

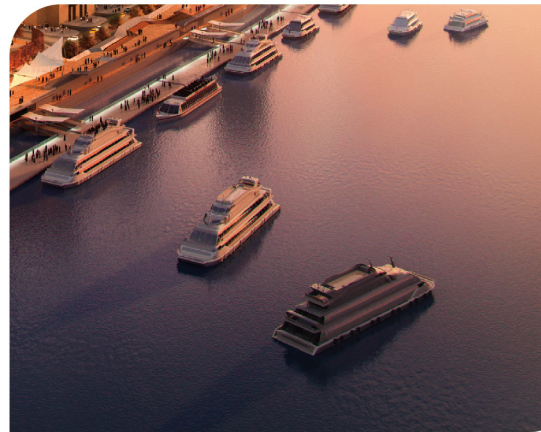
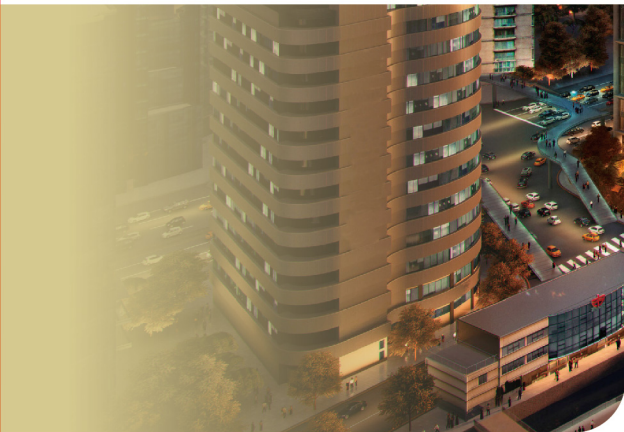
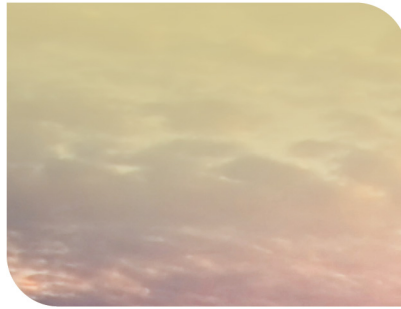
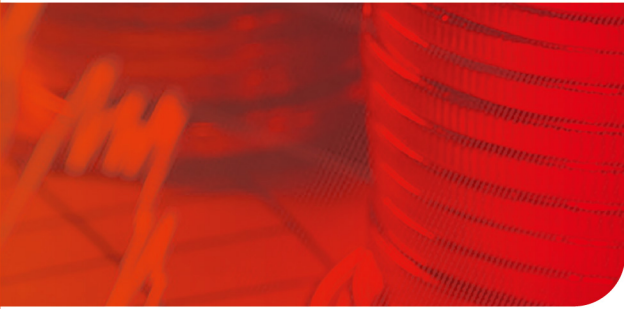


# 东方证券

— 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. This report was considered and approved at the fifth meeting of the fifth Session of the Board and the fourth meeting of the fifth session of the Supervisory Committee of the Company. All the Directors attended the Board meeting. No Director or Supervisor has raised any objection to this report.
- III. The 2021 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. Jin Wenzhong, the person-in-charge 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 approved 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 2021.

- 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

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.

Risks in business operation faced by the Company mainly include: policy risks from national macro-control measures, changes in laws, regulations, relevant regulatory policies and transaction rules in securities industry, which will adversely affect the business of securities companies; the risk of unexpected potential loss in value due to changes in share prices, interest rates, exchange rates, etc. in the securities market; the risk of loss caused to the Company due to failure of the debtor or counterparty to meet its contractual obligations or changes in credit quality; the operational risk due to inadequate internal processes, employee errors and misconduct, information system failure and defects, and external events; the liquidity risk of not being able to obtain sufficient funds in a timely manner and at a reasonable cost to pay debts as they fall due, meet other payment obligations and meet the funds required for normal business operations; the risk of inability of the Company's information technology system to provide normal services, affecting the normal operation of the Company's business; the risk of discontinuity of the Company's business or information security due to inadequate protection and backup measures for information technology systems and key data; the risk of negative perception of the Company's reputation resulting from its operations, management and other actions or external events; and the money laundering risk from the utilization of the Company's products or services by criminals to engage in money laundering activities which lead to negative effects on the Company's legal, reputation, compliance, operation and other aspects. In addition, like other financial institutions, the Company is inevitably exposed to a certain degree of compliance risk, legal risk and ethical risk in the course of operation and management. For these types of risks, the Company has implemented a comprehensive risk management system that fully covers such risks, and has specified relevant responsible departments, established corresponding management systems and implemented corresponding technical measures.

The Company has described the risks such as market risk, credit risk and liquidity risk in detail in this report. Please refer to the contents of the potential risks and prevention measures of the Company in the section entitled Report of the Board for details.

### XI. Others

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



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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 2021 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)

## Section I Definitions

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

### Definitions of the frequently used terms

“A Share(s)”	the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE
“Articles of Association”	the articles of association of DFZQ
“Board” or “Board of Directors”	the board of directors of DFZQ
“China Universal”	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司), an investee company of the Company
“ChinaBond”	China Central Depository and Clearing Co., Ltd. (中央國債登記結算有限責任公司)
“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
“ESG Report”	the environmental, social and governance report
“Group” or “the Group” or “We”	DFZQ and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange

## Section I Definitions

“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	Initial Public Offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Orient Finance Holdings”	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Orient Futures”	Orient Futures Co., Ltd (上海東證期貨有限公司), a wholly-owned subsidiary of the Company
“Orient 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
“Reporting Period”	January 1, 2021 to June 30, 2021

## Section I Definitions

“RMB, RMB’000, RMB’0000, RMB million, RMB100 million”	Renminbi Yuan, Renminbi’000, Renminbi’0000, Renminbi million, Renminbi 100 million (unless otherwise specified)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	Hong Kong Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Bureau of the CSRC”	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
“Shenergy Group”	Shenergy (Group) Company Limited (申能(集團)有限公司)
“Shenzhen Stock Exchange” or “SZSE”	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	Jin Wenzhong
General manager of the Company	Jin Wenzhong
Authorized representatives of the Company	Song Xuefeng, Jin Wenzhong
Joint company secretaries	Wang Rufu, Leung Wing Han Sharon

#### Registered capital and net capital

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	36,169,608,767.08	37,834,826,350.42

#### Business scope of the Company:

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



## Section II Company Profile and Key Financial Indicators

### Each individual business qualification of the Company

No.	Name of business qualification	Approval authority and approval number
1	Permit to operate securities and futures business	CSRC (No.: 913100001322947763)
2	Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business	Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108)
3	Qualification for conducting online securities commissioning	CSRC (Zheng Jian Xin Xi Zi [2001] No. 8)
4	Qualification for conducting distribution business of open-ended securities investment funds	CSRC (Zheng Jian Ji Jin Zi [2004] No. 50)
5	Qualification for conducting SSE Fund Connect business	SSE Membership Department (SSE [2005])
6	Qualification for conducting underwriting business of short term financing bills	People's Bank of China (Yin Fa [2005] No. 275)
7	Pilot securities companies conducting relevant innovative businesses	Securities Association of China (Zhong Zheng Han [2004] No. 266)
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	Permit to operate securities and futures business	CSRC (No. 91310000555998513B)
18	Qualification for conducting margin financing and securities lending business	CSRC (Zheng Jian Xu Ke [2010] No. 764)
19	Type 1 Licence – Dealing in securities	Securities and Futures Commission of Hong Kong (CE No. AVD362)
	Type 4 Licence – Advising on securities	
20	Type 9 Licence – Asset management	Securities and Futures Commission of Hong Kong (CE No. AVH864)
21	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
22	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
23	Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business	CSRC (Zheng Jian Xu Ke [2011] No. 2136)
24	Qualification for trial operation of dealer-quoted collateralized bond repurchase business	CSRC (Ji Gou Bu Bu Han [2012] No. 20)
25	Qualification for provision of integrated services to insurance institutional investors	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
26	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)
27	Qualification for investment manager of insurance funds	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
28	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)
29	Qualification for assets management business	CSRC (Zheng Jian Xu Ke [2012] No. 1501)
30	Qualification for conducting special institutional client business of insurance institutions	China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions)

## Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
31	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)
32	Permit to operate securities and futures business	CSRC (No.: 91310000132110914L)
33	Qualification for financial products distribution business	Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)
34	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)
35	Conducting comprehensive custodian business for private equity fund (limited partnership)	CSRC (Ji Gou Bu Bu Han [2013] No. 174)
36	Qualification for conducting pilot consumption and payment service of securities funds of clients	CSRC (Ji Gou Bu Bu Han [2013] No. 207)
37	Permit to operate securities investment business	CSRC (RQF2013HKS015)
38	Qualification for collateralized stock repurchase business	SSE (Shang Zheng Hui [2013] No. 77) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 60)
39	Qualification for conducting securities pledge registration agency business	CSDCC (Confirmation on Qualification for Securities Pledge Registration Agency Business)
40	Qualification for management business of publicly offered securities investment fund	CSRC (Zheng Jian Xu Ke [2013] No. 1131)
41	Qualification for equity-based return swaps and OTC options business	Securities Association of China (Zhong Zheng Xie Han [2013] No. 923)
42	Qualification for conducting pilot securities refinancing business	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227)
43	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
44	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
45	Qualification for conducting market maker business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No. 707)

## Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
46	Qualification of first batch of quotation and service participants of private fund products trading between companies	China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch])
47	Type 6 Licence – Advising on corporate finance	Securities and Futures Commission of Hong Kong (CE No. BDN128)
48	Permit to conduct Shanghai-Hong Kong Stock Connect business	SSE (Shang Zheng Han [2014] No. 626)
49	Qualification for pilot OTC market business	Securities Association of China (Zhong Zheng Xie Han [2014] No. 632)
50	Qualification for pilot proprietary business of gold spot contract	CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)
51	Pilot online securities business	Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))
52	Qualification for underwriting business of debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Announcement of National Association of Financial Market Institutional Investors [2014] No. 16)
53	Qualification of options transaction participants of SSE and permit to operate stock and options brokerage and proprietary business and qualification for options clearing business	SSE (Shang Zheng Han [2015] No. 61)
54	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)
55	Qualification for stock and options market making business	CSRC (Zheng Jian Xu Ke [2015] No. 163)
56	Qualification for conducting quotation business for debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Zhong Shi Xie Bei [2015] No. 32)
57	Qualification for sales of securities investment fund	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)
58	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	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326)
63	Qualification for company conducting pilot market making business for quotation system	China Securities Internet System Co., Ltd. (Zhong Zheng Bao Jia Han [2016] No. 185)
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	Qualified domestic institutional investor	CSRC (Zheng Jian Xu Ke [2019] No. 1470)
80	Operation Qualification of Settlement and Sale of Foreign Exchange Business	State Administration of Foreign Exchange (Hui Fu [2020] No. 10)
81	Qualification for Foreign Exchange Agency Business	State Administration of Foreign Exchange (Hui Zong Bian Han [2020] No. 482)
82	Qualification for Fund Investment Advisory Business	Securities and Fund Institution Supervision Department (Ji Gou Bu Han [2021] No. 1686)

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
Business address	Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC, 3-6/F, 12-14/F, 22/F, 25-27/F, 29/F, 32/F, 37-40/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Postal code of business address	200010
Place of business in Hong Kong	28-29/F, No. 100 Queen's Road Central, Central, Hong Kong
Company website	<a href="http://www.dfzq.com.cn">http://www.dfzq.com.cn</a>
E-mail	<a href="mailto:ir@orientsec.com.cn">ir@orientsec.com.cn</a>

### 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 for publication of interim reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of interim reports	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where the interim reports of the Company are available	11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC

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

<b>Class of shares</b>	<b>Stock exchange on which shares are listed</b>	<b>Stock abbreviation</b>	<b>Stock code</b>
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 accountants	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 2021	From January to June 2020	The current period as compared with the previous period
<b>Operating results</b>			
Total revenue, gains/(losses) and other income	<b>15,350,711</b>	12,051,783	27.37%
Profit before income tax	<b>3,129,407</b>	1,777,103	76.10%
Profit for the period-attributable to equity holders of the Company	<b>2,700,360</b>	1,526,024	76.95%
Net cash (used in)/from operating activities	<b>(5,898,216)</b>	2,004,770	(394.21%)
<b>Earnings per share (RMB/share)</b>			
Basic earnings per share	<b>0.37</b>	0.22	68.18%
Diluted earnings per share	<b>N/A</b>	N/A	N/A
<b>Indicator of profitability</b>			
Weighted average returns on net assets (%)	<b>4.60</b>	2.80	Increased by 1.80 percentage points

## Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

Items	June 30, 2021	December 31, 2020	As at the end of the Reporting Period as compared with as at the end of last year
<b>Indicators of scale</b>			
Total assets	<b>311,282,609</b>	291,117,442	6.93%
Total liabilities	<b>250,211,386</b>	230,886,298	8.37%
Account payables to brokerage clients	<b>78,920,066</b>	66,642,671	18.42%
Equity attributable to equity holders of the Company	<b>61,047,869</b>	60,202,851	1.40%
<b>Share capital</b> ('000 shares)	<b>6,993,656</b>	6,993,656	0.00%
<b>Net assets per share attributable to shareholders of the Company</b> (RMB/share)	<b>8.73</b>	8.61	1.39%
Gearing ratio (%)	<b>73.70</b>	73.13	Increased by 0.57 percentage point

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

### (ii) Description of Key Accounting Data and Financial Indicators of the Company

In the first half of 2021, with active performance in the capital market, the Company maintained stable operation with favourable trend, and all businesses were developed in a balanced manner with significant growth in operating results. During the Reporting Period, the Company achieved total revenue, gains and other income of RMB15.351 billion and profit for the period attributable to equity holders of the Company of RMB2.700 billion, representing an increase of 27.37% and 76.95% respectively over the corresponding period of the previous year. The changes in the above items were mainly due to the year-on-year increase in net fee income from the Company's asset management, brokerage and investment banking businesses and its share of results of associates, and the year-on-year decrease in credit impairment charges.

At the end of June 2021, the Company's total assets amounted to RMB311.283 billion, representing an increase of 6.93% over the beginning of the year, which was mainly due to the increase in clearing settlement funds of securities transaction customers. The equity attributable to equity holders of the Company amounted to RMB61.048 billion, representing an increase of 1.40% over the beginning of the year, which was mainly due to the net profit achieved during the period.

## Section II Company Profile and Key Financial Indicators

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

As at the end of the Reporting Period, the net capital of the Parent Company was RMB36.170 billion, representing a decrease of RMB1.665 billion or 4.40% as compared with RMB37.835 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	<b>36,169,609</b>	37,834,826
Net assets	<b>55,657,722</b>	55,664,052
Risk coverage rate (%)	<b>228.02</b>	229.94
Capital gearing ratio (%)	<b>11.86</b>	11.95
Liquidity coverage ratio (%)	<b>256.42</b>	245.56
Net stable funding ratio (%)	<b>141.16</b>	151.06
Net capital/net assets (%)	<b>64.99</b>	67.97
Net capital/liabilities (%)	<b>24.34</b>	25.76
Net assets/liabilities (%)	<b>37.46</b>	37.90
Proprietary equity-based securities and its derivatives/net capital (%)	<b>27.42</b>	33.23
Proprietary non-equity securities and its derivatives/net capital (%)	<b>342.05</b>	327.05

*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 2021 and January to June 2020, and net assets as at June 30, 2021 and December 31, 2020 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 Report of the Board

### I. EXPLANATIONS ON THE INDUSTRY AND PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY 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 primarily engages in the following five business sectors during the Reporting Period:

- **Investment Management**

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

- **Brokerage and Securities Financing**

The Company conducts securities brokerage business and futures brokerage business, and provides its clients with such services as margin financing and securities lending business, collateralized stock repurchase business, over-the-counter (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.

## Section III Report of the Board

- 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.
- **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, innovating 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, quantitative investment etc..
    - The Company provides its institutional clients with research services. The clients allocate funds to the seats through the Company and, based on the quality of the research services, determine the lease of special unit trading seats from the Company and the allocation of trading volume.

## Section III Report of the Board

- **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 issues.
- 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 other 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.

In the first half of 2021, benefiting from strict pandemic control measures and a policy direction of maintaining steady progress, China's economy continued to recover steadily with sound momentum, and stock market activity increased. During the Reporting Period, the securities industry realized operating income of RMB232.414 billion, increasing by 8.91% compared to the same period of last year. Net profit reached RMB90.279 billion, increasing by 8.58% compared to the same period of last year. In terms of operating income, the securities industry realized a net income of RMB58.040 billion (including seat rental income) from the securities agency business, increasing by 10.95% year-on-year. Net income from securities underwriting and sponsoring business was RMB26.781 billion, increasing by 21.13% year-on-year. Net income from asset management business was RMB14.468 billion, increasing by 1.24% year-on-year. Gains from securities investment (including fair value changes) was RMB69.788 billion, decreasing by 0.69% year-on-year. In terms of the capital scale, capital strength of the securities industry improved steadily. As of the end of the Reporting Period, the total assets of the securities industry were RMB9.72 trillion and the net assets were RMB2.39 trillion increasing by 9.21% and 3.46%, respectively from the beginning of the year.

## Section III Report of the Board

During the Reporting Period, the Company maintained stable overall strength and industry position and recorded sound financial condition. The Company kept its leading position in the industry in terms of investment management business and made new progress in transformation of wealth management with steady increase in ranking of investment banking business. The Company strictly adhered to the bottom line of risk control, and was rated as a Grade AA, Category A company among brokers. It has been rated as a Grade AA, Category A or Grade A, Category A securities company for the thirteenth consecutive years.

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

The core competitiveness of the Company mainly lies in corporate governance, talents, operating abilities and party building culture.

#### 1. Sound Corporate Governance and Ongoing Support from Shareholders

The Company has established a standardized governance structure in strict accordance with the requirements of relevant laws and regulations. In particular, after the listing of the Company's A shares and H shares, the governance structure has been further improved and the operation has become more standardized to ensure that each of the general meeting, the Board, the Supervisory Committee and the management team perform their respective duties and responsibilities diligently. The Company gives full play to the functions of the Company's party committee as leading core and political core, thereby forming a distinctive governance system through continuous exploration. During the Reporting Period, the Company completed the election of a new session of the Board and the Supervisory Committee, which continued to improve the corporate governance system of the Company through structural adjustment of the leadership team.

The Company maintains a long-term stable shareholder structure. Shenergy Group and other Shareholders provide continuous and strong support to the innovative development of the Company. Especially in recent years, our Shareholders have given key support on major matters such as reform of the market-oriented mechanism and capital replenishment operation, which ensured the sustainability of the innovating development of the Company.

## Section III Report of the Board

### 2. Professional and Outstanding Talent Team and Up-to-date Talent Mechanism

The Company has a professional and outstanding talent team. Firstly, the Company's leaders are united and enterprising. The Company's senior management team has extensive industry experience and profound insight into the securities and financial industry with right view towards development and risk management and common values for corporate development. The Company adjusted and improved its leaders and senior management team, and optimized and strengthened the incentive and constraint assessment mechanism. Secondly, the business teams are professional and stable. The Company's business teams have accumulated many years of market experience and outstanding professional capabilities, and have formed a number of business brands. Thirdly, the Company has a reasonable structure of talent team. The Company increased its efforts in sourcing leaders and high-end talents and strengthening talent reserve to develop a high-quality, young and professional workforce and form a more balanced and reasonable structure in terms of total number of staff, position matching, employment form and labor cost.

With an up-to-date talent mechanism, the Company has established a relatively clear staff development path, strengthens the construction of a young cadre force, promotes the communication and exchange of cadres and talents and diversifies the talent pool. The Company attaches great importance to the market-oriented talent mechanism. In recent years, the Company has implemented market-oriented salary benchmarking, system reform of wealth management business, the employee stock ownership plan of China Universal and the H Share employee stock ownership plan of the listed company in order to keep the Company's talent mechanism up-to-date and continuously stimulate the enthusiasm of talents.

### 3. Advantageous Business with Outstanding Performance and Investment Ability to Develop Brand Strength

The Company has a comprehensive set of business licenses and service capabilities covering all functions and the whole industry chain, including particularly outstanding investment ability. It upholds the value investment concept in investment management business such as asset management, fund management, fixed income investment and securities investment that has stood the test of the market with industry-leading long-term performance and a relatively high brand reputation.



## Section III Report of the Board

The Company's asset management business has a long history of excellent performance. As a wholly-owned subsidiary of the Company, Orient Securities Asset Management adheres to the dual-core strategy of "professional investment research + professional services" to enhance the product returns. Revenue from asset management business ranked first in the brokerage industry for four consecutive years, the absolute returns of equity and fixed income funds in the past three years and five years continued to maintain the leading position in the industry, and the "Dong Fang Hong (東方紅)" brand enjoyed a sound reputation in the market. China Universal captured the opportunities from the explosive growth in publicly offered fund industry and ranked among the top in the industry in terms of monthly average management scale of publicly offered non-monetary funds with total asset management size exceeding RMB1 trillion. The Yangtze River Delta Integrated ETF won the Shanghai Financial Innovation Achievement Award. The investment income from fixed income business remained stable with optimized investment portfolio and good reputation of bond underwriting and issuance capability. Equity investment has good long-term performance and its performance remains stable and the financial derivatives business facilitated risk hedging and management in asset allocation of the Company, and won the Silver Award of Outstanding Market Maker of Stock Index Options of ChinaBond during the first half of the year.

#### 4. Promoting Further Development Through Innovation and Transformation and Maintaining Stable Operation Through Compliance Management and Risk Control

The Company continues to promote innovation and transformation and has achieved positive results. With complete qualifications for innovative business, the proportion of innovative income of the Company is always higher than the strategic planning requirement of 30%, certain innovative businesses have developed brand strength and first-mover advantage in the industry, and many innovative business projects have won various innovation awards. The Company always attaches importance to system innovation such as implementation of H Shares employee stock ownership plan of the listed company and optimization of the assessment and incentive and restraint mechanism of the leadership team. In recent years, the Company has strengthened collaborative innovation within the Group, established and improved the collaboration assessment indicators of the Group, thereby further improving the collaboration mechanism of the Group.

By upholding the concept of creating value through compliance operation, the Company implements comprehensive risk management, continuously improves the effectiveness of compliance and risk management, and has been rated as a Grade A securities dealer for 13 consecutive years. It carries out pilot penetration of wealth management business line, formulates the pilot program for investment banking business, and strengthens the compliance penetration management of the Group. The Company also promotes the construction of consolidated management system of risk control indicators, initiates categorized management for the same customer of the same business, carries out data management of financial asset business, and accelerates the connection between systems of the parent company and subsidiaries. In the first half of the year, the Company did not experience any major non-compliance or risk-related events, and did not encounter any information system security incidents, thus effectively sustaining the bottom line of prudent operation.

## Section III Report of the Board

### 5. Promoting the Advantages of Party Building Culture and Making further progress in Construction of Party Building and Corporate Culture

The Company attaches great importance to the construction of party building and corporate culture, and adheres to the idea of “party building and corporate culture are productive forces”, insists on reinforcing the foundation through party building, and strengthens cohesion and solidarity among staff by promoting corporate culture with a two-pronged approach. The Company carried out a mobilization meeting for learning and education of the history of the Party, held a photo exhibition on the founding of the Communist Party of China, convened a mobilization meeting for learning and education of the history of the Party and a meeting on further education of the central group of the Party committee, and organized and implemented the Staff Cultural Festival in 2021. The Company also summarized its research on development of corporate and industry culture, completed the overall ESG work plan for 2021, promoted the establishment of the Sustainable Development Committee, and received a Grade A rating in the assessment of culture building practices of securities companies organized by the Securities Association of China. The achievements made by the Company in party building and corporate culture works provide strong organizational support and spiritual motivation for the Company’s sustainable, healthy and stable development.

## III. DISCUSSION AND ANALYSIS OF OPERATION

### (i) Overview of Operations

In the first half of 2021, with the large-scale vaccination against COVID-19 and implementation of macro-control tools, the global economy ushered in a certain degree of recovery. With the combined effect of loose monetary policy and widening gap between supply and demand, global commodity prices continued to rise, driving global inflation to rise sharply in the first half of the year, and with the strengthened expectation of interest rate hike by the Federal Reserve, the global macro economy was still subject to a relatively high level of uncertainty. In particular, benefiting from strict pandemic control measures and a policy direction of maintaining steady progress, China’s economy continued to recover steadily with sound momentum. During the Reporting Period, China’s GDP reached RMB53.22 trillion, representing a year-on-year growth of 12.7% and an average growth of 5.3% over the last two years. In the first half of the year, facing many external uncertainties, the A-share market experienced significant adjustments with a slight overall increase and notable divergence. In particular, the SSE Composite Index, the SZSE Component Index and the GEM Index increased by 3.40%, 4.78% and 17.22%, respectively. Trading activities continued to increase where the average daily trading volume of the SSE and SZSE stocks reached RMB908.763 billion, representing a year-on-year increase of 19.89%. Meanwhile, the bond market maintained range-bound volatility with a decrease of 7bp in the yield of 10-year treasury bonds to approximately 3.07% and 0.24% increase in the ChinaBond indicators.

## Section III Report of the Board

In the 100th anniversary of the founding of the Party, the Company upheld the operation strategy of “growth stabilization, risk control and reform promotion”, focused on the key tasks of “two enhancement, two consolidation and one breakthrough”, and achieved excellent performance with diligence and hardwork. The Company accelerated the transformation and development of wealth management business, deeply explored customers’ needs, enhanced service capabilities, and steadily expanded institutional financial services to build a full business chain institutional brokerage service system. Agency sale of equity products by the Company increased significantly with the size of existing products exceeding RMB50.0 billion. The Company was granted the qualification for investment advisory business of publicly offered funds. For fixed income business, the Company maintained a stable investment scale with optimized portfolio, completed the first transaction in foreign exchange agency business, ranked among the top two in the market in terms of market making of bonds of Agricultural Development Bank of China and CDB bonds, and received the Golden Award of Outstanding Market Maker of ChinaBond for its treasury bond futures market making business. For asset management business, the Company continued to consolidate its advantages with further increase in business scale. The assets under management of Orient Securities Asset Management reached RMB352.588 billion, ranking first in the industry in terms of net income from entrusted asset management business, and the assets under management of China Universal exceeded RMB1.2 trillion, ranking among the top in the industry in terms of comprehensive strength. Orient Investment Banking improved significantly in industry ranking, completed the record-breaking EverDisplay Optronics registration-based financing project as the lead underwriter, facilitated the issue of “21 Pudong Development Bank 01” (largest financial bond of the year) as the co-lead underwriter, and joined the underwriting syndicate of the China Railway Construction Bond for the first time. Leveraging its advantages in derivatives professional services, Orient Futures continuously expanded its target customer base, and achieved the best half-year operating results in its history with record high ROE.

During the Reporting Period, the Company actively carried out the capital replenishment, made progress in placement refinancing project, and will steadily promote the implementation of the project in the future. The Company completed the election of a new session of the Board and the Supervisory Committee, optimized the incentive and constraint assessment mechanism for the members of the Company’s leadership team, continued to improve the performance assessment system for each department and subsidiary, strengthened the selection and training of cadres and deepened the implementation of promotion and demotion mechanism.

The Company strengthened the responsibilities and requirements for front-line staff in compliance and risk control, strengthened compliance assessment and compliance accountability, implemented pilot compliance and risk control penetration management, formulated a compliance and risk control vertical management plan, and initiated the construction of special systems such as the hierarchical authorization and decision-making system. The consolidated risk management system of the Group was launched, enabling dynamic monitoring of the Group’s risk indicators on a T+1 basis. The Company rated as a Grade AA, Category A securities company and had no major violations of the laws and regulations.

## Section III Report of the Board

The Company effectively performed its asset allocation function, coordinated the allocation of financial resources and proactively used asset and liability allocation tools to support business innovation and development. At the same time, it has improved its liquidity control, reasonably controlled its financing costs, and ensured that its liquidity coverage ratio and net stable funding ratio were in line with regulatory requirements. In order to further integrate resources, improve efficiency and effectively enhance the capabilities of business expansion and comprehensive customer services, the Company's absorption and merger with a wholly-owned subsidiary in investment banking business was considered and approved.

The Company facilitated the breakthrough in technology-driven development, made good progress in integration and guidance, promoted the unified architecture transformation of service management, and continued to establish technical middle platforms and capability sharing centers for fintech, big data, artificial intelligence and blockchain. The new generation 5.0 architecture of Oriental Winners APP has enabled important functions such as 6\*24 fund sales and one-way video communication.

The Company vigorously promoted industry culture building, and was awarded as a category A company of culture building practice of securities companies, established the "Sustainable Development Committee", and held a forum of "ESG Investment under the Vision of Carbon Neutrality". The Company also celebrated the 100th anniversary of the founding of the Party by carrying out the learning and education of the Party's history and practical activities such as "Contributing to the General Public with Practical Actions".

As at the end of June 2021, the Company's total assets were RMB311.283 billion, representing an increase of 6.93% as compared with the end of last year, and the equity attributable to the equity holders of the Company was RMB61.048 billion, representing an increase of 1.40% as compared with the end of last year. The net capital of the Parent Company was RMB36.170 billion, representing a decrease of 4.40% as compared with the end of last year. For January to June 2021, profit for the period attributable to equity holders of the Company was RMB2.700 billion, representing a year-on-year increase of 76.95%.

During the Reporting Period, the Company achieved total revenue, gains and other income of RMB15.351 billion, of which investment management business realized RMB2.188 billion, taking up 13.63% of the total; brokerage and securities financing business realized RMB8.462 billion, taking up 52.71% of the total; securities sales and trading business realized RMB2.645 billion, taking up 16.48% of the total; investment banking business realized RMB0.862 billion, taking up 5.37% of the total and headquarters and others realized RMB1.895 billion, taking up 11.81% of the total. (Consolidation and offsetting factors were not considered when calculating segment revenue, gains and other income and their proportions. The same approach is adopted below.)

## Section III 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
Investment management	2,188,216	1,235,594	77.97	50.92	35.48	Increased by 18.95 percentage points
Brokerage and securities financing	8,462,011	7,462,230	11.78	39.45	21.12	Increased by 13.30 percentage points
Securities sales and trading	2,645,171	1,114,326	57.83	(18.62)	10.54	Decreased by 11.15 percentage points
Investment banking	862,404	539,997	37.38	41.71	80.67	Decreased by 13.51 percentage points
Headquarters and others	1,895,124	2,664,861	(38.11)	40.18	12.18	Increased by 37.46 percentage points

### (ii) Analysis of Principal Businesses

#### 1. Principal businesses of the Company

##### (1) 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 RMB2.188 billion, accounting for 13.63% 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.

## Section III Report of the Board

### Market environment

In the first half of 2021, the global economy continued to recover amidst volatility, and China's economy continued to maintain a stable recovery trend. A shares market was subject to significant volatilities with different performance in different sectors, with the SSE Composite Index edging up 3.4% and the GEM Index up 17.22%. Bond market yields fluctuated downward with stable overall performance. Publicly offered funds followed the movement of market conditions and hit a record high in terms of issue size for the same period, showing a more prominent long-tail effect in the industry. Securities company accelerated the establishment of asset management subsidiary and applied for license of public offering. BlackRock issued its first publicly offered fund, marking a new era where domestic and foreign asset management institutions compete in the same stage. With increasingly fierce competition in the industry, different types of asset management institutions focused on their core business in an effort to make breakthrough under new regulations on asset management.

### Operation initiatives and business development

In the first half of 2021, Orient Securities Asset Management actively responded to the development trend of the industry, continued to strengthen the development of investment research capability, strengthened the workforce of professional services, continued to consolidate the advantageous areas, expanded the layout of equity funds, promoted the steady development of fixed income business, improved the general FOF product line, and orderly promoted the transformation of public offering of large collective asset management projects, which enabled the Company to maintain strong profitability and achieve new breakthrough in management scale. As at the end of the Reporting Period, the total entrusted assets under management of Orient Securities Asset Management amounted to RMB352.588 billion, including publicly offered funds of RMB260.203 billion. The size of the long-term closed-end<sup>1</sup> equity funds<sup>2</sup> under management reached RMB103.1 billion, accounted for 63% of all equity funds under management of Orient Securities Asset Management. In the first half of 2021, the Company ranked first in the industry in terms of the net income from entrusted asset management business (source: Securities Association of China).

Orient Securities Asset Management has long been committed to the idea of value investment with the goal of creating better investment experience for investors, focused on improving the core competitiveness driven by both “professional investment research + professional services”, and maintained the leading position in terms of the long-term investment performance, thereby achieving long-term preservation and appreciation for customers' assets. As of June 30, 2021, the return of equity investment actively managed by Orient Securities Asset Management was 538.52% and 206.21% for the last seven and five years, respectively, both ranking first in the industry (source: Galaxy Securities Fund Research Center – Long-term Assessment List of Fund Managers' Capability in Active Management of Equity Investment). The absolute rate of return of fixed income fund under Orient Securities Asset Management for the last five years was 28.22%, ranking tenth in the industry (source: Financial Products Research Center of Haitong Securities Research Institute – Performance Rankings of Equity and Fixed Income Assets of Fund Managers).

<sup>1</sup> Long-term closed-end funds refer to fixed-term open-end funds and closed-end operation funds (in a closed period) with a closed operating period of three years or above, as well as funds with a minimum holding period of three years or above for investors.

<sup>2</sup> Equity funds refer to common equity and mixed (excluding debt preferred mixed funds) funds under Wind's classification basis, excluding fund of funds. Statistics are as of June 30, 2021, and data are obtained from public fund quarterly reports and Wind.

## Section III Report of the Board

The following table sets forth the scale of assets under management (AUM) of Orient Securities Asset Management by product type:

(in RMB million)	As at June 30, 2021	As at December 31, 2020
Collective asset management scheme	<b>61,723.41</b>	59,251.52
Single asset management scheme	<b>17,458.94</b>	27,333.53
Specialized asset management scheme	<b>13,202.45</b>	12,332.00
Publicly offered funds issued by securities dealer	<b>260,203.32</b>	199,631.24
Total	<b>352,588.12</b>	298,548.29

Orient Securities Asset Management has won a number of industry awards, including the “China A-share Equity (3 Years) Performance Award” by Insights & Mandates and the “Golden Fund Top Company Award” under the 18th “Golden Fund (金基金)” Award of Shanghai Securities News.

### Development plan and outlook

In the future, Orient Securities Asset Management will upgrade the investment research system to further strengthen the advantages of investment and research integration; strengthen client development through multiple channels to expand the breadth and depth of services; continue to vigorously develop the public offering business, complete the transformation of public offering of large collective asset management projects, promote the asset allocation business and the layout of new Smart Beta index products, and continuously diversify the product portfolio. It will also carry out brand optimization and upgrading and increase its efforts in brand promotion to enhance brand coverage and awareness; continue to strengthen the construction of talent pool and build an attractive mechanism with market competitiveness; effectively improve the level of compliance and risk control, and explore new momentum and make new breakthrough in the development of the Company while maintaining stable operation.

### 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.

## Section III Report of the Board

### Market environment

In the first half of 2021, China's economy continued to recover based on effective epidemic prevention and control, capital market reform accelerated, the two-way opening up of financial industry continued to speed up, industry innovation and transformation driven by digitalization became more prominent, and residents' demand for financial management continued to release, creating tremendous opportunities for robust development of the asset management industry.

### Operation initiatives and business development

During the Reporting Period, China Universal continued to implement its business strategy and comprehensively enhanced its core capabilities in investment management, risk management, customer service and product innovation based on the 2021 business plan and the requirement of "Digital Enhancement Year". As of the end of the Reporting Period, the total assets under management of China Universal exceeded RMB1.2 trillion. In particular, the management scale of publicly offered funds reached RMB950.0 billion, representing an increase of 14% from the beginning of the year; and the monthly average management scale of non-monetary wealth management publicly offered funds amounted to RMB605.815 billion as of the end of the second quarter, ranking among the top in the industry. China Universal achieved comprehensive development in various businesses, further improved its multi-strategy product system, issued and established 21 publicly offered funds with a new issue size of over RMB67.0 billion. It also further deepened its cooperation with institutional clients such as wealth management subsidiaries, further implemented its omni-channel strategy, and achieved innovative development in its e-commerce business; and continued to facilitate the development in pension business, ESG responsibility investment and other strategic business, received a no-objection letter from the CSRC for the fund investment advisory business pilot program.

During the Reporting Period, China Universal maintained excellent performance in mid to long-term investment, ranked among the top in the industry in terms of comprehensive strength. China Universal won various awards including the "Overseas Investment Return Fund Management Company Award" and "Socially Responsible Investment (ESG) Fund Management Company Award" under the 18th "Golden Fund (金基金)" Award of Shanghai Securities News, and the title of "Shanghai Civilized Entity".



## Section III Report of the Board

### Development plan and outlook

In the future, under the background of profound changes in the internal and external environment and continuous structural performance of the capital market, the development of the capital management industry will face greater opportunities and challenges. In particular, the leading asset management institutions with outstanding investment management capabilities and leading comprehensive strength will have more competitive advantages in the industry. China Universal will continue to adhere to the cultural construction requirements of “compliance, integrity, professionalism and stability” in the securities and fund industries, uphold the business philosophy of “all for the long term”, adhere to the concept of “customer first”, continue to refine and improve its four core capabilities of investment management, risk management, customer service and product innovation, consolidate the foundation, embrace reform and changes, and devote itself to building China’s most recognized asset management brand.

### Private equity investment

#### Market environment

In the first half of 2021, the market gradually adapted to the pressure from ongoing implementation of pandemic prevention and control and the changes in the international environment, showing an overall trend of rebound. The successful completion of the building of a moderately prosperous society in all respects and the “13th Five-Year” plan of China also made industry players more optimistic about the entire domestic market. The fundraising market recorded year-on-year increase with further polarization of fundraising projects, the proportion of funds with offer size of less than RMB100 million has increased, and RMB denominated fundraising activities continued to face difficulties. In terms of investment, the investment focuses were still concentrated in biotech/healthcare, semiconductor and electronic equipment, Internet, IT and other relevant industries, and more attention were drawn to equity investment in science and technology innovation.

### Operation initiatives and business development

As of the end of the Reporting Period, Orient Securities Capital Investment managed 51 funds with a scale of RMB16.787 billion. The total number of investment projects of Orient Securities Capital Investment and funds managed by it reached 208 with an accumulated investment of approximately RMB26.7 billion, among which, 60 projects have achieved investment exit, a total of 148 projects were under investment involving an investment amount of approximately RMB9.996 billion, and three projects were in the pipeline.

## Section III Report of the Board

In recent years, under the background of ongoing impact from the COVID-19, the continuous strict regulation and the strengthening supervision of state-owned assets, Orient Securities Capital Investment has made progress in optimizing operational management, increasing compliance operation and strengthening risk control management with comprehensive compliance and risk control and management of the parent company, and has built up a certain level of trust and brand strength in state-owned capital LP. In addition, since the launch of the Sci-Tech Innovation Board and the ChiNext registration system, 14 enterprises among the projects invested by the private equity funds managed by Orient Securities Capital Investment applied for IPO on the Sci-Tech Innovation Board (1 new applicant in the first half of 2021), in which nine enterprises were successfully listed; nine subject enterprises applied for IPO on the ChiNext (two new applications in the first half of 2021), in which three enterprise were listed and three enterprises have passed the review by the listing committee.

During the Reporting Period, Orient Securities Capital Investment won the “Top 100 Best Private Equity Investment Institution in China (中國最佳私募股權投資機構TOP100)”, “Top 50 Best Chinese-funded Private Equity Investment Institution in China (中國最佳中資私募股權投資機構TOP50)” and “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)” of the 2020 China Venture Awards and many other awards.

### Development plan and outlook

In the second half of 2021, Orient Securities Capital Investment will continue to make active efforts to strengthen the brand of its private equity investment fund management business, capture opportunities from national strategies, and deeply explore the value of enterprises. It will also further enhance the level of compliance, improve its risk control ability, continue to carry out different rectification tasks, explore the balance between investment risks and investment returns, and continuously improve its operation ability.

## Section III Report of the Board

### (2) *Brokerage and Securities Financing*

The Company's brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business, bulk commodity 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 and other income of RMB8.462 billion, accounting for 52.71% of the total income.

#### *Securities brokerage*

The brokerage business of the Company mainly relies on the wealth management business headquarters and its branches.

#### *Market environment*

In the first half of 2021, with the continuous economic recovery and relatively abundant liquidity in the monetary market, the trading activities in the stock market remained active with trading volume of stocks and funds reaching RMB115.73 trillion, representing a year-on-year increase of 22.21%. Driven by registration-based reform, the comprehensive in-depth reform of the capital market created opportunities for the development of wealth management business of securities dealers, and the increase in investment preference in the equity market has introduced incremental funds in the market. Securities dealers actively followed the development trend of the industry, and made initial progress in wealth management transformation. Under a steady upward trend in the industry, securities dealers with wealth management business features have developed better competitive advantages under the new trend of capital market reform and industry development.

#### *Operation initiatives and business development*

During the Reporting Period, the Company actively promoted the transformation from brokerage business to wealth management, and achieved high-quality development by fully upgrading its service solutions in respect of channel management and existing customer services. As of the end of the Reporting Period, the Company had 177 securities branches, covering 87 cities in all provinces in China. In the first half of 2021, the market share of the income of the Company's securities brokerage business was 1.76%, ranking 21st in the industry, representing an increase of 14.41% as compared to the same period of last year. During the Reporting Period, the cumulative number of newly opened accounts amounted to 210.1 thousand, representing a year-on-year increase of 58.06%. As of the end of the Reporting Period, the Company had 2.0466 million customers, representing an increase of 11.15% from the beginning of the period, and total assets under custody amounted to RMB859.528 billion, representing an increase of 17.72% from the beginning of the period.

## Section III Report of the Board

The Company focused on development of agency sale of financial products business with improvement in market ranking and performance contribution. Since the establishment of the wealth management business department, the Company carries out wealth management business with focus on agency sale of financial products and financial product system construction, and continuously increases support for agency sale of products. On the one hand, the Company continues to track and visit outstanding managers in public offering, private placement and WOFE to establish good cooperation with leading core managers with featured growth. On the other hand, the Company attaches importance to improving the pace of agency sale of products, promotes the scientific selection of products, refines and improves the operation chain of agency sale, enhances the professional level of the talent team, and continuously motivates front-line staff in agency sale. During the Reporting Period, the Company's sales volume of equity products amounted to RMB17.713 billion, representing a year-on-year increase of 139.2%, product related income amounted to RMB476 million, including agency sale income of RMB299 million, representing a year-on-year increase of 159%. The Company adheres to the concept of long-term investment and value investment and guides customers to extend their investment cycle. As of the end of the Reporting Period, the size of active management equity products amounted to RMB50.649 billion, representing an increase of 30.53% from the beginning of the period, and the size of equity products (including ETF) amounted to RMB56.1 billion, representing an increase of 18.11% from the beginning of the period. According to the data of Asset Management Association, the size of equity+mixed publicly offered funds held by the Company amounted to RMB49.4 billion, ranking 5th among securities dealers. During the Reporting Period, the Company successfully received the qualification for publicly offered fund investment advisory business, and will carry out the business as soon as possible after inspection and acceptance by the regulatory authorities.

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

(in RMB million)	January – June 2021	January – June 2020
Publicly offered funds (including monetary funds)	78,065	75,957
Collective asset management products	33	1
Trust schemes	1,363	1,362
Private equity investment fund products	1,946	356
Other financial products	518	3,196
<b>Total</b>	<b>81,925</b>	<b>80,872</b>

## Section III Report of the Board

The Company developed institutional clients and established a full business chain institutional brokerage service system. During the Reporting Period, the Company successfully held the “Conference on Launch of the DFZQ Full Business Chain Institutional Brokerage Service”, coordinated wealth management, research, trading, derivatives, custody, system technology and other business resources to create a full business chain service ecosystem for institutional clients, and pooled its resources to improve the Company’s ability in serving institutional clients by formulating the institutional client sharing and collaboration plan. In addition, the Company launched the “Oriental Defense” risk warning system to provide corporate financial warning services for institutional clients. During the Reporting Period, the Company actively expanded its customer base, diversified its WFOE and QFII customer services, expanded the in-depth coverage of multiple high-quality quantitative private equity funds, established business ties with several trust companies, and completed coverage of nearly 400 institutional clients as of the end of the Reporting Period.

The Company developed the innovative service model for high net worth customer and put more efforts in private wealth management business. The Company officially established the Private Wealth Division under the Wealth Management Business Department in late 2020, focusing on providing one-stop comprehensive financial services to high net worth customers. During the Reporting Period, the Private Wealth Division closely followed the needs of high net worth customers, set up a professional talent team with focus on investment research, private equity products, family office and online services, launched the “Oriental Beauty – Fortune 100” asset allocation service and family office service to high net worth customers in some branches on a pilot basis and executed the first contract, aiming to provide high quality and customized high-end wealth management services to high net worth customers through wealth planning under the 1+N service model in personalized service scenarios. As of the end of the Reporting Period, the number of high net worth retail customers of the Company increased by 14.15% from the beginning of the period, which was higher than the growth rate of the total number of customers of the Company.

For Internet finance, during the Reporting Period, the Company upgraded the core business functions of the unified mobile portal Oriental Winners APP, and established a customer hierarchy management and service system through digital operation and scenario construction. It also put great efforts in digital product innovation and data value mining to create an investment decision-making tool system under the brand of “Winners’ Tool Box”, thereby providing special valued-added services. Driven by technology, the Company developed digital sharing capabilities and improved customer service efficiency. As of the end of the Reporting Period, the Company had more than 520,000 active brokerage customers on the Internet and mobile phone platforms with stock and fund trading volume of RMB2.02 trillion during the Reporting Period. The number of customers trading through the Internet and mobile terminals accounts for 99% of the total number of customers, the online transaction amount accounts for 84% of the total, and the number of newly opened online accounts takes up for 99% of all accounts opened in the same period.

## Section III Report of the Board

### Development plan and outlook

In the future, the company will further optimize customer stratification, further refine the positioning of customer demands, and fully improve the accuracy and effectiveness of matching business solutions with users. The Company will continue to strengthen fintech application and customer operation to fully embrace the digital era and promote the transformation and development of its business. For financial product business, the company will improve the three-dimensional evaluation model for strict selection of products, continue to enhance product design and customization capabilities, develop boutique, differentiated and competitive product lines, and improve the customer penetration rates and conversion rates of products. For institutional brokerage business, based on the principal brokerage business, the Company will promote customized trading business and trade execution services, rapidly expand customer scale and AUM, and continuously invest in WOFE business of foreign institutions, thereby achieving mutual growth and win-win cooperation with outstanding overseas investment institutions. For private banking business, based on its own resource and advantages, the Company will strengthen and introduce high-end talents to provide comprehensive wealth management, wealth planning and wealth financing services.

For fund investment advisory business, after obtaining the license of fund investment advisory business, the Company will further deepen reform and establish a systematic and all-inclusive product system with focus on effective appreciation of long-term interests of the customers. The Company will also continue to improve customer experience with customized services, carry out more refined marketing management at the business outlet level and make every effort to become a professional, pure and responsible wealth management institution.

### Futures brokerage

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

### Market environment

In the first half of 2021, the futures market continued to maintain rapid growth with commodity prices generally rising in the first half of the year due to the dual factors of economic recovery and effective pandemic control, and the demand for risk management stimulated a significant rise in market turnover. During the Reporting Period, the market-wide trading volume and turnover increased by 47.37% and 73.05% year-on-year, respectively, with the turnover nearly reaching the full-year level of 2019. The market-wide customer equity size exceeded RMB1 trillion for the first time in the second quarter, approaching RMB1.1 trillion. Meanwhile, the long-tail effect remained prominent in the industry with the top 10 futures companies accounting for more than 40% of the total turnover in the industry.

## Section III Report of the Board

### Operation initiatives and business development

Supported by the general development in the industry, Orient Futures recorded the best half-year operating results in its history, with a half-year ROE of 7.17%. During the Reporting Period, leveraging the advantages in professional derivative services, the Company continuously expanded its target customer base and opened a total of 855 new institutional accounts in the first half of the year, including 86 for publicly offered funds, 481 for private equity funds and securities, 49 for insurance, 229 for industry and 10 for other institutions. As of the end of the first half of the year, the scale of interests of institutional customers of Orient Futures amounted to RMB43.997 billion, representing an increase of 29% from the beginning of the period. Mobile finance business thrived with 9,244 Internet business accounts opened in the first half of the year, up 23.51% year-on-year; and new APP registrations amounted to 76,536, up 148% year-on-year. The scale of asset management business grew steadily and reached RMB12.096 billion as of the end of the Reporting Period, representing an increase of 16% from the beginning of the period.

During the Reporting Period, the Company ranked first in the industry in terms of market shares based on trading volume, which was attributable to the advantages accumulated by Orient Futures over the years through its dual core competitiveness of technology and research as well as its industry leading information technology system and research strength. Through years of operation and development of institution business, its brand image has been established and recognized gradually. During the Reporting Period, Orient Futures integrated the existing mobile big data of Fanwei Data Center and Shuxing Technology Company to capitalize on the advantages of collaboration, completed the overall branding and promotion of Fanwei, and successfully held an online launch event in the second quarter. On the technical side, the Company actively adjusted the arrangement of the high-speed trading counter system and focused on improving the configuration, change management and emergency response capabilities to promote the effective and safe operation of the programmed system.

During the Reporting Period, Orient Futures won various awards including the “Outstanding Member Golden Award” by Shanghai Futures Exchange, the “Outstanding Member” by Shanghai International Energy Exchange, the “Outstanding Member Platinum Award” by China Financial Futures Exchange, the “Outstanding Member Golden Award” by Dalian Commodity Exchange and the “Outstanding Member” by Zhengzhou Commodity Exchange.

## Section III Report of the Board

### Development plan and outlook

In the second half of the year, Orient Futures will put more efforts in facilitating the digital transformation of the Company's front-end, middle and back-end platforms and integrated financial technology into the Company's overall development. The Company will follow the guideline of promoting the derivatives development with financial technology, build the two core competitive advantages of research and technology by leveraging financial technologies such as big data, cloud computing, artificial intelligence and block-chain, and move forward towards becoming a first-class derivative service provider by adopting the market-oriented, internationalized and collectivized development approach.

### Securities financing

#### Market environment

During the Reporting Period, the scale of margin financing and securities lending continued to grow with the expansion of margin financing and securities lending targets and the increase in market activities. As of the end of the Reporting Period, the balance of margin financing and securities lending of the whole market totaled RMB1,784.203 billion, representing an increase of 10.20% from the end of last year and hitting a new high in the past six years. In particular, the balance of margin financing amounted to RMB1,628.156 billion, representing an increase of 9.86% from the end of last year; and the balance of securities lending amounted to RMB156.047 billion, representing an increase of 13.92% from the end of last year.

During the Reporting Period, the scale of collateralized stock in the whole market continued to decline. According to the statistics of Securities Association of China, as of the end of the Reporting Period, the scale of collateralized stock with proprietary funds in the whole market amounted to RMB264.863 billion, a decrease of 11.98% from the end of last year.

### Operation initiatives and business development

In terms of the margin financing and securities lending business, the Company actively seized the market opportunities to continuously optimize its business and customer structure by expanding the source of securities for financing and focusing on institutional customers and high net worth customers. Meanwhile, the Company further improved the risk management system to enable organic integration of business development and risk control. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company reached RMB24.943 billion, representing an increase of 10.54% from the end of last year, the market share increased to 1.40%, and the guarantee maintenance ratio remained higher than the market average level.



## Section III Report of the Board

In terms of the collateralized stock business, the Company continued to adhere to the keynote of “risk control and scale reduction” and facilitated the scale-down of collateralized stock business and risk mitigation. As of the end of the Reporting Period, the balance of the Company’s collateralized stock business amounted to RMB13.751 billion, all of which were contributed with proprietary funds, representing a decrease of over RMB1.6 billion from the end of last year, which effectively reduced the scale.

### Development plan and outlook

In the future, the Company will actively seize the opportunities from the reform of capital market, optimize business structure, refine business management and improve risk management efficiency while consolidating the existing advantages, and promote the steady development of the margin financing and securities lending business. It will also continue to carry out clearing up and risk mitigation of collateralized stock business, and steadily reduce the scale of collateralized stock business.

### Other business

#### OTC business

During the Reporting Period, the securities market remained volatile. Meanwhile, in the last year of the transition period for implementation of the new asset management policy, asset-side risk events occurred frequently, leading to the continuous decrease in the yields of fixed income products, and there was limited room for business and product innovation amid the continuous strict regulation.

During the Reporting Period, the Company’s OTC business adapted to market changes, actively supported and served the Company’s wealth management business on the basis of improving the functions of OTC platform, and established the product center and product middle platform of the Company, including: formulating the product center construction plan, establishing a financial product management system, enabling centralized management of OTC product transactions to improve customer services, and connecting new external systems. For innovative business, the Company actively facilitated the implementation of foreign exchange agency business. During the Reporting Period, due to the inclusion of open-end funds in OTC business, the overall scale of the Company’s OTC business increased significantly year-on-year to RMB91.502 billion, of which the scale of the former OTC system business was RMB13.452 billion. It also promoted collaboration within the Group, matched the Company’s financing needs, issued income certificates of RMB9.681 billion, and actively provided product customization and transaction services for the business department.

## Section III Report of the Board

In the future, the Company's OTC business will focus on complementing the wealth management business and continue to facilitate business development by building the Company's product center and product middle platform, providing quality services, promoting collaboration within the Group and ensuring compliance operation.

### Custody business

During the Reporting Period, total size of publicly offered funds and private equity funds continued to increase with favourable growth momentum, and competition further intensified in the industry as multiple securities dealers applied for fund custody licenses.

During the Reporting Period, the Company continued to improve the quality of its special value-added online services, expanded the scope of business collaboration and enriched the content of comprehensive services. It also fully developed an online "Custody+" ecological chain within the custody business department of the Group, creating new opportunities for business cooperation. Meanwhile, the Company explored opportunities for internal business interaction and cooperation, and enabled external institutional customers to connect with the wealth management business department, securities and finance business department, financial derivatives business department and subsidiaries, thereby deepening the organic integration of business among different departments of the Company. During the reporting period, the Company's business scale, product quantity and number of customers increased by 18.14%, 19.28% and 7.10%, respectively, as compared to the beginning of the year, in which the scale of securities business increased by 42.83%. Meanwhile, the Company's product structure was gradually optimized, and the proportion of securities products in custody outsourcing products increased by 8.38% to 48.48%.

In the future, by adhering to the business strategy of "growth stabilization, risk control and reform promotion", the Company will put great efforts in developing the "Custody+" comprehensive financial service ecological chain, dynamically optimize the operation and service capabilities, and strengthen the risk control and business internal control throughout the product life cycle by providing high-quality customer services, adopting fintech driven approaches and ensuring effective compliance and risk control.

## Section III Report of the Board

### (3) *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), innovative investment and securities research services. During the Reporting Period, the securities sales and trading business segment realized segment revenue and other income of RMB2.645 billion, accounting for 16.48% of the total income.

#### Proprietary trading

##### Market environment

In the first half of 2021, global risk assets were under pressure due to recurring global pandemic, challenges in the US-China relationship, and the indication of shift in monetary policy of the Federal Reserve. During the reporting period, benefiting from the continuous vaccination and the ongoing support of macroeconomic policies, China's economy continued to recover positively, employment and commodity prices were generally stable, and major macro indicators were in a reasonable range. For capital market, with the introduction of major long-term policies such as "carbon neutrality" and the implementation of the first batch of pilot projects of publicly offered REITS, the market attention became more concentrated with significant divergence in investment targets.

During the Reporting Period, impacted by various external uncertainties, the A shares market experienced significant fluctuation and recorded slight increase as shown by an increase of 3.40% in the SSE Composite Index and an increase of 4.78% in the SZSE Component Index. Monetary policy emphasized on maintaining stable operation with focus on structural adjustment and risk prevention, leading to range-bound volatility in bond market. During the Reporting Period, the yields of 10-year treasury bonds decreased by 7bp to approximately 3.07%, and the total price index of ChinaBond increased by 0.24%.

## Section III Report of the Board

### Operation initiatives and business development

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

(in RMB million)	As at June 30, 2021	As at December 31, 2020
Stocks	8,226.00	7,472.66
Funds	2,552.26	3,139.66
Bonds	94,152.68	83,051.22
Others <i>(Note)</i>	2,268.11	2,328.19
<b>Total</b>	<b>107,199.05</b>	95,991.73

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

In terms of equity investment business, during the Reporting Period, the Company adopted a bottom-up approach for stock selection, and concentrated its resources on research of target companies with sound and solid financial position and high-quality management, strictly controlled drawdown, maintained a balanced trading position, and recorded investment returns better than major market index. In addition, the Company formulated the strategy of investment in designated companies with high dividends, and made investment in research on publicly offered FOF, private equity FOF, quantitative strategy and other innovative sectors in order to enhance the yield stability.

In terms of NEEQ business, the Company continuously optimized the disposal of NEEQ stocks and promoted the IPO of high-quality enterprises and their listing application for the Premium New Third Board (PNTB). As of the end of the Reporting Period, among the NEEQ stocks held by the Company, two projects were listed, four projects passed the administrative review, one was an IPO advisory project, and various projects were listed on the PNTB or met the conditions for public offering on the PNTB.

## Section III Report of the Board

In terms of FICC business, during the Reporting Period, the Company strengthened investment and research collaboration and consolidated its core competitiveness, thereby maintaining its leading position in the industry in terms of scale and business performance of proprietary business.

- For bond investment, the Company made timely adjustment in the structure of trading position while strengthening bond credit risk management, and adhered to the investment strategy of allocation as the main focus supplemented by trading. During the Reporting Period, the trading volume of spot bonds in the inter-bank market increased by 16% year-on-year, and the trading volume of interest rate swap increased by 29% year-on-year, both ranking among the top of securities company.
- For market-making business, as the first batch of market makers after transition to new rules for market making in the inter-bank bond market, the Company actively updated its quotation strategy and maintained sound operation so far. During the Reporting Period, the trading volume of the Company's market-making business in the inter-bank market increased by 23% year-on-year, the trading volume through the Bond Connect increased by 43% year-on-year, and the Company maintained its industry leading position for the market making business. In particular, the Company's market making business for CDB bonds ranked among the top two in the market, the market making business for bonds of Agricultural Development Bank of China ranked among the top two in the market, and the market making business of treasury bond futures won the first place of the Annual Golden Award for Outstanding Market Maker of Treasury Bond Futures issued by CFFEX.
- In terms of FICC innovation and transformation, the scale of the Company's gold and bulk commodities business increased, and gold arbitrage trading, gold ETF market making, gold exchange auction trading and income certificate issuance developed smoothly. For foreign exchange business, the Company further improved relevant systems, rules and regulation and team building, strengthened communication with regulatory authorities, completed the first transaction under foreign exchange agency business with positive response. During the Reporting Period, the Company won the "2020 Outstanding Special Member (優秀特別會員)", the "Best Contributor of the Year for Product Promotion (年度最佳產品推廣貢獻機構)", the "Best Lease Business Participant of the Year (年度最佳租借業務參與機構)" and the "Outstanding Trader of the Year (年度優秀交易員)" by the Shanghai Gold Exchange.

## Section III Report of the Board

In terms of derivatives business, during the Reporting Period, the Company closely followed the ROE indicators, optimized resource allocation, and achieved steady development in fundamental quantitative business, market making business and OTC derivatives business. In particular, for fundamental quantitative business, the Company closely tracked market styles, timely adjusted its size and structure of trading position, and ranked among the top in terms of yields as compared to public quantitative hedge funds. For market making business, the Company is qualified for market-making of listed funds, SSE 50ETF options, Shanghai and Shenzhen 300ETF options, CFFEX stock index options, silver futures, rebar futures and various other products, successfully became the first batch of market makers of publicly offered REITs, and generated good income from market making business. For OTC derivatives, the Company continuously optimized system construction with over 300% increase in notional principal size of OTC options, and actively carried out income certificate business. During the Reporting Period, the Company won the “2020 Silver Award for Outstanding Market Maker of Stock Index Options” by CFFEX and the “2020 Silver Award for Market Making” by Shanghai Futures Exchange.

### Development plan and outlook

In terms of equity investment business, the Company will put more efforts in macro-environment research and prognosis while ensuring effective micro-fundamentals analysis, focus on flexible investment strategies, enhance the level of forward-looking and diversification of investment strategies, and continuously optimize yield performance.

In terms of NEEQ business, the Company will continue to promote the management of NEEQ projects, improve the efficiency of asset recovery, make investment in PNTB and other NEEQ stocks in an orderly manner, participate in mixed market-making reform, and strive to seize the opportunity of reform to improve investment returns.

In terms of FICC business, the Company will further deepen its investment research, expand the customer base, facilitate the transformation of fixed income business to sales transactions and agency business, promote the improvement of FICC industrial chain and increase the proportion of intermediate income.

In terms of financial derivatives business, the Company will steadily develop its fundamental quantitative business, and effectively control drawdown while ensuring the strategic ROE; continue to optimize the market-making system to improve returns and reduce volatility; improve the hedging capability, product design capability and model research capability of OTC derivatives, and continue to facilitate the application of OTC option primary dealer.

## Section III Report of the Board

### Innovative investment

The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company. The business of Orient Securities Innovation Investment mainly involves special asset acquisition and disposal, equity investment and quantitative investment.

### Market environment

For special asset business, both the supply and demand in the non-performing asset market are increasing, and prices on the asset side are expected to remain low. Market participants changed from “4+2” to “4+2+N” with debt-to-equity swap and other means disposal coming on stage, which attracted various well-known foreign institutions to the market. For equity investment, the opportunities and profit space of pure financial investment of Pre-IPO, which pursues investment returns by exploiting the price difference between primary and secondary markets, will decrease, while the influence of industrial capital will further increase. In addition, with the formation of multi-level capital market, the efficiency and channels of exit will continue to increase. In terms of quantitative investment, with the participation of outstanding foreign institutions of capital management and the emerge of domestic leaders in the quantitative sector, the industry has grown by leaps and bounds with the market scale soaring all the way up.

### Operation initiatives and business development

Orient Securities Innovation Investment allocated assets in quantitative investment, special asset business and equity investment business, and continuously optimized the allocation structure based on the investment terms and risk levels of each business to enhance the stability of returns, achieving sound results during the Reporting Period.

Steadily promoting special asset acquisition and disposal business. During the Reporting Period, the new investment made by Orient Securities Innovation Investment in special asset projects amounted to RMB866 million. As of the end of the Reporting Period, Orient Securities Innovation Investment had 24 existing special asset projects with an investment scale of RMB3,070 million.

Steadily carrying out equity investment business. As of the end of the Reporting Period, the Company had 49 existing equity investment projects with an investment scale of RMB1,690 million, and enhanced the risk management efficiency through the co-investment system. In addition, Orient Securities Innovation Investment proactively participated in the strategic placement on the Sci-Tech Innovation Board and made co-investment in 6 Sci-Tech Innovation Board projects with an investment scale of RMB354 million.

## Section III Report of the Board

Expanding the investment in quantitative hedge funds. The Company cooperated with outstanding quantitative institutions, allocated quantitative private equity funds with flexible position adjustment throughout the year, and tracked product performance to adjust investment plans in a timely manner. Meanwhile, it conducted research and due diligence on outstanding managers in the market to optimize investment results.

### Development plan and outlook

With the completion of asset allocation, Orient Securities Innovation Investment will enter the stage of refining management and professional business operation.

For special assets business, Orient Securities Innovation Investment will actively enhance its channel advantages, develop comprehensive operating capabilities in the areas of merger and acquisition, restructuring and full chain integration, and consolidate its core competitiveness, thereby improving ROE and return on capital. For equity investment, Orient Securities Innovation Investment will focus on the high-quality investment banking sector, deeply explore TMT, pharmaceutical, new materials and other relevant industries, emphasize quality rather than quantity, achieve higher investment returns while keeping risks under control, and carry out co-investment in Science and Technology Innovation Board (“Sci-Tech Innovation Board”) projects. For quantitative investment, Orient Securities Innovation Investment will actively seize opportunities of outstanding foreign management institutions entering the market and dynamically manage the adjustment to lower portfolio risk and improve earning yield.

### Securities research

#### Market environment

With increasingly fierce competition in the securities research business and the emergence of new entrants in the market, high-quality research capability is the key to success. The Company always 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.



## Section III Report of the Board

### Operation initiatives and business development

As of the end of the Reporting Period, the Company's securities research business had a total of 83 researchers, including 63 with analyst qualifications and 26 with investment consultancy qualifications; and published a total of 1,061 research reports during the Reporting Period. The Company carries out thorough research on fundamentals, continuously establishes and deepens strategic research, striving to cultivate new competitive advantages in related fields. During the Reporting Period, the Company actively explored new public offering and non-public offering customers while maintaining the research ranking in existing public offering customer market.

With respect to 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 RMB367 million, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB333 million, representing a year-on-year increase of 58%, with a market share of 3.06% and improved ranking among customers of core public offering funds. During the Reporting Period, 3 public offering customers, 2 bank customers and 24 private placements, insurance and other customers were newly secured, comprehensively covering the new bank wealth management subsidiaries.

With respect to synergy within the Group, the securities research institute has established cooperation plans with various business lines of the Company to promote the development of investment banking, wealth management and other businesses through research, explore service channels for corporate customers, and provided high-value services for industrial capital in a broader sense through internal collaboration.

### Development plan and outlook

In the future, the Company will continue to strengthen the core competitiveness of its research business and enhance its ability to obtain external commissions. Meanwhile, it will actively create synergy within the Group through research and provide comprehensive financial services to various customers.

## Section III Report of the Board

### (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 RMB0.862 billion, accounting for 5.37% of the total income.

#### *Stock underwriting*

##### *Market environment*

During the Reporting Period, benefiting from the steady recovery of China's economy and the further release of positive impact from the registration-based system, investment was robust in the equity capital market. According to the data of Wind, in the first half of 2021, 245 enterprises completed IPO and listed, representing a significant year-on-year increase of 105.88%, the overall size of IPO financing amounted to RMB210.950 billion, representing a year-on-year increase of 51.46%. 232 issuers completed issuance of additional shares, representing a year-on-year increase of 90.16%, the size of financing amounted to RMB367.967 billion, representing a year-on-year increase of 3.10%.

##### *Operation initiatives and business development*

Orient Investment Banking fully utilized the resource advantages of the group company, captured the favourable opportunity from registration-based system, and strived to serve the real economy, which rapidly enhanced the industry position of its investment banking business. During the Reporting Period, Orient Investment Banking completed 13 equity financing projects, representing a year-on-year increase of 160.00%, with lead underwriting amount of RMB20.847 billion, representing a year-on-year increase of 258.84%.

## Section III Report of the Board

The Company participated in 6 IPO projects as underwriter, representing a year-on-year increase of 200.00%, with total underwriting amount of RMB11.108 billion, representing a year-on-year increase of 545.37%, exceeding the total amount of last year and ranking fifth in the industry. In particular, the project of EverDisplay Optronics solely sponsored by Orient Investment Banking was successfully listed on the Sci-Tech Innovation Board, setting a record for the size of financing under the registration-based system during the Reporting Period, and was the third largest project in terms of actual fundraising size since the establishment of the Sci-Tech Innovation Board. The Company secured and applied for listing of many projects on the main board, the ChiNext and the Sci-Tech Innovation Board with a good growing trend in terms of number of projects. For secondary offering, during the Reporting Period, the Company participated in seven non-public offering and ancillary financing projects as the lead underwriter with underwriting amount of RMB9.739 billion, representing a year-on-year increase of 138.21%, including several representative projects such as 37 Interactive Entertainment and Milkyway.

Moreover, Orient Investment Banking strictly implemented quality control and risk control on the projects. During the Reporting Period, all IPO projects sponsored by the Company passed the administrative review without cancellation of review or suspension of voting. During the Reporting Period, Orient Investment Banking was awarded as the “Most Respected Growing Investment Bank by Listed Companies (最受上市公司尊敬的成長性投行)” and the “Most Respected Capital Market Department (Equity) by Listed Companies (最受上市公司尊敬的資本市場部(股權))” by Securities Times, and was widely recognized by various parties in the society.

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

(in RMB million)	January – June 2021	January – June 2020
IPO:		
Number of issuance	6	2
Amount underwritten as lead underwriter	11,108.26	1,721.23
Secondary offering:		
Number of issuance	7	3
Amount underwritten as lead underwriter	9,738.56	4,088.30
Total:		
Number of issuance	13	5
Amount underwritten as lead underwriter	20,846.82	5,809.53

## Section III Report of the Board

### Development plan and outlook

In the second half of 2021, Orient Investment Banking will adhere to the strategy of “modern investment banking”, fully capture the opportunity of the absorption and merger with DFZQ to share resources and firmly enhance the industry position of investment banking business; diligently implement the requirements of relevant rules, effectively fulfill the responsibilities as an intermediary, perform the function of “gatekeeper” of the capital market, and firmly determine to serve the real economy and safeguard the interests of investors, thereby contributing to facilitating the high-quality development of the whole industry. Moreover, in response to the reform of registration system, Orient Investment Banking will strengthen the building of dedicated teams for pharmaceutical and medical, Internet services, electronics, high-end equipment manufacturing and other relevant industries, thereby developing industry-based customer coverage and project execution capabilities.

### Bond underwriting

#### Market environment

In the first half of 2021, the economy fell from the peak, the differentiation of industries and enterprises increased, the focus of macro policy gradually shifted to stabilizing growth with moderately loose monetary policy, credit bond earning yields fell across the market, and the issuance and net increase of non-financial credit bonds declined. During the Reporting Period, the size of bonds issued amounted to RMB29.53 trillion, representing a year-on-year increase of 14%. For non-financial credit bonds, the total issuance size during the Reporting Period was RMB6.04 trillion, down 5.1% year-on-year, and the net financing increment was RMB0.98 trillion, down 67% year-on-year. Regional differentiation was obvious as shown in larger net financing size in advantageous regions such as Jiangsu, Zhejiang and Guangdong with better urban investment financing comparing to negative net financing amount in certain disadvantaged or risky regions. In terms of credit risk, the number of defaulting issuers decreased during the Reporting Period, and regulatory authorities and local governments reiterated their position of zero tolerance for malicious “debt evasion”, actively ensured bond payments and restored market confidence.

## Section III Report of the Board

### Operation initiatives and business development

During the Reporting Period, the Company conducted 100 lead underwriting projects, with a total underwritten amount of RMB63.895 billion.

During the reporting period, the bond business of Orient Investment Banking continued to focus on high-quality customers such as AAA large central enterprises, state-owned enterprises and financial institutions, and participated in underwriting large-scale projects with a size of over RMB10 billion during the year, such as China Construction Bank RMB S series, Pudong Development Bank financial bonds, China Eastern Airlines corporate bonds and Bohai Bank financial bonds. In terms of team building, Orient Investment Banking continued to recruit outstanding talents in the bond industry to enhance the market coverage in each region. For product innovation, the “21 Suyin Lease Green Bond 01” underwritten by Orient Investment Banking as co-lead underwriter was successfully issued, which was the first “carbon neutral” green financial bond issued by non-bank institution in China, supporting the development of real economy and contributing to peaking carbon emission. During the Reporting Period, despite the increase in amount of new default cases in the bond market, Orient Investment Banking maintained “zero default” in bond underwriting projects.

During the Reporting Period, the Company maintained its industry leading position in terms of sales of interest rate bonds. In particular, book-entry treasury bond underwriting, CDB financial bond underwriting and Agricultural Development Bank financial bond underwriting stood among the top three brokers in the industry. The ranking of debt financing instruments for non-financial enterprises was up one place year-on-year to tenth among the lead underwriting brokers. During the Reporting Period, the Company won the outstanding underwriter and other relevant awards from various institutions including China Central Depository and Clearing Co., Ltd., China Development Bank, Agricultural Development Bank of China, the SSE and the Shenzhen Stock Exchange.

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

(in RMB million)	January – June 2021	January – June 2020
Corporate debentures:		
Number of underwriting as lead underwriter	41	38
Amount underwritten as lead underwriter	26,598	27,090
Corporate bonds:		
Number of underwriting as lead underwriter	7	3
Amount underwritten as lead underwriter	4,106	2,023
Financial bonds:		
Number of underwriting as lead underwriter	8	3
Amount underwritten as lead underwriter	11,420	3,860
Asset-backed securities:		
Number of underwriting as lead underwriter	9	2
Amount underwritten as lead underwriter	6,106	1,460
Debt financing instruments of non-financial enterprises:		
Number of underwriting as lead underwriter	35	30
Amount underwritten as lead underwriter	15,665	14,424
Total:		
Number of underwriting as lead underwriter	100	76
Amount underwritten as lead underwriter	63,895	48,857

### Development plan and outlook

For interest rate bond underwriting, the Company will continue to maintain its advantages in underwriting ranking in the same industry for treasury bonds and policy bank financial bonds, continue to deeply explore the trading needs of customers, strive to expand the customer range and improve the customer structure, and actively facilitate the completion of the sales tasks of the issuance of various financing projects of the Company.

For bond underwriting business, Orient Investment Banking will actively facilitate staff recruitment and business expansion. In the future, after merging with the parent company, the risk indicators of investment banking underwriting business will be optimized, the bond underwriting business licenses will be integrated, and the bond underwriting business will further develop leveraging on the capital strength and investment capability of the Group.

## Section III Report of the Board

### Financial advisory services

#### Market environment

During the Reporting Period, affected by the continuous implementation of the registration-based system, the relatively low return on exit from merger and acquisition and other relevant factors, the number of merger and acquisition projects in domestic market remained low. In addition, affected by the COVID-19 pandemic and the complex international environment, cross-border merger and acquisition became more difficult and transactions were subject to significantly more uncertainties.

#### Operation initiatives and business development

During the Reporting Period, Orient Investment Banking carried out M&A business in an orderly manner, two merger and asset reorganization projects passed the administrative review and were completed with total amount of approximately RMB1.272 billion. In particular, the M&A reorganization project of Silan passed the CSRC review, and the cross-border M&A project (acquisition of 100% shares of Rainbow Tech International Limited by Ninestar) entered into the acquisition agreement. In addition, the Shanghai Phoenix project and Ninestar project, which passed administrative review last year, have completed reorganization in the first half of 2021. Orient Investment Banking has outstanding execution capabilities as an independent financial advisor in M&A and reorganization transactions subject to administrative review, and continued to maintain a 100% passing rate for its M&A and restructuring projects in the first half of 2021, ranking 11th among securities dealers in terms of amount of passing projects.

#### Development plan and outlook

In the future, Orient Investment Banking will focus on advantageous industries, put efforts in enterprises with leading advantages in communications and semiconductors, advanced manufacturing, automotive, medical and consumer products sectors, proactively encourage competent buyers to look for overseas targets and put great efforts in developing cross-border M&A business. In addition, it will also actively promote internal collaboration and actively identify other financial service needs of customers.

## Section III Report of the Board

### (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 other business realized segment revenue, gains and other income of RMB1.895 billion, accounting for 11.81% of the total.

#### Treasury business

##### Market environment

During the Reporting Period, the global monetary environment remained generally accommodative despite growing expectations of the QE scale-down by the Federal Reserve. China's economy in general continued to recover steadily with stable monetary policy, ensured the continuity, stability and sustainability, and maintained generally abundant liquidity in the inter-bank market in the first half of the year. Meanwhile, the increasing number of credit bond defaults posed challenges for liquidity management of non-bank financial institutions such as bond funds, which further divided the liquidity between banks and non-bank institutions.

##### Operation initiatives and business development

The Company's treasury business aims to enhance the comprehensive treasury management capability, which mainly includes liquidity risk management, liability management and liquidity reserve management. During the Reporting Period, the Company continued to enhance the liquidity risk management and control capability through procedure standardization, system construction and system development with the goal of improving the liquidity risk management system and strengthening the refine management of financing.

During the Reporting Period, the Company continued to optimize the reserve asset structure to enhance the safety margin of liquidity, thereby achieving an effective unity of capital safety, liquidity and profitability. Despite the complex and volatile market environment in the first half of the year, the Company managed to stabilize its cross quarter capital 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 256.42% and 141.16%, respectively, much higher than the regulatory warning line of 120%.

##### Development plan and outlook

In the future, the Company will continue to improve the liquidity management system, optimize internal fund transfer pricing model, and strengthen the overall liquidity management framework of the Group. It will also steadily promote the centralized and overall management of corporate debt financing tools, continuously improve the debt structure and focus on both safety margin of liquidity and economic benefits.



## Section III Report of the Board

### Overseas business

#### Market environment

In the first half of 2021, with the ongoing pandemic prevention and control across the world, major economies showed clear signs of recovery, and the RMB strengthened against the USD due to firm implementation of policies of tightening credit, stabilizing currency and deleveraging in China. After the decline at the beginning of the year, the stock market gradually recovered in the second quarter, with the Hang Seng Index rising slightly in the first half of the year. Negative signals in domestic bond markets and a spike in long-term US treasury bond earning yields have led to unabated stress in Asian bond market.

#### Operation initiatives and business development

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, by adhering to the business strategy of "consolidating advantageous business, promoting structural transformation and leading business innovation", Orient Securities International transformed and adjusted its basic intermediary business and strengthened its ability, continued to stabilize the buy-side business, enhanced quality and efficiency of internal management, and upgraded information technology construction, showing an overall positive development trend.

For asset management business, Orient Securities International actively diversified the product portfolio and enhanced its brand influence. As of the end of the Reporting Period, the total size of assets under management of Orient Securities International amounted to approximately HKD13.2 billion, standing among the top three China-based securities firms with operation in Hong Kong. It managed a total of 30 products, and successfully established the Dongfanghong Greater China Bond Fund, the first independently managed publicly offered fund. During the Reporting Period, the Dong Fang Hong Profit Increment Fund won the "Onshore RMB Bond Fund (5-Year) – Best Performance Award" under the 2021 Best of the Best Awards by Asia Asset Management, and in the 2021 Professional Investment Awards organized by I&M, the Dong Fang Hong Profit Increment Fund won the "Onshore RMB Bond Fund (5-Year) – Performance Award", and the "Global Superior Choice Series Fund One SP" won the "Asia Pacific ex-Japan Equity (3 Years) – Performance Award".

For fixed income business, Orient Securities International adhered to the absolute return strategy of long and short position hedging, and flexibly utilized convertible bonds, special investment opportunities and short position trading strategies to achieve overall positive returns.

## Section III Report of the Board

Numerous breakthroughs were made in brokerage business. As of the end of the Reporting Period, the total number of brokerage customers of Orient Securities International exceeded 320,000, an increase of 39% from the beginning of the period, with a market share growth of about 10%. It also carried out equity options segmentation business to facilitate the transformation of wealth management. The institutional trading customer base rapidly expanded from China-based publicly offered fund companies with operation in Hong Kong to China-based insurance companies with operation in Hong Kong, private equity funds, QDII funds and family trusts. The Hong Kong market sell-side Hong Kong stock research report distribution business was officially launched to strengthen the promotion of PB system and improve the “Trinity” institutional trading ecosystem.

For investment banking business, during the Reporting Period, Orient Securities International completed two equity underwriting projects, had four equity sponsoring projects in progress and six equity underwriting projects in reserve. It also completed 30 bond underwriting projects, and ranked fourth among China-based securities dealers in Hong Kong in terms of number of underwriting projects of Asia ex-Japan G3 USD high-yield bonds issued by China-based firms. Orient Securities International continued to diversify its financial market segmentation business, and successfully implemented market making business and secondary market bond matching business.

### Development plan and outlook

By adhering to the general keynote of stabilizing growth, controlling risks, bolstering areas of weakness and promoting reforms and upholding the spirit of integrity and compliance, unity and cooperation, strong execution and proactiveness, the Company will develop its fundamental business through market competition with the guidance of its core concepts, steadily strengthen the advantages of buy-side business, develop brand strength, deepen cross-border collaboration of the Group, promote innovative fintech business, build differentiated competitive advantages, continuously improve internal management mechanism, adhere to the bottom line of compliance and risk control, and facilitate the internationalization of DFZQ and cross-border expansion of all businesses of the Group.

## Section III Report of the Board

### Financial technology

#### Market environment

On March 11, 2021, the fourth session of the 13th National People's Congress passed the "14th Five-Year Development Plan", which clearly proposed to "accelerate digital development", promote digital industrialization and industrial digitization, and facilitate the in-depth integration of digital economy and real economy. Meanwhile, as digital transformation of the securities industry accelerates, fintech is transforming from serving business to leading and empowering business. In 2020, investment in information technology in the securities industry amounted to RMB26.287 billion, representing a year-on-year increase of 21.31%. The increasing investment in information technology lays a solid foundation for the digital transformation and high-quality development of the industry.

#### Operation initiatives and business development

The Company promoted high-quality corporate development with the strategic driver of digital transformation. The Company utilized financial technology to facilitate business model transformation and management model optimization, and integrated digital experience into customer service, investment decision-making, operation management, compliance and risk control to optimize customer experience, empower business development, improve management efficiency, and build digital core competitiveness.

The Company promoted the transformation of management model and strengthened the construction of digital management system. By developing the Orient Digital Database System, the Company has facilitated the construction of the Group's systems for consolidated management of risk control indicators, integrated management of the same customer and the same business and unified credit approval, and achieved the goal of group management of risk control indicators. The independent research of informationization of management systems has covered all business lines of the Company. The Company also continued to promote the construction of IT digital management system and strengthened performance management, thereby facilitating the digital transformation of the Company.

The Company launched various integration models based on internal and external conditions. Through the concurrently management by technical staff in business departments and subsidiaries, as well as the stationing system of technical staff, the Company made timely response to business needs. It also implemented the OKR management model on a trial basis, implemented innovative work mechanism on a regular basis in key projects, and developed a consistent goal-driven approach to promote internal collaboration and integration. The Company strengthened the external integration of industry, universities and research institutions, and joined hands with enterprises and universities to create a collaborative ecosystem of financial technology.

## Section III Report of the Board

The Company promoted the transformation of the technical architecture to implement the middle platform strategy. It completed the initial construction of the middle platform of IT system and implemented the overall strategy of “thick middle platform and thin application” supported by the capability sharing center, completed the construction of the data middle platform represented by the Orient Digital Database and the innovation capability middle platform represented by the Orient Brain and Orient Blockchain, thereby enabling innovative technology integration and output. The Company also further improved the level of integration of research and development and operation, and promoted the in-depth application of unified architecture of service and governance.

The Company increased its efforts in independent research and development to enhance its core competitiveness. Supported by various measures such as working mechanism, technology management and cultural building, the Company developed a variety of technological products with industry influence and competitiveness. It also strengthened independent research and development, reflected the value of technology empowerment in six aspects: faster, more cutting-edge, more customers, more efficient, more massive and safer, thereby enhancing its core competitiveness.

The Company empowered business operation with technology and formed the dual drivers and deep integration of technology and business. For proprietary investment, the Company further enhanced the strategic positioning of the Super Investment Management Platform (SIMP), increased resource investment and developed measures to further deepen integration. Through independent research and development, the Company optimized the fundamental technical architecture and accelerated the development of exchange-traded bond business, interbank market, and market making of treasury bond futures, thereby facilitating the development of the Company’s proprietary investment business. For wealth management, the Orient Winners APP further enhanced user experience through the “Winning Plan”, and enabled key functions such as 7\*24 hours open-end fund trading and self-service account opening. With remarkable performance advantages, the Orient Speed Trading (OST) system empowered rapid development of institutional business. Dong Fang Rui (series) trading service products gradually scaled up and became systematic with continuous performance improvement. The Company continued to optimize its self-developed FPGA quotation hardware acceleration solution, which outperformed similar products in the market. The self-developed fund investment advisory and trading system and asset allocation platform helped the Company’s wealth management transformation.

During the Reporting Period, the project of “Exploration and Implementation of Cross-Language Service Governance Framework in Securities Industry”, a project of the Company in the field of technology architecture transformation, won the second prize of the 2020 research project of the Research and Development Center for Financial Technology in Securities and Futures Industry (Shenzhen) of the Shenzhen Stock Exchange.

## Section III Report of the Board

### Development plan and outlook

In the future, based on the existing development plan, the Company will continue to promote technology development in three aspects including digital management system construction, technology architecture transformation and technology and business integration in order to achieve the strategic development goal of digitalization, group operation and internationalization of the Company.

## IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

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

#### 1. Revenue, gains and other income

In the first half of 2021, with active performance in the capital market, the Company maintained stable operation with favourable trend, and asset management, brokerage, investment banking and other businesses were developed in a balanced manner with significant growth in operating results. During the Reporting Period, the Group realized revenue, gains and other income of RMB15.351 billion, representing a year-on-year increase of RMB3.299 billion or 27.37%, which was mainly due to the increase in fee income from various businesses and the increase in sales income from bulk commodity business of our subsidiaries.

Details were as follows:

Commission and fee income amounted to RMB4.886 billion, accounting for 31.83% of the total and representing a year-on-year increase of 53.55%, which was primarily attributable to the increase in fee income from asset management, securities and futures brokerage, investment banking and other businesses of the Company.

Interest income amounted to RMB2.943 billion, accounting for 19.17% of the total and representing a year-on-year increase of 8.26%, which was primarily attributable to the increase in interest income resulting from increase in the size of clearing settlement funds of brokerage customers and advances to customers.

Net investment gains amounted to RMB1.930 billion, accounting for 12.57% of the total and representing a year-on-year decrease of 23.34%, which was primarily attributable to the year-on-year decrease in investment income from securities proprietary investment business.

Other income and gains amounted to RMB5.592 billion, accounting for 36.43% of the total and representing a year-on-year increase of 53.89%, which was primarily attributable to the increase in sales income of bulk commodity business of subsidiaries.

## Section III Report of the Board

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

Unit: '000 Currency: RMB

Item	From January to June 2021		From January to June 2020		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Commission and fee income	<b>4,885,912</b>	<b>31.83%</b>	3,182,024	26.40%	1,703,888	53.55%
Interest income	<b>2,942,874</b>	<b>19.17%</b>	2,718,287	22.56%	224,587	8.26%
Net investment gains	<b>1,929,997</b>	<b>12.57%</b>	2,517,706	20.89%	(587,709)	(23.34%)
Other income and gains	<b>5,591,928</b>	<b>36.43%</b>	3,633,766	30.15%	1,958,162	53.89%
Total revenue, gains and other income	<b>15,350,711</b>	<b>100.00%</b>	12,051,783	100.00%	3,298,928	27.37%

## Section III Report of the Board

### 2. Total expenses

During the Reporting Period, total expenses of the Company reached RMB12.957 billion, up by RMB2.239 billion or 20.89% year-on-year, which was mainly attributable to the increase in various business-related costs and expenses and the increase in cost of sales of bulk commodity business of subsidiaries. Details were as follows:

Staff costs were RMB3.223 billion, up by 58.52% year-on-year, which was mainly attributable to the increase in staff costs that fluctuate with business revenue.

Interest expenses were RMB2.234 billion, down by 6.18% year-on-year, which was mainly attributable to the decrease in interest expenses for financing products such as bonds.

Commission and fee expenses were RMB461 million, up by 26.36% year-on-year, which was mainly attributable to the increase in fee expenses from securities brokerage business.

Depreciation and amortization expenses were RMB351 million, up by 9.93% year-on-year, which was mainly attributable to the increase in depreciation of right-of-use assets and amortization of intangible assets.

Other expenses, including operation expenses, tax and surcharges, donation and bulk commodity trading expenses, were totally RMB6.429 billion, up by 48.52% year-on-year, which was mainly attributable to the increase in cost of sales and product distribution expenses of the bulk commodity business of subsidiaries.

Impairment losses were RMB259 million, representing a year-on-year decrease of 79.96%, which was mainly attributable to the decrease in impairment allowance for stock pledge repurchase business.

The structure of total expenses of the Group during the Reporting Period is set out as follows:

Unit: '000 Currency: RMB

Item	From	From	Changes	
	January to June 2021	January to June 2020	Amount	Proportion
Staff costs	3,222,572	2,032,919	1,189,653	58.52%
Interest expenses	2,234,521	2,381,679	(147,158)	(6.18%)
Commission and fee expenses	460,928	364,773	96,155	26.36%
Depreciation and amortization	350,640	318,968	31,672	9.93%
Other expenses	6,429,535	4,329,043	2,100,492	48.52%
Impairment losses	258,544	1,290,110	(1,031,566)	(79.96%)
<b>Total</b>	<b>12,956,740</b>	<b>10,717,492</b>	<b>2,239,248</b>	<b>20.89%</b>

## Section III Report of the Board

### 3. Cash flows

During the Reporting Period, the Company recorded RMB2.608 billion net decrease in cash and cash equivalents, including:

- (1) Net cash used in operating activities amounted to RMB5.898 billion, which was mainly attributable to:
  - i. RMB11.986 billion of net cash outflow was attributable to increase in restricted cash or cash held on behalf of customers and clear settlement funds;
  - ii. RMB4.358 billion of net cash outflow was attributable to increase in accounts receivable, other receivables and prepayment;
  - iii. RMB2.825 billion of net cash outflow was attributable to increase in deposits and reserves and deposits with exchanges.
  - iv. RMB12.277 billion of net cash inflow was attributable to increase in account payables to brokerage clients.

- (2) Net cash from investment activities was RMB2.153 billion, which was primarily attributable to:

Net cash inflow of RMB2.060 billion as a result of receipt of investment dividend and interest.

- (3) Net cash from financing activities amounted to RMB1.137 billion, which was mainly attributable to:

Net cash inflow of RMB2.669 billion as a result of issuance, borrowing and repayment of bonds, short-term financing bills payables and borrowings.



## Section III Report of the Board

### (ii) 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 achieved total assets of RMB311.283 billion, total liabilities of RMB250.211 billion and total equity of RMB61.071 billion. Analysis on items of consolidated statement of financial position is set out below:

Unit: '000 Currency: RMB

Items	As at the end of June 2021		As at the end of 2020		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Total assets	311,282,609		291,117,442		20,165,167	6.93%
Cash and bank balances	74,449,331	23.92%	65,640,360	22.56%	8,808,971	13.42%
Clearing settlement funds	24,834,160	7.98%	21,516,357	7.39%	3,317,803	15.42%
Deposits with exchanges and financial institutions	2,311,823	0.74%	2,183,090	0.75%	128,733	5.90%
Derivative financial assets	51,651	0.02%	155,876	0.05%	(104,225)	(66.86%)
Advances to customers	23,480,867	7.54%	21,171,919	7.27%	2,308,948	10.91%
Account receivables	1,167,321	0.38%	874,406	0.30%	292,915	33.50%
Contract assets	-	0.00%	1,742	0.00%	(1,742)	(100.00%)
Financial assets held under resale agreements	13,336,387	4.28%	14,460,425	4.97%	(1,124,038)	(7.77%)
Financial assets at fair value through profit or loss	76,452,701	24.56%	72,701,117	24.98%	3,751,584	5.16%
Debt instruments at fair value through other comprehensive income	67,389,989	21.65%	62,645,975	21.52%	4,744,014	7.57%
Equity instruments at fair value through other comprehensive income	6,096,378	1.96%	10,936,458	3.76%	(4,840,080)	(44.26%)
Debt instruments at amortised cost	4,828,679	1.55%	6,243,897	2.14%	(1,415,218)	(22.67%)
Deferred tax assets	1,414,979	0.45%	1,455,922	0.50%	(40,943)	(2.81%)
Investments in associates	6,060,632	1.95%	5,771,194	1.98%	289,438	5.02%
Right-of-use assets	786,926	0.25%	847,355	0.29%	(60,429)	(7.13%)
Investment properties	39,332	0.01%	40,461	0.01%	(1,129)	(2.79%)
Property and equipment	2,232,489	0.72%	2,225,662	0.76%	6,827	0.31%
Other intangible assets	209,276	0.07%	215,313	0.07%	(6,037)	(2.80%)
Goodwill	32,135	0.01%	32,135	0.01%	-	0.00%
Other assets	6,107,553	1.96%	1,997,778	0.69%	4,109,775	205.72%

## Section III Report of the Board

Unit: '000 Currency: RMB

Items	As at the end of June 2021		As at the end of 2020		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Total liabilities	<b>250,211,386</b>		230,886,298		19,325,088	8.37%
Due to banks and other financial institutions	<b>4,654,384</b>	<b>1.86%</b>	9,670,114	4.19%	(5,015,730)	(51.87%)
Short-term financing bill payables	<b>4,691,930</b>	<b>1.88%</b>	16,255,486	7.04%	(11,563,556)	(71.14%)
Account payables to brokerage clients	<b>78,920,066</b>	<b>31.54%</b>	66,642,671	28.86%	12,277,395	18.42%
Financial assets sold under repurchase agreements	<b>57,416,888</b>	<b>22.95%</b>	52,860,883	22.89%	4,556,005	8.62%
Financial liabilities at fair value through profit or loss	<b>17,347,274</b>	<b>6.93%</b>	14,576,073	6.31%	2,771,201	19.01%
Derivative financial liabilities	<b>978,080</b>	<b>0.39%</b>	504,957	0.22%	473,123	93.70%
Contract liabilities	<b>258,380</b>	<b>0.10%</b>	404,124	0.18%	(145,744)	(36.06%)
Current tax liabilities	<b>295,426</b>	<b>0.12%</b>	570,867	0.25%	(275,441)	(48.25%)
Accrued staff costs	<b>2,629,781</b>	<b>1.05%</b>	2,608,009	1.13%	21,772	0.83%
Borrowings	<b>4,148,571</b>	<b>1.66%</b>	579,732	0.25%	3,568,839	615.60%
Lease liabilities	<b>796,735</b>	<b>0.32%</b>	856,910	0.37%	(60,175)	(7.02%)
Bond payables	<b>72,720,557</b>	<b>29.06%</b>	62,265,473	26.97%	10,455,084	16.79%
Deferred tax liabilities	<b>23,049</b>	<b>0.01%</b>	20,179	0.01%	2,870	14.22%
Other liabilities	<b>5,330,265</b>	<b>2.13%</b>	3,070,820	1.33%	2,259,445	73.58%
Total equity	<b>61,071,223</b>		60,231,144		840,079	1.39%

## Section III Report of the Board

### 2. *Assets*

As at the end of the Reporting Period, the Group's total assets reached RMB311.283 billion, an increase of RMB20.165 billion or 6.93% from the end of last year, which was mainly attributable to an increase in bank balance of brokerage customers and clearing settlement funds.

In the Group's assets, cash and bank balance, clearing settlement funds, deposits with exchanges and non-bank financial institutions amounted to RMB101.595 billion, an increase of RMB12.256 billion from the end of last year, accounting for 32.64% of total assets. Financial investment and derivative financial assets amounted to RMB154.821 billion, an increase of RMB2.136 billion from the end of last year, accounting for 49.74% of total assets. Advance to financing customers, financial assets held under resale agreements and account receivables amounted to RMB37.984 billion, an increase of RMB1.478 billion from the end of last year, accounting for 12.20% of total assets. Investment in associates, fixed assets and others amounted to RMB16.883 billion, an increase of RMB4.295 billion from the end of last year, accounting for 5.42% of total assets. During the Reporting Period, the Company maintained stable asset scale with rational structure and sufficient liquidity.

### 3. *Overseas assets*

The size of overseas assets amounted to RMB24.284 billion, accounting for 7.80% of the total asset.

### 4. *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities reached RMB250.211 billion, an increase of RMB19.325 billion or 8.37% from the end of last year, which was mainly due to the increase in account payables to brokerage clients. The gearing ratio, net of account payables to brokerage clients, was 73.70%, an increase of 0.57 percentage point from the end of last year.

In the Group's liabilities, borrowings, short-term financing bills payables, funds due to banks and other financial institutions, bond payables and financial assets sold under repurchase agreements amounted to RMB143.633 billion, an increase of RMB2.001 billion from the end of last year, accounting for 57.41% of total liabilities. Financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB18.325 billion, an increase of RMB3.244 billion from the end of last year, accounting for 7.32% of total liabilities. Account payables to brokerage clients amounted to RMB78.920 billion, an increase of RMB12.277 billion from the end of last year, accounting for 31.54% of total liabilities. Accrued staff cost, current tax liabilities and others amounted to RMB9.333 billion, an increase of RMB1.803 billion from the end of last year, accounting for 3.73% of total liabilities.

## Section III Report of the Board

### 5. Borrowings and bond financing

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB86.215 billion. Set out below is the breakdown of borrowings and bond financing of the Company as at the end of the Reporting Period:

Unit: '000 Currency: RMB

	As at the end of June 2021	As at the end of 2020
Bond payables	72,720,557	62,265,473
Borrowings	4,148,571	579,732
Short-term financing bills payables	4,691,930	16,255,486
Due to banks and other financial institutions	4,654,384	9,670,114
Total	86,215,442	88,770,805

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.

## Section III Report of the Board

### (iii) Analysis on investments

#### 1. Overall analysis on external equity investments

As at the end of the Reporting Period, the Group's investment in associates was RMB6.061 billion, representing an increase of RMB0.289 billion or 5.02%, as compared with the end of last year. The reason for the change was mainly due to the increase in the Group's share of results of China Universal and other associates. Please refer to Note 26 to the attached condensed consolidated financial statements for the details of the Group's external equity investment.

#### (1) Material equity investments

Unit:'000 Currency: RMB

Name of targets held	Percentage of the equity of the company	Carrying value as at the end of the 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%	2,797,068	554,967	(4,654)

#### (2) Material non-equity investments

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

## Section III Report of the Board

### (3) Financial assets at fair value

Unit: '000 Currency: RMB

Item	Investment cost as at the end of the Reporting Period	Book value as at the end of the Reporting Period	Net amount purchased or sold during the Reporting Period	Changes in fair value during the Reporting Period	Net investment income during the Reporting Period
1. Financial assets at fair value through profit or loss	73,900,561	76,452,701	3,651,340	175,212	1,933,539
2. Debt instruments at fair value through other comprehensive income	65,854,907	67,389,989	4,514,878	14	56,086
3. Equity instruments at fair value through other comprehensive income	6,184,485	6,096,378	(5,045,133)	221,914	351,664
4. Derivative financial instruments	31,530	(926,429)	212,855	(825,560)	(1,170,008)

### (iv) Material assets and equity disposal

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

## Section III Report of the Board

### (v) Analysis on major subsidiaries and associates

1. Orient Futures Co., Ltd, with a registered capital of RMB2.3 billion, is 100% owned by the Company.

As at June 30, 2021, total assets of Orient Futures Co., Ltd amounted to RMB56,870 million, and its net assets amounted to RMB3,505 million. In the first half of 2021, its operating income and net profit amounted to RMB5,929 million and RMB241 million, respectively.

Its principal businesses are commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sales.

2. Orient Securities Capital Investment Co., Ltd., with a registered capital of RMB4.0 billion, is 100% owned by the Company.

As at June 30, 2021, total assets of Orient Securities Capital Investment Co., Ltd. amounted to RMB4,928 million, and its net assets amounted to RMB4,845 million. In the first half of 2021, its operating income and net profit amounted to RMB296 million and RMB149 million, respectively.

Its principal businesses are establishment of direct investment funds, equity investments of enterprises, or investment of other funds related to equity investment, the provision of financial advisory services to clients in respect of equity investment and other businesses permitted by the CSRC.

3. Shanghai Orient Securities Asset Management Co., Ltd., with a registered capital of RMB0.3 billion, is 100% owned by the Company.

As at June 30, 2021, total assets of Shanghai Orient Securities Asset Management Co., Ltd. amounted to RMB4,971 million, and its net assets amounted to RMB2,901 million. In the first half of 2021, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB1,970 million, RMB838 million and RMB665 million, respectively.

Its principal businesses are securities asset management and management of publicly offered securities investment funds.

## Section III Report of the Board

4. Orient Securities Investment Banking Co., Ltd., with a registered capital of RMB0.8 billion, is 100% owned by the Company.

As at June 30, 2021, total assets of Orient Securities Investment Banking Co., Ltd. amounted to RMB2,103 million, and its net assets amounted to RMB1,427 million. In the first half of 2021, its operating income and net profit amounted to RMB598 million and RMB76 million, respectively.

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

5. Shanghai Orient Securities Innovation Investment Co., Ltd. has a registered capital of RMB6.25 billion and was 100% owned by the Company.

As at June 30, 2021, total assets of Shanghai Orient Securities Innovation Investment Co., Ltd. amounted to RMB6,896 million, and its net assets amounted to RMB6,737 million. In the first half of 2021, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB429 million, RMB368 million and RMB278 million, respectively.

Its principal businesses are venture capital, financial products investment, investment management and investment consultancy.

6. Orient Finance Holdings (Hong Kong) Limited has a registered capital of HKD2.754 billion and was 100% owned by the Company.

As at June 30, 2021, total assets of Orient Finance Holdings (Hong Kong) Limited amounted to HKD25,327 million, and its net assets amounted to HKD2,672 million. In the first half of 2021, its operating income and net profit amounted to HKD260 million and HKD139 million, respectively.

Its principal businesses are 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.



## Section III Report of the Board

7. China Universal Asset Management Company Limited has a registered capital of RMB133 million and its 35.412% equity interests is held by the Company.

As at June 30, 2021, total assets of China Universal Asset Management Company Limited amounted to RMB11,553 million, and its net assets amounted to RMB7,899 million. In the first half of 2021, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB4,607 million, RMB2,053 million and RMB1,570 million, respectively.

Its principal businesses are fund raising, fund sales, asset management and other businesses permitted by the CSRC.

### (vi) 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 18 structured entities included in the consolidated statement scope, with a total net asset value of RMB7.471 billion. During the Reporting Period, the Company added 3 new structured entities to the consolidated statement scope, and reduced 7 structured entities.

Details of structured entities incorporated into the consolidation scope during the period:

Unit: '000 Currency: RMB

	<b>As at June 30, 2021 or from January to June 2021</b>
<b>Structured entities consolidated</b>	
Total assets	8,037,187
Total liabilities	566,282
Total net assets	7,470,905
Operating income	110,041
Net profit	82,160

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

## Section III Report of the Board

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

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.

## Section III Report of the Board

As at the end of the Reporting Period, the details relating to utilization of the proceeds from the offering of H Shares by the Company are set out below: HKD2.560 billion was used to further develop the Company's brokerage and securities financing business, HKD2.225 billion for developing the Company's overseas businesses, HKD1.097 billion for expansion of the Company's investment management business, HKD0.732 billion for developing our securities sales and trading business, HKD0.240 billion for capital expenditure, and HKD0.416 billion for working capital and others. The Company utilized a cumulative of HKD7.270 billion of proceeds raised through H shares. Save for the above use of proceeds, approximately HKD0.154 billion (including the interests of proceeds and exchange gains or losses thereof) of the proceeds remains unused. The Company will use the remaining proceeds for capital expenditure in the next two years according to the Company's development strategy and actual requirements. (The exchange rate of utilized proceeds through issuance of H shares denominated in Renminbi has been calculated according to the actual exchange settlement rate, while the exchange rate of unutilized proceeds 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.

### (viii) Scope of Consolidation of the Statements

1. 3 consolidated entities were added for the Reporting Period as compared with the beginning of the year, being 3 structured entities newly consolidated into Orient Finance Holdings, our subsidiary.
2. 7 consolidated entities were reduced for the Reporting Period as compared with the beginning of the year, being 6 structured entities reduced by Orient Finance Holdings, our subsidiary, and 1 structured entity reduced by Orient Futures, our subsidiary.

## Section III Report of the Board

### V. OTHER DISCLOSURES

#### (i) Potential Risks

With the strategic goal of establishing a sound comprehensive risk management system and risk management capability that are in line with the Company's own development strategy, the Company is committed to carrying out reasonable and effective risk control based on actionable management system, sound organizational structure, reliable information technology system, quantitative risk indicator system, professional talent team and effective risk response mechanism. The Company has established a comprehensive risk management system covering various aspects such as organization, business and risk types: in terms of organization, the scope of risk management covers all departments, branches and subsidiaries of the Company; in terms of business, it covers proprietary investment, credit business, investment banking, asset management, wealth management and various other businesses; in terms of risk types, the risk management covers market risk, credit risk, liquidity risk, operational risk and other special risk types.

According to relevant laws and regulations and the Company's Articles of Association and based on the actual situation of the Company, the Company has established a risk management system in line with the development of the Company. It has also established an organizational structure based on the "three lines of defense" for comprehensive risk management, and established a hierarchical authorization system for investment decision-making and an approval mechanism for major decisions. The Company has established a graded warning and tracking mechanism for risk control indicators to monitor and provide warning of risk indicators through various risk management systems. It sets risk appetite, risk tolerance and risk thresholds at the beginning of each year, and divides the thresholds into different levels, thereby maintaining a scientific and effective risk indicator system. The Company has also established a reasonable risk management reporting mechanism, compliance risk control inspection and mitigation mechanism, and accountability and assessment mechanism.

#### 1. Market risk

Market risk mainly refers to the risk of unanticipated potential loss in value due to changes in stock prices, interest rates, exchange rates, etc. in the securities market, and can be categorized into stock 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.

Based on the overall business strategy and with the participation of the Board, the management and all staff, the Company accurately identify, prudently assess, dynamically monitor, timely respond and entirely manage the market risks in the Company's operation. Relevant committees are established under the Board and the management, and each business department, branch and subsidiary perform their respective duties of market risk management. The Company's business departments, branches and subsidiaries are the first line of defense for against market risk, while the risk management department of the Company is responsible for coordinating the overall market risk management of the Company.

## Section III Report of the Board

The Company manages market risks with focus on net capital, liquidity management and risk tolerance, implements overall management on risk control indicators relating to capital, scale, gearing and risk exposure according to specific level and module, and implements refined management on market risk exposure from the perspective of product type, portfolio, model and hedging to control market risks within a tolerable range and maximize returns under a tolerable risk level.

The Company has established a system covering the Group's allocation of assets and liabilities and market risk limits, reflecting the Company's overall market risk appetite and risk tolerance. The Company has established a hierarchical risk limit authorization system which classifies the limit indicators by major business types and assigns to different business departments from top to bottom 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. Risk limits may be adjusted in accordance with market changes and indicator warnings during the year.

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 crises will be categorized and managed according to the level of seriousness.

The Company adopts daily mark-to-market, concentration analysis and quantitative risk model to manage scale, risk exposure, etc., 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 methods such as scenario analysis and stress testing.

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 (95%, one day) of the Company's market risk was RMB127 million.

## Section III Report of the Board

### 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 Company's credit risks mainly include the following three types: 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, which means that the Company performs its delivery obligation, however the counterparty breaches the contract. Settlement risk may arise from counterparty defaults, liquidity constraints or operational problems. It generally occurs in the settlement of foreign exchange and securities without guarantee of delivery.

Relevant committees are established under the Board and the management, and each business department, branch and subsidiary performs their respective duties of credit risk management. The Company's business departments, branches and subsidiaries are the first line of defense for against credit risk, while the risk management department of the Company is responsible for coordinating the overall credit risk management of the Company.

The Company manages credit risks with focus on net capital management and risk tolerance, implements overall management on risk control indicators such as 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.

The Company has established a hierarchical authorization management system. Relevant business departments and subsidiaries of the Company that conduct business involving credit risk must operate and perform their duties within the scope of authorization. The Company implements credit risk limit management according to regulatory requirements and risk management needs, and sets credit risk limits at different levels of the Company, business lines and business types, mainly including external regulation indicator limits, risk appetite indicator limits and asset allocation limits. It also strictly implements various credit risk limits adopted by the Company in the course of business development, establishes a daily monitoring mechanism for limit indicators, and takes effective control measures against limit overruns to ensure that various businesses are conducted within the limits.

## Section III Report of the Board

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 risky projects through forced exit mechanism and legal proceeding.

### 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.

## Section III Report of the Board

### 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 management such as 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 in accordance with the law, the Company has continuously strengthened its anti-money laundering performance capability and improved its anti-money laundering compliance management level.



## Section III Report of the Board

### 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 system research and development department is responsible for the management and control of construction work including development and testing of the information system, management of the approval and evaluation for outsourcing suppliers, and regulation of the behaviors of external staff of information system in accordance with relevant requirements. The system operation department takes a variety of measures to ensure the stable operation of the system, and has completed the main and side stands for major positions as for the staffing. In respect of process control, the Company, in accordance with ISO 20000 rules, regulates main operation and maintenance procedures, such as implementation of graded examination and approval for procedures including events and modification, recheck for modifications, preparation of monthly reports on management and operation on a month basis, regulating the systematic operation at the technical and management level. In respect of emergency handling, the Company strictly obeys the regulatory requirements, conducts disaster drills and emergency plan drills, with all operation and maintenance teams and branches regularly carrying out the emergency drills for specific systems. As for the data backup, restore and verification, the Company conducts implementation, review and supervision on a monthly basis as per the annual plan, and set system permissions according to the established process which includes approval, recording and filing. The compliance and legal management department, together with the risk management department, reviews IT compliance and risk management matters and relevant systems, organizes regular compliance inspection, and issues monthly compliance and risk management reports. However, with the rapid development of information technology nowadays, technical risks cannot be completely avoided as equipment failures, software design defects, network connection problems, technical means being not up-to-date, and other problems cannot be completely eliminated in theory.

### 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.

## Section III Report of the Board

During the Reporting Period, the Company did not encounter any major public opinion events affecting its reputation, and certain sensitive events were addressed efficiently and properly. The Company primarily manages its reputational risk by the following means:

- ① further strengthening supervision on public sentiment by conducting all-around and 24/7 all-day monitoring on major search engines, about 300 mainstream media, over 1,000 mainstream financial and local websites, more than 1,500 mainstream financial Weibo accounts, nearly 300 mainstream financial WeChat public accounts and over ten overseas media, with a view to getting informed of the public sentiment of the Company and laying a solid foundation for effectively preventing reputational risk.
- ② launching the reputation risk event reporting process on the OA intranet to further improve the sensitive public opinion reporting system.
- ③ upgrading and improving monthly report on reputation risk public opinion 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.
- ④ conducting training on reputation risk management for all the employees to enhance the awareness of reputation risk of all staff, which 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. during the operation and management process. 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 IV Corporate Governance

### I. GENERAL MEETINGS OVERVIEW

Session of the meeting	Date of convening	Reference of the website specified for information disclosure	Publication date of resolutions	Meeting resolutions
2021 first extraordinary general meeting	2021-03-05	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	2021-03-06 2021-03-05	All resolutions were passed
2020 annual general meeting, 2021 first A Shares class meeting, 2021 first H Shares class meeting	2021-05-13	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	2021-05-14 2021-05-13	All resolutions were passed

#### Explanation on general meetings

During the Reporting Period, the Company convened the 2021 first extraordinary general meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on March 5, 2021, at which 1 special resolution, namely the “Proposal on Amendments to Certain Provisions of the Articles of Association”; and 2 ordinary resolutions, namely, the “Proposal on Election of New Session of the Board of Directors of the Company” and the “Proposal on Election of New Session of the Supervisory Committee of the Company” were considered and approved. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on March 6, 2021.

## Section IV Corporate Governance

During the Reporting Period, the Company convened the 2020 annual general meeting, the 2021 first A Shares class meeting and the 2021 first H Shares class meeting at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on May 13, 2021. At the 2020 annual general meeting, 9 special resolutions, namely the “Proposal on Amendments to Certain Provisions of the articles of association of the Company”, the “Proposal Regarding the General Mandate to Issue Offshore Debt Financing Instruments of the Company”, the “Proposal on Report of Use of Proceeds from Previous Fund-raising Activities”, the “Proposal on the Company’s Compliance with Requirements on Rights Issue”, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on the Plan of Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on Feasibility Analysis Report on Use of Proceeds to be Raised from Rights Issue of the Company”, the “Proposal on the Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties” and the “Proposal on the Submission to the General Meeting of the Company for Full Authorization to the Board to Deal with Relevant Matters in relation to the Rights Issue”; and 11 ordinary resolutions, namely, the “Report of the Board of Directors of the Company for the Year 2020”, the “Report of the Supervisory Committee of the Company for the Year 2020”, the “Final Accounts Report of the Company for the Year 2020”, the “Profit Distribution Proposal of the Company for the Year 2020”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2021”, the “Annual Report of the Company for the Year 2020”, the “Proposal Regarding the Projected Routine Related-party Transactions of the Company in 2021”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2021”, the “Proposal in Relation to the Election of Independent Non-executive Director of the Company”, the “Proposal Regarding Allowances for Independent Supervisors” and the “Proposal Regarding the Engagement of Auditing Firms for the Year 2021” were considered and approved. At the 2021 first A Shares class meeting, 6 special resolutions, namely the “Proposal on the Company’s Compliance with Requirements on Rights Issue”, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on the Plan of Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on Feasibility Analysis Report on Use of Proceeds to be Raised from Rights Issue of the Company”, the “Proposal on the Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties” and the “Proposal on the Submission to the General Meeting of the Company for Full Authorization to the Board to Deal with Relevant Matters in relation to the Rights Issue” were considered and approved. At the 2021 first H Shares class meeting, the “Proposal on the Company’s Compliance with Requirements on Rights Issue”, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on the Plan of Public Issuance of Shares by Way of Rights Issue of the Company”, the “Proposal on Feasibility Analysis Report on Use of Proceeds to be Raised from Rights Issue by the Company”, the “Proposal on the Risk Warning Regarding Dilution of Immediate Returns by Rights Issue to Existing Shareholders and Remedial Measures and Undertakings Given by Relevant Parties” and the “Proposal on the Submission to the General Meeting of the Company for Full Authorization to the Board to Deal with Relevant Matters in relation to the Rights Issue” 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 14, 2021.

## Section IV Corporate Governance

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

Name	Position	Particulars of changes
Song Xuefeng	Executive Director	Election
Jin Wenzhong	Chairman	Election
Yu Xuechun	Director	Election
Cheng Feng	Director	Election
Ren Zhixiang	Director	Election
Luo Xinyu	Independent Director	Election
Zhu Jing	Employee representative Director	Election
Wu Junhao	Shareholder representative Supervisor	Election
Zhang Jian	Shareholder representative Supervisor	Election
Shen Guangjun	Shareholder representative Supervisor	Election
Xia Lijun	Independent Supervisor	Election
Ruan Fei	Employee representative Supervisor	Election
Ding Yan	Employee representative Supervisor	Election
Yang Bin	Vice president	Appointment
Xu Haining	Vice president	Appointment

## Section IV Corporate Governance

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

1. At the fifth plenary meeting of the third session of the employee congress held on February 9, 2021, Ms. Zhu Jing was elected as an employee representative Director of the fifth session of the Board, and Mr. Du Weihua, Ms. Ruan Fei and Ms. Ding Yan were elected as employee representative Supervisors of the fifth session of the Supervisory Committee, and formed the fifth session of the Board and the Supervisory Committee together with the Directors and Supervisors elected at the general meeting.
2. At the 2021 first extraordinary general meeting held on March 5, 2021, Mr. Song Xuefeng was elected as an executive Director of the fifth session of the Board, and Mr. Yu Xuechun, Mr. Cheng Feng and Mr. Ren Zhixiang were elected as non-executive Directors of the fifth session of the Board, with a term of office to the expiry of the fifth session of the Board. Mr. Wu Junhao, Mr. Zhang Jian and Mr. Shen Guangjun were elected as the shareholder representative Supervisors of the fifth session of the Supervisory Committee, and Mr. Xia Lijun was elected as an independent Supervisor of the fifth session of the Supervisory Committee, with a term of office to the expiry of the fifth session of the Supervisory Committee.
3. At the first meeting of the fifth session of the Board held on March 5, 2021, Mr. Jin Wenzhong was elected as the Chairman of the fifth session of the Board with a term of office to the expiry of the fifth session of the Board. Mr. Yang Bin and Ms. Xu Haining were elected as vice presidents of the Company with a term of office to the expiry of the fifth session of the Board.
4. At the 2020 annual general meeting held on May 13, 2021, Mr. Luo Xinyu was elected as an independent non-executive Director of the fifth session of the Board with a term of office to the expiry of the fifth session of the Board.

### III. DIRECTORS, SUPERVISORS AND OTHER INFORMATION

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

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

## Section IV Corporate Governance

### (ii) Changes in Material Information of Directors and Supervisors

1. Mr. Song Xuefeng, the secretary of the CPC party committee and an executive Director of the Company, ceased to serve as the chairman of Shanghai Shenergy Nengchuang Energy Development Co., Ltd. since June 2021.
2. Mr. Jin Wenzhong, the Chairman, an executive Director and the president of the Company, ceased to serve as the chairman of Orient Finance Holdings (Hong Kong) Limited since January 2021, and has acted as the general manager of Shanghai Orient Securities Capital Investment Co., Ltd. since May 2021.
3. Mr. Yu Xuechun, a non-executive Director of the Company, has served as a director of Shanghai Shenergy Nengchuang Energy Development Co., Ltd. since June 2021.
4. Mr. Liu Wei, a non-executive Director of the Company, has served as the secretary of the CPC party committee of Shenergy Company Limited since April 2021, and ceased to serve as the director of the organization department under the CPC party committee and the general manager of human resource department of Shenergy (Group) Company Limited since April 2021.
5. Mr. Jin Qinglu, an independent non-executive Director of the Company, has served as an independent director of Harbin Bank Co., Ltd. since March 2021.
6. Mr. Zhang Qian, the chairman of Supervisory Committee of the Company, ceased to serve as the vice president of Shenergy (Group) Company Limited since March 2021, has served as the deputy secretary of the CPC party committee of Shenergy (Group) Company Limited since March 2021 and the president of the work union of Shenergy (Group) Company Limited since June 2021.
7. Mr. Shen Guangjun, a shareholder representative Supervisor of the Company, has served as a director of Shanghai Pudong BOC Fullerton Community Bank Co., Ltd. since June 2021.
8. Mr. Xia Lijun, an independent Supervisor of the Company, ceased to serve as an independent director of Visionox Technology Inc. since April 2021.

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 relevant information of Directors, Supervisors and senior management of the Company during the Reporting Period.

## Section IV Corporate Governance

### (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

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 “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 IV Corporate Governance

### IV. OTHER INFORMATION ON 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 Company strictly complied 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 Guidelines on Articles of Association of Listed Companies of the CSRC, the relevant requirements of Securities Association of China on construction of the industry culture of securities companies, and based on the actual situation of the Company and requirements of regulatory authorities, the Company amended or improved the relevant provisions in the Articles of Association regarding the composition of the Board, the construction of the Company's culture and the division of responsibilities of Directors. During the Reporting Period, the Company convened two general meetings, five Board meetings, four meetings of the Supervisory Committee, and eleven meetings of special committees under the Board in total, including two meetings of the Strategic Development Committee, three meetings of the Compliance and Risk Management Committee, two meetings of the Audit Committee, and four meetings of the Remuneration and Nomination Committee. 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. Mr. Jin Wenzhong, our president, served as the acting chairman of the Board from the beginning of this year to March 4, 2021, and after the Company completed the election of new session of the Board on March 5, 2021, Mr. Jin Wenzhong became the chairman and president of the Company, the Company complied with all code provisions of the Corporate Governance Code other than code provision A.2.1. Given that the Rules of Procedure for the Board of Directors and the Terms of Reference of the President considered and approved by the Board of the Company have clearly defined the division of responsibilities between the chairman and the president, and for major decisions of the Company, the Board may still make collective decisions with over ten Directors including other executive Directors, non-executive Directors, independent non-executive Directors and employee representative Directors, and the special committees under the Board and independent non-executive Directors will continue to play an active professional and supervisory role and are able to effectively address potential governance issues caused by the chairman acting as the president. Therefore, the Company has met most of the requirements for the recommended best practices set out in the Corporate Governance Code.

## Section IV Corporate Governance

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 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 13 Directors, among whom two were executive Directors, five were non-executive Directors, five were independent non-executive Directors and one was employee representative 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. Yu Xuechun, Mr. Zhou Donghui, Mr. Feng Xingdong and Mr. Luo Xinyu. 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 2021 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, five are shareholder representative Supervisors and one is independent Supervisor. 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 IV Corporate Governance

### (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 future 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 official account of "Orient Securities Investor Relation Platform", teleconferences, on-site reception, online interaction, investor meeting, results release press conference, performance roadshow and the E-interactive platform launched by the SSE, thereby strengthening communication with investors.

In the first half of 2021, the Company conducted a total of 36 roadshows and communication activities of different kinds. In particular, in order to actively respond to the call of the SFC and CSRC, the stock exchanges and other regulatory authorities and to fully protect the rights and interests of various investors, the Company held the 2020 annual results presentation, which was a live broadcast on the dual platforms of the websites of "Panorama • Roadshow" and SSE Roadshow Center, with 74,000 views on the live pages, effectively enhancing the Company's market attention. In addition, during the Reporting Period, the Company hosted 9 small-scale research activities, attended 10 exchange sessions with securities firms, answered the investor hotline and addressed questions from investors, patiently answered 45 questions from various investors through "SSE E-Information" platform, and published 18 articles related to the Company's operation on the WeChat official account of "Orient Securities Investor Relation Platform", thereby increasing recognition by investors and facilitating synergies between investors and the Company through multiple channels. During the reporting period, the Company was awarded as the "Best IR Hong Kong Listed Company (A+H Shares)" in the "Fourth New Fortune Best IR Hong Kong Listed Company Awards"; and won the "Best Investor Relation Award" and "Best Board of Directors Award on the Main Board" at the 12th China Listed Companies Investor Relations Forum organized by Securities Times.

## Section IV Corporate Governance

### (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 amended and improved the System regarding Insider Registration, Management and Confidentiality in accordance with the Regulations on Insider Registration and Management System of Listed Companies (2021) (CSRC Announcement [2021] No. 5) of the CSRC, the Guidelines for Reporting of Insiders of Listed Companies on the Shanghai Stock Exchange (2020) and other relevant requirements, made more efforts to maintain the confidentiality of inside information, and 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 such system. The Company was rated as A (the highest rating) by the SSE in its assessment on information disclosure works.

## V. 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 2021.

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

### Employee Stock Ownership Plan

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.

## Section IV Corporate Governance

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.

The H share employee stock ownership plan of the Company has completed the acquisition of all subject shares and relevant transfer and registration on December 24, 2020. In particular, "DFZQ ESOP Single Asset Management Scheme No. 1" and "DFZQ ESOP Single Asset Management Scheme No. 2" acquired a total of 65,906,800 H shares of the Company in the secondary market, accounting for 0.942% of the total share capital of the Company and 6.417% of the H share capital of the Company, at total consideration of RMB0.30 billion, and the remaining fund will be used for liquidity management.

According to the Employee Stock Ownership Plan of 東方證券股份有限公司, the lock-up period of the subject shares purchased under the H share employee stock ownership plan of the Company shall be 12 months with effect from the date on which the Company announces that the last purchased subject shares are transferred and registered, i.e. from December 25, 2020 to December 24, 2021.

The Company will strictly adhere to the market trading rules, continuously monitor the implementation and progress of the employee stock ownership plan of the Company, and perform its obligation of information disclosure under relevant regulations in a timely manner.

## Section V Environmental and Social Responsibilities

### I. INFORMATION ON ENVIRONMENTAL PROTECTION

The Company operates in financial securities industry and is a non-key emission company with main business scope covering: securities brokerage; margin financing and securities lending; securities investment advisory; financial consultancy in relation to securities transactions and securities investment activities; proprietary of securities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products; security underwriting (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing products governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)); stock and options market making business and securities investment fund custodian business.

The Company always advocates and carries out the concept of “green office, low-carbon life”, explores energy-saving, environmental protection and efficient management mode, implements the concept of green environmental protection in the Company’s management process, and actively performs its corporate social responsibilities. The Company prepares an annual ESG report to disclose its efforts and results in environmental protection. During the Reporting Period, the Company was not subject to administrative penalties for environmental issues.

#### 1. Information on activities that are conducive to protecting the ecosystem, preventing and controlling pollution, and performing environmental responsibility

The earth is the only home for human beings, and a harmonious natural ecosystem is the basis for human survival. As a securities company, the Company attaches extra importance of protecting the ecosystem, preventing pollution and performing its environmental responsibility. The Company has been concerned about the sustainable development of the earth, and continuously plans and disseminates various forms of environmental protection concepts to employees, customers and partners through the official WeChat platform for more than 20 times. Through its major internal publicity channels, the Company has proposed five environmental protection initiatives for employees, including: water conservation, carbon reduction, plastic reduction, participating in wildlife protection and carrying out sustainable consumption activities. The Company participated in the “Earth Hour” campaign to switch off the lights each year, and organized the environmental protection photography exhibition and interactive activities under the theme of “Care for the Earth Together at This Moment” on April 22, the Earth Day, and June 5, the World Environment Day. In addition, by partnering with the “White Whale” used clothes recycling mini program on the Alipay platform, the Company created a convenient platform for its staff to participate in used clothes recycling. The Company also provided free recycled coffee grounds to non-profit organic fertilizer manufacturers every month. Moreover, leveraging on the Company’s charity foundation platform, DFZQ joined hands with the students and volunteers from the Xindeyizhang Art Classroom to collect plastic garbage from the beach, jointly practicing the concept of environmental protection.

## Section V Environmental and Social Responsibilities

### 2. Measures taken to reduce its carbon emissions during the Reporting Period and their effects

The Company always advocates and promotes a low-carbon and environmentally friendly way of business operation and working, actively promotes the implementation of energy-saving and environmental protection system, facilitates employees to develop environmentally friendly habits, promotes sustainable operation of office premises, and contributes to environmental protection through energy saving and emission reduction, building green data center and holding zero-waste conferences, thereby facilitating China to achieve the goal of carbon neutrality by 2060.

During the Reporting Period, the Company continued to create office premises with a low-carbon concept by adopting LED lights in offices to save energy consumption and reduce power line losses; strictly controlling the operation time and temperature of air conditioners in summer and winter; and making good use of natural light for lighting, turning off the office lights in time, strengthening the standby practice of office equipment, and reducing power consumption of the equipment. The Company also advocated water resource conservation by installing induction taps in toilets and regular and timely inspecting and repairing water equipment to eliminate water leakage. In addition, the company has introduced effective measures to reduce paper use in office premises, such as promoting electronic internal newsletters to replace paper newsletters; publishing all announcements through OA system to promote paperless office; and using paper certified by Forest Stewardship Council (FSC) to print the social responsibility report of the Company. For green decoration, the Company used green and environmentally friendly materials to decorate the office area to avoid polluting the environment and endangering human health. Meanwhile, hazardous wastes from office operation were entrusted to qualified units for recycling.

Meanwhile, in terms of green data center construction, the Company accelerated the low-carbon transformation of data centers based on the requirements of the “Guidance on Strengthening the Construction of Green Data Centers” and other policies. Jinqiao Data Center was the first financial data center in China to be awarded the three-star green building design certification. It also continued to adopt energy-saving and emission reduction technologies to improve energy and resource efficiency and reduce greenhouse gas emissions.

## Section V Environmental and Social Responsibilities

The Company continues to advocate the new concept of low-carbon and environmental protection, and has been putting great efforts in developing the “zero waste” concept and comprehensive promoting “zero waste” building and “zero waste” meeting since this year. During the Reporting Period, the Company held the “Sustainability Forum Series: ESG Investment in the Context of Carbon Neutrality” and the forum of “Green Energy Development in the Context of Carbon Neutrality”. In the two forums, the Company actively practiced the green concept of “zero-waste” conference and integrated the concept of sustainable development into the events. Recycling devices were set up at the venue, and the staff managed the conference materials and on-site consumables in a scientific manner. After the events, paper products, badges, beverage bottles and other waste from the conference site were collected and sent to the factory for recycling into environmentally friendly products, achieving the scientific management of conference materials and on-site consumables at the conference site of sustainable development theme forum and centralized collection and recycling of paper products, badges, beverage bottles and other waste generated from the conference. Meanwhile, the Company encouraged the use of public transport and sharing riding, and strictly controlled travel of the Company’s own vehicles; encouraged the use of teleconferencing systems for online communication, reduced the number of on-site meetings, and reduced carbon emissions from business travels.

During the Reporting Period, the company focused on plastic reduction, participated in plastic reduction activities through multiple channels, and further innovated its own environmental protection practices. The Company has set up a mini plastic recycling station inside the office building to encourage employees to participate in plastic bottle recycling and reduce carbon emissions from plastic waste by supporting the recycling of plastic. In the future, the Company will attach greater importance in plastic reduction activities and continue to explore systematic solutions for this issue, so as to help build a better environment.

### II. INFORMATION ON CONSOLIDATING AND EXPANDING THE RESULTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

The company actively responds to the national call and securities industry guidelines, deeply implements the spirit of relevant documents, and practices the work of poverty alleviation and rural revitalization. During the Reporting Period, the Company actively fulfilled its corporate social responsibility, continued to respond to the call of the national strategy of rural revitalization, actively consolidated and expanded the achievements in poverty alleviation, and carried out related work in various aspects such as industrial poverty alleviation, education poverty alleviation and consumer poverty alleviation. In the future, the Company will continue to carry out all related work, take the responsibility of the times and help revitalize the rural areas.



## Section V Environmental and Social Responsibilities

### (i) Main strategies

#### 1. *Supporting industries based on the resource endowment and local conditions of former poverty-stricken counties*

On the basis of full on-the-spot investigation and understanding of the characteristic resources of each former poverty-stricken county, the Company provides industrial assistance according to local conditions. At present, the Company takes Hubei Wufeng, Inner Mongolia Morin Banner 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 the consolidation of achievements in poverty alleviation of pair-up counties through rippling effect selectively.

#### 2. *Insisting on giving priority to poverty alleviation through industry support, and promoting former poor counties to realize the function of “Blood Generation” through consumption channels*

In various efforts of consolidating the poverty alleviation achievements, the Company focuses on the industrial poverty alleviation model that can achieve sustainable development for poor counties. 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, the Company promotes the development of local specialty industries hands in hands, aiming to realize the “Blood Generation” function for former poor counties in the long run.

#### 3. *Providing talent guarantee for pair-up areas*

The Company adheres to the work idea of “prioritizing knowledge support” in relevant 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.

#### 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 former 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 with reference significance and replicability.

## Section V Environmental and Social Responsibilities

### 5. *Strengthening the project process management and promoting the smooth implementation of rural revitalization*

The Company sets up an internal group for relevant work to establish the key tasks each year, and through the daily work contact mechanism with pair-up areas, field visits and investigations, and post-event and post-feedback mechanisms, to better manage the project process and ensure smooth implementation of supporting projects to ensure the implementation of rural revitalization.

#### (ii) **Details on efforts made**

The Company and its subsidiaries had signed pair-up assistance agreements with 19 former 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, Xichou County in Yunnan Province and Li County in Gansu Province, in order to carry out relevant supporting activities.

During the Reporting Period, the Company invested a total of RMB3.9367 million in poverty alleviation projects and carried out 4 poverty alleviation projects, including 1 industrial poverty alleviation project with an investment of RMB2.5587 million; and 3 educational poverty alleviation projects with an investment of RMB1.3780 million.

#### 1. *Implementing the Industrial Poverty Alleviation Project of “Dongfanghong Selected Mingqian Spring Tea” in Hubei Wufeng*

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 pooled the resources from various sides to continue to carry out the industrial poverty alleviation project of “Dongfanghong Selected Mingqian Spring Tea” to further promote the local customs and practices of Wufeng. In addition, capitalizing on the influence of its “Dongfanghong” asset management brand, the Company created the brand of “Dongfanghong Selected Mingqian Spring Tea” in order to develop lasting market competitiveness and premium ability.

## Section V Environmental and Social Responsibilities

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

Based on the good social benefits achieved from 2017 to 2020, during the year, the Company continued to implement the “Orient Guniang” industrial project and started relevant preparatory work, including: continuously optimizing fruit collection and storage of local Guniang fruits to improve product quality; designing the overall plan for the promotion and dissemination of Guniang fruits in Morin Banner and further improving the popularity of the product through proposed development of relevant merchandise; improving the cooperation mechanism with Benlai Life, utilizing the advantages of the Group and e-commerce channels, and strengthening the promotion and sales of Guniang products to benefit more poor local farmers.

### 3. *Constant Progress in Education Poverty Alleviation Projects*

The Company achieved substantial progress in the education poverty alleviation works in Morin Banner, Inner Mongolia. 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 126 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 RMB0.3780 million. Since March 2017, the Company has successively carried out nine poverty assistance programs in No. 1 Middle School of Ni Er Ji in Morin Banner, benefiting approximately 950 impoverished students, with total amount of aid exceeding RMB2.80 million.

#### (iii) **Subsequent work plan**

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

Since pairing up with several formerly 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 former poor counties in a solid way to ensure that the goal of promoting the sustainable development of local industries can be truly achieved, thereby supporting the national strategy of rural revitalization.

## Section V Environmental and Social Responsibilities

### 2. *Continuously Promoting Poverty Alleviation Projects through Education*

The Company will continue to carry out education poverty alleviation projects in various former 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 improvement of education infrastructure in rural areas and other projects.

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

In 2018, 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, thereby facilitating the consolidation of achievements in local poverty alleviation and further development.

### 4. *Continuing to Accomplish Various Public Welfare Poverty Alleviation Projects*

According to the on-the-spot investigation and the actual demand in former 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.. In the future, the Company will continue to strengthen its daily communication with rural areas, get a thorough understanding of their actual needs, and make use of the strength of its Xindeyizhang Public Welfare Foundation to continue to accomplish various public welfare poverty alleviation projects.

## Section VI Significant Events

### I. PERFORMANCE OF UNDERTAKINGS

#### (i) Undertakings by the Company's de facto controller, shareholders, related parties, acquirers, the Company and other undertaking relating 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 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	No	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 in 2017	Yes	Yes	/	/

## Section VI Significant Events

**II. NO APPROPRIATION OF FUNDS ON A NON-OPERATING BASIS BY THE COMPANY'S CONTROLLING SHAREHOLDERS OR OTHER RELATED PARTIES HAS OCCURRED DURING THE REPORTING PERIOD**

**III. DURING THE REPORTING PERIOD, THE COMPANY DID NOT PROVIDE ANY NON-COMPLIANCE GUARANTEE**

**IV. 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 VI 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. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Delisted Dalian Holdings (退市大控)" (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. The case entered the judicial auction procedure in August 2019. During the judicial evaluation process, the listed company was delisted from the market in December 2019. The listed company was delisted and quoted on the Agency Share Transfer System. After applying with Pacific Securities (the nominated broker), the manager agreed to dispose of the collateralized stocks in advance, and auctioned it for the first time in June 2020 but the auction was unsuccessful. The first creditor meeting was held in July 2020, and the claims were validated by the manager. At present, the case is pending for the manager to continue the bankruptcy proceedings.

## Section VI 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), the guarantor	Litigation	Shanghai Yutai Dengshuo Investment Center (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Blivex (保力新)" (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 was completed in September 2018. In September 2019, the case entered the implementation phase. Certain collateralized shares were disposed of through judicial entrustment in secondary market, and certain implementation funds were recovered. After the remaining collateralized shares were auctioned off by judicial auction in January 2020, the court has made a ruling on debt repayment with shares, and the procedures for debt repayment with shares have been completed. In March 2020, in the proceedings of other criminal cases, Shanghai No.2 Intermediate People's Court froze the execution proceeds recovered related to the Company's case of RMB65 million (based on the value of debt offset by the number of shares sold). The Company's case will be handle according to relevant legal documents after conclusion of the criminal case. In March 2020, 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.



## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Lin Wenzhi, his spouse and Fujian Tongfu Industry Co., Ltd., 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 "ST Guanfu (ST 冠福)" (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 RMB127 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	<p>In July 2019, the three transactions were jointly sued by the Company to the Shanghai Financial Court and litigation preservation was completed. The Shanghai Financial Court planned to split the above three transactions into two cases and formally held a hearing in January 2020 on the transaction case involving a principal of RMB91 million. In March 2020, the Company received the ruling of first instance where the court ruled in favor of the Company in respect of all claims except for the attorney's fees not actually incurred and the preservation guarantee fee, and the defendant did not appeal, and the Company applied for execution in April 2020. The Financial Court ruled to auction the shares in January and February 2021, respectively. In April 2021, the auctions and the judicial transfer were completed. In May 2021, the Company received the final ruling.</p> <p>In addition, the case transferred from Shanghai Financial Court to Huangpu Court was filed in March 2020 and officially opened in August 2020. In November 2020, the Company received the ruling of first instance where the court ruled in favor of the Company in respect of all claims except for the attorney's fees not actually incurred and the preservation guarantee fee. The ruling came into effect in March 2021 after service of notice, and in April 2021, it was accepted by the Huangpu Court for enforcement, which is still in progress.</p>

## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Beijing Wutong Yuxiang Investment Co., Ltd. (北京市梧桐翔宇投资有限公司)	Litigation	Beijing Wutong Yuxiang Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of “ST Deao (ST 德奥)” (002260) held by it in August 2016. The above-mentioned transaction has been in default.	Principal of RMB123 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	The lawsuit was filed in July 2019 and first heard in April 2020. In May 2020, the court ruled in favor of the Company in first instance, and the defendant did not appeal. In July 2020, the Company applied for enforcement. In September 2020, Hangzhou Intermediate Court, the first freezing court, transferred the disposal right to Shanghai Financial Court. However, due to the uncertainty of when the listed company will resume trading, the execution process was terminated in November 2020. In January 2021, the Company applied for renewal of freezing of the shares involved.
DFZQ	Lin Wenchang	Litigation	Lin Wenchang conducted the share collateralized repurchase transaction with the Company by the restricted shares of “ST Guanfu (ST 冠福)” (002102) held by him in June 2016. The above-mentioned transaction has been in default.	Principal of RMB283 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 accepted the enforcement case and completed the enforcement preservation. In March 2020, Quanzhou Intermediate People’s Court obtained the right to dispose of pledged shares. In March 2021, the Fujian Higher People’s Court ruled to reject the review. In April 2021, the pledged shares involved in the case were put up for auctions and the auctions were completed. The case is now pending judicial transfer by the enforcement court.
DFZQ	Zhang Qingwen	Litigation	Zhang Qingwen conducted the share collateralized repurchase transaction with the Company by the circulating shares of “ST Bangxun (ST 邦讯)” (300312) held by him in December 2015. The above-mentioned transaction has been in default.	Principal of RMB186 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 enforcement case was accepted by Beijing No.1 Intermediate People’s Court. In March 2020, the court received the disposal right of shares from the first freezing court in Shenzhen, and the Company applied with the court to resume the enforcement. In June 2020, the Company communicated with the court in respect of the auction plan. The auctions held in October and November 2020 were unsuccessful. In June 2021, the court issued a ruling on debt repayment with shares. The case is now pending judicial transfer.

## Section VI Significant Events

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 “*ST Bangxun Technology (*ST 邦訊)” (300312) held by her in 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>Among them, the lawsuit case was formally filed in September 2019, but the defendant filed a jurisdictional objection, which was rejected by Huangpu Court, and the defendant appealed to Shanghai Financial Court. In January 2020, Shanghai Financial Court issued a final ruling which rejected the defendant’s jurisdictional objection. The trial was held in May 2020. In June 2020, the Company received the ruling of first instance where the court ruled in favor of the Company in respect of all claims except for the attorney’s fees not actually incurred and the preservation guarantee fee. In June 2020, the defendant filed an appeal. In December 2020, the Company received the ruling of second instance which upheld the original ruling. In January 2021, the Company formally applied to the Huangpu Court for enforcement and case opening. In May 2021, the first judicial auction was unsuccessful. In June 2021, the Huangpu Court issued a ruling on debt repayment with shares. In July 2021, the transfer procedure was completed.</p> <p>The enforcement case was filed with enforcement procedure in Beijing No. 1 Intermediate Court in October 2019. In June 2020, the Company communicated with the court in respect of the auction plan. The auctions held in October and November 2020 were unsuccessful. In June 2021, the court issued a ruling on debt repayment with shares. The case is now pending judicial transfer.</p>

## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Xu Leilei	Litigation	<p>Xu Leilei conducted the share collateralized repurchase transaction with the Company by the shares of "Huangshi Group (皇氏集團)" (002329) held by her in November 2016.</p> <p>The above-mentioned transaction has been in default.</p>	Principal of RMB119 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	<p>In October 2019, the case was put on file with enforcement procedure in Beijing No. 3 Intermediate Court. In December 2019, the execution settlement agreement was reached between the Company and 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. The first freezing re-trial case was put on trial again in September 2020. The Nanning Intermediate Court issued a ruling in February 2021 concluding that the Company was entitled to the right of pledge, but due to the appeal of the other party, the case was transferred to the Guangxi High Court and is currently pending the second trial.</p>

## Section VI Significant Events

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	The lawsuit was filed with Shanghai Financial Court at the end of October 2019 and first heard in April 2020. In August 2020, the Company and the defendants reached a settlement in court and produced a civil settlement agreement. As the defendants failed to perform the settlement agreement, the Company applied for enforcement, which was filed with Shanghai Financial Court for enforcement in January 2021. In April 2021, the Shanghai Financial Court ruled to auction the pledged shares, which are scheduled to be auctioned in July 2021.

## Section VI Significant Events

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 in 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. Shanghai Financial Court scheduled the case to be heard in November 2020. In February 2021, the Company received the ruling of the first instance, which ruled in favor of our claim against the debtor Dongfang Junsheng and the guarantors Feng Biao and Gao Zhonglin and the amount of all debts; the claim of joint and several liability against the spouses of the two guarantors was not awarded. In March 2021, the debtor Dongfang Junsheng appealed. At present, the Shanghai High Court has accepted the case for second trial.

## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
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. The hearing of first instance was held in January 2021. In March 2021, the Company received the ruling of the first instance, which ruled in favor of our claim against the debtor Shenzhen Laohuhui and the guarantor Feng Biao and the amount of all debts; the claim of joint and several liability against the spouse of the guarantor was not awarded. In March 2021, the debtor Laohuhui appealed. At present, the Shanghai High Court has accepted the case for second trial.
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 "**ST Kedi Dairy ("ST科迪)" (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 RMB232 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 2020, the court made a preservation ruling. The hearing of first instance was held in October 2020. In December 2020, Shangqiu Intermediate Court accepted the bankruptcy case of Kedi Group. In February 2021, Shanghai Financial Court made a ruling of first instance in favor of the Company, and the other party did not appeal. In May 2021, the Company completed the filing of claims. At present, the case is pending for the manager to continue the bankruptcy proceedings.

## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Linlu Investment (Shanghai) Co., Ltd. (霖瀨投資(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 “ST Jiaxin (“ST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 first-instance freezing of the pledged shares was completed. The case was heard in September 2020, and settlement was reached with civil settlement agreement produced by the court. As the debtors failed to perform the payment obligation, the Company applied for enforcement with Shanghai Financial Court in January 2021. In March 2021, an enforcement case was filed with Shanghai Financial Court, and in May 2021, the court ruled to initiate auction process and commissioned an appraisal of the shares involved. The case is now pending the result of commissioned appraisal.
DFZQ	Shandong Oriental Ocean Group Co., Ltd. (山東東方海洋集團有限公司)	Litigation	Shandong Oriental Ocean Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the “ST Oriental Ocean (“ST東洋”) (002086) held by it since October 2017 and Che Shi, Song Zhenghua and Che Zhiyuan provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB175 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	In July 2020, the Company filed a lawsuit with Shanghai Financial Court, and the hearing of first instance was held in December 2020. In January 2021, the Company received the ruling of first instance in favor of the Company, and in April 2021, the enforcement case was filed. In May 2021, the Company applied with Shanghai Financial Court to negotiate with Jinan Intermediate Court and Qingdao Intermediate Court (the courts of first instance) for transfer of the right of disposal of the pledged shares. In June 2021, Jinan Intermediate Court and Qingdao Intermediate Court have transferred the right of disposal of the pledged shares to Shanghai Financial Court.



## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shantou Chenghai Humei Storage Battery Co., Ltd. (汕頭市澄海區滙美蓄電池有限公司)	Litigation	Shantou Chenghai Humei Storage Battery Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the “*ST Dynavolt (*ST猛獅)” (002684) held by it since May 2016 and Chen Zaixi, Chen Yinqing, Chen Lewu, Lin Shaojun and Guangdong Mengshi Industrial Group Co., Ltd. (廣東猛獅工業集團有限公司) provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB569 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	In August 2020, the Company filed a lawsuit with Shanghai Financial Court. As the case could not be served on all defendants, it was served by public announcement. In February 2021, the case went on trial and is currently pending the court’s ruling.

## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Xusen International Holding (Group) Co., Ltd. (旭森國際控股(集團)有限公司)	Litigation	Xusen International Holding (Group) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the “ST Global (“ST環球”) (600146) held by it since September 2016. The above-mentioned transaction has been in default.	Principal of RMB239 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	In December 2020, the case of enforcement was accepted by Shanghai Financial Court. The executed party filed an objection to enforcement. In January 2021, Shanghai No. 3 Intermediate Court accepted the bankruptcy and liquidation case of Xusen International. In February 2021, Shanghai Financial Court rejected Xusen International’s objection to enforcement and informed the transfer to bankruptcy proceedings. The Company submitted the claim documents to the manager in the same month. In March 2021, Shanghai Financial Court made a ruling of termination of enforcement. The Company’s claims have been validated and confirmed by the manager, and are now pending the manager to continue the bankruptcy proceedings.
DFZQ	Cai Tingxiang	Litigation	Cai Tingxiang conducted the share collateralized repurchase transaction with the Company by the shares of “Great Wall of Culture (文化長城)” (300089) held by it since September 2017. The above-mentioned transaction has been in default.	Principal of RMB169 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	In January 2021, the case of enforcement was accepted by Guangdong Chaozhou Intermediate Court. In February 2021, Chaozhou Intermediate Court issued a “Letter of Request for Transfer of Disposal Rights” to Beijing No. 1 Intermediate Court and Guangzhou Intermediate Court, the two courts of first instance. In March 2021, Beijing No. 1 Intermediate Court agreed to transfer the right of disposal, and in April 2021, Guangzhou Intermediate Court agreed to transfer the right of disposal. In May 2021, Chaozhou Intermediate Court firstly ruled to seize, impound and freeze the relevant properties under Cai Tingxiang’s name, and then ruled to auction the shares of listed company held by Cai Tingxiang. In May 2021, Cai Tingxiang filed a written objection, and in June 2021, Chaozhou Intermediate Court ruled to reject his objection.

## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Zhuhai Zhongzhu Group Co., Ltd. (珠海中珠集團股份有限公司)	Litigation	Zhuhai Zhongzhu Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Zhongzhu (ST 中珠)" (600568) held by it since November 2017, which was guaranteed by Zhuhai S.E.Z. Dezheng Group Co., Ltd. with its immovable assets. The above-mentioned transaction has been in default.	Principal of RMB461 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In April 2021, Zhuhai S.E.Z. Dezheng Group Co., Ltd., the guarantor, was sued together in Shanghai Financial Court which accepted the case and completed property preservation. In June 2021, Shanghai Financial Court scheduled the case to be heard in October 2021.
DFZQ	Xu Wei	Litigation	Xu Wei conducted the share collateralized repurchase transaction with the Company by the shares of "Tensyn (騰信股份)" (300392) held by it since September 2017 and Teng Yingqi provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB483 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid	In May 2021, Teng Yingqi, the guarantor, was sued together in Shanghai Financial Court which accepted the case and completed property preservation in the same month. Due to failure of the first service of prosecution materials, the second service and service by public announcement were carried out simultaneously.

## Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shihezi Demeike Investment Partnership (Limited Partnership) (石河子德梅柯投資合夥企業(有限合夥))	Litigation	Shihezi Demeike Investment Partnership (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the shares of “ST Huachang (‘ST華昌’)” (300278) held by it since February 2015 and Chen Ze, its executive partner, provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB143 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid	In May 2021, the case of enforcement was accepted by Hubei Shiyan Intermediate Court. The case is now in the process of enforcement.  The prosecution against the guarantor was accepted by Shanghai Financial Court in March 2021, the property preservation was completed in April 2021, and the case went on trial in June 2021. After hearing, the court ex officio introduced a third party, being Shihezi Demeike. However, as service cannot be made on such party, service by public announcement will be arranged.

## Section VI Significant Events

### V. VIOLATION OF LAWS AND REGULATIONS BY, PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

1. On February 19, 2021, the CSRC issued the Decision on the Issuance of Warning Letter to Orient Securities Investment Banking Co., Ltd. The above regulatory letter determined that Orient Investment Banking, as the sponsor of the initial public offering and listing of Shanghai Zhijiang Biotechnology Co., Ltd., did not sufficiently verify the issuer's revenue recognition policy, fixed assets, related party transactions and capital appropriation by related parties, and had insufficient internal control effectiveness, which violated the requirements of Article 4 and Article 34 of the Administrative Measures for the Sponsorship of Securities Issuance and Listing. Orient Investment Banking attached great importance to the above issues, and the compliance accountability team started the accountability procedure immediately, investigated the matter and held the relevant persons accountable for compliance issues. In addition, the relevant project executives, quality control department and operation management of Orient Investment Banking have conducted in-depth introspection and diligently summarized the issues in order to effectively improve and ensure the project quality and competence of the Company's investment banking business and continuously improve the Company's internal control and risk control, thereby ensuring the sustainable and healthy development of the Company's business.
2. The Company has no controlling shareholders or de factor controllers. 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.

### VI. 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.

## Section VI Significant Events

### VII. 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/connected parties.

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

##### 1. Related party/connected transactions between the Group and Shenergy Group and its associates

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 associates are connected persons of the Company. During the Reporting Period, the Company carried out related party/connected transactions in strict compliance with the “Resolution on Estimation for the Company’s 2021 Daily Related Transactions” considered and approved at the 2020 annual general meeting and the “Resolution on the Signing of the 2021-2023 Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” considered and approved at the second meeting of the fifth 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	Projected amount	Actual amount
Securities and financial services	Fee and commission income	The Company charges fees and commissions for providing related parties with services such as trading of securities and futures on their behalf, financial advisory and other services.		12,000.00	26.02
	Underwriting fee income	The Company charges securities underwriting fees for providing securities underwriting services.			50.49
	Interest expense on the margins of clients	The Company pays interest on the deposits from clients for providing related parties with services such as trading of securities and futures on their behalf and other services.	Shenergy Group and its associates	1,200.00	7.77
Trading in securities and financial products	Bond trading	The Company conducts transactions in the interbank market such as spot trading of bonds, bond repurchase and interest rate swaps.		220,000.00	2,000.00
Purchase of goods and receiving of services	Business and management fee	The Company receives its services such as property management, gas and electric supply.		5,000.00	850.84

*Note:* In the first half of 2021, the related party/connected transactions between the Company and Shenergy Group and its associates accounted for a small proportion of the Company’s similar transactions.

## Section VI 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 2021 Daily Related Transactions” reviewed and approved at the 2020 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 services	Fee and commission income	The Company charges fees and commissions for providing related parties with services such as trading of securities and futures on their behalf, financial advisory and other services.	China Universal Asset Management Company Limited		15,028.53
			Great Wall Fund Management Co., Ltd.	Subject to the actual amount due to unpredictable transaction volume.	119.37
			Shanghai Orient Xindeyizhang Public Welfare Foundation		1.47
			Shanghai Shangbao Asset Management Co., Ltd.		0.10
			Related/connected natural person		134.07
	Interest income	The Company holds the bonds issued by the related parties and earns interest income for the corresponding period.	China Pacific Property Insurance Co., Ltd.	Subject to the actual amount due to unpredictability of size and term of bonds.	239.91
			Shanghai Xinhua Distribution Group Co., Ltd.		101.14
			Shanghai Shangbao Asset Management Co., Ltd.		77.15
			Zhejiang Energy Group Co., Ltd.		0.06
	Investment income	The Company obtained investment income from purchasing securities, funds, insurance and other products issued by the related parties.	Great Wall Fund Management Co., Ltd.		877.97
			China Pacific Insurance (Group) Co., Ltd.	Subject to the actual amount due to unpredictability of size and yields of securities and other products.	319.29
			Jiangsu Financial Leasing Co., Ltd.		6.74
China Zheshang Bank Co., Ltd.				(0.30)	
Greenland Holdings Group Co., Ltd.				(0.74)	
Shanghai Electric Group Co., Ltd.				(5.57)	
Haitong Securities Co., Ltd.				(182.51)	
Related/connected natural person				0.38	
Interest expense on clients' deposits	The Company pays interest on the deposits from clients for providing the related parties with services such as trading of securities and futures on their behalf and other services.	Shanghai Shangbao Asset Management Co., Ltd.	Subject to the actual amount due to unpredictability of the amount of funds of the clients.	0.13	
		Greenland Holdings Group Co., Ltd.		0.03	
		Shanghai Orient Xindeyizhang Public Welfare Foundation		0.01	
		Related/connected natural person		0.47	

## Section VI Significant Events

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
			Great Wall Fund Management Co., Ltd.		24,994.32
			Shanghai Construction Group Co., Ltd.		17,087.12
			China Pacific Property Insurance Co., Ltd.		10,390.07
			Shanghai Xinhua Distribution Group Co., Ltd.		5,207.01
Trading in securities and financial products	Securities trading	Balance of the stocks, bonds and other securities which are issued by the related parties and subscribed for by the Company as at the end of the period.	Haitong Securities Co., Ltd.	Subject to the actual amount due to unpredictability of transaction and the volume.	5,155.40
			Shanghai Shangbao Asset Management Co., Ltd.		4,126.26
			Shanghai Qizhong Golf Club Co., Ltd.		1,919.22
			Zhejiang Energy Group Co., Ltd.		1,000.07
			Jiangsu Financial Leasing Co., Ltd.		97.60
			China Pacific Insurance (Group) Co., Ltd.		75.32
			Greenland Holdings Group Co., Ltd.		52.81
			China Zheshang Bank Co., Ltd.		5.08
			Shanghai Electric Group Co., Ltd.		3.26
			Purchase of goods and receiving of services		Business and management fee

### 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 2021, 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.



## Section VI Significant Events

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

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

#### (1) *Securities and Financial Services*

Securities and financial products services include but not limited to, the following services: securities, futures brokerage; lease of trading seats; sales of securities and financial products; underwriting and sponsoring; financial advisor; custodian asset management; settlement and sale of foreign exchange; securities financing business; asset custody; securities and financial advisory and consulting, etc..

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:

- Securities and futures brokerage services – As the commission rate for brokerage services is generally transparent and standardized in the market, such rate shall be determined after arm's length negotiations between the parties with reference to the requirements of relevant laws and regulations, the commission rate applicable to independent third party customers and the estimated size of broker transaction;
- Lease of trading seats – The service fee of lease of trading seats shall be determined after arm's length negotiations between the parties with reference to the fees applicable to independent third party customers;
- 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;
- Underwriting and sponsoring services – The underwriting and sponsoring services market is highly competitive and the service rates and related fees are highly transparent and standardized. The service fees shall be determined after arm's length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account various factors, including prevailing market conditions, the size of the proposed issue, general market rates for recent issues of similar nature and size, and the fees applicable to independent third parties for similar services;

## Section VI Significant Events

- Financial advisory services – The fees for financial advisory services are highly transparent and standardized in the market, and shall be determined after arm’s length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account factors such as prevailing market conditions, the nature and scale of the transaction and the fees applicable to independent third parties for similar services;
- Custodian asset management services – The rates for asset management services are highly transparent and standardized in the market, and the service fees will be determined after arm’s length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account factors such as the size of the assets entrusted, the complexity of providing specific services and the fees applicable to independent third parties for similar services;
- Settlement and sale of foreign exchange – The transaction exchange rate for the settlement and sale of foreign exchange services shall be determined after arm’s length negotiations between the parties, taking into account factors such as the prevailing exchange rates in interbank foreign exchange market, the scale of the transaction and the exchange rate standards applicable to independent third parties for similar services;
- Securities financing services – The fees for securities financing services shall be determined after arm’s length negotiations between the parties with reference to the fees applicable to independent third parties;
- Asset custody services – The fees for asset custody services shall be determined by fair negotiations with reference to the prevailing market rates for transactions of similar type and size; and
- Other securities and financial services such as securities and financial advisory and consulting – The fees for such services shall be determined after arm’s length negotiations between the parties in accordance with relevant applicable laws and regulations, with reference to the prevailing market price, the nature of the transaction, the cost of services to each party and the fees applicable to independent third parties for similar services.

## Section VI Significant Events

### (2) *Securities and Financial Products Transactions*

Securities and financial products transactions include, but are not limited to, the following transactions:

1. transactions related to equity products, non-equity products and their derivatives: including, but not limited to, stocks, bonds, funds, trusts, wealth management products, asset management plans, asset securitization products, swaps, futures, options, forwards and other financial products; 2. transactions related to financing: the financing between financial institutions, including, but not limited to, interbank lending; repurchase; mutual holding of debt instruments such as income certificates, short-term financing bills, subordinated bonds and corporate bonds; 3. other securities and financial products transactions as permitted by the regulatory authorities.

The pricing principles for securities and financial products transactions shall be determined by mutual agreement in accordance with the requirements of relevant applicable laws and regulations and with reference to the prevailing market rates. In particular:

1. Securities and financial products transactions are mainly conducted through the interbank bond market and exchanges (including exchange-traded bond markets and futures exchanges). The pricing of such transactions is subject to relevant laws and regulations and under strict supervision and shall be conducted at prevailing market prices.

The securities and financial products traded in the interbank bond market and exchange-traded bond market mainly include most fixed income products and certain transactions under repurchase agreements. The prices for transactions in the interbank bond market and the exchange-traded bond market are determined based on the quoted prices in the interbank bond market and the exchange-traded bond market, respectively, with reference to the valuation of the relevant securities and financial products published by the China Central Depository and Clearing Co., Ltd. (“CCDC”) and the yield curves and trading volume published by the China Foreign Exchange Trading Center and National Inter-bank Funding Center (“NIFC”).

## Section VI Significant Events

The interbank bond market is a quote-driven market highly regulated by the People's Bank of China in accordance with the "Measures for the Administration of Bond Transactions in the National Interbank Bond Market (《全國銀行間債券市場債券交易管理辦法》)". Transactions in the interbank bond market must be reported to NIFC and are jointly regulated by NIFC, CCDC and the National Association of Financial Market Institutional Investors ("NAFMII"). According to relevant laws and regulations, the prevailing market prices in the interbank bond market are determined with reference to the bid and ask prices quoted by NIFC, and all transactions, whether conducted through authorized money brokers or market makers or by OTC negotiations, must be reported to NIFC and reflected in the quoted prices provided by NIFC and CCDC. NAFMII is a self-regulatory organization responsible for overseeing interbank transactions. Abnormal pricing may be subject to disciplinary action from NAFMII under its self-regulatory rules (being the Self-Regulatory Rules for Bond Transactions in the Interbank Bond Market (《銀行間債券市場債券交易自律規則》)).

The exchange-traded bond market is an order-driven market regulated by the CSRC. Transactions in the exchange-traded bond market shall be conducted based on the prevailing market prices quoted by the exchange.

Securities and financial products traded on an exchange mainly include stocks and bonds. Transactions on the exchange shall be conducted based on the prevailing market prices on the exchange.

In the ordinary course of business, the Group may also enter into OTC transactions of securities and financial products with related/connected parties. The pricing of OTC derivative transactions is mainly determined with reference to derivative pricing models such as Monte Carlo simulation and B-S model. In the event that related/connected parties subscribe for the Group's securities and financial products, the subscription price shall be determined after taking into account the underlying asset/business conditions of the investment and the subscription price of other investors.

2. For borrowing and lending among financial institutions, transactions shall be conducted with reference to the Shanghai Interbank Offered Rate at the prevailing rates quoted in the interbank money market, and pricing shall comply with relevant laws and regulations and be subject to strict supervision.

## Section VI Significant Events

The Group enters into repurchase transactions with the financial institutions under related/connected parties in the ordinary course of business at interest rates applicable to independent third parties or on terms better than normal commercial terms, and the pricing of which shall be determined after taking into account the securities pledged, the maturity of the financing and prevailing market interest rates.

In terms of subscriptions by the Group of the securities and financial products set up by related/connected parties, and subscriptions by related/connected parties of the securities and financial products set up by the Group, the subscription price shall be the same as the subscription price for other investors. Such subscription price shall be determined by the financial institutions which set up the securities and financial products after considering the underlying asset/business conditions of the investment.

### (3) *Purchase of Goods and acceptance of Services*

The purchase of goods and acceptance of services includes services received by the Group and provided by Shenergy Group and its associates within their scope of operation, including but not limited to:

receiving goods and services such as electricity, town gas, natural gas, gas stoves, gas appliances and gas kitchen equipment; and receiving property management, gas transmission and distribution, gas project planning, design and construction and other services.

The pricing basis for the purchase of goods and acceptance of services are determined after arm's length negotiations between the parties in their ordinary course of business in accordance with the requirements of relevant applicable laws and regulations with reference to the prevailing market prices and on normal commercial terms. The Group has reached an agreement in principle with Shenergy Group and its associates on relevant pricing mechanism and the prices will be determined as follows: 1. Should there be a government pricing directive, the government directive price shall prevail; or 2. In the absence of any government pricing directive currently applicable, the government directive price previously promulgated by the competent government authority shall be adopted as the basic price and adjusted with reference to the procurement or service costs of Shenergy Group and its associate; the price as adjusted by item 2 above shall be fair and reasonable.

## Section VI Significant Events

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

The Group has formulated internal guidelines and policies on connected/related party transactions which provided detailed regulations on key aspects such as identification, initiation, pricing, decision-making and disclosure of connected/related party transactions and set out the approval procedures for connected/related party transactions.

The terms of the proposed securities and financial services, securities and financial products transactions and purchase of goods and services transactions (including pricing terms) shall be similar to those offered by/available to independent third parties for similar services and shall be subject to the same internal selection, approval and monitoring procedures and pricing policies as those applicable to independent third parties.

The departments or subsidiaries of the Company that conducted the related party/connected transactions shall review the necessity, reasonableness, and fairness of the pricing of the related party/connected transactions, and are responsible for monitoring whether the actual transaction amount exceeds the annual cap, and properly maintaining and storing any documents and records related to connected/related party transactions; the compliance department of the Company reviews the compliance of the proposed connected/related party transactions; the Board office, the planned financial management department and other relevant departments of the Company regularly compile the data to ensure that the actual amount does not exceed the annual cap and remind relevant departments to manage and control the related connected/related party transactions; the audit department of the Company conducts annual audit on the actual connected/related party transactions.

The independent non-executive Directors and auditors of the Company will review the continuing connected/related party transactions of the Company on an annual basis, and the Board (including the independent non-executive Directors) shall confirm that the terms of the transactions are fair and reasonable and on normal commercial terms or better terms in the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole. The auditors of the Company are required to review the above continuing connected/related party transactions and issue a confirmation letter to the Board in this regard.

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

During the Reporting Period, the Company had no related-party/connected transactions incurred as a result of acquisition or disposal of assets or equity interests.

## VIII. MATERIAL CONTRACTS AND PERFORMANCE

### 1 **Custody, contracting and leasing matters**

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

## Section VI Significant Events

### 2 Material guarantees performed and outstanding during the Reporting Period

Unit: 100 million Currency: RMB

<b>External guarantees of the Company (excluding guarantees to its subsidiaries)</b>	
Total amount of guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)	–
Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	–
<b>Guarantees provided by the Company for subsidiaries</b>	
Total amount of guarantees provided for subsidiaries during the Reporting Period	65.43
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	164.45
<b>Total amount of guarantees provided by the Company (including those provided for subsidiaries)</b>	
Total amount of guarantees (A+B)	164.45
Percentage of total guarantees over net assets of the Company (%)	26.93
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)	164.45
Amount of total guarantees exceeding 50% of net assets (E)	–
Total amount of above three types of guarantees (C+D+E)	164.45
Explanations on outstanding guarantees subject to joint liabilities	

## Section VI Significant Events

Unit: 100 million Currency: RMB

### External guarantees of the Company (excluding guarantees to its subsidiaries)

Explanations on guarantees

During the Reporting Period, the Company and its wholly-owned subsidiary provided guarantee on financing activities of its subsidiaries of RMB83 million and non-financing guarantee of RMB6,460 million, including:

1. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided full guarantee for Orient Finance Holdings (Hong Kong), its wholly-owned subsidiary, to obtain a credit facility of HK\$100 million from Industrial and Commercial Bank of China (Asia) Limited.
2. Orient Financial Holdings, a wholly-owned subsidiary of the Company, provided a guarantee of up to US\$1 billion for Orient International Investment Products Limited, its wholly-owned overseas subsidiary, to establish a note scheme to issue structured notes.

*Note:* The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB = 1:6.4601 as at the end of June 2021; and the amount of guarantees denominated in HKD was converted at the spot exchange rate of HKD/RMB = 1:0.83208 as at the end of June 2021.

### 3 Other material contracts

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



## Section VI Significant Events

### IX. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

**1. 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.

**2. 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.

**3. The establishment and disposal of the Company's business departments, branches and subsidiaries during the Reporting Period**

**1) Newly established securities branches**

During the Reporting Period, the Company did not establish any new securities branches. As of the end of the Reporting Period, the Company had a total of 177 securities branches.

**2) Relocation of securities branches**

① DFZQ Jiaxing Zhongshan South Road Securities Branch was relocated within the same city. The branch was relocated from No. 1776 Zhongshan West Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC to No. 864, 866 and 868 Guangyi Road, Jiaxing Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC. The name of the branch was changed to DFZQ Jiaxing Guangyi Road Securities Branch.

② DFZQ Beijing Dajiaoting South Street Securities Branch was relocated within the same city. The branch was relocated from No. 106, 1/F & No. 2017, 2/F, Building 1, No. 5, Dajiaoting South Street, Chaoyang District, Beijing, the PRC to Room A111, 1/F & Room A212, 2/F, Block 17, No. 8 Guanghai Road, Chaoyang District, Beijing, the PRC. The name of the branch was changed to DFZQ Beijing Guomao Securities Branch.

**3) Newly established futures branches**

During the Reporting Period, the futures subsidiary of the Company established the Zhengzhou Shangdu Road Branch of Orient Futures Co., Ltd on April 22, 2021, which is located at No. 7 and 8, 2/F, Caixin Building, No. 27 Yongping Road Community, Shangdu Road, Zhengdong New Area, Zhengzhou, Henan Province, the PRC. As of the end of the Reporting Period, the Company had a total of 33 futures branches.

## Section VI Significant Events

### 4) *Relocation of futures branches*

- ① Shanghai Xinzha Road Branch of Orient Futures Co., Ltd was relocated within the same city. The branch was relocated from Room 407, Block 1, No. 1418 Xinzha Road, Jing'an District, Shanghai, the PRC to Room 1107, No. 458 Fushan Road, China (Shanghai) Pilot Free Trade Zone. The name of the branch was changed to Shanghai Fushan Road Branch of Orient Futures Co., Ltd.
- ② Changsha Branch of Orient Futures Co., Ltd was relocated within the same city. The branch was relocated from 7/F, Zhongtian Power Building, No. 471, West Labor Road, Yuhua District, Changsha, Hunan Province, the PRC to 2118, Kaibin Commercial Plaza, No. 419 Shaoshan Middle Road, Yuhua District, Changsha, Hunan Province. The name of the branch remains unchanged.

### 5) *Capital change in subsidiaries*

- ① In July 2021, the Company increased capital contribution of RMB0.45 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 RMB5.8 billion to RMB6.25 billion. Such matter was considered and approved at the president office meeting of the Company. The purpose of capital injection is to further deepen the collaboration within the Group, actively participate in the strategic placement on the Sci-Tech Innovation Board and the ChiNext, capture development opportunities, effectively enhance the market competitiveness and risk resistance of Orient Securities Innovation Investment, and further optimize the overall business layout and revenue structure of the Company.
- ② In July 2021, the Company proposed to increase capital contribution of RMB0.950 billion to Orient Securities Innovation Investment, a wholly-owned subsidiary, and reduce the capital of Orient Securities Capital Investment, a wholly-owned subsidiary, by RMB0.950 billion. Such matter was considered and approved at the president office meeting of the Company. The purpose of the capital injection and reduction is to implement the regulatory rectification requirements and meet the Company's business development needs, integrate the business of subsidiaries for coordinated development and enhance the efficiency of capital utilization of the Group.

### 4. *Implementation of profit distribution*

The implementation of the Company's profit distribution plan for the year 2020 was accomplished on July 8, 2021. Based on the total share capital of 6,993,655,803 Shares of the Company, a cash dividend of RMB2.50 (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 RMB1,748,413,950.75.

## Section VI Significant Events

### 5. The Company's absorption of and merger with a wholly-owned subsidiary

The “Resolution on Absorption of and Merger with Orient Securities Investment Banking Co., Ltd., a Wholly-owned Subsidiary” was considered and approved at the fourth meeting of the fifth session of the Board and the 2021 second extraordinary general meeting of the Company. In order to further integrate resources, improve efficiency and effectively enhance the capabilities of business development and comprehensive customer services, the Company proposed to absorb and merge with Orient Investment Banking, a wholly-owned subsidiary of the Company engaged in investment banking business.

#### (1) Method, scope and related arrangements of the absorption and merger

- ① The Company proposes to merge all assets, liabilities, business and employees of Orient Investment Banking by way of absorption and merger. Upon completion of the absorption and merger, all assets of Orient Investment Banking, including but not limited to fixed assets, current assets, customer agreements, will be merged into the Company, all creditors' rights and liabilities of Orient Investment Banking will be assumed by the Company, all employees of Orient Investment Banking will be accepted and managed by the Company, the status of independent legal person of Orient Investment Banking will be cancelled, and former branches of Orient Investment Banking will become branches of the Company after approval by or filing with relevant regulatory authorities.
- ② The absorption and merger does not involve any change in the registered capital or shareholders of the Company.
- ③ The record date of the absorption and merger is December 31, 2020, and the absorption and merger shall be conducted based on the audited financial data of the Company and Orient Investment Banking on the record date.
- ④ The gains and losses incurred during the period from the record date to the completion date of the absorption and merger shall be enjoyed and borne by the Company.
- ⑤ Both parties to the absorption and merger shall prepare balance sheets and property lists, conduct corresponding audits and appraisals (if required), and fulfill the procedures of notifying creditors and publishing announcements in newspapers.
- ⑥ Both parties to the absorption and merger shall jointly go through the procedures for the approval of the securities regulatory authorities, the approval of the state-owned assets administrations and the filing and appraisal (if required) in relation to the absorption and merger.

## Section VI Significant Events

- ⑦ All assets of Orient Investment Banking will be delivered to the Company, and both parties to the absorption and merger will jointly go through the procedures of asset transfer and registration of change of ownership of relevant assets.
- ⑧ Once the absorption and merger is approved at the shareholders' general meeting of the Company, both parties to the absorption and merger will sign the absorption and merger agreement and proceed with the deregistration procedures of Orient Investment Banking and other relevant matters as soon as possible after obtaining the approval of the state-owned assets administrations (if required) and securities regulatory authorities.

### (2) *Impact of the absorption and merger on the Company*

- ① Upon completion of the absorption and merger, the problem of splitting of investment banking business licenses of the Company will be solved, which is conducive to fully utilizing the advantages of comprehensive licenses, improving the efficiency of business development, and thus enhancing the Company's comprehensive financial services.
- ② Upon completion of the absorption and merger, it can effectively solve the impact and constraints of liquidity risk and other indicators on carrying out investment banking business when Orient Investment Banking operates as a subsidiary.
- ③ Upon completion of the absorption and merger, the Company's investment banking business will operate as a department as a whole, and the management and decision-making efficiency will be effectively enhanced, which is conducive to facilitating the overall development of the Company's investment banking business.
- ④ As Orient Investment Banking is a wholly-owned subsidiary of the Company, the absorption and merger will not have a material impact on the current profit or loss in the Company's consolidated statements and will not have a significant impact on the assets and liabilities within the scope of the Company's consolidated statements.

The absorption and merger does not constitute a related party transaction and is subject to approval by relevant regulatory authorities in accordance with the relevant requirements of the Company Law, the Articles of Association and relevant laws and regulations.

## Section VII Changes in 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)

156,850

## Section VII Changes in 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			Pledged, flagged or frozen			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	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
Hong Kong Securities Clearing Company Limited Nominees Limited	0	1,026,968,730	14.68	-	Nil	-	Offshore legal person
Shanghai Haiyan Investment Management Company Limited	0	345,486,596	4.94	-	Nil	-	State-owned legal person
Shanghai United Media Group	3,348,900	241,092,906	3.45	-	Nil	-	State-owned legal person
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
China Securities Finance Corporation Limited	(31,084,800)	178,025,625	2.55	-	Nil	-	Unknown
Shanghai Construction Group Co., Ltd.	0	133,523,008	1.91	-	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)	(4,500,000)	128,640,504	1.84	-	Nil	-	Domestic non-state owned legal person
Hong Kong Securities Clearing Company Limited	(27,312,669)	108,973,404	1.56	-	Nil	-	Offshore legal person

## Section VII Changes in 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
Hong Kong Securities Clearing Company Limited Nominees Limited	1,026,968,730	Overseas listed foreign shares	1,026,968,730
Shanghai Haiyan Investment Management Company Limited	345,486,596	RMB ordinary shares	345,486,596
Shanghai United Media Group	241,092,906	RMB ordinary shares	241,092,906
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
China Securities Finance Corporation Limited	178,025,625	RMB ordinary shares	178,025,625
Shanghai Construction Group Co., Ltd.	133,523,008	RMB ordinary shares	133,523,008
Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	128,640,504	RMB ordinary shares	128,640,504
Hong Kong Securities Clearing Company Limited	108,973,404	RMB ordinary shares	108,973,404
Special repurchase account of the top ten shareholders	N/A		
Voting by proxy, as proxy or abstention of voting rights by the above shareholders	N/A		
Related party relationship or parties acting in concert among above shareholders	N/A		

## Section VII Changes in 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
	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. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

- (i) During the Reporting Period, there were no changes in the shareholdings of existing and resigned Directors, Supervisors and senior management of the Company**
- (ii) During the Reporting Period, no equity incentives were granted to the Directors, Supervisors or senior management of the Company**

## **IV. CHANGES OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER**

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



## Section VII Changes in Shares and Information on Shareholders

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

As at June 30, 2021, 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 <sup>(Note 1)</sup>	Approximate percentage of total share capital of relevant class in issue of the Company (%) <sup>(Note 2)</sup>	Approximate percentage of total share capital in issue of the Company (%) <sup>(Note 2)</sup>
Shenergy (Group) Company Limited	A Share	Beneficial owner	1,767,522,422 (L)	29.62	25.27
China National Tobacco Corporation <sup>(Note 3)</sup>	A Share	Interests in controlled corporation	345,486,596 (L)	5.79	4.94
Shanghai Tobacco (Group) Company <sup>(Note 3)</sup>	A Share	Interests in controlled corporation	345,486,596 (L)	5.79	4.94
Shanghai Haiyan Investment Management Company Limited <sup>(Note 3)</sup>	A Share	Beneficial owner	345,486,596 (L)	5.79	4.94
Zhu Lijia <sup>(Note 4)</sup>	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.36
Sun Hongyan <sup>(Note 4)</sup>	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.36

## Section VII Changes in Shares and Information on Shareholders

Name of shareholders	Type of share	Nature of interests	Number of shares <sup>(Note 1)</sup>	Approximate percentage of total share capital of relevant class in issue of the Company (%) <sup>(Note 2)</sup>	Approximate percentage of total share capital in issue of the Company (%) <sup>(Note 2)</sup>
Hung Jia Finance Limited <sup>(Note 4)</sup>	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.36
Kaiser Century Investments Limited <sup>(Note 4)</sup>	H Share	Beneficial owner	94,940,800 (L)	9.24	1.36
Raise Sino Investments Limited <sup>(Note 5)</sup>	H Share	Beneficial owner	113,737,200 (L)	11.07	1.63
Bank of Communications Co., Ltd. <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
Bank of Communications (Nominee) Company Limited <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
BOCOM International Asset Management Limited <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
BOCOM International Holdings Company Limited <sup>(Note 6)</sup>	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.34
BOCOM International Global Investment Limited <sup>(Note 6)</sup>	H Share	Beneficial 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	112,958,000 (L)	11.00	1.62

## Section VII Changes in Shares and Information on Shareholders

Name of shareholders	Type of share	Nature of interests	Number of shares <sup>(Note 1)</sup>	Approximate percentage of total share capital of relevant class in issue of the Company (%) <sup>(Note 2)</sup>	Approximate percentage of total share capital in issue of the Company (%) <sup>(Note 2)</sup>
China Universal Asset Management Company Limited (on behalf of China Universal – DFZQ ESOP Single Asset Management Scheme No. 1 and China Universal – DFZQ ESOP Single Asset Management Scheme No. 2) <sup>(Note 7)</sup>	H Share	Asset manager	61,838,400 (L)	6.02	0.88

### Notes:

- (L) represents the long position.
- As at June 30, 2021, 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.
- 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.
- Raise Sino Investments Limited is owned as to 100% by Chu Lam Yiu.
- 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.
- According to the Company's employee stock ownership plan, China Universal Asset Management Company Limited (as the asset manager) purchases and owns the shares of the Company through China Universal – DFZQ ESOP Single Asset Management Scheme No. 1 and China Universal – DFZQ ESOP Single Asset Management Scheme No. 2.

Save as disclosed above, as at June 30, 2021, none of the other substantial shareholders or other parties has any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

## **Section VII Changes in Shares and Information on Shareholders**

### **VI. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at June 30, 2021, 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.

### **VII. 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 VIII Preference Shares

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

## Section IX Corporate Bonds

### I. CORPORATE BONDS, CORPORATE DEBENTURES AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

#### 1. Basic information of corporate bonds

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Dated date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue	Investor suitability arrangements (if any)	Trading mechanism	Risk of termination of listing and trading
2017 Corporate Bonds publicly issued by DFZQ	17 Orient Bonds	143233	August 2, 2017	August 3, 2017	August 3, 2027	40	4.98	Simple interest payable annually	SSE	For qualified investors	Auction, quotation, price asking and transaction under agreement	No
2019 Corporate Bonds publicly issued by DFZQ (first tranche)	19 Orient Bonds	163024	November 21, 2019	November 25, 2019	November 25, 2022	49	3.50	Simple interest payable annually	SSE	For qualified investors	Auction, quotation, price asking and transaction under agreement	No
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	20 Orient Bonds 01	163927	August 17, 2020	August 19, 2020	August 19, 2023	40	3.50	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	20 Orient Bonds 02	175182	September 24, 2020	September 28, 2020	September 28, 2023	35	3.75	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche)	20 Orient Bonds 03	175350	November 2, 2020	November 4, 2020	November 4, 2023	35	3.65	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No

## Section IX Corporate Bonds

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Dated date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue	Investor suitability arrangements (if any)	Trading mechanism	Risk of termination of listing and trading
2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	21 Orient Bonds 01	175690	January 25, 2021	January 27, 2021	January 27, 2024	40	3.60	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche)	20 Orient Securities Y1	175032	August 24, 2020	August 26, 2020	-	50	4.75	Simple interest payable annually, expected to pay interest once a year	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Subordinated Bonds publicly issued by DFZQ (first tranche)	21 Orient Securities C1	175779	March 4, 2021	March 8, 2021	March 8, 2024	25	3.95	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 1)	21 Orient Securities C2	175993	April 14, 2021	April 16, 2021	April 16, 2024	30	3.70	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 2)	21 Orient Securities C3	175994	April 14, 2021	April 16, 2021	April 16, 2026	15	4.20	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No

During the Reporting Period, the Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus.

## Section IX Corporate Bonds

### 2. During the Reporting Period, no issuer or investor option clauses or investor protection clauses were triggered or enforced

### 3. Change in credit rating

During the Reporting Period, there was no change in the Company's domestic credit rating.

During the Reporting Period, China Chengxin Securities Rating Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company's issued corporate bonds "17 Orient Bonds", "19 Orient Bonds", "20 Orient Bonds 01", "20 Orient Securities Y1", "20 Orient Bonds 02", "20 Orient Bonds 03", "21 Orient Bonds 01" and "21 Orient Securities C1" and issued the Follow-up Rating Report of Orient Securities Company Limited (2021) (Xin Ping Wei Han Zi [2021] Gen Zong No. 0290), pursuant to which the creditworthiness ratings of the corporate bonds "17 Orient Bonds", "19 Orient Bonds", "20 Orient Bonds 01", "20 Orient Securities Y1", "20 Orient Bonds 02", "20 Orient Bonds 03", "21 Orient Bonds 01" and "21 Orient Securities C1" were rated as AAA, the creditworthiness rating of the Company was also rated as AAA and the rating outlook maintained stable.

During the Reporting Period, China Chengxin Securities Rating Co., Ltd. conducted ratings on the creditworthiness of the subordinated bonds (second tranche) "21 Orient Securities C2" and "21 Orient Securities C3" publicly issued by the Company in 2021 and issued the Rating Report on the Publicly Issued Subordinated Bonds (Second Tranche) of Orient Securities Company Limited (2021) (Xin Ping Wei Han Zi [2021] No. 0903D), pursuant to which the the corporate bonds "21 Orient Securities C2" and "21 Orient Securities C3" were rated as AAA, the creditworthiness rating of the Company was also rated as AAA and the rating outlook maintained stable.

During the Reporting Period, the Company's Moody's international rating was upgraded from Baa3 to Baa2.

During the Reporting Period, the Company's S&P international rating was maintained at BBB- with no change in rating.



## Section IX Corporate Bonds

### 4. Implementation and changes in guarantees, repayment plans and other repayment guarantees during the Reporting Period and their impact

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

Repayment plan and other repayment guarantees

#### (i) *Payment of interest*

1. The interest shall be payable annually within the effective period, and the last tranche of interest shall be paid together with the repayment of the principal. The interest of “17 Orient Securities 02” shall be paid on June 9 each year commencing from 2018 to 2022, the interest of “17 Orient Bonds” shall be paid on August 3 each year commencing from 2018 to 2027, the interest of “19 Orient Bonds” shall be paid on November 25 each year commencing from 2020 to 2022, the interest of “20 Orient Securities 01” shall be paid on March 24, 2021, 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 03” shall be paid on June 18 each year commencing from 2021 to 2023, the interest of “20 Orient Bonds 01” shall be paid on August 19 each year commencing from 2021 to 2023, the interest of “20 Orient Bonds 02” shall be paid on September 28 each year commencing from 2021 to 2023, the interest of “20 Orient Bonds 03” shall be paid on November 4 each year commencing from 2021 to 2023, and the interest of “21 Orient Bonds 01” shall be paid on January 27 each year commencing from 2022 to 2024 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).
2. The payment of the bonds interest is carried out through the registration authority and other relevant institutions. Details of interest payment will be explained by the issuer in the interest payment announcement published on the media designated by the CSRC in compliance with the relevant state regulations.
3. Pursuant to the national taxation laws and regulations, the tax payable by the investors in relation to the bonds investment shall be borne by the investors.

## Section IX Corporate Bonds

### (ii) *Repayment of principal*

1. The principal of the bonds will be repaid upon maturity in one lump sum. The principal of “17 Orient Securities 02” shall be repaid on June 9, 2022, the principal of “17 Orient Bonds” shall be repaid on August 3, 2027, the principal of “19 Orient Bonds” shall be repaid on November 25, 2022, the principal of “20 Orient Securities 01” was repaid on March 4, 2021, the principal of “20 Orient Securities 02” shall be repaid on March 24, 2022, the principal of “20 Orient Securities 03” shall be repaid on June 18, 2023, the principal of “20 Orient Bonds 01” shall be repaid on August 19, 2023, the principal of “20 Orient Bonds 02” shall be repaid on September 28, 2023, the principal of “20 Orient Bonds 03” shall be repaid on November 4, 2023, and the principal of “21 Orient Bonds 01” shall be repaid on January 27, 2024 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).
2. The repayment of the bonds principal is carried out through the bonds registration authority and other relevant institutions. Details of principal repayment will be explained by the issuer in the repayment announcement published in the media designated by the CSRC in compliance with the relevant state regulations.

### 5. **Other information on corporate bonds**

#### *Offshore bonds issued by the Company*

1. The Company issued a 3-year Offshore USD Bond with par value of USD300 million to qualified investors on August 20, 2019. The bond bears an interest rate of 6-month LIBOR plus 1.25%.
2. The Company issued a 3-year Offshore EUR Bond with par value of EUR200 million to qualified investors on August 20, 2019. The bond bears an interest rate of 0.625%.
3. The Company issued a 3-year Offshore SGD Bond with par value of SGD200 million to qualified investors on September 27, 2019. The bond bears an interest rate of 2.90%.

Please refer to Note 37 to the attached condensed consolidated financial statements for the details.

## Section IX Corporate Bonds

### II. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: '000 Currency: RMB

Major indicators	As at the end of the Reporting Period	As at the end of last year	Increase or decrease in the Reporting Period as compared with the end of last year (%)	Reason for change
Current ratio	1.44	1.31	9.92	Increase in current assets and decrease in current liabilities
Quick ratio	1.44	1.31	9.92	Increase in current assets and decrease in current liabilities
Gearing ratio (%)	73.70	73.13	Increased by 0.57 percentage point	Increase in size of liabilities

## Section IX Corporate Bonds

	Reporting Period (January to June)	Corresponding period of last year	Increase or decrease in the Reporting Period as compared with the corresponding period of last year (%)	Reason for change
Net profit after deducting non-recurring gains or losses	2,627,060	1,437,870	82.70	Increase in net profit
EBITDA to total debts ratio	0.04	0.03	33.33	Increase in earnings before interest, taxes, depreciation, and amortization
Interest coverage ratio	2.43	1.76	38.07	Increase in total profit
Cash interest coverage ratio	4.29	6.11	(29.79)	Decrease in operating cash inflows
EBITDA interest coverage ratio	2.59	1.90	36.32	Increase in earnings before interest, taxes and depreciation
Loan repayment rate (%)	100.00%	100.00%	–	
Interest repayment ratio (%)	100.00%	100.00%	–	

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

### III. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company had no convertible corporate bonds.

## Section X 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	CSRC	Approval Regarding the Registration of Subordinated Corporate Bonds Publicly Issued by 東方證券股份有限公司 to Professional Investors	Zheng Jian Xu Ke [2021] No. 465	February 8, 2021
2	Securities and Fund Institution Supervision Department	Reply on Matters related to Pilot Operation of Fund Investment Advisory Business by 東方證券股份有限公司	Ji Gou Bu Han [2021] No. 1686	June 2, 2021

### II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2021, the Company was rated as a Grade AA, 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 151 to 224, which comprise the condensed consolidated statement of financial position as at June 30, 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-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 27, 2021

# Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021

	NOTES	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue			
Commission and fee income	5	4,885,912	3,182,024
Interest income	6	2,942,874	2,718,287
		7,828,786	5,900,311
Net investment gains	7	1,929,997	2,517,706
Other income, gains and losses	8	5,591,928	3,633,766
Total revenue, gains/(losses) and other income		15,350,711	12,051,783
Depreciation and amortisation	9	(350,640)	(318,968)
Staff costs	10	(3,222,572)	(2,032,919)
Commission and fee expenses		(460,928)	(364,773)
Interest expenses	11	(2,234,521)	(2,381,679)
Other operating expenses	12	(6,429,535)	(4,329,043)
Impairment losses under expected credit loss model, net of reversal		(258,544)	(1,290,110)
Total expenses		(12,956,740)	(10,717,492)
Share of results of associates		735,436	442,812
Profit before income tax		3,129,407	1,777,103
Income tax expense	13	(431,370)	(252,232)
Profit for the period		2,698,037	1,524,871
Attributable to:			
Equity holders of the Company		2,700,360	1,526,024
Non-controlling interests		(2,323)	(1,153)
		2,698,037	1,524,871
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)			
– Basic	14	0.37	0.22



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period	2,698,037	1,524,871
Other comprehensive income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income	221,476	(67,109)
Income tax relating to items that will not be reclassified to profit or loss	(55,369)	16,777
Subtotal	166,107	(50,332)
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on:		
debt instruments measured at fair value through other comprehensive income		
– net fair value changes during the period	74,795	469,889
– reclassification adjustment to profit or loss on disposal	(56,086)	(417,972)
(Reversal of)/provision for impairment loss for debt instruments measured at fair value through other comprehensive income	(32,690)	12,680
Income tax relating to items that may be reclassified subsequently to profit or loss	3,495	(16,149)
Share of other comprehensive expense of associates, net of related income tax	(7,419)	(6,594)
Exchange differences arising on translation	(17,630)	12,304
Subtotal	(35,535)	54,158
Other comprehensive income for the period, net of income tax	130,572	3,826
Total comprehensive income for the period	2,828,609	1,528,697
Attributable to:		
Equity holders of the Company	2,830,932	1,529,850
Non-controlling interests	(2,323)	(1,153)
	2,828,609	1,528,697

The accompanying notes presented on pages 161 to 224 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	NOTES	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Cash and bank balances	15	74,449,331	65,640,360
Clearing settlement funds	17	24,834,160	21,516,357
Deposits with exchanges and financial institutions	18	2,311,823	2,183,090
Derivative financial assets		51,651	155,876
Advances to customers	19	23,480,867	21,171,919
Account receivables	20	1,167,321	874,406
Contract assets		–	1,742
Financial assets held under resale agreements	21	13,336,387	14,460,425
Financial assets at fair value through profit or loss	22	76,452,701	72,701,117
Debt instruments at fair value through other comprehensive income	23	67,389,989	62,645,975
Equity instruments at fair value through other comprehensive income	24	6,096,378	10,936,458
Debt instruments measured at amortised cost	25	4,828,679	6,243,897
Deferred tax assets		1,414,979	1,455,922
Investments in associates	26	6,060,632	5,771,194
Right-of-use assets		786,926	847,355
Investment properties		39,332	40,461
Property and equipment	28	2,232,489	2,225,662
Other intangible assets		209,276	215,313
Goodwill	29	32,135	32,135
Other assets	31	6,107,553	1,997,778
<b>Total assets</b>		<b>311,282,609</b>	<b>291,117,442</b>

# Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	NOTES	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Due to banks and other financial institutions		4,654,384	9,670,114
Short-term financing bill payables	32	4,691,930	16,255,486
Account payables to brokerage clients	33	78,920,066	66,642,671
Financial assets sold under repurchase agreements	34	57,416,888	52,860,883
Financial liabilities at fair value through profit or loss	35	17,347,274	14,576,073
Derivative financial liabilities		978,080	504,957
Contract liabilities		258,380	404,124
Current tax liabilities		295,426	570,867
Accrued staff costs		2,629,781	2,608,009
Borrowings	36	4,148,571	579,732
Lease liabilities		796,735	856,910
Bond payables	37	72,720,557	62,265,473
Deferred tax liabilities		23,049	20,179
Other liabilities	38	5,330,265	3,070,820
<b>Total liabilities</b>		<b>250,211,386</b>	<b>230,886,298</b>
Share capital	39	6,993,656	6,993,656
Other equity instrument	41	5,000,000	5,000,000
Reserves	42	40,993,863	40,714,243
Retained profits		8,060,350	7,494,952
<b>Equity attributable to equity holders of the Company</b>		<b>61,047,869</b>	<b>60,202,851</b>
Non-controlling interests		23,354	28,293
<b>Total equity</b>		<b>61,071,223</b>	<b>60,231,144</b>
<b>Total equity and liabilities</b>		<b>311,282,609</b>	<b>291,117,442</b>

The condensed consolidated financial statements on pages 151 to 224 were approved and authorised for issue by the Board of Directors on August 27, 2021 and signed on its behalf by:

**Jin Wenzhong**  
Chairman of Board

**Zhang Jiahui**  
Chief Financial Officer

The accompanying notes presented on pages 161 to 224 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

## For the six months ended June 30, 2021

	Equity attributable to equity holders of the Company											
	NOTE	Reserves							Retained profits	Subtotal	Non-controlling interests	Total equity
		Share capital	Other equity instrument	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	RMB'000	RMB'000	
Unaudited												
As at January 1, 2021		6,993,656	5,000,000	28,311,404	3,676,148	8,691,097	144,398	(108,804)	7,494,952	60,202,851	28,293	60,231,144
Profit for the period		-	-	-	-	-	-	-	2,700,360	2,700,360	(2,323)	2,698,037
Other comprehensive income/(expense) for the period		-	-	-	-	-	148,202	(17,630)	-	130,572	-	130,572
Total comprehensive income/(expense) for the period		-	-	-	-	-	148,202	(17,630)	2,700,360	2,830,932	(2,323)	2,828,609
Appropriation to general reserve		-	-	-	-	148,719	-	-	(148,719)	-	-	-
Distribution to holders of other equity instrument	40	-	-	-	-	-	-	-	(237,500)	(237,500)	-	(237,500)
Dividends recognised as distribution	40	-	-	-	-	-	-	-	(1,748,414)	(1,748,414)	(2,616)	(1,751,030)
Transfer to retained profits for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	-	329	-	(329)	-	-	-
At June 30, 2021		6,993,656	5,000,000	28,311,404	3,676,148	8,839,816	292,929	(126,434)	8,060,350	61,047,869	23,354	61,071,223

# Condensed Consolidated Statement of Changes in Equity

## For the six months ended June 30, 2021

	Equity attributable to equity holders of the Company										
	NOTE	Reserves							Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment		Retained profits			
						revaluation reserve	Translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
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 (expense)/income for the period		-	-	-	-	(8,478)	12,304	-	3,826	-	3,826
Total comprehensive (expense)/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		-	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

The accompanying notes presented on pages 161 to 224 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	3,129,407	1,777,103
Adjustments for:		
Interest expenses	2,234,521	2,381,679
Share of results of associates	(735,436)	(442,812)
Depreciation and amortisation	350,640	318,968
Impairment losses under expected credit loss model, net of reversal	258,544	1,290,110
Losses on disposal of property and equipment and right-of-use assets	1,131	388
Foreign exchange gains, net	(104,669)	(78,068)
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	(250,935)	(231,195)
Net realised gains and income arising from debt instruments at fair value through other comprehensive income	(1,365,602)	(1,681,547)
Dividend income arising from equity instruments at fair value through other comprehensive income	(351,664)	(87,428)
Net realised losses arising from derivative financial instruments	6,736	59,311
Interest income from debt instruments measured at amortised cost	(93,555)	(131,061)
Unrealised fair value change of financial assets at fair value through profit or loss	(175,212)	(801,972)
Unrealised fair value change of financial liabilities at fair value through profit or loss	(740,093)	323,689
Unrealised fair value change of derivative financial instruments	825,560	(537,306)

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating cash flows before movements in working capital	2,989,373	2,156,921
Increase in advances to customers	(2,308,859)	(1,575,322)
Decrease in financial assets held under resale agreements	830,302	4,632,882
Increase in financial assets at fair value through profit or loss and derivative financial assets	(2,458,305)	(959,770)
Increase in deposits and reserve funds and deposits with exchanges	(2,824,590)	(1,190,617)
Increase in bank balances and clearing settlement funds restricted or held on behalf of customers	(11,986,381)	(9,483,991)
Increase in account receivables, other assets and contract assets	(4,358,196)	(609,922)
Increase/(decrease) in other liabilities and contract liabilities	175,005	(452,335)
Increase in account payables to brokerage clients	12,277,395	9,865,957
Increase in financial liabilities at fair value through profit or loss and derivatives financial liabilities	3,717,208	1,801,250
Increase/(decrease) in financial assets sold under repurchase agreements	4,552,754	(469,928)
Decrease in deposits due to banks and other financial institutions	(5,014,490)	(809,833)
Cash generated from operations	(4,408,784)	2,905,292
Income taxes paid	(714,982)	(177,399)
Interest paid	(774,450)	(723,123)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(5,898,216)</b>	<b>2,004,770</b>

# Condensed Consolidated Statement of Cash Flows

## For the six months ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>INVESTING ACTIVITIES</b>		
Dividends and interest received from investments	2,060,381	1,579,361
Proceeds on disposal of property and equipment and other intangible assets	556	5,979
Proceeds from disposal or redemption of:		
financial assets at fair value through profit or loss	6,862,004	41,244,152
equity instruments at fair value through other comprehensive income	3,022,908	552,752
debt instruments at fair value through other comprehensive income	34,698,059	61,990,882
debt instruments measured at amortised cost	1,336,201	775,522
Capital injection in associates	(6,300)	(556,500)
Purchases of		
financial assets at fair value through profit or loss	(6,476,465)	(45,697,801)
equity instruments at fair value through other comprehensive income	(16,914)	(575,343)
debt instruments at fair value through other comprehensive income	(39,187,350)	(56,655,091)
debt instruments measured at amortised cost	–	(266,989)
Purchases of property and equipment and other intangible assets	(187,823)	(134,374)
Payments for right-of-use assets	(678)	(658)
Proceeds from disposal of and capital reduction from associates	48,139	114,215
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>2,152,718</b>	<b>2,376,107</b>



# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	NOTE	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>FINANCING ACTIVITIES</b>			
Proceeds from bonds and short-term financing bill payables issued		<b>24,076,211</b>	36,240,747
Repayments on bonds and short-term financing bill payables issued		<b>(24,726,266)</b>	(37,775,551)
Proceeds from borrowings		<b>4,029,958</b>	1,436,333
Repayments of borrowings		<b>(710,873)</b>	(2,752,215)
Repayments of leases liabilities		<b>(163,135)</b>	(152,317)
Dividends paid to shareholders		<b>(28,062)</b>	(906,319)
Interest of bonds and short-term financing bill payables paid		<b>(1,302,711)</b>	(1,496,774)
Interest of borrowings paid		<b>(21,789)</b>	(84,015)
Interest paid on lease liabilities		<b>(16,142)</b>	(19,032)
Payments on acquisition of additional interests in a subsidiary		<b>-</b>	(475,584)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>1,137,191</b>	(5,984,727)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,608,307)</b>	(1,603,850)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	16	<b>19,984,516</b>	21,552,456
Effect of foreign exchange rate changes		<b>52,843</b>	238,468
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	16	<b>17,429,052</b>	20,187,074

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

## 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.

## 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, 2020.

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

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

Other than additional 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, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

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

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after June 1, 2020 and January 1, 2021 respectively for the preparation of the Group’s condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

Except as described below, the directors of the Company think that the application of the amendments to IFRSs in the current interim 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.

#### **2.1 Impacts and accounting policies on application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions” and early application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”**

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior periods as the Group opted not to apply the practical expedient, but applied the applicable requirements of IFRS 16 Leases to account for rent concessions provided by certain lessors.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

#### 2.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

##### 2.2.1 Accounting policies

###### *Financial instruments*

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 Financial Instrument on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

##### 2.2.2 Transition and summary of effects

As at January 1, 2021, the Group has several financial assets, financial liabilities and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

#### 2.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2” *(Continued)*

##### 2.2.2 Transition and summary of effects *(Continued)*

The following table shows the total amounts of outstanding contracts. The amounts of financial assets and liabilities are presented at their carrying amounts and derivatives are presented at their notional amounts.

	HKD Hong Kong Interbank Offered Rate (“HIBOR”) RMB’000	USD London Interbank Offered Rate (“LIBOR”) RMB’000
<b>Financial assets</b>		
Debt instruments	–	317,144
<b>Financial liabilities</b>		
Borrowings	(168,402)	(261,116)
Bond payables	–	(1,964,550)
<b>Derivatives</b>		
<b>Total return swaps</b>	–	430,658
Interest rate swaps	–	1,957,470

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for debt instruments/borrowings/bond payables measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending December 31, 2021.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY 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, 2021 are the same as those adopted in the preparation of the Group’s annual financial statements for the year ended December 31, 2020.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 4. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter referred 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) 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;
- (b) 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;
- (c) Securities sales and trading, which included investment gains and investment income earned from trading of stocks, bonds, funds, derivatives, alternative investments and other financial products and fees earned from providing related investment research activities;
- (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, 2021 and 2020.

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. Inter-segment balances eliminations mainly include amount due from/to another segment arising from activities carried out by one segment for another segment.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 4. SEGMENT REPORTING (Continued)

The segment information provided to the CODM for the six months ended June 30, 2021 and 2020 are as follows:

#### Operating segment

	Investment management RMB'000	Brokerage and securities financing RMB'000	Securities sales and trading RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
<b>For the six months ended June 30, 2021</b>								
Unaudited								
<i>Segment revenue and results</i>								
Segment revenue and net investment gains	2,133,003	3,089,401	2,635,795	860,067	1,742,544	10,460,810	(702,027)	9,758,783
Segment other income, gains and losses	55,213	5,372,610	9,376	2,337	152,580	5,592,116	(188)	5,591,928
Segment revenue, gains/(losses) and other income	2,188,216	8,462,011	2,645,171	862,404	1,895,124	16,052,926	(702,215)	15,350,711
Segment expenses	(1,235,594)	(7,462,230)	(1,114,326)	(539,997)	(2,664,861)	(13,017,008)	60,268	(12,956,740)
Segment results	952,622	999,781	1,530,845	322,407	(769,737)	3,035,918	(641,947)	2,393,971
Share of results of associates	753,502	(2,654)	(1,235)	-	47,435	797,048	(61,612)	735,436
Profit/(loss) before income tax	1,706,124	997,127	1,529,610	322,407	(722,302)	3,832,966	(703,559)	3,129,407
<b>As at June 30, 2021</b>								
Unaudited								
<i>Segment assets and liabilities</i>								
Segment assets	13,134,030	129,206,712	117,517,938	2,103,011	68,380,183	330,341,874	(19,059,265)	311,282,609
Segment liabilities	2,574,634	87,616,387	60,580,422	676,180	101,594,373	253,041,996	(2,830,610)	250,211,386
<b>For the six months ended June 30, 2021</b>								
Unaudited								
<i>Other segment information</i>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	32,514	136,703	16,780	21,457	143,493	350,947	(307)	350,640
Provision for/(reversal of) impairment losses	3,664	271,818	(18,281)	121	1,222	258,544	-	258,544
Capital expenditure	36,755	78,224	799	11,509	143,539	270,826	-	270,826

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 4. SEGMENT REPORTING (Continued)

#### Operating segment (Continued)

	Investment management RMB'000	Brokerage and securities financing RMB'000	Securities sales and trading RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
<b>For the six months ended June 30, 2020</b>								
Unaudited								
<i>Segment revenue and results</i>								
Segment revenue and net investment gains	1,376,981	2,647,473	3,249,130	598,457	1,223,035	9,095,076	(677,059)	8,418,017
Segment other income, gains and losses	72,889	3,420,654	1,403	10,114	128,890	3,633,950	(184)	3,633,766
Segment revenue, gains/(losses) and other income	1,449,870	6,068,127	3,250,533	608,571	1,351,925	12,729,026	(677,243)	12,051,783
Segment expenses	(911,992)	(6,160,997)	(1,008,106)	(298,891)	(2,375,545)	(10,755,531)	38,039	(10,717,492)
Segment results	537,878	(92,870)	2,242,427	309,680	(1,023,620)	1,973,495	(639,204)	1,334,291
Share of results of associates	317,773	663	(91)	-	1,973	320,318	122,494	442,812
Profit/(loss) before income tax	855,651	(92,207)	2,242,336	309,680	(1,021,647)	2,293,813	(516,710)	1,777,103
<b>As at December 31, 2020</b>								
Unaudited								
<i>Segment assets and liabilities</i>								
Segment assets	12,257,302	114,848,731	108,038,850	2,599,191	70,597,344	308,341,418	(17,223,976)	291,117,442
Segment liabilities	2,411,486	75,823,776	57,293,144	1,048,108	95,826,185	232,402,699	(1,516,401)	230,886,298
<b>For the six months ended June 30, 2020</b>								
Unaudited								
<i>Other segment information</i>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	33,589	125,027	10,180	20,396	130,040	319,232	(264)	318,968
(Reversal of)/Provision for impairment losses	(51)	1,276,321	12,250	6	1,584	1,290,110	-	1,290,110
Capital expenditure	6,519	102,262	2,305	30,013	109,082	250,181	-	250,181

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, 2021 and 2020.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 5. COMMISSION AND FEE INCOME

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Commission on securities dealing, broking and handling fee income	1,521,062	1,138,299
Underwriting, sponsors and financial advisory fee income	832,364	590,705
Commission on futures and options contracts dealing, broking and handling fee income	362,793	192,774
Asset and fund management fee income	1,977,732	1,198,151
Consultancy fee income	67,852	38,635
Others	124,109	23,460
	<b>4,885,912</b>	<b>3,182,024</b>

### 6. INTEREST INCOME

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Advances to customers and securities lending	688,870	469,087
Financial assets held under resale agreements	133,313	379,643
Deposits with exchanges and financial institutions and bank balances	713,417	468,932
Interest income from debt instruments measured at amortised cost	93,555	131,061
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")	1,309,516	1,263,575
Others	4,203	5,989
	<b>2,942,874</b>	<b>2,718,287</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 7. NET INVESTMENT GAINS

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net realised gains from disposal of an associate	–	2,938
Net realised gains from disposal of debt instruments at FVTOCI	56,086	417,972
Dividend income from equity instruments at FVTOCI	351,664	87,428
– relating to investments derecognised during the period	307,553	283
– relating to investments held at the end of the reporting period	44,111	87,145
Net realised gains from disposal of financial assets at fair value through profit or loss (“FVTPL”)	873,410	285,482
Dividend income and interest income from financial assets at FVTPL	884,917	912,746
Net realised gains/(losses) arising from financial liabilities at FVTPL	18,622	(134,971)
Net realised losses arising from derivative financial instruments	(344,447)	(69,478)
Unrealised fair value change of financial assets at FVTPL	175,212	801,972
Unrealised fair value change of financial liabilities at FVTPL	740,093	(323,689)
Unrealised fair value change of derivative financial instruments	(825,560)	537,306
	<b>1,929,997</b>	<b>2,517,706</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 8. OTHER INCOME, GAINS AND LOSSES

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Foreign exchange gains, net	104,669	78,068
Rental income	2,733	2,662
Government grants ( <i>Note</i> )	113,297	121,404
Bulk commodity trading income and others	5,371,229	3,431,632
	<b>5,591,928</b>	<b>3,633,766</b>

*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,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Depreciation of property and equipment	129,721	114,197
Depreciation of right-of-use assets	163,834	161,085
Depreciation of investment properties	879	1,917
Amortisation of other intangible assets	56,206	41,769
	<b>350,640</b>	<b>318,968</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB2,777 million (unaudited) and RMB1,834 million (unaudited) for the period ended June 30, 2021 and 2020 respectively.

### 11. INTEREST EXPENSES

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Account payables to brokerage clients	52,559	42,139
Financial assets sold under repurchase agreements	684,900	609,072
Borrowings	14,807	22,734
Due to banks and other financial institutions	45,059	56,678
Short-term financing bill payables	148,849	227,495
Bond payables	1,272,574	1,405,586
Lease liabilities	15,773	17,975
	<b>2,234,521</b>	<b>2,381,679</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Advisory expenses	43,537	44,631
Auditor's remuneration	4,515	4,768
Business travel expenses	44,581	23,726
Communication expenses	89,748	42,833
Electronic equipment operating expenses	143,285	154,317
Entertainment expenses	53,932	29,925
Administrative expenses	172,660	132,501
Operating lease rentals in respect of short-term leases/ low value assets	13,165	16,608
Products distribution expenses	507,435	308,647
Securities and futures investor protection funds	37,558	29,781
Stock exchanges management fees	36,459	29,130
Sundry expenses	30,455	21,610
Tax and surcharges	53,290	44,480
Donation	19,729	16,609
Bulk commodity trading and others	5,179,186	3,429,477
	<b>6,429,535</b>	<b>4,329,043</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 13. INCOME TAX EXPENSE

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax	432,589	188,033
– Hong Kong Profits Tax	5,544	7,719
	438,133	195,752
Adjustments in respect of current income tax in relation to prior years:		
– PRC Enterprise Income Tax	1,408	(12,647)
Deferred tax	(8,171)	69,127
	431,370	252,232

### 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,	
	2021 (Unaudited)	2020 (Unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the Company	2,700,360	1,526,024
Less: profit attributable to holders of perpetual subordinated bond	(118,750)	–
Subtotal:	2,581,610	1,526,024
Number of shares:		
– Weighted average number of ordinary shares in issue (in thousand)	6,993,656	6,993,656
Basic earnings per share (RMB)	0.37	0.22

For the six months ended June 30, 2021 and 2020, there were no potential ordinary shares in issue.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 15. CASH AND BANK BALANCES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
House accounts	17,882,092	17,123,229
Restricted bank deposits ( <i>Note a</i> )	150,408	132,708
	18,032,500	17,255,937
Cash held on behalf of clients ( <i>Note b</i> )	56,416,831	48,384,423
	<b>74,449,331</b>	65,640,360

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

*Note a:* The restricted bank deposits as of June 30, 2021 and December 31, 2020 include pledged bank deposits due within one year and other restricted bank deposits.

*Note b:* 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*).

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Cash and bank balances	18,025,527	17,250,262
Clearing settlement funds	2,288,792	2,924,962
Less: clearing settlement funds of Shanghai Orient Securities Futures Co., Ltd.	(8,000)	(8,000)
bank deposits with original maturity of more than three months	(2,726,859)	(50,000)
restricted bank deposits	(150,408)	(132,708)
	<b>17,429,052</b>	<b>19,984,516</b>

### 17. CLEARING SETTLEMENT FUNDS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Clearing settlement funds held with clearing houses for:		
House accounts	2,288,792	2,924,962
Clients	22,545,368	18,591,395
	<b>24,834,160</b>	<b>21,516,357</b>



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 18. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Deposits with stock exchanges:		
– Shanghai Stock Exchange	107,921	102,299
– Shenzhen Stock Exchange	59,894	60,062
– Hong Kong Stock Exchange	28,468	17,918
– Others	1,129	1,699
Deposits with futures and commodity exchanges:		
– Shanghai Futures Exchange	117,274	174,612
– Dalian Commodity Exchange	308,213	161,993
– Zhengzhou Commodity Exchange	88,267	30,243
– China Financial Futures Exchange	260,687	357,258
– Shanghai Gold Exchange	1,158	267
Guarantee fund paid to Shanghai Stock Exchange	23,701	23,476
Guarantee fund paid to Shenzhen Stock Exchange	20,059	25,017
Deposits with China Securities Finance Corporation Limited	531,337	512,242
Deposits with Shanghai Clearing House	311,074	297,844
Deposits with other financial institutions	452,641	418,160
	<b>2,311,823</b>	<b>2,183,090</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 19. ADVANCES TO CUSTOMERS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Loans to margin clients	23,167,219	20,951,466
Other advances to customers	359,989	267,054
Subtotal	23,527,208	21,218,520
Less: impairment allowance	(46,341)	(46,601)
	<b>23,480,867</b>	<b>21,171,919</b>
The movements of the impairment allowance are set out below:		
At the beginning of the period/year	46,601	214,596
Charge for during the period/year, net	370	6,446
Write off	(171)	(171,874)
Exchange differences	(459)	(2,567)
At the end of the period/year	<b>46,341</b>	<b>46,601</b>

#### As at June 30, 2021 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	982	45,359	46,341

#### As at December 31, 2020 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,055	45,546	46,601

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

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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 securities, funds and cash held in all clients' margin accounts in respect of margin financing business amounted to approximately RMB74,889 million (unaudited) and RMB81,412 million (audited) as at June 30, 2021 and December 31, 2020, 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, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Account receivables from/related to:		
– Clearing house	101,590	145,637
– Brokers	456,208	289,909
– Asset management fee and trading seats commission	573,208	430,652
– Advisory and investment banking commission	47,159	20,409
Less: impairment allowance	(10,844)	(12,201)
	<b>1,167,321</b>	874,406

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 20. ACCOUNT RECEIVABLES *(Continued)*

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

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Within 1 year	1,151,958	867,301
Between 1 and 2 years	9,558	436
Between 2 and 3 years	98	4,440
Over 3 years	5,707	2,229
	<b>1,167,321</b>	874,406

The movements of the impairment allowance are set out below:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
At the beginning of the period/year	12,201	8,043
Charge for during the period/year, net	1,663	4,225
Write off	(3,000)	–
Foreign exchange differences	(20)	(67)
	<b>10,844</b>	12,201

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Analysed by collateral type:		
– Stock ( <i>Note</i> )	14,729,110	16,338,943
– Bonds	3,186,014	3,155,428
Subtotal	17,915,124	19,494,371
Less: impairment allowance	(4,578,737)	(5,033,946)
	<b>13,336,387</b>	14,460,425
Analysed by market:		
– Stock exchanges	16,466,000	16,991,570
– Inter-bank market	1,449,124	2,502,801
Less: impairment allowance	(4,578,737)	(5,033,946)
	<b>13,336,387</b>	14,460,425

*Note:* The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

The movements of the impairment allowance are set out below:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
At the beginning of the period/year	5,033,946	1,807,098
Charge for during the period/year, net	273,226	3,696,274
Transfer out during the period/year	(728,435)	(469,426)
At the end of the period/year	<b>4,578,737</b>	5,033,946

#### As at June 30, 2021 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	202	4,578,535	4,578,737

#### As at December 31, 2020 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	273	5,033,673	5,033,946

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Mandatorily measured at FVTPL		
– Debt securities ( <i>Note a</i> )	30,832,329	26,977,231
– Equity securities	11,108,903	8,839,918
– Funds	8,082,650	11,407,654
– Other investments ( <i>Note b</i> )	26,428,819	25,476,314
	<b>76,452,701</b>	72,701,117
Analysed as:		
– Listed ( <i>Note c</i> )	31,251,299	28,185,629
– Unlisted	45,201,402	44,515,488
	<b>76,452,701</b>	72,701,117

*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

## For the six months ended June 30, 2021

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

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Government bonds	30,852,975	27,872,186
Bonds issued by policy banks	314,331	591,927
Bonds issued by commercial banks and other financial institutions	2,759,258	3,300,348
Other debt securities ( <i>Note a</i> )	33,463,425	30,881,514
	<b>67,389,989</b>	62,645,975
Analysed as:		
– Listed ( <i>Note b</i> )	34,817,563	27,054,265
– Unlisted	32,572,426	35,591,710
	<b>67,389,989</b>	62,645,975

*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

## For the six months ended June 30, 2021

### 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, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
At the beginning of the period/year	272,490	124,648
(Reversal)/charge for during the period/year, net	(18,565)	147,842
Write off	(14,125)	–
At the end of the period/year	239,800	272,490

#### As at June 30, 2021 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	11,620	228,180	239,800

#### As at December 31, 2020 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	14,219	258,271	272,490

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
– Equity securities (Note a)	3,184,623	2,793,477
– Perpetual instruments (Note b)	2,911,755	3,013,879
– Other investment	–	5,129,102
	<b>6,096,378</b>	10,936,458
Analysed as:		
– Listed (Note c)	4,552,600	4,231,166
– Unlisted	1,543,778	6,705,292
	<b>6,096,378</b>	10,936,458

*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 interim 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 RMB3,748 thousand (unaudited) on equity securities traded on the NEEQ and RMB2,407 thousand (unaudited) on equity securities listed on stock exchanges, and the cumulative gains on disposal of RMB4,792 thousand (unaudited) on private equity investments have been transferred to retained profits respectively.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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 interim 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 RMB1,034 thousand (unaudited) on perpetual instruments have been transferred to retained profits.

*Note c:* Securities traded on stock exchanges are included in the "Listed" category.

### 25. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Analysed by type:		
– Debt securities	4,828,910	6,244,561
Less: impairment allowance	(231)	(664)
	<b>4,828,679</b>	6,243,897
Analysed as:		
– Listed <i>(Note a)</i>	1,478,251	1,691,535
– Unlisted	3,350,428	4,552,362
	<b>4,828,679</b>	6,243,897

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

The movements of the impairment allowance are set out below:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
At the beginning of the period/year	664	1,452
Reversal during the period/year, net	(433)	(788)
At the end of the period/year	231	664

#### As at June 30, 2021 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	231	–	231

#### As at December 31, 2020 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	664	–	664

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

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 26. INVESTMENTS IN ASSOCIATES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Cost of unlisted investments in associates	2,949,335	2,991,174
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,111,297	2,780,020
	<b>6,060,632</b>	5,771,194

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, 2021 (Unaudited)	As at December 31, 2020 (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 Securities Yuanyu Investment Center LLP.*	PRC August 25, 2015	33.33%	33.33%	Investment management
上海東證今緣股權投資基金合夥企業 (有限合夥) Shanghai Orient Securities Jinyuan Equity Investment LLP.*	PRC October 16, 2015	30.00%	30.00%	Equity investment

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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, 2021 (Unaudited)	As at December 31, 2020 (Audited)	
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	55.63%	55.63%	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	25.75%	25.85%	Investment management
OCI International Holdings Limited 東建國際控股有限公司	Cayman Islands June 6, 2015	20.94%	20.94%	Securities Investment
溫州俊元資產管理合夥企業(有限合夥) Wenzhou Junyuan Asset Management Partnership LLP.*	PRC July 11, 2016	50.60%	55.26%	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

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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, 2021 (Unaudited)	As at December 31, 2020 (Audited)	
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 Orient Securities Ruiyuan Equity Investment Partnership LLP.*	PRC March 11, 2020	19.18%	19.18%	Investment management
珠海橫琴東證雲啟科創投資合夥企業 (有限合夥) Zhuhai Hengqin Orient Securities Yunqi Technology Innovation Investment Partnership LLP.*	PRC January 14, 2020	18.37%	18.37%	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
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%	40.82%	Investment management
成都交子東方投資發展合夥企業(有限合夥) Chengdu Jiaozhi Oriental Investment Development Partnership LLP.*	PRC January 17, 2020	50.00%	50.00%	Investment management

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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, 2021 (Unaudited)	As at December 31, 2020 (Audited)	
上海頤歌資產管理有限公司 Shanghai Yige Asset Management Co., Ltd*	PRC April 11, 2020	29.00%	29.00%	Asset management
深圳盟海五號智慧產業投資合夥企業 (有限合夥) Shenzhen Menghai No. 5 Intelligent Industry Investment Partnership LLP.*	PRC July 8, 2020	76.37%	76.37%	Investment management
杭州數行科技有限公司 Hangzhou Shuxing Technology Co., Ltd.*	PRC November 9, 2017	10.00%	10.00%	Technology development

\* English translated names are for identification purpose only.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

## 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, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Total assets	11,552,627	10,980,067
Total liabilities	3,653,357	3,531,077
Net assets	7,899,270	7,448,990

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Total revenue	4,607,313	2,394,092
Profit for the period	1,570,239	652,100
Other comprehensive (expense)/income	(5,875)	6,084
Total comprehensive income	1,564,364	658,184

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, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Equity attributable to equity holders of the associate	7,899,270	7,302,643
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	2,797,068	2,585,810

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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 RMB383,758 million (unaudited) and RMB328,845 million (audited) as at June 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020. As at June 30, 2021 and December 31, 2020, the carrying amounts of the Group's interests in unconsolidated funds, asset management schemes and limited partnerships were RMB4,166 million (unaudited) and RMB4,112 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, 2021 and 2020, were RMB1,983 million (unaudited) and RMB1,198 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, 2021 and December 31, 2020, which are set out below:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Financial assets at FVTPL	23,063,569	26,884,404
Equity instruments at FVTOCI	–	5,129,102
Investments in associates	188,898	357,581
	<b>23,252,467</b>	32,371,087

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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
<b>Unaudited</b>							
<b>COST</b>							
As at January 1, 2021	1,879,840	909,175	42,763	121,141	546,396	65,838	3,565,153
Additions	1,136	51,938	2,202	9,814	33,808	38,754	137,652
Disposals	-	(13,456)	(313)	(1,304)	-	-	(15,073)
Transfer during the period	-	63,787	-	3,627	-	(67,414)	-
Exchange difference	-	(145)	(7)	(15)	(232)	(26)	(425)
As at June 30, 2021	1,880,976	1,011,299	44,645	133,263	579,972	37,152	3,687,307
<b>ACCUMULATED DEPRECIATION</b>							
As at January 1, 2021	199,204	629,546	30,356	74,211	406,174	-	1,339,491
Charge for the period	30,972	66,138	1,937	5,238	25,436	-	129,721
Eliminated on disposals	-	(12,701)	(303)	(1,159)	-	-	(14,163)
Transfer during the period	-	-	-	-	-	-	-
Exchange difference	-	(103)	(5)	(8)	(115)	-	(231)
As at June 30, 2021	230,176	682,880	31,985	78,282	431,495	-	1,454,818
<b>CARRYING VALUES</b>							
As at June 30, 2021	1,650,800	328,419	12,660	54,981	148,477	37,152	2,232,489

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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
<b>Audited</b>							
<b>COST</b>							
As at January 1, 2020	1,902,810	784,628	42,767	103,607	454,505	50,034	3,338,351
Additions	-	58,255	927	11,599	103,619	130,588	304,988
Disposals	(3,067)	(34,199)	(2,183)	(5,907)	(10,689)	-	(56,045)
Transfer during the period	(19,903)	101,398	1,290	11,959	-	(114,647)	(19,903)
Exchange difference	-	(907)	(38)	(117)	(1,039)	(137)	(2,238)
As at December 31, 2020	1,879,840	909,175	42,763	121,141	546,396	65,838	3,565,153
<b>ACCUMULATED DEPRECIATION</b>							
As at January 1, 2020	138,940	557,594	28,374	68,631	355,608	-	1,149,147
Charge for the period	66,933	100,050	4,060	10,518	58,535	-	240,096
Eliminated on disposals	-	(27,501)	(2,053)	(4,879)	(7,568)	-	(42,001)
Transfer during the period	(6,669)	-	-	-	-	-	(6,669)
Exchange difference	-	(597)	(25)	(59)	(401)	-	(1,082)
As at December 31, 2020	199,204	629,546	30,356	74,211	406,174	-	1,339,491
<b>CARRYING VALUES</b>							
As at December 31, 2020	1,680,636	279,629	12,407	46,930	140,222	65,838	2,225,662

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

## For the six months ended June 30, 2021

### 29. GOODWILL

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 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
	<b>32,135</b>	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 funds and limited partnerships 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 RMB5,588 million (unaudited) and RMB6,105 million (audited) as at June 30, 2021 and December 31, 2020, 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, 2021 and 2020, are not significant and therefore are not disclosed separately.

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

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 31. OTHER ASSETS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Other receivables	2,070,152	1,057,519
Initial public offering subscription margin	3,722,688	–
Dividends receivable	46,667	–
Other loans	39,489	79,116
Prepayments	538,995	459,302
Others	1,107,167	1,105,599
Less: impairment allowance	<b>(1,417,605)</b>	<b>(703,758)</b>
	<b>6,107,553</b>	<b>1,997,778</b>

The movements of the impairment allowance are set out below:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
At the beginning of the period/year	703,758	381,694
Charge for during the period/year, net	2,283	29,366
Transfer in	711,575	292,761
Foreign exchange differences	<b>(11)</b>	<b>(63)</b>
At the end of the period/year	<b>1,417,605</b>	<b>703,758</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 31. OTHER ASSETS (Continued)

As at June 30, 2021 (unaudited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	3,070	1,414,535	1,417,605

As at December 31, 2020 (audited)

	12 months ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,863	701,895	703,758

### 32. SHORT-TERM FINANCING BILL PAYABLES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Short-term commercial paper and corporate bond Income certificates (Note a)	– 4,691,930	5,059,003 11,196,483
	4,691,930	16,255,486
Analysed as:		
Stock exchanges	–	5,059,003
Over the counter	4,691,930	11,196,483
	4,691,930	16,255,486

Note a: According to the consent letter from Securities Association of China ("SAC") regarding the pilot of over the counter income certificate business (SAC [2014]285), the Group has the authorisation to conduct income certificate business. As at June 30, 2021 and December 31, 2020, the yields of all the outstanding income certificates were ranged from 2.10% to 4.60% and from 2.10% to 10.00% per annum, respectively.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 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, 2021 and December 31, 2020, included in the Group's account payable to brokerage clients were approximately RMB3,564 million (unaudited) and RMB2,865 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, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Analysed by collateral type		
– Bonds	49,564,966	44,856,999
– Funds	4,308,117	4,598,389
– Advances to customers	3,543,805	3,405,495
	<b>57,416,888</b>	52,860,883
Analysed by market		
– Stock exchanges	29,981,860	19,923,402
– Inter-bank market	20,581,562	26,024,019
– Over the counter	6,853,466	6,913,462
	<b>57,416,888</b>	52,860,883



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Debt securities	4,411,683	2,254,363
Gold borrowings	9,427,181	9,906,000
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities ( <i>Note a</i> )	1,882,811	1,262,526
– Others ( <i>Note b</i> )	1,625,599	1,153,184
	<b>17,347,274</b>	<b>14,576,073</b>

*Note a:* 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 b:* Others mainly include the structured note issued by a subsidiary of the Group and income certificates issued by the Company. The balance of the structured note is linked to performance of the perpetual instrument and the income certificates were hybrid contracts containing embedded derivatives. The subsidiary of the Group designates the structured note as measured at FVTPL to eliminate an accounting mismatch.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 36. BORROWINGS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Unsecured short-term borrowings repayable within one year ( <i>Note a</i> )	4,148,571	579,732
	<b>4,148,571</b>	<b>579,732</b>

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

As at June 30, 2021, the annual interest rates on the borrowings were in the range of 1.00% to 4.85% (December 31, 2020: 1.18% to 4.85%).

During the current interim period, the Group obtained new borrowings amounting to RMB3,573 million (unaudited) (six months ended June 30, 2020: RMB770 million, unaudited).

### 37. BOND PAYABLES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Corporate bonds ( <i>Note a</i> )	32,581,278	28,280,531
Subordinated bonds ( <i>Note a</i> )	24,256,758	17,414,768
Income certificates ( <i>Note b</i> )	5,563,539	6,113,681
Offshore bonds ( <i>Note a</i> )	10,318,982	10,456,493
	<b>72,720,557</b>	<b>62,265,473</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 37. BOND PAYABLES (Continued)

Note a:

Name		Issue amount	Issue date	Maturity date	Coupon rate
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%
18 Offshore USD Bond	USD	250,000,000	22/03/2018	30/11/2022	3.625%
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 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%
19 Corporate Bond	RMB	4,900,000,000	25/11/2019	25/11/2022	3.50%
20-1 Corporate Bond	RMB	3,000,000,000	24/03/2020	24/03/2022	2.95%
20-2 Corporate Bond	RMB	4,000,000,000	18/06/2020	18/06/2023	3.45%
20-3 Corporate Bond	RMB	4,000,000,000	19/08/2020	19/08/2023	3.50%
20-4 Corporate Bond	RMB	3,500,000,000	28/09/2020	28/09/2023	3.75%
20-5 Corporate Bond	RMB	3,500,000,000	04/11/2020	04/11/2023	3.65%
20 Offshore USD Bond	USD	160,000,000	13/10/2020	13/10/2023	2.40%
21-1 Corporate Bond <sup>(1)</sup>	RMB	4,000,000,000	27/01/2021	27/01/2024	3.60%
21-1 Orient Subordinated Bond <sup>(2)</sup>	RMB	2,500,000,000	08/03/2021	08/03/2024	3.95%
21-2 Orient Subordinated Bond <sup>(3)</sup>	RMB	3,000,000,000	16/04/2021	16/04/2024	3.70%
21-3 Orient Subordinated Bond <sup>(4)</sup>	RMB	1,500,000,000	16/04/2021	16/04/2026	4.20%

(1) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on January 27, 2021. The bond bears an interest rate of 3.60% with a maturity period of 3 years and the interest is paid annually.

(2) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB2.5 billion on March 8, 2021. The bond bears an interest rate of 3.95% with a maturity period of 3 years and the interest is paid annually.

(3) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB3 billion on April 16, 2021. The bond bears an interest rate of 3.70% with a maturity period of 3 years and the interest is paid annually.

(4) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on April 16, 2021. The bond bears an interest rate of 4.20% with a maturity period of 5 years and the interest is paid annually.

Note b: According to the consent letter from Securities Association of China ("SAC") on approving the pilot of over the counter income certificate business (SAC [2014]285), the Company was authorized to conduct income certificate business. The amount represents income certificates issued by the Company with maturities of more than one year. As at June 30, 2021, the yields of the outstanding income certificates varied from 3.20% to 4.25% per annum (December 31, 2020: 3.20% to 4.25%).

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 38. OTHER LIABILITIES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Other account payables		
– Payables for underwriting and products distribution fees	749,578	315,995
– Settlement payables	478,854	260,589
Other payables and accruals		
– VAT and other taxes	99,490	211,948
– Payables for securities and futures investor protection fund	39,662	38,735
– Futures risk reserve	123,668	106,005
– Dividends payable	1,960,548	80
– Acting underwriting securities	120,500	346,000
– Deposit received from customers	467,833	775,057
– Notes payable	439,053	257,200
– Others	851,079	759,211
	<b>5,330,265</b>	<b>3,070,820</b>

### 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, 2020, January 1, 2021 and June 30, 2021	6,993,656

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 40. DIVIDENDS

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Dividends recognised as distribution	1,748,414	1,049,048
Distribution to holders of other equity instrument	237,500	–
	<b>1,985,914</b>	<b>1,049,048</b>

During the current interim period, a final dividend of RMB2.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2020 (2020: RMB1.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2019) was declared.

The aggregate amount of the final dividend paid in the interim period amounted to RMB25,446 thousand (unaudited).

During the current interim period, dividend of the Group on perpetual subordinated bond amounted to RMB237,500 thousand.

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended June 30, 2021 and 2020.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 41. OTHER EQUITY INSTRUMENT

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Perpetual subordinated bond	5,000,000	5,000,000
	<b>5,000,000</b>	<b>5,000,000</b>

The Company issued a perpetual subordinated bond with a principal amount of RMB5 billion in August 2020, with the initial interest rate of 4.75% per annum.

The perpetual subordinated bond is unsecured. The interest rate for perpetual subordinated bond is repriced every five years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300 basis points. The current base rate is defined as the average yield of 5 years treasury from the bond yield curve published on China Bond website 5 working days before the repricing date of interest rate. Upon the maturity of every repricing cycle, the Company has the option to extend the maturity of the bond for another repricing cycle, or redeem the bond entirely.

The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the Company may choose to defer the interest payment to the next payment date for the current year as well as all interests and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals.

The mandatory interest payment events are limited to dividend distributions to ordinary shareholders of the Company and reductions of registered capital within 12 months before the interest payment date.

The perpetual subordinated bond issued by the Company is classified and presented as other equity instrument in the condensed consolidated statement of financial position.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 42. RESERVES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Capital reserve	28,311,404	28,311,404
Debt investment revaluation reserve	313,161	331,066
Equity investment revaluation reserve	(53,435)	(219,871)
Translation reserve	(126,434)	(108,804)
Surplus reserve	3,676,148	3,676,148
General reserve	8,839,816	8,691,097
Others	33,203	33,203
	<b>40,993,863</b>	<b>40,714,243</b>

### 43. CAPITAL COMMITMENTS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment: Contracted but not provided for	34,258	49,321

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. 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, 2021 (Unaudited)	As at December 31, 2020 (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.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### (2) Related party transaction and balances

As at June 30, 2021 and December 31, 2020, the Group had the following material balances with major shareholder and entities under its control:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Account payables to brokerage clients		
– Shenergy Group Finance Company Limited*	206	9,865
– Shanghai Dazhong Gas Co., Ltd.*	5,932	5,922
– Shanghai Jiu Lian Group Co., Ltd.*	7,730	12,665
– Shenergy (Group) Company Limited	1,730,192	14
– Shanghai Shenergy Property Management Co., Ltd.*	14	14
– Shanghai Gas (Group) Co., Ltd.*	9	8
– Shanghai Shenergy ICY Capital Co., Ltd.	–	7
– Shanghai Shibeig Gas Co.,Ltd	5	5
– Shanghai ICY Capital Management Ltd.	1	–
– Shanghai Shenergy Inovation & Development Co., Ltd.*	354	–

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the six months ended June 30, 2021 and 2020, the Group had the following material transactions with major shareholder and entities under its control:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Commission and fee income		
– Shanghai Jiu Lian Group Co., Ltd.*	35	–
– Shenergy Company Limited	66	–
– Shenergy Group Finance Company Limited*	89	45
– Shanghai Shenergy Financial Leasing Co., Ltd.*	505	–
– Shanghai Liquefied Natural Gas Co., Ltd.*	70	–
Interest expenses		
– Shenergy (Group) Company Limited	2	–
– Shenergy Company Limited	7	–
– Shanghai Gas (Group) Co., Ltd.*	1	1
– Shanghai Jiu Lian Group Co., Ltd.*	33	1
– Shanghai Dazhong Gas Co., Ltd.*	10	7
– Shenergy Group Finance Company Limited*	23	7
– Shanghai ICY Capital Management Ltd.	1	4

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other operating expenses		
– Shanghai Shenergy Property Management Co., Ltd.*	8,342	2,848
– Shanghai Dazhong Gas Co., Ltd.*	166	109
Net investment gains		
– Shanghai Shenergy ICY Capital Co., Ltd.	–	2,938

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

As at June 30, 2021 and December 31, 2020, the Group had the following material balances with associates:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Account payables to brokerage clients		
– China Universal	2,085	2,085
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	5,195	38
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	1,247	1,245
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	483	–
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	596	–
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP.*	9,849	9,849
– China Universal	72,320	9,658
Other account payables		
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	–	2,123

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

As at June 30, 2021 and December 31, 2020, the Group had the following material balances of products managed by associates:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Financial assets at FVTPL		
– China Universal	1,186,623	955,227
– Shanghai Dongkai Capital Co., Ltd.*	239,845	132,177

As at June 30, 2021 and December 31, 2020, the Group had the following material balances of securities issued by associates:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Financial assets at FVTPL		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	123,507	289,116

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the six months ended June 30, 2021 and 2020, the Group had the following material transactions with associates:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Commission and fee income		
– China Universal	150,285	112,241
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	131	14,079
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	10,613	7,642
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	–	5,585
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	–	2
– Chengdu Jiaozi Oriental Investment Development Partnership LLP.*	4,245	–
– Yixing Orient Securities Ruiyuan Equity Investment Partnership LLP.*	4,094	–
– Zhuhai Hengqin Orient Securities Yunqi Technology Innovation Investment Partnership LLP.*	277	–
Interest expenses		
– China Universal	4	4
– Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	61	1
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	2	–
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	1	–
Net investment gains	4,037	4,610

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

As at June 30, 2021 and December 31, 2020, the Group had the following material balances with other related parties\*\*:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Account payables to brokerage clients		
– Shanghai Construction Group Co., Ltd.	16	16
– China Greatwall Technology Group Co., Ltd.	–	1
– Greenland Group	184	183
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	16	–
– Shanghai Shangbao Asset Management Co., Ltd.	3	14,702

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

As at June 30, 2021 and December 31, 2020, the Group had the following material balances of securities issued by other related parties\*\*:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Financial assets at FVTPL		
– Great Wall Fund Management Co., Ltd.	249,943	279,866
– Haitong Securities Co., Ltd.	51,554	13,670
– Shanghai Construction Group., Ltd.	–	67
– China Pacific Insurance (Group) Co., Ltd.	753	22,138
– Greenland Group	528	215
– Shanghai Qizhong Garden Golf Club.	19,192	15,732
– China Greatwall Technology Group Co., Ltd.	–	338
– Yantai Changyu Pioneer Wine Co., Ltd.	–	31
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	–	17
– Jiangsu Financial Leasing Co., Ltd.	976	35
– China Zheshang Bank Co., Ltd.	51	–
Equity investment at FVTOCI		
– Shanghai Construction Group., Ltd.	170,871	166,785
Debt investment at FVTOCI		
– Shanghai XinHua Distribution Group Co., Ltd.	52,070	51,018
– China Pacific Property Insurance Co., Ltd.	103,901	106,409
– Shanghai Shangbao Asset Management Co., Ltd.	41,263	40,445
– Zhejiang Energy Group Co., Ltd.*	10,001	–

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

For the six months ended June 30, 2021 and 2020, the Group had the following material transactions with other related parties:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Commission and fee income		
– Great Wall Fund Management Co., Ltd.	1,194	1,469
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	15	8
– Harvest Capital Management Co., Ltd.	–	285
– Orient International Group Shanghai Investment Co., Ltd.	–	3
– Shanghai Shangbao Asset Management Co., Ltd.	1	–
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
Interest income	4,182	2,279
Net investment gains	7,019	6,658

\* 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, 2021.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

### 44. 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,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term benefits:		
– Salaries, allowance and bonuses	24,069	35,258

### 45. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Some of the financial assets and financial liabilities are measured at fair value at the end of the period. For financial reporting purposes, fair value measurements are 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

## For the six months ended June 30, 2021

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

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

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level 2, the valuation techniques applied include discounted cash flow, recent transaction price and net asset value method. The significant observable inputs used in the valuation techniques used for Level 2 include future cash flows estimated based on applying the interest yield curves, net asset values determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses, contractual terms, forward interest rates and forward exchanges.

For financial instruments categorised within Level 3, fair values are determined by using valuation techniques, including valuation methods such as discounted cash flow model, comparable company analysis and recent financing price method. Determinations to classify fair value measures within Level 3 are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs used for the major financial instruments in Level 3.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

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

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity securities	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 multiples, the higher the fair value. The higher the discount, the lower the fair value.
Equity securities	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.
Other investments	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.
Interests attributable to other holders of consolidated structured entities	Level 3	Shares of the net value of the structured entities, determined with reference to the net asset value 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 multiples, the higher the fair value. The higher the discount, the lower the fair value.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

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

As at June 30, 2021 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	34,790,846	32,599,143	–	67,389,989
Equity instruments at FVTOCI				
– Equity securities	2,775,694	44,360	364,569	3,184,623
– Perpetual instruments	1,675,358	1,236,397	–	2,911,755
Financial assets at FVTPL				
– Debt securities	16,125,713	14,706,616	–	30,832,329
– Equity securities	6,787,436	135,972	4,185,495	11,108,903
– Funds	1,351,404	6,731,246	–	8,082,650
– Other investments	6,300,688	20,104,734	23,397	26,428,819
Derivative financial assets	–	51,651	–	51,651
<b>Total</b>	<b>69,807,139</b>	<b>75,610,119</b>	<b>4,573,461</b>	<b>149,990,719</b>
Financial liabilities:				
Financial liabilities at FVTPL	9,427,181	7,498,766	421,327	17,347,274
Derivative financial liabilities	139	977,941	–	978,080
<b>Total</b>	<b>9,427,320</b>	<b>8,476,707</b>	<b>421,327</b>	<b>18,325,354</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

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

As at December 31, 2020 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	27,054,265	35,591,710	–	62,645,975
Equity instruments at FVTOCI				
– Equity securities	2,454,100	42,752	296,625	2,793,477
– Perpetual instruments	1,743,286	1,270,593	–	3,013,879
– Other investment	–	5,129,102	–	5,129,102
Financial assets at FVTPL				
– Debt securities	16,088,428	10,888,803	–	26,977,231
– Equity securities	4,858,187	112,731	3,869,000	8,839,918
– Funds	1,905,890	9,501,764	–	11,407,654
– Other investments	4,656,818	20,796,099	23,397	25,476,314
Derivative financial assets	332	155,544	–	155,876
<b>Total</b>	<b>58,761,306</b>	<b>83,489,098</b>	<b>4,189,022</b>	<b>146,439,426</b>
Financial liabilities:				
Financial liabilities at FVTPL				
Derivative financial liabilities	302	504,655	–	504,957
<b>Total</b>	<b>9,906,302</b>	<b>4,731,892</b>	<b>442,836</b>	<b>15,081,030</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

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

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

***Equity instruments at FVTOCI:***

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
At the beginning of the period	<b>296,625</b>	418,364
Changes in fair value recognised in other comprehensive income	<b>65,290</b>	(121,513)
Additions	<b>20,565</b>	–
Transfer out of Level 3 <i>(Note b)</i>	–	(67,235)
Disposal	<b>(17,911)</b>	(36,463)
At the end of the period	<b>364,569</b>	193,153
Total gains/(losses) for assets held at the end of the period		
– unrealised gains/(losses) recognised in other comprehensive income	<b>64,604</b>	(121,513)

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

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

*Financial assets at FVTPL:*

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	3,892,397	3,688,427
Changes in fair value recognised in profit or loss	134,394	133,905
Purchases	773,906	904,506
Transfer in level 3 <i>(Note a)</i>	8,760	23,083
Transfer out of Level 3 <i>(Note b)</i>	(478,153)	(688,613)
Disposal	(122,412)	(179,727)
At the end of the period	4,208,892	3,881,581
Total gains/(losses) for assets held at the end of the period – unrealised gains/(losses) recognised in profit or loss	102,075	(128,004)

*Note a:* These mainly included the equity securities traded on the NEEQ with decreased turnover rates, and fair value hierarchy of these financial instruments transferred from level 2 to level 3.

*Note b:* These mainly included the equity security suspended on the NEEQ for a certain period before and equity securities traded on stock exchanges with lock-up periods.

The equity securities traded on stock exchanges with lock-up periods were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

The fair value of equity security suspended before 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.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

#### 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 determined in accordance with discounted cash flow method.

The main parameters used in discounted cash flow method for financial instruments held by the Group that are not measured on a recurring basis include bond interest rates, foreign exchange rates and counterparty credit spreads.

The table below summarizes 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, 2021		As at December 31, 2020	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
<b>Financial assets</b>				
Debt instruments measured at amortised cost	<b>4,828,679</b>	<b>4,836,403</b>	6,243,897	6,242,305
<b>Financial liabilities</b>				
Bond payables				
– Corporate bonds	<b>32,581,278</b>	<b>32,917,527</b>	28,280,531	28,446,997
– Subordinated bonds	<b>24,256,758</b>	<b>24,257,715</b>	17,414,768	17,412,691
– Income certificates	<b>5,563,539</b>	<b>5,561,143</b>	6,113,681	5,943,530
– Offshore bonds	<b>10,318,982</b>	<b>10,521,916</b>	10,456,493	10,694,234
<b>Total</b>	<b>72,720,557</b>	<b>73,258,301</b>	62,265,473	62,497,452



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended June 30, 2021

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

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

As at June 30, 2021 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Debt instruments measured at amortised cost	1,478,265	3,358,138	–	4,836,403
<b>Financial liabilities</b>				
Bond payables	57,175,242	16,083,059	–	73,258,301

As at December 31, 2020 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Debt instruments measured at amortised cost	1,692,810	4,549,495	–	6,242,305
<b>Financial liabilities</b>				
Bond payables	45,859,688	16,637,764	–	62,497,452

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

### 46. SUBSEQUENT EVENT

On July 20, 2021, the second extraordinary general meeting of shareholders approved the resolution as to the Company's merger with Orient Securities Investment Banking Co., Ltd. that is a wholly owned subsidiary of the Group. This merger is subject to the approval by the relevant regulatory authorities.

On August 11, 2021, the Company has issued a short-term financing bill with par value of RMB3 billion. The short-term financing bill bears an interest rate of 2.68% with a maturity period of 350 days.

