17	17,267,045	13,243,654
Deposits with exchanges and financial institutions	18	2,077,582	1,642,894
Derivative financial assets		1,113,745	609,102
Advances to customers	19	14,785,284	13,214,262
Account receivables	20	1,390,260	1,019,920
Financial assets held under resale agreements	21	18,446,288	24,206,542
Financial assets at fair value through profit or loss	22	73,197,911	66,901,093
Debt instruments at fair value through other comprehensive income	23	60,126,084	64,895,563
Equity instruments at fair value through other comprehensive income	24	10,788,355	10,832,873
Debt instruments measured at amortised cost	25	6,537,909	7,193,554
Deferred tax assets		716,299	760,995
Investments in associates	26	5,154,090	4,453,754
Right-of-use assets		909,545	1,002,749
Investment properties		35,700	30,071
Property and equipment	28	2,160,806	2,189,204
Other intangible assets		161,331	168,519
Goodwill	29	32,135	32,135
Other loans, receivables and prepayments	31	2,065,551	1,633,724
Total assets		270,757,901	262,971,442

Condensed Consolidated Statements of Financial Position

As at June 30, 2020

	NOTES	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (unaudited)
Due to banks and other financial institutions		5,569,321	6,384,659
Short-term financing bill payables	32	13,693,059	16,113,200
Account payables to brokerage clients	33	50,045,135	40,179,178
Financial assets sold under repurchase agreements	34	57,011,559	57,478,063
Financial liabilities at fair value through profit or loss	35	14,767,079	12,630,961
Derivative financial liabilities		1,099,037	2,643,375
Contract liabilities		294,115	208,114
Current tax liabilities		154,361	161,569
Accrued staff costs		1,198,190	1,601,086
Borrowings	36	842,308	640,154
Lease liabilities		908,594	995,005
Bond payables	37	68,475,293	67,309,199
Deferred tax liabilities		55,748	19,031
Other account payables, other payables and accruals	38	2,155,881	2,596,211
Total liabilities		216,269,680	208,959,805
Share capital	39	6,993,656	6,993,656
Reserves	41	40,291,577	40,198,256
Retained profits		7,173,013	6,773,604
Equity attributable to shareholders of the Company		54,458,246	53,965,516
Non-controlling interests		29,975	46,121
Total equity		54,488,221	54,011,637
Total equity and liabilities		270,757,901	262,971,442

The condensed consolidated financial statements on pages 135 to 208 were approved and authorised for issue by the Board of Directors on August 28, 2020 and signed on its behalf by:

Pan Xinjun
Chairman of Board

Zhang Jianhui
Chief Financial Officer

The accompanying notes presented on pages 144 to 208 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

For the Six Months ended June 30, 2020

	Equity attributable to shareholders of the Company										
	NOTES	Reserves						Retained profits	Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Unaudited											
As at January 1, 2020		6,993,656	28,254,930	3,445,689	7,997,676	498,898	1,063	6,773,604	53,965,516	46,121	54,011,637
Profit for the period		-	-	-	-	-	-	1,526,024	1,526,024	(1,153)	1,524,871
Other comprehensive income for the period		-	-	-	-	(8,478)	12,304	-	3,826	-	3,826
Total comprehensive income for the period		-	-	-	-	(8,478)	12,304	1,526,024	1,529,850	(1,153)	1,528,697
Appropriation to general reserve		-	-	-	86,646	-	-	(86,646)	-	-	-
Dividends recognised as distribution	40	-	-	-	-	-	-	(1,049,048)	(1,049,048)	(3,065)	(1,052,113)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	(9,079)	-	9,079	-	-	-
Additional interests acquired in a subsidiary	38	-	11,928	-	-	-	-	-	11,928	(11,928)	-
As at June 30, 2020		6,993,656	28,266,858	3,445,689	8,084,322	481,341	13,367	7,173,013	54,458,246	29,975	54,488,221
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 the 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	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

The accompanying notes presented on pages 144 to 208 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	1,777,103	1,509,250
Adjustments for:		
Interest expenses	2,381,679	2,560,909
Share of results of associates	(442,812)	(329,289)
Depreciation and amortisation	318,968	256,433
Impairment losses under expected credit loss model, net of reversal	1,290,110	470,748
Losses on disposal of property and equipment and other assets	388	1,148
Foreign exchange gains	(78,068)	(760)
Net realised gains arising from disposal of an associate	(2,938)	–
Net realised gains and income arising from financial assets at fair value through profit or loss	(231,195)	(158,101)
Net realised gains and interest income arising from debt instruments at fair value through other comprehensive income	(1,681,547)	(1,330,691)
Dividend income arising from equity instruments at fair value through other comprehensive income	(87,428)	(19,209)
Net realised losses arising from derivative financial instruments	59,311	53,319
Interest income from debt instruments measured at amortised cost	(131,061)	(150,654)
Unrealised fair value change of financial assets at fair value through profit or loss	(801,972)	(958,652)
Unrealised fair value change of financial liabilities at fair value through profit or loss	323,689	529,086
Unrealised fair value change of derivative financial instruments	(537,306)	(327,209)

Condensed Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating cash flows before movements in working capital	2,156,921	2,106,328
Increase in advances to customers	(1,575,322)	(1,226,946)
Decrease in financial assets held under resale agreements	4,632,882	483,190
Increase in financial assets at fair value through profit or loss and derivative financial assets	(959,770)	(4,776,803)
Increase in deposits and reserve funds and deposits with exchanges	(1,190,617)	(236,030)
Increase in bank balances and clearing settlement funds restricted or held on behalf of customers	(9,483,991)	(3,996,089)
Increase in account receivables, other receivables and prepayments	(609,922)	(505,110)
(Decrease)/increase in other account payables, other payables and accruals, contract liabilities	(452,335)	95,018
Increase in account payables to brokerage clients	9,865,957	3,824,680
Increase in financial liabilities at fair value through profit or loss and derivatives financial liabilities	1,801,250	2,829,907
(Decrease)/increase in financial assets sold under repurchase agreements	(469,928)	10,468,052
Decrease in deposits due to banks and other financial institutions	(809,833)	(3,800,000)
Cash generated from operations	2,905,292	5,266,197
Income taxes paid	(177,399)	(468,163)
Interest paid	(723,123)	(926,976)
NET CASH FROM OPERATING ACTIVITIES	2,004,770	3,871,058

Condensed Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	1,579,361	1,532,314
Proceeds on disposal of property and equipment and other intangible assets	5,979	3,474
Proceeds from disposal or redemption of:		
financial assets at fair value through profit or loss	41,244,152	9,273,311
equity instruments at fair value through other comprehensive income	552,752	45,044
debt instruments at fair value through other comprehensive income	61,990,882	27,181,594
debt instruments measured at amortised cost	775,522	160,822
Capital injection in associates	(556,500)	(449,465)
Purchases of		
financial assets at fair value through profit or loss	(45,697,801)	(8,668,069)
equity instruments at fair value through other comprehensive income	(575,343)	(225,289)
debt instruments at fair value through other comprehensive income	(56,655,091)	(31,940,203)
debt instruments measured at amortised cost	(266,989)	-
Purchases of property and equipment and other intangible assets	(134,374)	(116,015)
Payments for right-of-use assets	(658)	(169)
Proceeds from disposal of and capital reduction from associates	114,215	332,880
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	2,376,107	(2,869,771)
FINANCING ACTIVITIES		
Proceeds from bonds and short-term financing bill payables issued	36,240,747	25,386,936
Repayments on bonds and short-term financing bill payables issued	(37,775,551)	(22,202,640)
Proceeds from borrowings	1,436,333	2,053,850
Repayments of borrowings	(2,752,215)	(986,354)
Repayments of leases liabilities	(152,317)	(124,187)
Dividends paid to shareholders	(906,319)	(51,141)
Interest of bonds and short-term financing bill payables paid	(1,496,774)	(1,585,717)
Interest of borrowings paid	(84,015)	(89,467)
Interest paid on lease liabilities	(19,032)	(12,662)
Payments on acquisition of additional interests in a subsidiary	(475,584)	-
Payments on capital returned to non-controlling shareholders	-	(35,353)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(5,984,727)	2,353,265

Condensed Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2020

	NOTES	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,603,850)	3,354,552
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	16	21,552,456	13,729,707
Effect of foreign exchange rate changes		238,468	28,457
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16	20,187,074	17,112,716

Notes to the Condensed Consolidated Financial Statements

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

The registered office of the Company is located at Orient Edifice, No. 119, 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.

Since the outbreak of COVID-19 across the country in January 2020, strict quarantine measures have been implemented by the government and it caused interruption of business in various sectors. The Group has also taken certain actions to mitigate negative impact of business interruption, including the work-from-home arrangements for its staff. The directors of the Company consider that the impact of COVID-19 is not material to the Group’s financial position as at June 30, 2020 and the performance for the period then ended. The Group also actively responded to the requirements of “Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia issued by the People’s Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange to provide support for epidemic prevention and control. The directors of the Company will continuously monitor the impacts of COVID-19 and assess any significant impact on the impairment or fair value adjustment to its financial assets.

Notes to the Condensed Consolidated Financial Statements

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, 2019.

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

Other than changes in accounting policies resulting from application of 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, 2020 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2019.

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

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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, 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2019.

Notes to the Condensed Consolidated Financial Statements

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

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended June 30, 2020 and 2019.

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

4. SEGMENT REPORTING (Continued)

The segment information provided to the CODM for the six months ended June 30, 2020 and 2019 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, 2020								
Unaudited								
<i>Segment revenue and results</i>								
Segment revenue and net investment gains	3,249,130	1,376,981	2,647,473	598,457	1,223,035	9,095,076	(677,059)	8,418,017
Segment other income, gains and losses	1,403	72,889	3,420,654	10,114	128,890	3,633,950	(184)	3,633,766
Segment revenue, gains/(losses) and other income	3,250,533	1,449,870	6,068,127	608,571	1,351,925	12,729,026	(677,243)	12,051,783
Segment expenses	(1,008,106)	(911,992)	(6,160,997)	(298,891)	(2,375,545)	(10,755,531)	38,039	(10,717,492)
Segment results	2,242,427	537,878	(92,870)	309,680	(1,023,620)	1,973,495	(639,204)	1,334,291
Share of results of associates	(91)	317,773	663	-	1,973	320,318	122,494	442,812
Profit/(loss) before income tax	2,242,336	855,651	(92,207)	309,680	(1,021,647)	2,293,813	(516,710)	1,777,103
As at June 30, 2020								
Unaudited								
<i>Segment assets and liabilities</i>								
Segment assets	111,448,991	10,153,098	93,562,673	1,818,108	70,440,907	287,423,777	(16,665,876)	270,757,901
Segment liabilities	61,151,624	1,563,274	54,562,873	310,851	100,223,075	217,811,697	(1,542,017)	216,269,680
For the six months ended June 30, 2020								
Unaudited								
<i>Other segment information</i>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	10,180	33,589	125,027	20,396	130,040	319,232	(264)	318,968
Provision for/(reversal of) impairment losses	12,250	(51)	1,276,321	6	1,584	1,290,110	-	1,290,110
Capital expenditure	2,305	6,519	102,262	30,013	109,082	250,181	-	250,181

Notes to the Condensed Consolidated Financial Statements

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, 2019								
Unaudited								
<i>Segment revenue and results</i>								
Segment revenue and net investment 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, gains and losses	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	103,770,276	10,126,035	80,513,844	1,870,580	65,043,836	261,324,571	(14,099,438)	247,225,133
Segment liabilities	62,130,345	1,247,811	42,062,212	381,213	90,553,597	196,375,178	(1,880,345)	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

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, 2020 and 2019.

Notes to the Condensed Consolidated Financial Statements

5. COMMISSION AND FEE INCOME

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Commission on securities dealing, broking and handling fee income	1,138,299	854,963
Underwriting, sponsors and financial advisory fee income	590,705	542,482
Commission on futures and options contracts dealing, broking and handling fee income	192,774	109,525
Asset and fund management fee income	1,198,151	910,441
Consultancy fee income	38,635	39,589
Others	23,460	9,828
	3,182,024	2,466,828

6. INTEREST INCOME

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Advances to customers and securities lending	469,087	393,036
Financial assets held under resale agreements	379,643	749,224
Deposits with exchanges and financial institutions and bank balances	468,932	463,577
Interest from debt instruments measured at amortised cost	131,061	150,654
Interest from debt instruments at fair value through other comprehensive income	1,263,575	1,307,467
Others	5,989	15,858
	2,718,287	3,079,816

Notes to the Condensed Consolidated Financial Statements

7. NET INVESTMENT GAINS

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net realised gains from disposal of an associate	2,938	–
Net realised gains from disposal of debt instruments at fair value through other comprehensive income (“FVTOCI”)	417,972	23,224
Dividend income from equity instruments at FVTOCI	87,428	19,209
– relating to investments derecognised during the period	283	–
– relating to investments held at the end of the reporting period	87,145	19,209
Net realised gains from disposal of financial assets at fair value through profit or loss (“FVTPL”)	285,482	262,448
Dividend income and interest income from financial assets at FVTPL	912,746	728,146
Net realised losses arising from financial liabilities at FVTPL	(134,971)	(4,212)
Net realised losses arising from derivative financial instruments	(69,478)	(147,773)
Unrealised fair value change of financial assets at FVTPL	801,972	958,652
Unrealised fair value change of financial liabilities at FVTPL	(323,689)	(529,086)
Unrealised fair value change of derivative financial instruments	537,306	327,209
	2,517,706	1,637,817

Notes to the Condensed Consolidated Financial Statements

8. OTHER INCOME, GAINS AND LOSSES

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Foreign exchange gains, net	78,068	760
Rental income	2,662	6,562
Government grants (<i>Note</i>)	121,404	140,726
Losses on disposals of property and equipment	(75)	(137)
Bulk commodity trading income and others	3,431,707	3,376,334
	3,633,766	3,524,245

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,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation of property and equipment	114,197	99,257
Depreciation of right-of-use assets	161,085	120,335
Depreciation of investment properties	1,917	2,558
Amortisation of other intangible assets	41,769	34,283
	318,968	256,433

Notes to the Condensed Consolidated Financial Statements

10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB1,834 million (unaudited) and RMB1,568 million (unaudited) for the period ended June 30, 2020 and 2019 respectively.

11. INTEREST EXPENSES

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Account payables to brokerage clients	42,139	37,645
Financial assets sold under repurchase agreements	609,072	794,920
Borrowings	22,734	35,185
Due to banks and other financial institutions	56,678	90,894
Short-term financing bill payables	227,495	242,420
Bond payables	1,405,586	1,344,222
Lease liabilities	17,975	15,623
	2,381,679	2,560,909

Notes to the Condensed Consolidated Financial Statements

12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Advisory expenses	44,631	55,835
Auditor's remuneration	4,768	2,753
Business travel expenses	23,726	45,824
Communication expenses	42,833	39,284
Electronic equipment operating expenses	154,317	81,269
Entertainment expenses	29,925	38,616
Administrative expenses	132,501	120,574
Operating lease rentals in respect of short-term leases/ low value assets	16,608	29,611
Products distribution expenses	308,647	257,950
Securities and futures investor protection funds	29,781	21,735
Stock exchanges management fees	29,130	20,404
Sundry expenses	21,610	40,395
Tax and surcharges	44,480	32,944
Donation	16,609	27,060
Bulk commodity trading and others	3,429,477	3,373,385
	4,329,043	4,187,639

Notes to the Condensed Consolidated Financial Statements

13. INCOME TAX EXPENSE

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax	188,033	154,324
– Hong Kong Profits Tax	7,719	11,605
	195,752	165,929
Adjustments in respect of current income tax in relation to prior years:		
– PRC Enterprise Income Tax	(12,647)	97,456
Deferred tax	69,127	(8,079)
	252,232	255,306

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,	
	2020 (Unaudited)	2019 (Unaudited)
Earnings for the purpose of basic earnings per share:		
– Profit for the period attributable to shareholders of the Company	1,526,024	1,209,616
Number of shares:		
– Weighted average number of ordinary shares in issue (in thousand)	6,993,656	6,993,656
Basic earnings per share (RMB)	0.22	0.17

For the six months ended June 30, 2020 and 2019, there were no potential ordinary shares in issue.

Notes to the Condensed Consolidated Financial Statements

15. CASH AND BANK BALANCES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
House accounts	18,560,439	19,169,645
Restricted bank deposits (<i>Note b</i>)	92,613	21,304
	18,653,052	19,190,949
Cash held on behalf of clients (<i>Note a</i>)	35,138,929	29,749,885
	53,791,981	48,940,834

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*).

Note b: The restricted bank deposits as of June 30, 2020 and December 31, 2019 include pledged bank deposits due within one year and other restricted bank deposits.

Notes to the Condensed Consolidated Financial Statements

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Cash and bank balances	17,948,078	19,170,595
Clearing settlement funds	2,339,609	2,411,165
Less: clearing settlement funds of Shanghai Orient Securities Futures Co., Ltd. restricted bank deposits	(8,000) (92,613)	(8,000) (21,304)
	20,187,074	21,552,456

17. CLEARING SETTLEMENT FUNDS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Clearing settlement funds held with clearing houses for:		
House accounts	2,339,609	2,411,165
Clients	14,927,436	10,832,489
	17,267,045	13,243,654

Notes to the Condensed Consolidated Financial Statements

18. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Deposits with stock exchanges:		
– Shanghai Stock Exchange	112,259	90,475
– Shenzhen Stock Exchange	62,154	40,791
– Hong Kong Stock Exchange	16,232	17,035
– Others	1,311	998
Deposits with futures and commodity exchanges:		
– Shanghai Futures Exchange	135,014	161,242
– Dalian Commodity Exchange	181,905	180,158
– Zhengzhou Commodity Exchange	109,806	83,375
– China Financial Futures Exchange	303,926	249,230
– Shanghai Gold Exchange	252	241
Guarantee fund paid to Shanghai Stock Exchange	12,061	9,894
Guarantee fund paid to Shenzhen Stock Exchange	19,091	13,070
Deposits with China Securities Finance Corporation Limited	338,859	335,911
Deposits with Shanghai Clearing House	302,776	150,464
Deposits with other financial institutions	481,936	310,010
	2,077,582	1,642,894

Notes to the Condensed Consolidated Financial Statements

19. ADVANCES TO CUSTOMERS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Loans to margin clients	14,535,459	12,930,751
Other advances to customers	468,721	498,107
Subtotal	15,004,180	13,428,858
Less: impairment allowance	(218,896)	(214,596)
	14,785,284	13,214,262

The movements of the impairment allowance are set out below:

At the beginning of the period/year	214,596	204,211
Charge for during the period/year, net	556	6,149
Exchange differences	3,744	4,236
At the end of the period/year	218,896	214,596

As at June 30, 2020 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,157	217,739	218,896

As at December 31, 2019 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,173	213,423	214,596

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

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 RMB56,683 million (unaudited) and RMB48,659 million (audited) as at June 30, 2020 and December 31, 2019, 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, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Account receivables from/related to:		
– Clearing house	497,031	377,245
– Brokers	496,203	137,136
– Asset management fee and trading seats commission	399,325	497,653
– Advisory and investment banking commission	7,427	15,929
Less: impairment allowance	(9,726)	(8,043)
	1,390,260	1,019,920

Notes to the Condensed Consolidated Financial Statements

20. ACCOUNT RECEIVABLES *(Continued)*

Aging analysis of account receivables from the revenue recognition dates is as follows:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Within 1 year	1,379,058	903,511
Between 1 and 2 years	9,721	58,309
Between 2 and 3 years	346	58,100
Over 3 years	1,135	–
	1,390,260	1,019,920

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Analysed by collateral type:		
– Stock	18,399,898	20,531,490
– Bonds	2,899,015	5,482,150
Subtotal	21,298,913	26,013,640
Less: impairment allowance	(2,852,625)	(1,807,098)
	18,446,288	24,206,542
Analysed by market:		
– Stock exchanges	18,476,991	22,158,883
– Inter-bank market	2,821,922	3,854,757
Less: impairment allowance	(2,852,625)	(1,807,098)
	18,446,288	24,206,542

Notes to the Condensed Consolidated Financial Statements

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, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
At the beginning of the period/year	1,807,098	833,745
Charge for during the period/year, net	1,241,607	973,353
Transfer out during the period/year	(196,080)	–
At the end of the period/year	2,852,625	1,807,098

As at June 30, 2020 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,231	2,851,394	2,852,625

As at December 31, 2019 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	4,902	1,802,196	1,807,098

Notes to the Condensed Consolidated Financial Statements

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Mandatorily measured at FVTPL		
– Debt securities (<i>Note a</i>)	29,668,689	30,575,190
– Equity securities	10,147,679	8,125,586
– Funds	8,924,569	9,599,803
– Other investments (<i>Note b</i>)	24,456,974	18,600,514
	73,197,911	66,901,093
Analysed as:		
– Listed (<i>Note c</i>)	30,869,013	32,332,525
– Unlisted	42,328,898	34,568,568
	73,197,911	66,901,093

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

Note b: Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, perpetual instruments, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC.

Note c: Securities and funds traded on stock exchanges are included in the “Listed” category.

Notes to the Condensed Consolidated Financial Statements

23. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Government bonds	25,919,785	27,328,199
Bonds issued by policy banks	592,059	2,216,586
Bonds issued by commercial banks and other financial institutions	1,271,084	1,266,318
Other debt securities (<i>Note a</i>)	32,343,156	34,084,460
	60,126,084	64,895,563
Analysed as:		
– Listed (<i>Note b</i>)	30,370,213	36,821,013
– Unlisted	29,755,871	28,074,550
	60,126,084	64,895,563

Note a: Other debt securities mainly comprise of corporate bonds, enterprise bonds and medium term notes.

Note b: Debt securities traded on stock exchanges are included in the “Listed” category.

Notes to the Condensed Consolidated Financial Statements

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

The movements of the impairment allowance are set out below:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
At the beginning of the period/year	124,648	102,953
Charge for during the period/year, net	12,680	21,695
At the end of the period/year	137,328	124,648

As at June 30, 2020 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	15,468	121,860	137,328

As at December 31, 2019 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	17,788	106,860	124,648

Notes to the Condensed Consolidated Financial Statements

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
– Equity securities (Note a)	2,871,705	2,553,973
– Perpetual instruments (Note b)	3,050,011	3,264,037
– Other investment (Note c)	4,866,639	5,014,863
	10,788,355	10,832,873
Analysed as:		
– Listed (Note d)	4,126,050	4,020,366
– Unlisted	6,662,305	6,812,507
	10,788,355	10,832,873

Note a: The above equity investments include those ordinary shares of the entities listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and those equity securities traded on National Equities Exchange and Quotations (the “NEEQ”). 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 realising 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 investments in equity securities traded on the NEEQ, equity investments listed on stock exchanges and private equity investments as these investments no longer meet the investment objective of the Group. The cumulative losses on disposal of RMB3,844 thousand (unaudited) on equity securities traded on the NEEQ and RMB4,576 thousand (unaudited) on equity securities listed on stock exchanges, and the cumulative gains on disposal of RMB3,497 thousand (unaudited) on private equity investments have been transferred to retained profits respectively.

Notes to the Condensed Consolidated Financial Statements

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

Note b: Those perpetual instruments are equity instruments which are not held for trading, instead, they are held for long-term strategic purposes. The Group have elected to designate these perpetual instruments as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their dividend income in the long run.

In the current period, the Group disposed of perpetual instruments as these investments no longer meet the investment objective of the Group. The cumulative gains on disposal of RMB14,002 thousand (unaudited) on perpetual instruments have been transferred to retained profits.

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, 2020, 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 stock exchanges are included in the "Listed" category.

25. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Analysed by type:		
– Debt securities	6,538,839	7,195,006
Less: impairment allowance	(930)	(1,452)
	6,537,909	7,193,554
Analysed as:		
– Listed <i>(Note a)</i>	2,372,779	3,338,353
– Unlisted	4,165,130	3,855,201
	6,537,909	7,193,554

Notes to the Condensed Consolidated Financial Statements

25. DEBT INSTRUMENTS MEASURED AT AMORTISED COST *(Continued)*

The movements of the impairment allowance are set out below:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
At the beginning of the period/year	1,452	1,941
Reversal during the period/year, net	(522)	(489)
At the end of the period/year	930	1,452

As at June 30, 2020 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	930	–	930

As at December 31, 2019 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,452	–	1,452

Note a: The debt securities traded on stock exchanges are included in the “Listed” category.

Notes to the Condensed Consolidated Financial Statements

26. INVESTMENTS IN ASSOCIATES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Cost of unlisted investments in associates	3,040,598	2,494,635
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,113,492	1,959,119
	5,154,090	4,453,754

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

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2020 (Unaudited)	As at December 31, 2019 (Audited)	
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC February 3, 2005	35.41%	35.41%	Fund management
上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd. **	PRC April 7, 2010	-	45.00%	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. *	PRC July 12, 2011	27.73%	27.73%	Investment management
上海東證遠譽投資中心(有限合夥) Shanghai Orient Yuanyu Investment Center LLP. *	PRC August 25, 2015	33.33%	33.33%	Investment management

Notes to the Condensed Consolidated Financial Statements

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, 2020 (Unaudited)	As at December 31, 2019 (Audited)	
上海東證今緣股權投資基金合夥企業 (有限合夥) Shanghai Orient Jinyuan Equity Investment LLP. *	PRC October 16, 2015	30.00%	30.00%	Equity investment
東證騰駿(上海)投資合夥企業 (有限合夥) Orient Tengjun (Shanghai) Investment LLP. *	PRC September 11, 2015	38.69%	38.69%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP. *	PRC December 16, 2015	45.45%	45.45%	Investment management
東證睿波(上海)投資中心(有限合夥) Orient Securities Ruibo (Shanghai) Investment Center LLP. *	PRC June 25, 2015	35.69%	35.69%	Investment management
上海東證春醫投資中心(有限合夥) Shanghai Orient Securities Chunyi Investment Center LLP.*	PRC November 3, 2015	49.26%	49.26%	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP. *	PRC February 4, 2016	34.51%	34.51%	Equity investment
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 July 13, 2016	25.85%	25.85%	Investment management
OCI International Holdings Limited 東建國際控股有限公司	Cayman Islands June 6, 2015	29.63%	29.63%	Securities Investment

Notes to the Condensed Consolidated Financial Statements

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, 2020 (Unaudited)	As at December 31, 2019 (Audited)	
溫州俊元資產管理合夥企業(有限合夥) Wenzhou Junyuan Asset Management Partnership LLP. *	PRC July 11, 2016	17.04%	23.42%	Asset management
上海東愷投資管理有限公司 Shanghai Dongkai Capital Co., Ltd. *	PRC September 21, 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 September 11, 2015	21.67%	21.67%	Leasing
宜興東證睿元股權投資合夥企業(有限合夥) Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. *	PRC March 11, 2020	19.18%	N/A	Investment management
珠海橫琴東證雲啟科創投資合夥企業(有限合夥) Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. *	PRC January 14, 2020	18.37%	N/A	Investment management
寧波梅山保稅港區東證夏德投資合夥企業(有限合夥) Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. *	PRC February 11, 2018	18.89%	18.89%	Investment management

Notes to the Condensed Consolidated Financial Statements

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, 2020 (Unaudited)	As at December 31, 2019 (Audited)	
南通東證富象股權投資中心(有限合夥) Nantong Orient Securities Fuxiang Equity Investment Center LLP. *	PRC November 7, 2017	19.93%	19.93%	Investment management
嘉興君兆投資管理合夥企業(有限合夥) Jiaxing Junzhao Investment Partnership LLP. *	PRC April 7, 2020	40.82%	N/A	Investment management
成都交子東方投資發展合夥企業 (有限合夥) Chengdu Jiaozi Oriental Investment Development Partnership LLP. *	PRC January 17, 2020	50.00%	N/A	Leasing and investment management

* English translated names are for identification purpose only.

** An associate, Shanghai ICY Capital Co., Ltd., was disposed for the six months ended June 30, 2020. A gain of RMB2,938 thousand (unaudited) was resulted and net cash inflow arising on disposal of this associate amounted to RMB24,074 thousand (unaudited).

Notes to the Condensed Consolidated Financial Statements

26. INVESTMENTS IN ASSOCIATES *(Continued)*

The summarised 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, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Total assets	8,834,764	8,085,625
Total liabilities	2,945,280	2,107,683
Net assets	5,889,484	5,977,942

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Total revenue	2,394,092	1,815,158
Profit for the period	652,100	534,095
Other comprehensive income	6,084	958
Total comprehensive income	658,184	535,053

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, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Equity attributable to equity holders of the associate	5,742,909	5,836,032
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	2,033,514	2,066,502

Notes to the Condensed Consolidated Financial Statements

27. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including funds, asset management schemes and limited partnerships), 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 structured entities are not controlled by the Group. The Group therefore did not consolidate these structured entities.

The total net assets of unconsolidated funds, asset management schemes and limited partnerships managed by the Group amounted to RMB258,323 million (unaudited) and RMB238,139 million (audited) as at June 30, 2020 and December 31, 2019, respectively. The Group classified the investments in unconsolidated funds, asset management schemes and limited partnership managed by the Group as financial assets at FVTPL and investments in associates as at June 30, 2020 and December 31, 2019. As at June 30, 2020 and December 31, 2019, the carrying amounts of the Group's interests in unconsolidated funds, asset management schemes and limited partnerships were RMB4,273 million (unaudited) and RMB2,652 million (audited), respectively, which approximates the maximum risk exposure of the Group. The asset and fund management fee income from the unconsolidated funds, asset management schemes and limited partnerships managed by the Group for the six months ended June 30, 2020 and 2019, were RMB1,198 million (unaudited) and RMB910 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, 2020 and December 31, 2019, which are set out below:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Financial assets at FVTPL	23,574,784	20,308,842
Equity instruments at FVTOCI	4,866,639	5,014,863
Investments in associates	400,384	318,262
	28,841,807	25,641,967

Notes to the Condensed Consolidated Financial Statements

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, 2020	1,902,810	784,628	42,767	103,607	454,505	50,034	3,338,351
Additions	-	9,166	531	7,836	33,826	48,436	99,795
Disposals	-	(22,602)	(320)	(3,437)	-	-	(26,359)
Transfer during the period	(10,697)	26,568	1,156	1,852	-	(29,576)	(10,697)
Exchange difference	-	238	12	22	66	9	347
As at June 30, 2020	1,892,113	797,998	44,146	109,880	488,397	68,903	3,401,437
ACCUMULATED DEPRECIATION							
As at January 1, 2020	138,940	557,594	28,374	68,631	355,608	-	1,149,147
Charge for the period	33,844	46,720	2,077	4,593	26,963	-	114,197
Eliminated on disposals	-	(16,707)	(310)	(2,467)	-	-	(19,484)
Transfer during the period	(3,458)	-	-	-	-	-	(3,458)
Exchange difference	-	198	7	15	9	-	229
As at June 30, 2020	169,326	587,805	30,148	70,772	382,580	-	1,240,631
CARRYING VALUES							
As at June 30, 2020	1,722,787	210,193	13,998	39,108	105,817	68,903	2,160,806

Notes to the Condensed Consolidated Financial Statements

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, 2019	1,914,586	743,536	40,457	98,308	404,789	61,063	3,262,739
Additions	-	40,728	3,316	8,218	49,669	88,654	190,585
Disposals	-	(68,066)	(1,799)	(7,472)	-	-	(77,337)
Transfer during the year	(11,776)	68,165	780	4,529	-	(99,714)	(38,016)
Exchange difference	-	265	13	24	47	31	380
As at December 31, 2019	1,902,810	784,628	42,767	103,607	454,505	50,034	3,338,351
ACCUMULATED DEPRECIATION							
As at January 1, 2019	86,221	530,194	26,244	66,633	315,879	-	1,025,171
Charge for the year	60,852	91,564	3,868	8,545	39,696	-	204,525
Eliminated on disposals	-	(64,385)	(1,745)	(6,565)	-	-	(72,695)
Transfer during the year	(8,133)	-	-	-	-	-	(8,133)
Exchange difference	-	221	7	18	33	-	279
As at December 31, 2019	138,940	557,594	28,374	68,631	355,608	-	1,149,147
CARRYING VALUES							
As at December 31, 2019	1,763,870	227,034	14,393	34,976	98,897	50,034	2,189,204

The carrying amount of the Group's property and equipment included the leasehold interest in land as the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land. Therefore, the entire properties are classified as property and equipment.

Notes to the Condensed Consolidated Financial Statements

29. GOODWILL

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 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, funds and limited partnerships. 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, funds and limited partnerships held by the Group amounted to fair value of RMB5,738 million (unaudited) and RMB5,801 million (audited) as at June 30, 2020 and December 31, 2019, respectively.

The financial impact of the results and cash flows of these consolidated asset management schemes, funds and limited partnerships for the six months ended June 30, 2020 and 2019, 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

31. OTHER LOANS, RECEIVABLES AND PREPAYMENTS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Other receivables	948,601	657,284
Dividends receivable	321,108	3,658
Other loans	101,010	289,786
Prepayments	590,820	484,283
Others	539,308	580,407
Less: impairment allowance	(435,296)	(381,694)
	2,065,551	1,633,724

The movements of the impairment allowance are set out below:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
At the beginning of the period/year	381,694	332,209
Charge for during the period/year, net	34,148	49,348
Transfer in during the period/year	19,413	–
Foreign exchange differences during the period/year	41	137
At the end of the period/year	435,296	381,694

As at June 30, 2020 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	6,530	428,766	435,296

Notes to the Condensed Consolidated Financial Statements

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

As at December 31, 2019 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	6,003	375,691	381,694

32. SHORT-TERM FINANCING BILL PAYABLES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Short-term financing bill payables <i>(Note a)</i>	6,183,413	7,652,734
Income certificates <i>(Note b)</i>	7,509,646	8,460,466
	13,693,059	16,113,200
Analysed as:		
Stock exchanges	5,017,662	6,528,525
Over the counter	8,675,397	9,584,675
	13,693,059	16,113,200

Note a: As at June 30, 2020, short-term financing bill payables were unsecured and unguaranteed debt securities issued on the Shanghai Stock Exchange and over-the counter by the Company and were repayable within 1 year.

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, 2020 and December 31, 2019, the yields of all the outstanding income certificates were ranged from 2.03% to 4.25% and from 3.1% to 8.0% per annum, respectively.

Notes to the Condensed Consolidated Financial Statements

33. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the account payables 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, 2020 and December 31, 2019, included in the Group's account payable to brokerage clients were approximately RMB2,393 million (unaudited) and RMB1,933 million (audited), respectively, of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Analysed by collateral type		
– Bonds	52,647,983	54,335,353
– Others	4,363,576	3,142,710
	57,011,559	57,478,063
Analysed by market		
– Stock exchanges	29,565,435	34,986,782
– Inter-bank market	23,835,411	16,964,573
– Over the counter	3,610,713	5,526,708
	57,011,559	57,478,063

Notes to the Condensed Consolidated Financial Statements

35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Debt securities (<i>Note a</i>)	3,627,700	4,124,612
Gold borrowings (<i>Note a</i>)	9,983,776	7,514,640
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities (<i>Note b</i>)	398,303	286,059
– Others (<i>Note c</i>)	757,300	705,650
	14,767,079	12,630,961

Note a: As at June 30, 2020 and December 31, 2019, the Group's financial liabilities at fair value through profit or loss include debt securities and gold borrowed by the Group.

Note b: Interests attributable to other holders of consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

The realisation of third-party interests in the financial liabilities arising from consolidation of structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated structured entities held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

Note c: Others mainly include the structured notes issued by a subsidiary of the Group of which the balance is linked to performance of the perpetual instruments. The subsidiary of the Group irrevocably designates these financial liabilities as measured at FVTPL to eliminate an accounting mismatch.

Notes to the Condensed Consolidated Financial Statements

36. BORROWINGS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Unsecured short-term borrowings repayable within one year (<i>Note a</i>)	842,308	640,154
	842,308	640,154

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

As at June 30, 2020, the annual interest rates on the borrowings were in the range of 1.66% to 2.30% (December 31, 2019: 3.85% to 4.70%).

During the current interim period, the Group obtained new borrowings amounting to RMB770 million (unaudited) (six months ended June 30, 2019: RMB1,018 million, unaudited).

37. BOND PAYABLES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Corporate bonds (<i>Note a</i>)	29,500,774	26,202,985
Subordinated bonds (<i>Note a</i>)	23,916,263	27,070,475
Income certificates (<i>Note b</i>)	5,043,184	4,149,811
Offshore bonds (<i>Note a</i>)	10,015,072	9,885,928
	68,475,293	67,309,199

Notes to the Condensed Consolidated Financial Statements

37. BOND PAYABLES (Continued)

Note a:

Name		Issue amount	Issue date	Maturity date	Coupon rate
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%
17-2 Orient Subordinated Bond	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-4 Orient Subordinated Bond	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
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	3.625%
17 Offshore USD Bond	USD	250,000,000	22/03/2018	30/11/2022	3.625%
18 Orient Subordinated Bond	RMB	6,400,000,000	12/07/2018	12/07/2020	5.18%
19-1 Orient Subordinated Bond	RMB	6,000,000,000	19/03/2019	19/03/2022	4.20%
19-2 Orient Subordinated Bond	RMB	4,000,000,000	14/06/2019	14/06/2022	4.20%
19 Corporate Bond	RMB	4,900,000,000	25/11/2019	25/11/2022	3.50%
19 Offshore USD Bond	USD	300,000,000	20/08/2019	20/08/2022	6 month Libor+1.25%
19 Offshore EUR Bond	EUR	200,000,000	20/08/2019	20/08/2022	0.625%
19 Offshore SGD Bond	SGD	200,000,000	27/09/2019	27/09/2022	2.90%
20-2 Corporate Bond ⁽¹⁾	RMB	3,000,000,000	24/03/2020	24/03/2022	2.95%
20-3 Corporate Bond ⁽²⁾	RMB	4,000,000,000	18/06/2020	18/06/2023	3.45%

(1) As approved by the CSRC, the Company issued a corporate bond with par value of RMB3 billion on March 24, 2020. The bond bears an interest rate of 2.95% with a maturity period of 2 years and the interest is paid annually.

(2) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on June 18, 2020. The bond bears an interest rate of 3.45% with a maturity period of 3 years and the interest is paid annually.

Note b: According to the consent letter from Securities Association of China ("SAC") on approving the pilot of over the counter income certificate business (SAC [2014]285), the Company was authorised 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, 2020 and December 31, 2019, the yields of the outstanding income certificates varied from 3.20% to 4.25% and from 4.00% to 4.25% per annum, respectively.

Notes to the Condensed Consolidated Financial Statements

38. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Other account payables		
– Payables for underwriting and products distribution fees	235,474	337,956
– Settlement payables	212,403	142,144
Other payables and accruals		
– VAT and other taxes	86,012	116,655
– Payables for securities and futures investor protection fund	31,361	26,531
– Futures risk reserve	91,452	82,067
– Dividends payable	145,874	80
– Acting underwriting securities	–	80,000
– Deposit received from customers	257,977	205,950
– Arrangement for acquiring additional interests in a subsidiary (<i>Note</i>)	–	475,584
– Others	1,095,328	1,129,244
	2,155,881	2,596,211

Note: On May 30, 2019, Citigroup Global Markets Asia Limited (the “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 the Citi Orient Securities Co., Ltd (the “Citi Orient”) which was 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. On March 11, 2020, the Shanghai Bureau of CSRC (the “SHCSRC”) approved the transfer of 33.33% of the equity interests in the Citi Orient from the Citigroup Asia to the Company and changes on the key terms in the articles of association of the Citi Orient (SHCSRC [2019]465). The industrial and commercial registration of the subsidiary has been changed and the consideration has been paid by the Company accordingly during the current interim period. The difference of the consideration and non-controlling interests has been recorded in capital reserve upon completion of this transaction. In addition, the Citi Orient has been renamed as Orient Securities Investment Banking Co., Ltd. and become a wholly owned subsidiary of the Group as at June 30, 2020.

Notes to the Condensed Consolidated Financial Statements

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:

	RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):	
As at December 31, 2019, January 1, 2020 and June 30, 2020	6,993,656

40. DIVIDENDS

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution	1,049,048	699,366

During the current interim period, a final dividend of RMB1.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2019 (2019: RMB1.00 (tax inclusive) per 10 shares in respect of the year ended December 31, 2018) was declared.

The aggregate amount of the final dividend paid in the interim period amounted to RMB903,254 thousand (unaudited).

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended June 30, 2020 and 2019.

Notes to the Condensed Consolidated Financial Statements

41. RESERVES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Capital reserve	28,266,858	28,254,930
Debt investment revaluation reserve	707,781	665,927
Equity investment revaluation reserve	(259,643)	(200,232)
Translation reserve	13,367	1,063
Surplus reserve	3,445,689	3,445,689
General reserve	8,084,322	7,997,676
Others	33,203	33,203
	40,291,577	40,198,256

42. CAPITAL COMMITMENTS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment: Contracted but not provided for	44,648	49,530

Notes to the Condensed Consolidated Financial Statements

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationships 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, 2020 (Unaudited)	As at December 31, 2019 (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 or significantly influenced by these individuals.

(2) Related party transaction and balances

As at June 30, 2020 and December 31, 2019, the Group had the following material balances with major shareholder and entities under its control:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Account payables to brokerage clients		
– Shenergy Group Finance Company Limited*	10	–
– Shanghai Dazhong Gas Co., Ltd. *	4,170	4,163
– Shanghai Jiu Lian Group Co., Ltd. *	409	394
– Shenergy (Group) Company Limited	–	47
– Shanghai Shenergy Property Management Co., Ltd. *	14	14
– Shanghai Gas (Group) Co., Ltd. *	9	8

Notes to the Condensed Consolidated Financial Statements

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

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

For the six months ended June 30, 2020 and 2019, the Group had the following material transactions with major shareholder and entities under its control:

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Commission and fee income		
– Shenergy (Group) Company Limited	–	1,126
– Shanghai Jiu Lian Group Co., Ltd. *	–	12
– Shenergy Company Limited	–	2,086
– Shanghai Gas (Group) Co., Ltd. *	–	500
– Shenergy Group Finance Company Limited *	45	27
Interest expenses		
– Shenergy (Group) Company Limited	–	10
– Shenergy Company Limited	–	2
– Shanghai Gas (Group) Co., Ltd. *	1	1
– Shanghai Jiu Lian Group Co., Ltd. *	1	18
– Shanghai Dazhong Gas Co., Ltd. *	7	5
– Shenergy Group Finance Company Limited *	7	25
Other operating expenses		
– Shanghai Shenergy Property Management Co., Ltd. *	2,848	8,681
– Shanghai Dazhong Gas Co., Ltd. *	109	1,182
Net investment gains		
– Shanghai Shenergy ICY Capital Co., Ltd.	2,938	–

Notes to the Condensed Consolidated Financial Statements

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

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

As at June 30, 2020 and December 31, 2019, the Group had the following material balances with associates:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Account payables to brokerage clients		
– China Universal	34,218	2,141
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	1,014	811
– Shanghai Junyu Investment Center LLP. *	–	3
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP. *	9,798	9,798
– Shanghai Junyu Investment Center LLP. *	–	2,075
– China Universal	11,719	–
Other account payables		
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. *	2,123	1,274
Financial assets at FVTPL	314,613	81,877
Debt instruments at FVTOCI	–	77,199

Notes to the Condensed Consolidated Financial Statements

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

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

For the six months ended June 30, 2020 and 2019, the Group had the following material transactions with associates:

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Commission and fee income		
– China Universal	112,241	42,956
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	14,079	14,079
– Orient Securities Ruibo (Shanghai) Investment Center LLP. *	–	4,292
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. *	7,642	3,821
– Nantong Orient Securities Fuxiang Equity Investment Center LLP. *	5,585	–
– Shanghai Dongkai Capital Co., Ltd. *	–	1
– Chengtay financial leasing (Shanghai) Co., Ltd.	2	–
Interest expenses		
– China Universal	4	866
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	1	–
– Shanghai Dongkai Capital Co., Ltd. *	–	1
– Shanghai Junyu Investment Center LLP. *	–	2
Interest income	–	2,042
Net investment gains	4,610	–

Notes to the Condensed Consolidated Financial Statements

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

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

As at June 30, 2020 and December 31, 2019, the Group had the following material balances with other related parties**:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Account payables to brokerage clients		
– Shanghai Construction Group Co., Ltd.	33,432	18,260
– China Greatwall Technology Group Co., Ltd.	3,705	–
– Greenland Group	200,281	2,859
– Shanghai Orient Xindeyizhang Public Welfare Foundation. *	3	3
– China Pacific Property Insurance Co., Ltd.	–	1
– Shanghai Shangbao Asset Management Co., Ltd.	1	1
– Orient International Group Shanghai Investment Co., Ltd.	99	–
Other receivables		
– Yunzhuo Capital Investment (Chengdu) Co., Ltd.	1,973	–
Financial assets at FVTPL	358,483	414,187
Derivative financial assets	–	1,166
Derivative financial liabilities	688	–
Equity investment at FVTOCI	189,759	186,166
Debt investment at FVTOCI	199,787	287,515

Notes to the Condensed Consolidated Financial Statements

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

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

For the six months ended June 30, 2020 and 2019, the Group had the following material transactions with other related parties:

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Commission and fee income		
– Great Wall Fund Management Co., Ltd.	1,469	1,292
– Shanghai Orient Xindeyizhang Public Welfare Foundation. *	8	–
– Harvest Capital Management Co., Ltd.	285	–
– Orient International Group Shanghai Investment Co., Ltd.	3	58
– Greenland Group	–	494
Interest expenses		
– Shanghai Construction Group Co., Ltd.	24	–
– Shanghai Shangbao Asset Management Co., Ltd.	–	1
– Shanghai Orient Xindeyizhang Public Welfare Foundation. *	1	–
– Greenland Group	281	353
– Orient International Group Shanghai Investment Co., Ltd.	–	2
Other operating expenses		
– Harvest Capital Management Co., Ltd.	–	2,036
– China Pacific Property Insurance Co., Ltd.	–	38
Interest income	2,279	2,574
Net investment gains	6,658	641

* 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, 2020.

Notes to the Condensed Consolidated Financial Statements

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,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term benefits:		
– Salaries, allowance and bonuses	35,258	25,845

44. 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 categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of inputs to the fair value measurement in its entirety, which are described as follows:

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

Notes to the Condensed Consolidated Financial Statements

44. 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)*

Some of the financial assets and financial liabilities are measured at fair value as at June 30, 2020 and December 31, 2019. 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) used.

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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
1) Debt instruments at FVTOCI						
Debt securities						
- Traded on stock exchanges	30,370,213	36,821,013	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on inter-bank market	29,755,871	28,074,550	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
	60,126,084	64,895,563				

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
2) Equity instruments at FVTOCI						
Equity securities						
- Traded on stock exchanges	2,348,856	1,993,631	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	329,696	141,978	Level 2	Recent transaction prices.	N/A	N/A
- Traded on National Equities Exchange and Quotations	60,174	148,292	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 Discount for lack of marketability	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.
- Private equity investments	63,152	189,985	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	69,827	80,087	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.

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
2) Equity instruments at FVTOCI (Continued)						
Perpetual instruments						
- Traded on stock exchanges	1,707,367	1,946,648	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on inter-bank market	1,342,644	1,317,389	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 investment						
- Investment in a special account managed by CSFCL	4,866,639	5,014,863	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
	10,788,355	10,832,873				
3) Financial assets at FVTPL						
Debt securities						
- Traded on stock exchanges	17,633,806	19,926,770	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on inter-bank market	12,034,883	10,648,420	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	5,894,832	4,164,112	Level 1	Quoted bid price in an active market.	N/A	N/A
- Traded on National Equities Exchange and Quotations	493,983	533,640	Level 2	Recent transaction prices.	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
3) Financial assets at FVTPL (Continued)						
Equity securities (Continued)						
- Traded on National Equities Exchange and Quotations	51,063	68,838	Level 3	Calculated based on pricing/yield such as price-to earnings (P/E) and others 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.
- Private equity investments	2,811,656	2,617,415	Level 3	Calculated based on pricing/yield such as price-to earnings (P/E) and others 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	896,145	741,581	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	1,420,302	1,670,636	Level 1	Quoted bid price in an active market.	N/A	N/A
- Other funds	7,504,267	7,929,167	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

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
3) Financial assets at FVTPL (Continued)						
Other investments						
- Collective assets management schemes issued by financial institutions	16,070,403	11,018,349	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	122,717	260,593	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	5,023,928	5,829,426	Level 1	Quoted bid price in an active market.	N/A	N/A
- Perpetual instruments traded on inter-bank market	3,239,926	1,492,146	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
	73,197,911	66,901,093				
4) Financial liabilities at FVTPL						
Debt securities						
- Traded on inter-bank market	(3,627,700)	(4,124,612)	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	(9,983,776)	(7,514,640)	Level 1	Quoted bid price in an active market.	N/A	N/A
Others	(757,300)	(705,650)	Level 2	Transaction price of its underlying assets.	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
4) Financial liabilities at FVTPL (Continued)						
Interests attributable to other holders of consolidated structured entities	(100,105)	(286,059)	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
Interests attributable to other holders of consolidated structured entities	(298,198)	-	Level 3	Shares of the net value of the structured entities, determined with reference to the net asset of the structured entities, calculated based on pricing/yield of comparable companies with an adjustment of discount for lack of marketability of underlying investment portfolio and adjustments of related expenses.	P/E multiples Discount for lack of marketability.	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value
	(14,767,079)	(12,630,961)				
5) Derivative financial instruments						
Interest rate swaps – assets	-	1,703	Level 2	Discounted cash flows. Future cash flows are estimated based on 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 – liabilities	(3,075)	-	Level 2	Discounted cash flows. Future cash flows are estimated based on 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

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
5) Derivative financial instruments (Continued)						
Stock index futures – assets	1,688	–	Level 1	Quoted bid price in an active market.	N/A	N/A
Commodity futures – assets	5,392	24,017	Level 2	Recent transaction prices.	N/A	N/A
Total return swaps – assets	28,243	720	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
Total return swaps – liabilities	–	(5,510)	Level 2	Calculated based on the difference between the yield of underlying securities based on quoted prices in an active market and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Stock options – assets	18,792	22,051	Level 2	Recent transaction prices.	N/A	N/A
Stock options – liabilities	(20,691)	(49,637)	Level 2	Recent transaction prices.	N/A	N/A
Commodity options – assets	–	16,189	Level 2	Calculated based on the difference between the quoted prices of underlying commodities from futures and commodity exchanges in the PRC and the fixed income agreed in the agreements between the Company and the counterparty.	N/A	N/A
Commodity options – liabilities	(18,907)	(10,278)	Level 2	Calculated based on the difference between the quoted prices of underlying commodities from futures and commodity 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

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
5) Derivative financial instruments (Continued)						
Derivatives embedded in income certificates – liabilities	(12,771)	(3,480)	Level 2	Calculated based on contracted interest rates with reference to the market prices of underlying assets.	N/A	N/A
Commodity swaps – assets	953,270	500,644	Level 2	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Gold forwards – liabilities	–	(5,378)	Level 2	Calculated based on the quoted price of the underlying gold.	N/A	N/A
Currency swaps – assets	6,987	6,899	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
Currency swaps – liabilities	–	(4,175)	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 – assets	593	1,102	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 – liabilities	(5,378)	(5,314)	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

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
5) Derivative financial instruments (Continued)						
Gold option arrangement – assets	67,361	35,777	Level 2	Discounted cash flows. Future cash flows represents the different exercise prices of gold option purchased and sold under the arrangement and discounted by observable yield curve.	N/A	N/A
Gold option arrangement – liabilities	(1,037,119)	(2,555,328)	Level 2	Discounted cash flows. Future cash flows represents the different exercise prices of gold option purchased and sold under the arrangement and discounted by observable yield curve.	N/A	N/A
Equity linked derivatives – assets	257	–	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the Company and the counterparty.	N/A	N/A
Equity linked derivatives – liabilities	(959)	(4,275)	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
Foreign exchange risk forward – assets	31,053	–	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 forward rate.	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)				
5) Derivative financial instruments (Continued)						
Foreign exchange swap – liabilities	(1)	-	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
Collar option – assets	13	-	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable interest rates at the end of the reporting period) and the contracted interest rate.	N/A	N/A
Collar option – liabilities	(13)	-	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable interest rates at the end of the reporting period) and the contracted interest rate.	N/A	N/A
Interest rate swaps options – assets	96	-	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates.	N/A	N/A
Interest rate swaps options – liabilities	(123)	-	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable interest rates at the end of the reporting period) and the contracted interest rate.	N/A	N/A
	14,708	(2,034,273)				

Notes to the Condensed Consolidated Financial Statements

44. 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 June 30, 2020 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	30,370,213	29,755,871	–	60,126,084
Equity instruments at FVTOCI				
– Equity securities	2,348,856	329,696	193,153	2,871,705
– Perpetual instruments	1,707,367	1,342,644	–	3,050,011
– Other investment	–	4,866,639	–	4,866,639
Financial assets at FVTPL				
– Debt securities	17,633,806	12,034,883	–	29,668,689
– Equity securities	5,894,832	493,983	3,758,864	10,147,679
– Funds	1,420,302	7,504,267	–	8,924,569
– Other investments	5,023,928	19,310,329	122,717	24,456,974
Derivative financial assets	1,688	1,112,057	–	1,113,745
Total	64,400,992	76,750,369	4,074,734	145,226,095
Financial liabilities:				
Financial liabilities at FVTPL	9,983,776	4,485,105	298,198	14,767,079
Derivative financial liabilities	–	1,099,037	–	1,099,037
Total	9,983,776	5,584,142	298,198	15,866,116

Notes to the Condensed Consolidated Financial Statements

44. 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, 2019 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	36,821,013	28,074,550	–	64,895,563
Equity instruments at FVTOCI				
– Equity securities	1,993,631	141,978	418,364	2,553,973
– Perpetual instruments	1,946,648	1,317,389	–	3,264,037
– Other investment	–	5,014,863	–	5,014,863
Financial assets at FVTPL				
– Debt securities	19,926,770	10,648,420	–	30,575,190
– Equity securities	4,164,112	533,640	3,427,834	8,125,586
– Funds	1,670,636	7,929,167	–	9,599,803
– Other investments	5,829,426	12,510,495	260,593	18,600,514
Derivative financial assets	–	609,102	–	609,102
Total	72,352,236	66,779,604	4,106,791	143,238,631
Financial liabilities:				
Financial liabilities at FVTPL				
Derivative financial liabilities	–	2,643,375	–	2,643,375
Total	7,514,640	7,759,696	–	15,274,336

Notes to the Condensed Consolidated Financial Statements

44. 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,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At the beginning of the period	418,364	632,882
Changes in fair value recognised in other comprehensive income	(121,513)	(42,443)
Transfer out of Level 3 <i>(Note a)</i>	(67,235)	–
Disposal	(36,463)	–
At the end of the period	193,153	590,439
Total losses for assets held at the end of the period		
– unrealised losses recognised in other comprehensive income	(121,513)	(42,443)

Financial assets at FVTPL:

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At the beginning of the period	3,688,427	4,149,793
Changes in fair value recognised in profit or loss	133,905	(88,225)
Purchases	904,506	843,175
Transfer in level 3	23,083	168,499
Transfer out of Level 3 <i>(Note b)</i>	(688,613)	(928,820)
Disposal	(179,727)	(625,919)
At the end of the period	3,881,581	3,518,503
Total losses for assets held at the end of the period		
– unrealised losses recognised in profit or loss	(128,004)	(121,033)

Notes to the Condensed Consolidated Financial Statements

44. 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 at FVTPL: (Continued)

Note a: It is an equity security suspended on the NEEQ for a certain period before and the fair value was determined using valuation model. It was transferred from Level 3 to Level 2 when it was resumed and traded on the NEEQ, in which case, the fair value was determined based on recent transaction price.

Note b: These are mainly 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, 2020		As at December 31, 2019	
	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	6,537,909	6,570,355	7,193,554	7,191,385
Financial liabilities				
Bond payables				
– Corporate bonds	29,500,774	29,882,908	26,202,985	26,462,646
– Subordinated bonds	23,916,263	23,911,902	27,070,475	27,069,056
– Income certificates	5,043,184	5,036,681	4,149,811	4,098,397
– Offshore bonds	10,015,072	10,081,509	9,885,928	9,960,236
Total	68,475,293	68,913,000	67,309,199	67,590,335

Notes to the Condensed Consolidated Financial Statements

44. 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, 2020 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	2,372,867	4,197,488	–	6,570,355
Financial liabilities				
Bond payables	53,794,810	15,118,190	–	68,913,000

As at December 31, 2019 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Debt instruments measured at amortised cost	3,321,933	3,869,452	–	7,191,385
Financial liabilities				
Bond payables	53,531,702	14,058,633	–	67,590,335

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.

45. RECLASSIFICATION OF COMPARATIVE FIGURES

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

Notes to the Condensed Consolidated Financial Statements

46. SUBSEQUENT EVENT

The Company's Employee Stock Ownership Scheme

On July 13, 2020, the first extraordinary general meeting of shareholders (the "Shareholder") approved the resolution as to the Company's Employee Stock Ownership Scheme (the "Scheme") and authorisation of the Board of Directors in the management of the Scheme.

Pursuant to this Shareholder resolution, the Company engaged China Universal as the asset manager of the Scheme accordingly. The Company signed two contracts of asset management schemes respectively, on behalf of the Scheme, with China Universal which are China Universal – Orient Securities No.1 Employee Stock Ownership Scheme Single Asset Management Scheme and China Universal – Orient Securities No. 2 Employee Stock Ownership Scheme Single Asset Management Scheme in July 2020.

Issuance of short-term financing bills and corporate bonds

On July 7, 2020, 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 1.90% with a maturity period of 85 days.

On July 28, 2020, the Company has issued a short-term financing bill with par value of RMB3.5 billion. The short-term financing bill bears an interest rate of 2.60% with a maturity period of 87 days.

On August 19, 2020, the Company has issued a corporate bond with par value of RMB4 billion. The bond bears an interest rate of 3.5% with a maturity period of 3 years.

On August 26, 2020, the Company has issued a perpetual subordinated bond with par value of RMB5 billion. The bond bears an initial interest rate of 4.75% that would be repriced every five years. The Company has the option to extend the maturity of the bond for another repricing cycle, or redeem the bond entirely.



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