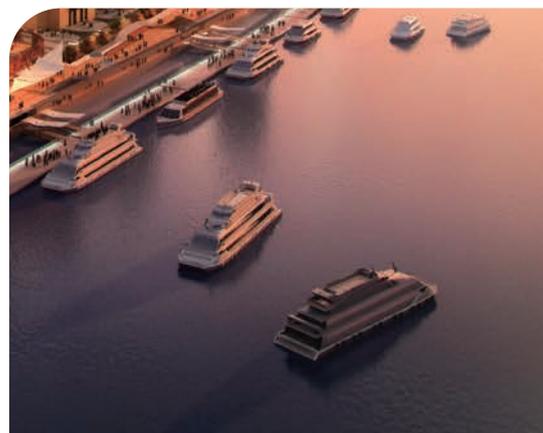
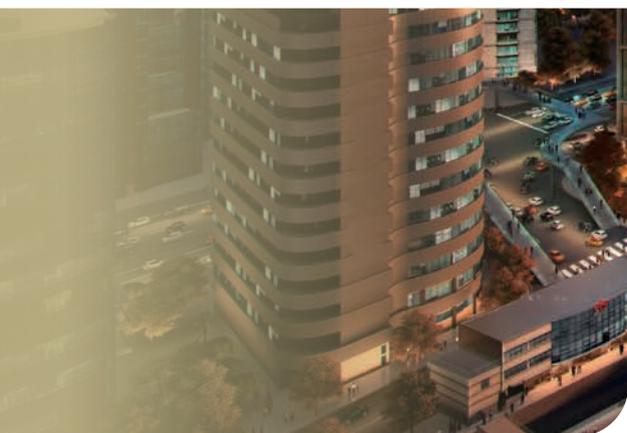
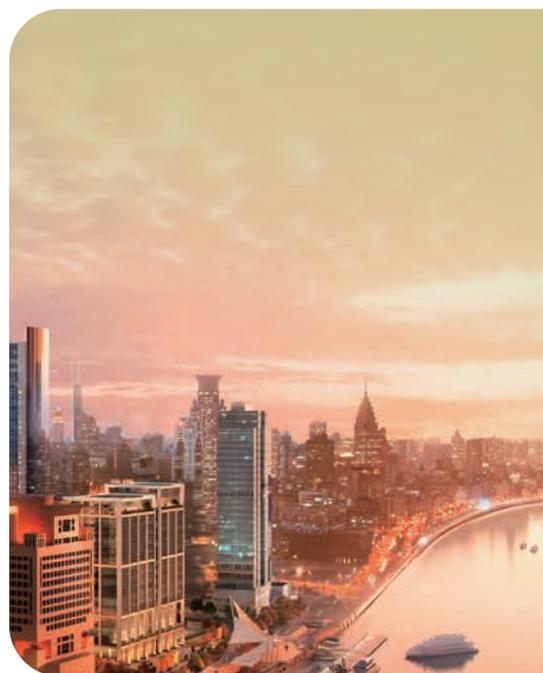




(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "东方证券股份有限公司" and carrying on business in Hong Kong as "東方證券" (in Chinese) and "DFZQ" (in English))

Stock code: 03958



Important Notice

- I. The Board, the Supervisory Committee and its Directors, Supervisors and senior management of the Company 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 18th meeting of the fifth Session of the Board and the 10th meeting of the fifth session of the Supervisory Committee of the Company. Mr. Song Xuefeng, an executive Director of the Company, was unable to attend the Board meeting in person due to his business commitments and authorised Mr. Jin Wenzhong, the Chairman of the Board, to exercise his voting right on his behalf. All other Directors attended the Board meeting and all Supervisors of the Company attended the meeting of the Supervisory Committee. No Director or Supervisor has raised any objection to this report.
- III. The 2022 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. Shu Hong, the accounting chief, and Mr. You Wenjie, the person-in-charge of the accounting department (head of accounting), 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 fund into share capital during the first half of 2022.

- 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 company, 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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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
“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 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”	environmental, social and governance
“Group” or “the Group” or “We”	DFZQ and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange
“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC

Section I Definitions

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Orient Finance Holdings”	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Orient Futures”	Orient Futures Co., Ltd (上海東證期貨有限公司), a wholly-owned subsidiary of the Company
“Orient Investment Banking”	Orient Securities Investment Banking Co., Ltd (東方證券承銷保薦有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Asset Management”	Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Capital Investment”	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Innovation Investment”	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities International”	Orient Securities International Financial Group Co., Ltd. (東證國際金融集團有限公司), a wholly-owned subsidiary of Orient Finance Holdings
“Reporting Period”	January 1, 2022 to June 30, 2022
“Rights Issue”	the rights issue to the then shareholders pursuant to relevant resolutions considered and approved at the 2020 annual general meeting, the 2021 first A Shares class meeting and the 2021 first H Shares class meeting of the Company convened by DFZQ on May 13, 2021, and its valid period was extended at the 2022 first extraordinary general meeting, 2022 first A Shares class meeting and 2022 first H Shares class meeting

Section I Definitions

“Rights Issue Prospectus”	the A Share Rights Issue Prospectus of 東方證券股份有限公司 dated April 18, 2022 and the H Share Rights Issue prospectus of the Company dated May 5, 2022
“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
“Supervisor(s)”	the supervisor(s) of DFZQ
“Supervisory Committee”	the supervisory committee of DFZQ
“SSE”	the Shanghai Stock Exchange
“SSE Composite Index”	Shanghai Stock Exchange Composite Index
“SZSE Component Index”	Shenzhen Stock Exchange Component Index

Special explanation: The figures set out in this report may differ slightly in the endings from the arithmetic sum of the relevant individual figures presented in this report due to rounding.

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	Lu Weiming
Authorized representatives of the Company	Song Xuefeng, Jin Wenzhong
Joint company secretaries	Wang Rufu, Ngai Wai Fung

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	8,496,645,292.00	6,993,655,803.00
Net capital	48,040,536,763.74	36,894,565,656.36

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)
31	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)
32	Permit to operate securities and futures business	CSRC (No.: 91310000132110914L)

Section II Company Profile and Key Financial Indicators

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

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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)
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	SZSE (Shen Zheng Hui [2016] No. 326)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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	SZSE (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)
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	SZSE (Shen Zheng Hui [2019] No. 470)
75	Qualification for commodity options market making business	CSRC (Ji Gou Bu Han [2019] No. 3058)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
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	SZSE (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 has the membership qualifications of Securities Association of China, SSE, SZSE, National Debt Association of China and Shanghai Gold Exchange. It also has a clearing participant qualification of CSDCC and the membership qualification 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/F, 13/F, 22/F, 25-27/F, 29/F, 32/F, 36/F and 38/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC
Postal code of business address	200010
Place of business in Hong Kong	28-29/F, No. 100 Queen's Road Central, Central, Hong Kong
Company website	http://www.dfzq.com.cn
E-mail	ir@orientsec.com.cn
Investor relations hotline	+86-021-63326373
Customer service hotline for brokerage business	95503

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	http://www.sse.com.cn (SSE) http://www.hkexnews.hk (Hong Kong Stock Exchange)
Place where the interim reports of the Company are available	11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC

V. BRIEF INFORMATION ON SHARES OF THE COMPANY

Class of shares	Stock exchange on which shares are listed	Stock abbreviation	Stock code
A Shares	SSE	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, Ding Yi Qing
Overseas accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Name of the signing accountant	Shi Chung Fai
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 2022	From January to June 2021	The current period as compared with the previous period
Operating results			
Total revenue, other income and net gains and losses	9,761,568	15,350,711	-36.41%
Profit before income tax	642,535	3,129,407	-79.47%
Profit for the period-attributable to shareholders of the Company	647,365	2,700,360	-76.03%
Net cash from/(used in) operating activities	12,294,541	(5,898,216)	N/A

Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

Items	June 30, 2022	December 31, 2021	As at the end of the Reporting Period as compared with as at the end of last year
Indicators of scale			
Total assets	355,516,560	326,599,622	8.85%
Total liabilities	279,701,542	262,456,516	6.57%
Account payables to brokerage clients	101,952,923	90,012,125	13.27%
Equity attributable to shareholders of the Company	75,802,583	64,127,111	18.21%
Share capital ('000 shares)	8,496,645	6,993,656	21.49%
Net assets per share attributable to shareholders of the Company (RMB/share)	8.92	9.17	-2.73%
Gearing ratio (%) ^{Note}	70.06	72.89	Decreased by 2.83 percentage points

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

Section II Company Profile and Key Financial Indicators

(ii) Key Financial Indicators

Key accounting data	From January to June 2022	From January to June 2021		Change in the current period as compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB/share)	0.07	0.36	0.37	-80.56
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A
Weighted average returns on net assets (%)	0.86	4.60	4.60	Decreased by 3.74 percentage points

Note: During the Reporting Period, the Company completed the Rights Issue of A Shares and H Shares. According to relevant requirements under CASBE and IFRS, taking into account the bonus issue under the Rights Issue, the weighted average number of ordinary shares in issue in the corresponding period of last year has been adjusted retrospectively in the calculation of earnings per share.

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 RMB48.041 billion, representing an increase of RMB11.146 billion or 30.21% as compared with RMB36.895 billion as at the end of last 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	48,040,537	36,894,566
Net assets	69,624,425	57,422,603
Risk coverage rate (%)	270.03	237.01
Capital gearing ratio (%)	14.85	11.77
Liquidity coverage ratio (%)	214.84	272.45
Net stable funding ratio (%)	142.65	132.24
Net capital/net assets (%)	69.00	64.25
Net capital/liabilities (%)	30.22	23.99
Net assets/liabilities (%)	43.79	37.34
Proprietary equity-based securities and its derivatives/net capital (%)	18.04	24.07
Proprietary non-equity securities and its derivatives/net capital (%)	293.13	348.25

Note: All data above have been calculated based on the financial information prepared in accordance with the China Accounting Standards for Business Enterprises ("CASBE").

VIII. DIFFERENCES BETWEEN IFRSS AND CASBE

Net profits for January to June 2022 and January to June 2021, and net assets as of June 30, 2022 and December 31, 2021 as stated in the consolidated financial statements of the Company prepared in accordance with CASBE 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, providing 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 and futures brokerage business, and provides its clients with such services as margin financing and securities lending, collateralized stock repurchase, over-the-counter (“OTC”) trading and custodian.

- 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.

Section III Report of the Board

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

- **Investment 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.

Section III Report of the Board

The first half of 2022 was characterised by a complicated and challenging international environment, frequent occurrence of pandemic in China and greater uncertainty at the macro and micro levels. In addition, trading activities in the capital market remained buoyant as the national economy withstood the pressure and achieved positive growth following successive implementation of favourable policies in China. During the Reporting Period, the securities industry realized operating income of RMB205.919 billion, decreasing by 11.40% year-on-year. Net profit reached RMB81.195 billion, decreasing by 10.06% year-on-year. In terms of operating income, the securities industry realized a net income of RMB58.307 billion (including seat rental income) from the securities agency business, increasing by 0.46% year-on-year. Net income from securities underwriting and sponsoring business was RMB26.771 billion, decreasing by 0.04% year-on-year. Net income from asset management business was RMB13.319 billion, decreasing by 7.94% year-on-year. Gains from securities investment (including fair value changes) was RMB42.979 billion, decreasing by 38.41% 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 RMB11.20 trillion and the net assets were RMB2.68 trillion increasing by 5.76% and 4.28%, respectively from the beginning of the year.

During the Reporting Period, the Company successfully completed the Rights Issue of A Shares and H Shares and maintained a stable and positive trend in terms of overall strength and industry position. The Company kept its leading position in the industry in terms of investment management business and made significant progress in transformation of wealth management business with continuous development of investment banking business.

Section III Report of the Board

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

1. Standardized and Sound Corporate Governance and Long-term and Unwavering Support from Shareholders

The Company has established a standardized governance structure in accordance with the requirements of the Company Law, the Securities Law and other regulations and rules. Upon the listing of A Shares and H Shares, the Company further standardizes and improves its corporate governance structure, compliance and risk control system and internal control management system in accordance with the requirements of the governance codes for A Shares and H Shares listed companies. The general meeting, the Board, the Supervisory Committee and the management team perform their respective duties diligently and give full play to the leading core and political core functions of the Company's party committee. In the first half of the year, the Company amended certain articles of the Articles of Association, improved the management and control of related transactions and strengthened the specialised management of litigation and arbitration of the Group. The general meeting, the Board and its special committees operated in a compliant and effective manner, enabling standardized corporate governance and effective operation.

The Company maintains a generally stable shareholder structure, and as the largest shareholder of the Company, Shenergy Group provides long-term and unwavering support to the innovative development of the Company. In recent years, Shenergy Group, together with other shareholders, has provided significant support to the Company on major issues such as optimisation of the senior management team and market-oriented mechanism reform. In the first half of the year, Shenergy Group and other shareholders provided firm support to the Rights Issue of the Company and ensured successful completion of the Rights Issue.

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 appointed the new president, formed a more young and professional management team, adjusted the duties of senior management and strengthened the incentive and constraint assessment mechanism. Secondly, the business teams are professional and stable. The Company's business teams have outstanding professional capabilities and have developed various well-known brands in the market with extensive market experience. Thirdly, the Company has a reasonable structure of talent team. Through the combination of external recruitment and internal cultivation of talents, the Company significantly optimized the structure of its talent team, with a more balanced structure in terms of number of staff, position matching, employment form and labor cost.

Section III Report of the Board

The Company continuously improves its talent mechanism. In recent years, it has implemented the H Share employee stock ownership plan of the listed company, explored the reform of business unit system for its wealth management business, improved the employee stock ownership plan for China Universal, and facilitated market-oriented reform of staff remuneration. In the first half of 2022, based on the middle and back office human resources management system optimization plan and the national spirit of “common prosperity”, the Company reformed the remuneration and performance bonus assessment and allocation mechanism to facilitate the optimisation of internal distribution and motivate key core talents. In addition, the Company amended the Cadre Management Measures to strengthen the assessment and evaluation and disciplinary supervision of cadres and improve the exit mechanism of cadres. The Company won the first prize in the 2021 Best Employer Awards in Shanghai by Zhaopin.

3. Developing Brand Strength with Investment Ability and Establishing Advantages for the Futures Business

The Company has comprehensive service capabilities covering all functions and the whole industry chain, including particularly outstanding investment ability. Its investment management businesses such as asset management, fund management, fixed income investment and securities investment have stood the test of the market with long-term outstanding performance and a relatively high brand reputation in the industry. In recent years, the Company’s futures business experienced rapid development with increasing market share and established comparative competitive advantage in the industry.

As a wholly-owned subsidiary of the Company, Orient Securities Asset Management has a long history of outstanding performance and maintains a leading position among securities firms in terms of revenue from asset management business, and the “Dong Fang Hong (東方紅)” brand enjoys a sound reputation in the market. In the first half of 2022, it actively managed over RMB300 billion of assets and ranked among the top in the industry in terms of operating performance. China Universal has developed an industry-leading operating model with stable and top-class overall capabilities and strives to build the most recognized asset management brand in China with a total asset management scale of approximately RMB1.2 trillion. In the first half of 2022, it successfully issued the China Universal China Securities Shanghai, Hong Kong and Shenzhen Zhangjiang Proprietary Innovation 50ETF, realising the organic integration of financial resources and scientific innovation elements. The investment income from fixed income business remained stable with optimized investment portfolio. In the first half of 2022, it recorded significant growth in various business indicators and won the award of Bond Connect Outstanding Market Maker for the fifth consecutive year. Orient Futures continued to rank among the top in the industry in terms of customer equity size and market-wide trading volume, and maintained a leading rating in the annual assessment of futures companies.

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4. Diligent and Effective Efforts in Compliance and Risk Control and Continuous Improvement of Effectiveness of Compliance and Risk Control

The Company upholds the concept of creating value through compliance, implements comprehensive risk management, continuously enhances the awareness of compliance and risk control among all staff, keeps optimising the comprehensive risk management system, and continuously improves the effectiveness of compliance and risk management.

In the first half of 2022, the Company formulated the implementation plan for vertical management and control of compliance and risk control, strengthened the collaboration among compliance, risk control and audit, implemented the requirements for vertical and transparent management and control of compliance and risk control, rationalised the Company's hierarchical decision-making and authorisation system, and issued internal control and management measures. To address the dual impact of the pandemic and market fluctuation, the Company strengthened stress testing, risk monitoring and risk limit optimisation management, and implemented and improved the systematic and automatic risk limit monitoring and early warning functions; continued to optimise the Group's consolidated management and promoted the construction of a digital early warning closed-loop management system; and strengthened the connection of risk control systems within the Group, joint development of risk management systems, management of new products and businesses and other key tasks. In the first half of the year, the Company did not experience any major non-compliance or risk-related events, and continuously improved the effectiveness of its compliance and risk management.

5. Promoting the Advantages of Party Building Culture and Persisting in Organic Integration of Party Building Culture and Market-Oriented Mechanism

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, strengthens cohesion and solidarity among staff by promoting corporate culture, and transforms the soft power of party building culture into concrete support for high-quality development. In addition, the Company attaches importance to the organic integration of the party building culture and development of market-oriented mechanism, and continuously strengthens the cohesion, competitiveness and creativity of the Company.

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In the first half of the year, to control the outbreak of pandemic, the Company allocated special party funds and encouraged party members to make donations to fight against the pandemic, organised party members for “double reporting” in the community, set up special funds for prevention and control, and made urgent purchases of daily necessities to meet the urgent needs of staff. To prepare for the 20th National Congress of the Chinese Communist Party, the Company carried out the election of party representatives, launched the 2022 staff cultural festival of “Driving Development with Culture Construction and Gathering the Efforts of All Staff”, and carried out the party themed dubbing activities of “Following the Leadership of the Party and Spreading Young and Positive Energy”. These diverse and effective party building and corporate culture activities have effectively enhanced the team spirit and cohesion of the Company, thus providing a strong organisational support and spiritual motivation for the sustainable and steady development of the Company.

III. DISCUSSION AND ANALYSIS OF OPERATION

The first half of 2022 was marked by multiple challenges to domestic and external economic development and a significant increase in macroeconomic uncertainties. In particular, the Russia-Ukraine conflict has impacted investors’ risk appetite and global commodity prices; the economy of the United States was at risk of recession as the Federal Reserve continued to raise interest rates, putting the global financial market under pressure. Meanwhile, the pandemic continued to have an impact on production capacity, trading and logistics, and the frequent occurrence of pandemic posed a great challenge to production and daily life in China. Despite the above, the Chinese economy overcame the impact of unfavourable factors that were beyond expectations, and various growth stabilisation policies showed effective results. During the Reporting Period, China’s GDP reached RMB56.26 trillion, representing a year-on-year growth of 2.5%. Facing various uncertainties, the A share market went up after decline with a downward trend in overall performance. In particular, the SSE Composite Index, the SZSE Component Index and the GEM Index decreased by 6.63%, 13.20% and 15.41%, respectively. Trading activities slightly increased where the average daily trading volume of the SSE and SZSE stocks reached RMB976.027 billion in the first half of 2022, representing a year-on-year increase of 7.38%. Meanwhile, bond market yields oscillated in a narrow range with an increase of 4.5bp in the yield of 10-year treasury bonds to approximately 2.82% and a decrease of 3.3bp in the 10-year CDB yields to approximately 3.05%.

In the first half of 2022, the Company’s performance was significantly impacted by the volatile stock market and the pandemic in China. Facing such pressure, with the concerted efforts from all staff, the Company actively responded to the difficulties, always prioritised sustainable development and maintained stable development of the Company with all risks under control and all tasks carried out in an orderly manner. The Company attached great importance to and carefully implemented a series of plans and instructions from the Shanghai SASAC and Shenergy Group on prevention and control of pandemic, adopted a series of emergency measures in terms of personnel safety, system response and business continuity including minimum on-site staff, working from home for most staff and closed-loop management of staff staying in the Company, and established a back-up support center to ensure normal operation of all types of transactions.

Section III Report of the Board

The Company completed its capital replenishment to enhance its risk resistance. Facing the frequent outbreak of pandemic and the drastic market adjustment, the Company was determined and united to forge ahead and successfully completed the Rights Issue of A Shares and H Shares, with the Rights Issue of A Shares achieving a subscription rate of 90% and raising RMB12.7 billion. The successful completion of the Rights Issue enhanced the Company's risk resistance and met its business capital requirements. During the same period, despite the unfavourable backdrop of several Chinese institutions scaling down or cancelling their issuance, the Company completed the overseas issuance of 100 million Euro Yulan bonds and USD300 million bonds, becoming the first Chinese issuer of Euro Yulan bonds.

The Company strengthened its compliance and risk control and carried out special inspections. In an environment of increased market volatility, the Company conducted risk management by carrying out special risk screening, strengthening stress testing, asset monitoring and risk warning, optimised risk limit management and public opinion warning systems, and maintained close communication with various departments. The Group continued to implement and improve its consolidation system, digital warning closed-loop management system, penetrating risk management and vertical management and control of subsidiaries. In the first half of 2022, the Company had no major violations of laws or regulations and all risk control indicators were in compliance with regulatory requirements.

The Company's investment banking business maintained a favourable development momentum. During the Reporting Period, Orient Investment Banking ranked 10th in the industry in terms of net income from investment banking business. Orient Investment Banking fully utilized the resource advantages of the Group, continued to put efforts in well-known IPO projects, and helped seven companies pass IPO administrative review with a passing rate of 100%. The total underwriting size of the Company's bond underwriting business amounted to RMB186.645 billion on a consolidated basis, ranking 8th in the industry. The Company successfully issued the carbon neutrality green bonds of the Three Gorges Corporation and the green financing bonds of China Development Bank on the theme of "clean energy equipment manufacturing", and participated in the issuance of the "Pudong Development Bank 2022 Financing Bonds (First Tranche)", the first property project merger and acquisition bond in China, as a co-lead underwriter.

The Company strived to expand the effectiveness of transformation of its wealth management business. The number of agency sale projects introduced by the Company increased by 230% as compared to the whole last year, covering various types including equity, bond and monetary products to meet the needs of different customers. As of the end of the Reporting Period, the size of equity products held by the Company amounted to RMB53.040 billion. The Company actively promoted its fund investment advisory business, completed the connection with external platforms, and contracted with approximately 150,000 customers with a size of approximately RMB14 billion.

Section III Report of the Board

The Company maintained stable development of its institutional finance business. The trading volume of the Company's market-making business in the inter-bank market increased by 22% year-on-year, the trading volume through the Bond Connect increased by 60% year-on-year. The Company won the award of Bond Connect Outstanding Market Maker for the fifth consecutive year, won the golden award issued by CFFEX for its treasury bond market making business, and commenced the pilot operation of market making business on the SSE and the SZSE. The Company's futures business grew rapidly, with the market share in terms of trading volume remaining at the top of the industry. As of the end of the Reporting Period, the size of futures customers' equity amounted to RMB70.5 billion, of which institutional customers' equity amounted to RMB62 billion, accounting for 88% of the total.

The Company's asset management business maintained stable operation. During the Reporting Period, Orient Securities Asset Management actively expanded its product portfolio, invested in industry-themed funds and promoted the development of innovative business. As of the end of the Reporting Period, the assets under management of Orient Securities Asset Management amounted to RMB330.677 billion. During the Reporting Period, China Universal continued to improve its product portfolio and further enriched its underlying and strategic assets. China Universal China Securities Shanghai, Hong Kong and Shenzhen Zhangjiang Proprietary Innovation 50ETF realised the organic integration of financial resources and scientific innovation elements and facilitated the high-quality development of science and technology industries and enterprises in Zhangjiang. The fund investment advisory business successively entered the platforms of Ant Group, Tencent and Yingmi. As of the end of the Reporting Period, the total size of assets under management of China Universal amounted to RMB1.2 trillion.

The Company accelerated the business management empowered by financial technology. The Company continued to promote digital transformation in terms of business scenario empowerment, management model innovation and technology architecture transformation. It also made improvement and optimization with focus on the super investment management platform, proprietary platform construction, quantitative ecosystem and the Orient Speed Trading (OST) system. The Company formulated the transformation plan of the new generation core business system, which has entered the development stage, created the project of strategy and algorithm center and completed the design of architecture system, and completed the construction of the account structure of Orient Integrated Account.

The Company further optimised its institutional mechanism. With the core ideas of "stimulating vitality, enhancing effectiveness and promoting excellence", the Company formed a plan to optimise the human resources management system for the middle and back-office functions. It also further improved the management of the Company's total remuneration, strengthened performance orientation and application of results, and implemented new rules on salary deferral. The Company implemented the resolutions of the Company's party committee, properly managed the appointment and dismissal of cadres and completed the performance assessment of the staff at chief assistant level at the headquarters. It also formulated the Company's human resources allocation plan for 2022 and strengthened the dynamic management of the human resources allocation model.

Section III Report of the Board

The Company continued to strengthen its efforts in party building and cultural construction. All staff of the Company studied and implemented the spirit of the 12th Shanghai Municipal Party Congress, strengthened ideological and political education, and strictly implemented and completed the extensive promotion within the Group. The Company implemented the ideological responsibility system and carried out the signing of the Company's ideological responsibility letter for the first time. The Company completed the amendments to its Articles of Association and strategic plan based on the requirements of industry culture construction and formulated a specific action plan for the Company's Sustainable Development Plan. The Company received a Category A rating in the assessment of culture building practices of securities companies.

As at the end of June 2022, the Company's total assets were RMB355.517 billion, representing an increase of 8.85% as compared with the end of last year, and the equity attributable to the shareholders of the Company was RMB75.803 billion, representing an increase of 18.21% as compared with the end of last year. The net capital of the Parent Company was RMB48.041 billion, representing an increase of 30.21% as compared with the end of last year. For January to June 2022, profit for the period attributable to shareholders of the Company was RMB0.647 billion, representing a year-on-year decrease of 76.03%.

During the Reporting Period, the Company achieved total revenue, other income and net gains and losses of RMB9.762 billion, representing a year-on-year decrease of 36.41%, of which investment management business realized RMB1.692 billion, taking up 15.07% of the total; brokerage and securities financing business realized RMB4.687 billion, taking up 41.75% of the total; securities sales and trading business realized RMB2.300 billion, taking up 20.48% of the total; investment banking business realized RMB1.029 billion, taking up 9.17% of the total and headquarters and others realized RMB1.518 billion, taking up 13.53% of the total. (Consolidation and offsetting factors were not considered when calculating segment revenue, gains and other income, operating expenditure and their proportions. The same approach is adopted below.)

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Table of Principal Businesses of the Group

Unit: '000 Currency: RMB

Business segment	Principal businesses by segments					
	Segment revenue, other income and net gains and losses	Segment expenses	Profit margin (%)	Change in segment revenue, other income and net gains and losses 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	1,691,931	990,003	57.46	(22.68)	(19.88)	Decreased by 20.51 percentage points
Brokerage and securities financing	4,687,417	4,736,136	(1.11)	(44.61)	(36.53)	Decreased by 12.89 percentage points
Securities sales and trading	2,299,707	1,034,410	56.02	(13.06)	(7.17)	Decreased by 1.81 percentage points
Investment banking	1,029,299	691,088	32.86	19.35	27.98	Decreased by 4.52 percentage points
Headquarters and others	1,517,954	1,947,718	(32.88)	(19.90)	(26.91)	Increased by 5.23 percentage points

Section III Report of the Board

(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 operating income of RMB1.692 billion, accounting for 15.07% 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.

Market environment

In the first half of 2022, with the official implementation of the new asset management regulations, the asset management industry has entered a new stage of compliant operation and high-quality development, and various institutions such as publicly offered funds, wealth management banks, trust companies, wealth management securities firms and wealth management insurers are forming an open and diversified asset management ecosystem with healthy competition and cooperation. The official implementation of the individual pension system has brought new opportunities and challenges to asset management and wealth management institutions in China, which are all actively making new plans and strategies. The CSRC issued the "Opinions on Accelerating the High-Quality Development of Publicly Offered Fund Industry" to promote honest practices, innovation and long-term and stable development of the publicly offered fund business. Facing the new landscape, asset management institutions need to identify their own positioning based on the overall strategy and their own resources and advantages, so as to achieve differentiated development.

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Operation initiatives and business development

During the Reporting Period, facing the severe challenges of the market environment, Orient Securities Asset Management firmly adhered to its development philosophy and continued to promote the development of its core competitiveness. As at the end of the Reporting Period, the total size of entrusted assets under management of Orient Securities Asset Management reached RMB330.677 billion, in which the size of publicly offered funds under management was RMB239.012 billion. The Company used closed-end products as long-term investment tools for clients, and the size of the mid-to long-term closed-end¹ equity funds² under management amounted to approximately RMB91.883 billion, accounted for 68% of all equity funds under management of the Company. In the first half of the year, Orient Securities Asset Management continued to strengthen the capability of its investment research system, enriched the strength of its investment research team, improved the Dongfanghong value investment framework and broadened its research scope. It continuously expanded its product portfolio based on its investment research capabilities, and successfully invested in funds related to medical upgrade and ESG sustainable investment with its first pension target date 2045 FOF being approved. It also continued to improve the service system, kept enhancing the brand influence, held over 10,000 “Dongfanghong Miles” client activities, and launched a series of joint broadcast activities under the theme of “Making investment in China at the right time” based on the market changes and needs of investors in an effort to boost market confidence and guide and accompany customers to make rational and long-term investments.

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, 2022	As at December 31, 2021
Collective asset management scheme	59,381.59	66,067.95
Single asset management scheme	16,342.00	13,907.51
Specialized asset management scheme	15,941.67	16,331.35
Publicly offered funds issued by securities dealer	239,012.12	269,622.45
Total	330,677.38	365,929.26

¹ Mid-to 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.

² Equity funds refer to common equity and mixed (excluding debt preferred mixed funds) funds under Wind’s classification basis, excluding fund of funds.

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Since its establishment in 2005, Orient Securities Asset Management has been adhering to the business principle of “putting clients’ interests first” and insisting on value investment and long-term investment with the aim of providing investors with a better investment experience by continuously enhancing its core competitiveness driven by the dual cores of “professional investment research + professional services”. The Company always focuses on active management, adheres to market-oriented concepts and mechanisms, benchmarks itself against top-tier public offering institutions, continues to consolidate its core competitiveness in active equity and fixed income, maintains its long-term investment performance at the top of the industry and strives to achieve long-term asset preservation and appreciation for its clients. As at the end of the Reporting Period, the return of equity investment actively managed by Orient Securities Asset Management was 121.96% for the last seven years, ranking third in the industry (source: Galaxy Securities Fund Research Center – Long-term Assessment List of Fund Managers’ Capability in Active Management of Equity Investment); its absolute rate of return of fixed income fund for the last five years was 28.53%, ranking among the top 20% in the industry (source: Financial Products Research Center of Haitong Securities Research Institute – Performance Rankings of Equity and Fixed Income Assets of Fund Managers).

Development plan and outlook

In the future, Orient Securities Asset Management will continue to enhance the core competitiveness, strengthen its brand image and consolidate its industry leading position. Firstly, it will continue to strengthen its investment research team and build a professional, diversified and highly integrated investment research platform; secondly, it will expand its product portfolio based on its active investment management capability, the market environment and clients’ needs, and tap into active equity funds, medium and low volatility fixed income products, pension target funds and public REITs; thirdly, it will further diversify its capital sources and clients and enhance investors’ sense of achievement through continuous guidance and companionship; fourthly, it will accelerate its digital transformation and improve its refined operation and management capabilities.

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.

Market environment

During the reporting period, global capital markets experienced severe volatility due to the outbreak of geopolitical wars, inflation in foreign developed economies and the outbreak of a new round of COVID-19 pandemic. Meanwhile, with the implementation of domestic policies to stabilise growth, China’s economy recovered steadily and capital market reforms continued to deepen, leaving the asset management industry in a market environment where opportunities and challenges coexist.

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Operation initiatives and business development

During the Reporting Period, China Universal carefully studied and implemented the Opinion on Accelerating and Promoting the High-quality Development of Publicly-offered Fund Industry. With focus on the Company's strategic development goal and based on the 2022 business plan and the requirements of the "Year of Management Transformation", China Universal comprehensively strengthened its core capabilities in investment management, risk management, customer service and business innovation. As of the end of the Reporting Period, the total assets under management of China Universal exceeded RMB1.2 trillion, in which the management scale of non-monetary wealth management publicly offered funds exceeded RMB580.0 billion, ranking among the top in the industry in terms of comprehensive strength. China Universal's businesses have achieved comprehensive development. In particular, it further diversified its product portfolio, successfully issued the China Universal CSI Shanghai Hong Kong Shenzhen Zhangjiang Independent Innovation 50 ETF, and innovatively realized the organic integration of financial resources and science and innovation elements, thereby facilitating the high-quality development of Zhangjiang's technology industry and enterprises. The institutional client service operation system continued to improve, and strategic cooperation with core institutional clients was further deepened. Digital transformation was fully implemented for channel business to provide online and offline multi-dimensional services. For e-commerce business, the Company carried out refined operation based on different customer groups, diversified its customer base and developed new customers under multiple models. Breakthroughs were made in fund investment advisory business and a major internet tri-party platform was successfully launched. The Company continued to develop strategic businesses and actively facilitated the development in personal pensions, ESG responsible investment and international operation.

During the Reporting Period, China Universal maintained stable performance in mid to long-term investment and was recognized as an institution with outstanding investment research capability by China Central Depository and Clearing Co., Ltd., and the China Universal Consumption ETF became the most popular ETF among investors in Shenzhen Stock Exchange.

China Universal persisted in carrying out various investor education activities and actively promoted the development of its investment advisory business. During the Reporting Period, the Company won various awards, including the Top 10 Investment Education Organizations of 2021 and the Persistent Investment Education Organization of 2021 by Alipay, the Best Investor Education Fund Company of 2022 and the Most Promising Fund Investment Advisory Organization of 2022 by Sina Finance.

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Development plan and outlook

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 uphold the business philosophy of “all for the long term” and the value 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

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

Market environment

In the first half of 2022, the fundraising environment in China’s equity investment market recovered at a slower pace and the pace of investment slowed down significantly due to the international situation and the resurgence of pandemic in China. According to the data of Zero2IPO, during the Reporting Period, the total size of newly offered funds decreased by 10.3% year-on-year, the number of investments made in the equity investment market in China fell by 31.9% year-on-year, the amount of disclosed investments fell by 54.9% year-on-year and the number of exits fell by 50% year-on-year. In addition, the industry distribution was highly concentrated, with nearly 80% of the investment cases concentrated in five major industries of IT, semiconductor and electronic equipment, biotech/healthcare, machinery manufacturing and Internet, and the top three industries showed a clear advantage in terms of the number of investment cases and investment size.

Operation initiatives and business development

As at the end of the Reporting Period, Orient Securities Capital Investment managed 47 funds with a scale of RMB15.13 billion, and the accumulated management scale exceeded RMB33.0 billion. The total number of investment projects of Orient Securities Capital Investment and funds managed by it reached 225, in which 76 projects have achieved investment exit. A total of 149 projects were under investment involving an investment amount of approximately RMB9.617 billion.

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With its development in recent years, Orient Securities Capital Investment has established its industry presence and brand advantages. Orient Securities Capital Investment actively pursued high-quality investment opportunities in counter-cyclical industries and placed emphasis on investment opportunities in biomedicine, advanced manufacturing, artificial intelligence, cloud computing, new energy and other related fields that are in line with social and national development trends, and optimised its investment portfolio. Since the implementation of registration system of the Science and Technology Innovation Board and the ChiNext, many outstanding target companies in the private equity funds managed by Orient Securities Capital Investment have been capitalised through IPOs on the Science and Technology Innovation Board and the ChiNext. During the Reporting Period, six target companies of the funds under management of Orient Securities Capital Investment passed the review by the listing committee of the Sci-Tech Innovation Board or the ChiNext, and nine companies applied for IPO in the first half of the year. As at the end of the Reporting Period, a total of 14 target companies of the funds under management of Orient Securities Capital Investment passed the review by the listing committee or were successfully listed on the Sci-Tech Innovation Board, and the listing applications of two target companies were accepted. 13 target companies were listed on the ChiNext or passed the review by the listing committee and the listing applications of three target companies were accepted.

Development plan and outlook

In the future, Orient Securities Capital Investment will continue to pay attention to the international and domestic situations and changes in the market environment, correctly understand the general trend of industry and technology development, capture national strategic opportunities, deeply explore the value of enterprises, refrain from blindly following the trend, optimize the investment portfolio and master the timing of investment.

(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 operating income of RMB4.687 billion, accounting for 41.75% of the total income.

Securities brokerage

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

Section III Report of the Board

Market environment

In the first half of 2022, the stock market declined significantly affected by various domestic and international factors, and trading activity remained at a high level with trading volume of stocks and funds reaching RMB124.56 trillion, representing a year-on-year increase of 7.63%. Product investment performance was heavily impacted by the market, with net worths retreating to a certain extent, and investor confidence was undermined, impacting the business operation of wealth management institutions. Meanwhile, benefiting from national policy support and gradual maturity of the industry, the wealth management industry continued to transform into the role of “buy-side investment adviser”, and 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, fully utilised its own strengths and experience, formed business synergy among securities agency trading, margin financing and securities lending, publicly offered products distribution, private wealth management and publicly offered fund investment advisory, and comprehensively upgraded its service solutions to achieve high-quality development.

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 2022, the market share in terms of income of the securities brokerage business was 1.6%, ranking 21st in the industry, which remained the same as compared to the same period of last year (data from monthly report of the Securities Association of China). During the Reporting Period, the cumulative number of newly opened accounts amounted to 142.9 thousand. As of the end of the Reporting Period, the Company had 2.33 million customers, representing an increase of 6.4% from the beginning of the period, and total assets under custody amounted to RMB812.222 billion.

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The company responded to market volatility with strong confidence and continued to develop its core competitiveness in the financial products agency sales business. The Company carried out wealth management business with focus on agency sale of financial products and financial product system construction. The Company improved the three-dimensional product evaluation model of “manager-fund manager-fund product” and established a good cooperation relationship with core leading players and managers of special growth funds. In addition, the Company strengthened the construction of the front office team in branches, and continuously encouraged frontline staff to participate in products agency sales. During the Reporting Period, despite the market decline, the Company actively guided its customers to established the idea of long-term investment and maintained a high level of overall business scale by carefully selecting products and offering high-quality investor education and client companionship. During the Reporting Period, the Company’s total revenue related to agency sale of products amounted to RMB303 million, representing a year-on-year decrease of 36.3%. As at the end of the Reporting Period, the size of equity products of the Company amounted to RMB53.040 billion, representing a decrease of 17.84% from the beginning of the period. The Company adhered to the concept of long-term and value investment, actively guided customers to hold high-quality equity funds in a long term, and formed a product distribution model with focus on closed-end products, of which the actively managed equity products with a closed-end structure accounted for 58%, establishing a leading position in the industry and safeguarding the long-term holding experience of its customers. According to the data of Asset Management Association, as of the end of the Reporting Period, the size of equity+mixed publicly offered funds held by the Company amounted to RMB44.9 billion, ranking 9th among securities dealers.

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 2022	January – June 2021
Publicly offered funds (including monetary funds)	56,550	78,065
Collective asset management products	–	33
Trust schemes	279	1,363
Private equity investment fund products	161	1,946
Other financial products	2,632	518
Total	59,622	81,925

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During the Reporting Period, the Company seized the opportunities from the development of fund investment advisory and expanded its business with an incremental mindset, and took the lead in exploring the industry outreach cooperation model, with over 150,000 clients for its fund investment advisory and strategy services covering a size of over RMB14 billion. The Company adhered to the long-term service concept, established the content systems including “Investment Advisory Dictionary, Investment Advisory Academy, Investment Advisory Wisdom and Investment Advisory Know-How” and continue to accompany clients to better guide clients to participate in the fund investment advisory business, thereby effectively improving and solving the industry pain point of “profitable only for funds but not fund holders”.

With a focus on institutional wealth management, the Company has built an institutional services ecosystem covering the whole business chain. During the Reporting Period, the Company completed the construction of the institutional wealth management platform system, firstly introduced various business models for institutional wealth management business and promoted them to various customer groups, including urban commercial banks, agricultural commercial banks, publicly offered funds, trust companies, listed companies and private equity institutions, thereby building the Company’s first-mover advantage in the institutional wealth management business as a securities firm. Meanwhile, the Company actively implemented its internationalisation strategy by introducing WFOE and QFII clients, steadily developing its foreign public offering business, and promoting the interaction with institutional clients of Orient Securities International. During the Reporting Period, the Company acquired 426 new institutional clients. The asset size of the newly acquired institutional clients was RMB11.5 billion, and the asset size of institutional clients reached RMB460.5 billion at the end of the period.

The Company developed the innovative service business model for high-net-worth customer and gradually developed a private wealth management system which provided more and more effective services. During the Reporting Period, the Company organised planned and systematic activities for high net worth clients. Through concept presentation and brand penetration, the Company explored its client base with an incremental mindset and continuously strengthened and improved the product portfolio of “Oriental Beauty – Fortune 100” to meet the investment needs of high-net-worth clients and facilitate the expansion of business scale. Meanwhile, the Company fully utilised the advantages of its investment banking and research resources to provide multi-dimensional and comprehensive services such as product customisation, asset allocation, wealth inheritance and risk segregation to high net worth clients. As of the end of the Reporting Period, the number of high net worth retail customers of the Company reached 7,074, and the size of clients’ assets was RMB161.9 billion.

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For Internet finance, during the Reporting Period, the Company continued to enhance its online service capabilities and improved the overall user experience in account opening, quotation, trading and wealth management, effectively ensuring the orderly and stable operation of all online businesses during the pandemic. It also actively explored paid Internet value-added services to drive continuous growth in users and asset under management; actively responded to the national strategy for the development of digital RMB, explored the use of digital RMB by customers to purchase financial value-added services, and promoted the innovative application of digital RMB in the capital market. As of the end of the Reporting Period, the Company had more than 556,000 active brokerage customers on the Internet and mobile phone platforms with stock and fund trading volume of RMB2.32 trillion. The number of customers trading through the Internet and mobile terminals accounts for 98.97% of the total number of customers, and the online transaction amount accounts for 79.67% of the total.

During the Reporting Period, the Company was highly recognized by different sectors for its wealth management transformation. In particular, the Company was awarded the “2021 Best Investment Advisory Outstanding Organisation Award” and the “2021 Best Investment Advisory Most Promising Investment Advisory Team” by New Fortune, the “2021 Fund Investment Advisory Golden Advisory Award”, the “2021 Advisory Service Golden Advisory Award”, the “2021 System Operation Golden Advisory Award” and the “2021 Industry Contribution Golden Advisory Award” by Xinhua Finance.

Development plan and outlook

In the future, the Company will adhere to the incremental mindset and continue to deepen the transformation and development of wealth management; strengthen cooperation with outstanding managers, give full play to the structural advantages of actively managed and closed-end equity products, optimize the product assessment and incentive mechanism, and form a long-term business development mechanism; focus on “in-depth development in Shanghai and nationwide expansion”, increase the contract size of publicly offered fund investment advisory business, actively explore new models of platform cooperation, and form an industry-leading model; make breakthroughs in product allocation and institutional wealth management, and develop the institutional wealth management market to form branded, systematic and model development and create new revenue and profit growth drivers; improve the professional allocation service system for high net worth clients and facilitate the expansion of business scale; take the foreign-invested publicly offered fund business as the entry point and accelerate the multi-business collaboration with outstanding foreign investment banks to expand its international business.

Futures brokerage

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

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Market environment

In the first half of 2022, China's futures market saw year-on-year decline in trading activities, and achieved a total trading volume of 3.046 billion lots and a turnover of RMB257.48 trillion, down 18.04% and 10.08% respectively year-on-year. However, the market-wide customer equity size exceeded RMB1.4 trillion, hitting another new high. As of the end of the Reporting Period, 94 futures and options varieties were available on domestic exchanges. Commodity option activities further increased with year-on-year growth in trading volume and positions.

Operation initiatives and business development

During the Reporting Period, Orient Futures adhered to its customer-centric approach, leveraged its two core competitive advantages in research and technology, expanded its financial technology service tools such as big data, focused on institutional client development and tracking services, and made progress for all business lines. Facing adverse factors in the market environment, Orient Futures utilised its professional service capabilities and recorded steady growth in its operating results.

During the Reporting Period, the key operating indicators of Orient Futures remained among the top five in China, with the five indicators of net profit, operating profit, fee income, operating income and customer equity ranking third. The brokerage business grew in an orderly manner, secured the industry leading position in terms of customer equity size and ranked first in terms of market share of trading volume. During the Reporting Period, Orient Futures deeply explored the needs of both domestic and overseas clients and opened a total of 903 new institutional accounts. As of the end of the Reporting Period, it has over 117,000 existing customers with a customer equity size of over RMB70 billion, representing an increase of 11.9% and 7.7%, respectively, as compared to the beginning of the period. Orient Futures maintained its industry leading position in information technology system and research strength, and gradually developed and promoted its brand image through years of operation and development of its institution business. During the Reporting Period, the Company further developed its "Fanwei" intelligent investment research platform and successfully established customized library for certain institutional clients.

Development plan and outlook

The Futures and Derivative Law will soon come into force, further expanding the scope of business and breadth of services that can be undertaken by futures companies. With the aim of serving the real economy, Orient Futures will fully study the new policies and situations, integrate the services of the futures and spot markets through various businesses of Orient Securities Runhe, its risk management subsidiary, while focusing on and exploring the investment in the green energy industry varieties of the newly established and operating Guangzhou Futures Exchange.

Section III Report of the Board

Securities financing

Market environment

During the Reporting Period, the overall size of margin financing and securities lending declined under the pressure of the Russia-Ukraine conflict, the COVID-19 pandemic and the volatile stock market. As of the end of the Reporting Period, the balance of margin financing and securities lending of the whole market totaled RMB1,603.331 billion, representing a decrease of 12.49% from the end of last year. In particular, the balance of margin financing amounted to RMB1,509.769 billion, representing a decrease of 11.82% from the end of last year; and the balance of securities lending amounted to RMB93.562 billion, representing a decrease of 22.12% from the end of last year.

During the Reporting Period, the scale of collateralized stock business 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 RMB213.698 billion, a decrease of 5.87% from the end of last year.

Operation initiatives and business development

In terms of the margin financing and securities lending business, the Company strived to overcome the adverse impact of the significant market decline, actively developed its customers and business resources, and continued to optimise its business and customer structure. It also continued to develop its systems to enhance the customer experience by optimising its business processes. In addition, the Company further improved its risk management system, actively responded to the impact of the epidemic, mitigated various risks and maintained a guarantee ratio higher than the market average, thereby achieving an 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 amounted to RMB20.039 billion, representing a decrease of 18.54% from the end of last year and a market share of 1.25%.

In terms of the collateralized stock business, the Company continued to adhere to the keynote of “risk control and scale reduction” and continuously reduced the scale of collateralized stock business. As of the end of the Reporting Period, the outstanding balance of the Company’s collateralized stock business amounted to RMB10.790 billion, all of which were contributed with proprietary funds, representing a decrease of 8.24% from the end of last year, effectively reducing the business scale.

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Development plan and outlook

In the future, the Company will continue to strengthen the Group's internal synergy, enhance cooperation with external institutions, and promote the steady development of its margin financing and securities lending business by optimising business processes, innovating business models, optimising business structures and improving risk management capabilities.

Other business

OTC business

In the first half of 2022, the securities market experienced significant fluctuations and the issuance and sales of all types of public and private equity products generally weakened, which also adversely affected the overall size of the OTC products and business. During the Reporting Period, the Company's total business volume in OTC market amounted to RMB61.997 billion, representing a year-on-year decrease of 32.25%. The Company actively overcame the impact from market downturn and lock-down measures for pandemic control and delivered certain remarkable results. In particular, during the Reporting Period, the Company launched 683 new OTC products, representing a year-on-year increase of 86.10%; issued variable income certificates of RMB2.787 billion, representing a year-on-year increase of 40%; and recorded a market making and transfer transaction volume of RMB0.286 billion, representing a year-on-year increase of 52%.

The Company's OTC business positioned itself as a business support department to continuously create synergy by focusing on providing services and support for the Company's various business lines and building the Company's OTC "trading center", "product center" and "innovation incubation center". During the Reporting Period, the Company established a long-term mechanism for middle platform management, developed product information and data standards, further refined the processes and improved the systems for product assessment, transaction management, parameter management, assistance in product filing and information disclosure, thereby enhancing the efficiency of product management.

In the second half of the year, the Company will continue to optimize its services of OTC business and facilitate middle platform transformation. Firstly, it will strengthen transaction protection, prepare the OTC trading system for switching to the Company's new generation trading system, and actively prepare for the launch of personal pension investment in publicly-offered securities investment funds based on the Company's business plan. Secondly, it will improve product management, support the institutional, retail and private wealth management businesses of the Company, and enhance the product management and service efficiency. Thirdly, the Company will further develop its transaction services, assist the business department in strengthening the promotion of variable income certificates, consolidate the favourable development momentum of market making and transfer transactions and boost trading activities.

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Custody business

During the Reporting Period, the asset management industry developed steadily, resulting in a more competitive environment for the custody business with an increasingly pronounced Matthew effect. The custody business of securities firms continued to facilitate the development of institutional business, and further expanded the scope of comprehensive financial services by optimising the operational and service system and accelerating digital transformation.

The Company actively followed the development direction of “focusing on the original custody function as a securities dealer and vigorously developing securities products”, took custody products as a link, facilitated the institutional and product-based operation of brokerage business based on the settlement model of securities dealers, enhanced the quality of personalised services and increased customer stickiness in a homogenized business. During the Reporting Period, the Company optimised its product structure, focused on the development of securities products, strictly controlled the scale of non-standard asset custody, complied with regulatory requirements and continued to enhance the compliance and internal control capabilities, and its custody business and fund services business once again passed the ISAE3402 international accreditation. As of the end of the Reporting Period, the number of securities products under custody increased by 16.33% as compared to the beginning of the year. Meanwhile, based on the advantages of sufficient leverage resources and significant synergies under the brokerage settlement model, the custody business further strengthened close cooperation with securities dealers and fund companies, and ranked among the top in the industry in terms of size of publicly offered funds, demonstrating a favourable growth trend and providing strong support for the development of the Company’s wealth management business.

In the future, the Company’s custody business will continue to focus on serving the main business of asset management, promote product structure optimisation, enhance operational capabilities, deepen intra-group collaboration, explore cooperation with licensed financial institutions in various areas, and use custody business as a link to provide more comprehensive and high-quality comprehensive financial services to institutional clients.

(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 realized operating income of RMB2.300 billion, accounting for 20.48% of the total income.

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Proprietary trading

Market environment

In the first half of 2022, global turmoil, interest rate hikes by the Federal Reserve, and lockdown measures to control pandemic in China caused great pressure on the securities market, with the stock market falling significantly as shown by a decrease of 6.63% in the SSE Composite Index, a decrease of 13.20% in the SZSE Component Index and a decrease of 15.41% in the ChiNext Index. During the Reporting Period, with the introduction of monetary policy to maintain adequate market liquidity and economic stability, bond market yields oscillated in a narrow range and closed close to flat. The yields of 10-year treasury bonds increased by 4.5bp to approximately 2.82%, the 10-year CDB yields decreased by 3.3bp to approximately 3.05%, the total price index of ChinaBond decreased by 0.29%, and the comprehensive price index of ChinaBond increased by 0.38%.

During the reporting period, the regulatory authorities successively introduced innovative policies such as new regulations on income swaps and market-making on the Science and Technology Innovation Board, which continuously enriched the market trading varieties and promoted the professional and high-quality development of the capital market, thus creating more space for the development of proprietary business of securities companies.

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, 2022	As at December 31, 2021
Stocks	7,723.69	8,434.35
Funds	8,687.38	9,090.18
Bonds	107,077.84	97,667.78
Others ^(Note)	3,741.53	1,812.69
Total	127,230.44	117,005.00

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

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In terms of proprietary equity investment business, during the Reporting Period, the Company mainly adopted a bottom-up approach for stock selection, and concentrated its resources on research of leading companies with sound and solid financial position and high-quality management in different industries, maintained a balanced trading position, and strictly implemented risk control indicators. Meanwhile, the Company formulated the strategy of investment in designated companies with high dividends, and tapped into quantitative strategy investment, FOF investment and other innovative sectors in order to enhance the yield stability. In addition, the Company continued to improve the structure of its assets on the NEEQ and facilitated the IPO of relevant projects. As of the end of the Reporting Period, the Company held 37 NEEQ projects.

In terms of FICC business, during the Reporting Period, the Company further consolidated its core competitiveness in investment research with an increasingly mature business system and FICC industry chain, and maintained a leading position in the industry in terms of scale and performance of proprietary business.

- For fixed income proprietary investment, the investment size grew steadily with continuous optimisation of position structure. The Company's spot securities trading volume in the interbank market amounted to RMB4.98 trillion, and the interest rate swap trading volume amounted to RMB189.050 billion, both ranked at the top among securities companies. For interest rate bonds, the Company mainly focused on increasing the holding of local government bonds, extended the term as appropriate and conducted swing trading. For credit bond investment, the Company appropriately reduced its positions, strengthened its credit research capabilities, refrained from lowering qualification, and increased returns by extending maturities.
- For market-making business, the Company actively updated its quotation strategy and delivered outstanding performance in its bond market making business. The trading volume of market-making business in the inter-bank bond market amounted to RMB3.07 trillion, representing a year-on-year increase of 22%; in the second quarter, the market making business for CDB bonds, bonds of Agricultural Development Bank of China and bonds of the Export-Import Bank of China ranked first in the market, the trading volume through the Bond Connect recorded a year-on-year increase of 60%, ranking among the top four in the industry, and the Company won the Bond Connect Outstanding Market Maker Award for the fifth consecutive year.

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- Steady progress was made in the innovative transformation of the FICC business. In particular, the foreign exchange business operated on multiple platforms, actively expanded into the global market, enriched its trading currencies, and actively explored innovative areas such as exotic options. During the reporting period, the total size of the foreign exchange business exceeded USD160 billion. Commodity business maintained stable operation with steadily increasing size of proprietary operations and accelerated development of agency business, and was granted the qualification of the first batch of tier 1 dealers for commodity swap business on the Shanghai Futures Exchange. Capital intermediary business grew steadily in size and achieved progress in its transformation.
- During the Reporting Period, the Company won various awards including the “Annual Market Influence Award – Core Trader”, “Outstanding Trader in Bond Market”, “Outstanding Trader in Derivatives Market” and “Outstanding Institution in Supporting the Opening-up Strategy” by China Foreign Exchange Trading Center, “Outstanding Market Maker for Northbound Trading” by Bond Connect Company Limited, “Outstanding Market Maker in Interbank Market” by China Development Bank, “Outstanding Market Maker” by Agricultural Development Bank of China, “Outstanding Cross-Market Bond Trading Institution” by the SZSE and “Golden Award for Outstanding Market Maker of Treasury Bond Futures” by China Financial Futures Exchange.

In terms of financial derivatives business, during the Reporting Period, the Company continuously optimized resource allocation, strengthened collaboration in the Group and established the Orient Derivatives business brand. In particular, the Company implemented various strategies for quantitative business and continuously improved T0 strategies and CTA strategies to reduce overall volatility of the portfolio. For market-making business, with all licences for equity options and fund market making, the Company continued to strengthen system construction and strategy optimisation to expand its business scale during the Reporting Period, significantly improved the profitability of high frequency options market making, achieved the goal of stabilising profitability and was granted the license of the first batch of market makers on the Fund Connect platform of the SSE and the SZSE. For the OTC derivatives business, the Company continued to explore business models, diversified its product offering, promoted the implementation of income swaps, expanded the scope of trading counterparties and increased market activities. During the Reporting Period, the trading volume of OTC options reached RMB42.8 billion, representing a year-on-year increase of 260%, and the trading volume of income swaps amounted to RMB9.7 billion, 64 times the size of the same period of last year. As of the end of the Reporting Period, the notional principal size of OTC derivatives reached RMB43.8 billion, an increase of over 48.5% from the beginning of the period; and the notional principal size of income swaps amounted to RMB4.2 billion. During the Reporting Period, the Company received the highest monthly rating of AA Grade for option market-making on both the SSE and SZSE, received the average rating of Grade A and above for products of bond market-making business. It won the “Golden Award for Outstanding Market Maker” and “Progress Award for Market Making Business” by Shanghai Futures Exchange.

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Development plan and outlook

In terms of proprietary equity investment business, the Company will put more efforts in macro-environment research and prognosis while ensuring effective micro-fundamentals analysis and focus on flexible investment strategies. For quantitative investment and FOF, the Company will continue to deepen its investment research capabilities and enhance its profitability; actively apply for the qualification of pilot market making on the Science and Technology Innovation Board and strive to capture opportunities to expand its revenue stream.

In terms of FICC business, the Company will accelerate the transformation of its domestic and international sales and trading platform covering all assets and expedite the recruitment of talents to meet the demand for high-quality development of various business segments. In particular, the Company will improve asset allocation and optimise position structure based on the market situation for proprietary investment. For market making business, it will further enhance the capabilities of business team, prepare and apply for qualification of market making on the SSE and the SZSE and prepare for the Swap Connect business. The Company will also further develop its FICC business and facilitate the sales transactions of its fixed income business and the transformation of its agency business.

In terms of financial derivatives business, the Company will steadily develop its quantitative business, control investment risks and flexibly respond to market changes; continue to optimize its market making system, enrich trading strategies and increase the product types for market making business to enhance the performance and market influence of its market making business; maintain a steady growth in the size of its OTC options business, optimize its trading model and explore innovative business models for income swaps, so as to increase the income level of its income swaps business while expanding its trading volume.

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 equity investment, special asset acquisition and disposal and quantitative investment.

Market environment

During the Reporting Period, for equity investment business, market information, industry resources and team awareness developed in a collaborative manner. The complicated international environment and the uncertain global economy caused a significant slowdown in the pace of the overall investment market, and project valuations became increasingly rational. For special asset business, the regulatory authorities provided more diversified policy guidance and support in terms of acquisition scope, transaction structure and pricing methods. The industry landscape has imposed higher requirements on the industry integration capability, property renovation capability and industry operation capability of investment institutions.

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Operation initiatives and business development

Orient Securities Innovation Investment continuously optimized the allocation structure based on the investment terms and risk levels of different assets to enhance the stability of returns

The Company steadily developed its equity investment business and continued to strengthen the proportion of equity investment, persistently focused on hard technology industries, assisted in the incubation of specialized and innovative enterprises, and made co-investment on the Science and Technology Innovation Board. As of the end of the Reporting Period, Orient Securities Innovation Investment had 72 existing equity investment projects with an investment scale of RMB3,537 million, and enhanced the risk management efficiency through the co-investment system. In addition, Orient Securities Innovation Investment proactively participated in co-investment on the Science and Technology Innovation Board and made co-investment in 7 projects under registration system with an investment scale of RMB369 million.

The Company promoted special asset acquisition and disposal business, and developed comprehensive operating capabilities in merger and acquisition, restructuring and full chain integration to consolidate its core competitiveness. As of the end of the Reporting Period, Orient Securities Innovation Investment had 23 existing special asset projects with an investment scale of RMB2,245 million.

The Company invested in quantitative hedge funds and other relevant products, maintained stable investment performance, strictly controlled the withdrawal and optimised liquidity allocation.

Development plan and outlook

In the future, Orient Securities Innovation Investment will continuously promote refined management and professional development of business operation, continue to focus on the technology industry, adhere to the investment philosophy of “growth-oriented and reasonable valuation”, make full use of market-based resources and information capabilities, make flexible cooperation and actively increase investment in leading growth projects that are in line with industry transformation and upgrading, so as to achieve higher investment returns with controlled risks. For special asset business, it will further enhance its comprehensive operating capabilities, optimise resource allocation, consolidate the strengths as a securities firm and proactively pursue equity-debt linked business.

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 took “comprehensive research” as the overall strategic direction, and utilized the overall strength of the Company’s investment and research business to enhance the quality of research services, thereby providing services to various segments internally to bring incremental value, and obtaining external recognition from institutional clients to achieve performance contribution.

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Operation initiatives and business development

During the Reporting Period, the Securities Research Institute carried out thorough research on fundamentals, focused on building a systematic framework for each research area, followed rigorous research methodology and research logic, and strived to improve the capability of researchers and the quality of research reports. In addition, the Company strengthened research collaboration between corporate and industry teams and between upstream and downstream industries, continued to create in-depth and high-quality research products, and enhanced research and management efficiency through information technology and other means. As at the end of the Reporting Period, the Company's securities research business had a total of 104 researchers, including 70 with analyst qualifications and 22 with investment consultancy qualifications, and published a total of 1,341 research reports.

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 Research Institute realized commission income of RMB325 million, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB303 million, with a market share of 2.82% and improved ranking among customers of core public offering funds. According to the data of Wind, DFZQ received public offering commissions of RMB738 million in 2021, and the number of commission earning seats accounted for 3.32% of the total and ranked 11th in the market. At the same time, 4 public offering customers, 1 bank customer and 22 customers of private placement, insurance and proprietary business of securities firms were newly secured, comprehensively covering the new bank wealth management subsidiaries.

During the Reporting Period, led by the Securities Research Institute, the Company continued to facilitate integration within the Group with focus on "identifying, analysing and solving problems" in order to promote project implementation and business development. In particular, the Company put great efforts in making collaborative breakthrough with focus on new customer development, collaborative implementation of sales transactions, integration of investment and research and talent cultivation and daily management of collaboration within the Group, and made comprehensive progress in strategic client activation, overseas client development and collaborative development with corporate clients.

During the Reporting Period, the strategy team continued to rank first in the industry in terms of over-allotment in the quantitative evaluation by "Wise Eye" of JRJ.com, and a number of industry analysts ranked among the top three in the 9th Choice "Best Analysts" Awards.

Development plan and outlook

In the future, the Company will enhance and utilise its research strengths and actively convert them into incremental value for the Company as a whole. It will also put efforts into serving different business units of the Company and creating synergy within the Group.

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(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 operating income of RMB1.029 billion, accounting for 9.17% of the total income.

According to Securities Association of China, in the first half of 2022, Orient Investment Banking ranked 10th in the industry in terms of net income from investment banking business.

Stock underwriting

Market environment

During the reporting period, overall equity financing activities slowed down significantly despite the record high IPO financing size of A share market, due to the decline in global economic growth, rising geopolitical uncertainties and the resurgence of pandemic. According to the data of Wind, in the first half of 2022, 171 enterprises completed IPO and listed, representing a year-on-year decrease of 33.98%, the overall size of IPO financing amounted to RMB311.937 billion, representing a year-on-year increase of 45.77%, 134 issuers completed issuance of additional shares (including asset portion), representing a year-on-year decrease of 43.46%, the size of financing amounted to RMB192.930 billion, representing a year-on-year decrease of 47.58%.

Operation initiatives and business development

Orient Investment Banking fully utilized the resource advantages of the group company, and identified a number of outstanding real economy enterprises, showing outstanding performance in terms of quality of project underwriting and project risk control, while demonstrating excellent valuation and pricing and sales capabilities. During the Reporting Period, Orient Investment Banking completed 8 equity financing projects with lead underwriting amount of RMB12.126 billion.

Orient Investment Banking participated in 3 IPO projects as the lead underwriter, with total underwriting amount of RMB4.509 billion, ranking 12th in the industry. In particular, Yuneng Technology was listed on the Science and Technology Innovation Board, which was widely recognised by investors and was the second largest project under registration system in terms of over-allotment ratio since the beginning of 2022, reflecting the Company's efforts in providing financial services to real economy enterprises in the new energy sector and contributing to carbon peaking and carbon neutrality. For secondary offering, Orient Investment Banking participated in the underwriting of five projects of issuance of additional shares, rights issue and convertible bonds with lead underwriting amount of RMB7.617 billion. In particular, Orient Investment Banking participated in 3 non-public offering and ancillary financing projects (excluding asset portion) as the lead underwriter with underwriting amount of RMB3.088 billion.

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During the Reporting Period, with strict control of project quality, Orient Investment Banking assisted seven enterprises in passing the IPO administrative review with a passing rate of 100% without cancellation of review or suspension of voting. In particular, one enterprise passed the administrative review of the main board of SZSE, four enterprises passed the administrative review of the ChiNext and two enterprises passed the administrative review of the Science and Technology Innovation Board, and some of these enterprises are leaders in their respective sectors. By following policy guidance and ensuring project quality, the Company strived to identify real economy enterprises with genuine attributes of scientific innovation to enter the capital market.

During the Reporting Period, Orient Investment Banking won various awards, including the “Best Equity Underwriting Investment Bank” and “Best Secondary Offering Investment Bank” by New Fortune, the “Best A Share Equity Underwriter”, “Best A Share Secondary Offering Underwriter” and “Best Science and Technology Innovation Board Equity Underwriter” by Wind in 2021.

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

(in RMB million)	January – June 2022	January – June 2021
IPO:		
Number of issuance	3	6
Amount underwritten as the lead underwriter	4,509.16	11,108.26
Secondary offering:		
Number of issuance	5	7
Amount underwritten as the lead underwriter	7,617.29	9,738.56
Total:		
Number of issuance	8	13
Amount underwritten as the lead underwriter	12,126.45	20,846.82

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Development plan and outlook

In the future, the Company's project pipeline and the number of applications are both showing positive growth momentum. With the introduction of the government's plan to facilitate major reform in capital market as set out in its work report, the registration system is expected to be fully implemented at a faster pace, which also imposes higher requirements on the quality of information disclosure by sponsoring institutions. Orient Investment Banking will actively respond to the national call, promote the concentration of essential resources in science and technology innovation sectors, fulfill its responsibilities as an intermediary, act as a "gatekeeper" in the capital market, accurately understand the "hard technology" attributes of enterprises that are in line with the national strategic guidance with breakthroughs in key core technologies and high market recognition, and assist enterprises to enter the capital market with solid and steady performance and high-quality and efficient services, so as to accelerate technological innovation and development in the industry and contribute to the quantitative and qualitative growth of the real economy.

Bond underwriting

Market environment

In the first half of 2022, to support the development of the real economy, the comprehensive financing cost remained stable with a moderate decrease, and the relatively accommodative monetary policy environment has created favourable conditions for bond issuance. During the Reporting Period, the size of bonds issued amounted to RMB31.51 trillion, representing a year-on-year increase of 6.58%. Competition in the bond underwriting market intensified, with market share concentrated among leading players, causing pressure on underwriting rates. In addition, the continuously tightening approval policy for urban investment bonds, coupled with investors' demand for urban investment bonds with relatively higher safety, led to a shortage of assets due to imbalance between supply and demand, and the interest rate of urban investment bonds issued in the first half of the year was on a downward trend.

Operation initiatives and business development

During the Reporting Period, the Company conducted 174 lead underwriting projects, with a total underwritten amount of RMB94.408 billion. According to Wind, the total underwriting size of DFZQ's bond underwriting business amounted to RMB186.645 billion on a consolidated basis, ranking 8th in the industry.

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Orient Investment Banking's bond underwriting business grew steadily with increasing market influence. During the Reporting Period, Orient Investment Banking continued to innovate bond varieties, enhanced its customer service capability, and issued innovative products such as carbon neutrality corporate bonds, green financing bonds, technological innovation corporate bonds, corporate bonds for the new area of the free trade zone, car park special corporate bonds and small and micro financial bonds, including the China Three Gorges Corporation Carbon Neutrality Corporate Bonds, the first green technology innovation exchangeable corporate bond in China, the carbon neutrality asset-backed special program and other innovative products. Despite the large amount of new default cases and frequent default in the bond market, the bond business of Orient Investment Banking maintained "zero default" through strict risk control. During the Reporting Period, Orient Investment Banking won various awards including the "Best Equity Underwriting Investment Bank" by New Fortune, the "Best Bond Underwriter" and "Bond Underwriting Rapid Improvement Award" by Wind.

During the Reporting Period, the Company maintained its industry leading position in terms of sales of interest rate bonds. In particular, the Company ranked among the top three in the industry in terms of size of treasury bonds, CDB bonds and bonds of Agricultural Development Bank of China underwritten, and actively participated in the underwriting of green bonds, rural revitalization bonds and other ESG related bonds. During the Reporting Period, the Company won various awards including the "Outstanding Underwriter" by Agricultural Development Bank of China, the "Outstanding Underwriter for Local Government Bonds" and "Outstanding Underwriter for Financing Bonds" by the SSE and the "Outstanding Underwriter for Interest Rate Bonds" by the SZSE.

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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 2022	January – June 2021
Corporate debentures:		
Number of underwriting as lead underwriter	100	41
Amount underwritten as lead underwriter	57,530	26,598
Corporate bonds:		
Number of underwriting as lead underwriter	12	7
Amount underwritten as lead underwriter	6,227	4,106
Financial bonds:		
Number of underwriting as lead underwriter	19	8
Amount underwritten as lead underwriter	20,193	11,420
Asset-backed securities:		
Number of underwriting as lead underwriter	17	9
Amount underwritten as lead underwriter	3,380	6,106
Debt financing instruments of non-financial enterprises:		
Number of underwriting as lead underwriter	26	35
Amount underwritten as lead underwriter	7,078	15,665
Total:		
Number of underwriting as lead underwriter	174	100
Amount underwritten as lead underwriter	94,408	63,895

Development plan and outlook

In the future, 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, and strive to expand the customer range and improve the customer structure.

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For bond underwriting business, Orient Investment Banking will adhere to the regional development strategy and build a nationwide customer service network. In addition, it will strengthen the collaboration within the Group, increase its efforts in developing high-quality major customers and exploring their diversified needs to enhance the overall income contribution from a single major customer. 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 comprehensive strength and advantages of the Group.

Financial advisory services

Market environment

During the Reporting Period, the further in-depth implementation of the registration system continued to make IPO the preferred capital operation option for many companies, and the Science and Technology Innovation Board, ChiNext and Beijing Stock Exchange provided listing and financing platforms for different types of enterprises, while the merger and acquisition market in China did not see a significant upturn. 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, 2 M&A and asset reorganization projects passed the administrative review and were completed. In particular, the merger and reorganization project of Asia-Potash International passed the administrative review of the CSRC with a total transaction size of RMB3.444 billion. The financial advisory project of privatization of Jin Jiang Capital by Jin Jiang International was completed in May 2022 with a total transaction size of HKD4.314 billion. Orient Investment Banking has outstanding execution capabilities as an independent financial advisor in M&A and reorganization transactions subject to administrative review. In the first half of 2022, it ranked fifth in the market in terms of number of M&A and reorganization projects passing administrative review, and ranked sixth in the market in terms of size of M&A and reorganization projects passing administrative review.

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, chemical, new energy, 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 expand the market share of its M&A business in China and provide capital market operation proposals and services for the transformation and upgrading of domestic enterprises.

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(5) *Headquarters and Others*

Headquarters and others business of the Company mainly include the headquarters' treasury business, overseas business and financial technology business. During the Reporting Period, the headquarters and others business realized operating income of RMB1.518 billion, accounting for 13.53% of the total.

Treasury business

Market environment

During the reporting period, affected by the conflict between Russia and Ukraine, the interest rate hike by the Federal Reserve and frequent occurrence of pandemic in China, the capital market fluctuated sharply and economic development became under pressure, and monetary policies were implemented to maintain market liquidity and economic stability. The interest rate of 10-year treasury bonds was at a relatively low level in the past decade, making the bond market environment more favourable.

Operation initiatives and business development

The Company carried out the treasury business with focus on four basic functions of liquidity risk management, capital operation and reserve management, debt financing management, and peer customer and product management. During the Reporting Period, the Company strengthened its liquidity risk management, carried out coordination of capital and liabilities in an orderly manner, and took various measures to ensure the safety of liquidity indicators. As of the end of the Reporting Period, the liquidity coverage ratio and net stable capital ratio of the Parent Company were 214.84% and 142.65%, respectively. The Company continued to strengthen its capital intake and outflow capacity, made proper provision for various funds of the Company, optimised its reserve structure, and invested in reserve assets to generate income on the basis of ensuring liquidity safety. It also conducted domestic and overseas bond issuance and issued the Euro Yulan bonds to help develop Shanghai as a financial center; improved the Company's cash product line and continued to enhance its product management capabilities.

Development plan and outlook

In the future, the Company will continue to implement the liquidity risk prevention and control strategy of maintaining stability and improve the liquidity indicator management capabilities; further strengthen the centralised management of capital, maintain a reasonable and stable total size of liquid assets and manage the threshold while maintaining flexibility; closely monitor changes in domestic and international markets, properly manage interest and exchange rate risks and reasonably control the comprehensive financing costs; continue to expand financing channels, scientifically coordinate credit management, continuously optimise the product management system and strengthen proactive financing management.

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Overseas business

Market environment

The first half of 2022 was characterised by the resurgence of the COVID-19 pandemic, geopolitical uncertainties, high and volatile commodity prices, rapidly rising benchmark interest rates, and high inflation, which prompted major economies to raise interest rates, resulting in continued volatility in global stock and bond markets. During the Reporting Period, the Hong Kong stock market exhibited weak performance, with the Hang Seng Index falling by 6.57% and the size of new share issuance in the Hong Kong stock market falling by 91% year-on-year to HKD19.7 billion; and the index of Chinese-issued US dollar bonds fell by 10%.

Operation initiatives and business development

The Company engages in overseas business mainly 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, the Company actively tackled unfavourable external factors, continued to improve the governance of its overseas organisations, strived to seize business opportunities, strictly prevented various operational risks, and strived to promote the cross-border extension of the Group's entire business chain.

The Company facilitated the transformation and strengthened the development of its brokerage business. For retail brokerage business, the Company strengthened the development of local market, established a “commercial banking + investment banking” partnership with Chinese-funded commercial banks in Hong Kong, carried out cross-sales with Chinese-funded companies in Hong Kong and conducted online and offline advertising and marketing. The Company continued to strengthen the development of its overseas product sales platform, with the total volume of products available for sale at the end of June increasing by 33% as compared to the end of last year. The ESOP business achieved initial success with the introduction of 2 listed clients and 3 trust and private equity partners. The Company also expanded its institutional client base and enhanced its institutional service capabilities, with institutional business volume reaching HKD18.3 billion, up 120% year-on-year.

For its asset management business, the Company improved its investment research system, enhanced the credit quality of its targets and optimised and updated its product lines. The Company was successfully granted the domestic RQFII qualification and the license for type 4 regulated activity issued by the SFC, and was ranked fifth in Hong Kong in the 2021 “Top Investment Houses in Asian G3 Bonds” by The Asset. Its products won various awards including the 2022 Best of the Best Awards for “5-Year China Bonds, Onshore” by Asia Asset Management, a reputable magazine; the “China Bonds, Onshore (5 Years and 3 Years)”, “Asia Pacific ex-Japan Equity (3 Years)”, “China Bonds, Off-shore (5 Years)” and “China High Yield Bonds (5 Years)” Performance Awards by Insights & Mandates.

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For investment banking business, the Company enhanced its capabilities and strengthened execution. During the Reporting Period, Orient Securities International participated in 6 equity sponsoring projects, 4 underwriting projects and 4 compliance financial advisory projects; completed 25 bond underwriting projects with a total underwriting amount of HKD8.5 billion. Total revenue from “equity + bond” investment banking increased by 185% year-on-year. The Company acted as the sole global coordinator for the issuance of Pingdu State-owned US dollar bonds and Huangyan Transportation & Tourism Euro bonds, and assisted Dalian Wanda to complete its first cash offer project.

Development plan and outlook

In the future, Orient Securities International will continue to focus on the operational characteristics of its securities business in Hong Kong and the needs of its target customers to serve the cross-border extension of the Group’s businesses. It will continue to deepen the collaboration between the domestic and international markets, strengthen the three lines of defence for compliance risk management, persist in promoting business structure adjustment and optimisation, stimulate the momentum of its basic business and continue to enhance its core competitiveness for international development.

Financial technology

Market environment

The booming digital economy has created a broad platform for financial innovation and development, and the rapid evolution of digital technology has injected abundant vitality into the digital transformation of financial industry, with fintech gradually moving into a new stage of high-quality development. In 2021, investment in information technology in the securities industry amounted to RMB33.820 billion, representing a year-on-year increase of 28.7% and accounting for 7.7% of the operating income in 2020. 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 strived to achieve unified planning, strengthened independent research and development, continued to promote the integrated development of financial technology, and continued to develop in the areas of innovation of integration mechanism, digital transformation of management, business scenario empowerment, and middle platform framework implementation to comprehensively promote digital transformation.

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The Company facilitated business development and formed the dual drivers and in-depth integration of technology and business. For proprietary investment business, the Company optimized and improved the functions of the proprietary investment management platform, launched the bond market making business on the SSE and the SZSE, met the investment needs covering all assets, all businesses and all processes, and developed a carrier-class application for investment management business. For wealth management business, the Company built a unified technological framework for its core business system, and continued to iterate and develop its independent research and fund investment advisory trading system to enhance the continuous service capability of its core business system and ensure security and stability; created a quantitative ecosystem, integrated the Company's quantitative investment research and big data platform resources, created the project of strategy and algorithm center and completed the design of architecture system, and provided diversified quantitative services for professional investors. For institutional services, the Company facilitated the construction of securities and stock options business functions of the Orient Speed Trading (OST) system, built a multi-level institutional trading ecosystem, completed the connection of the express counter and various PB systems, and gradually formed a closed loop of services.

The Company improved the level of digital management. It promoted the construction of a smart anti-money laundering management and control platform, continued to reconstruct, upgrade and optimise its compliance risk control system, and carried out comprehensive position matching for its risk data pools. The Company also achieved full coverage of lifecycle data governance for system construction; built an integrated platform for research and development and operation, and continued to improve the automatic collaboration capability of research and development and operation; and continued to promote the construction of a middle platform for innovative technologies such as artificial intelligence and block chain as well as the construction of capability sharing center.

Development plan and outlook

In the future, the Company will uphold the concept of digital transformation, integrated development driven by both technology and business. It will innovate the integration mechanism, promote cross-functional flexible collaboration and internal and external integration; promote management transformation and strengthen the construction of digital management system; empower business development driven by both technology and business and develop core competitiveness; promote the middle platform strategy and implement the structural transformation of shared middle platform. The Company will focus on the next-generation trading system, quantitative ecosystem, big data for investment research and the construction of a central proprietary platform, and implement the arrangements of the financial technology task force to promote highly efficient cross-team collaboration and integration, business transformation and construction of core competitiveness.

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IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

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

1. Revenue, gains and other income

During the first half of 2022, the major equity indices of the capital markets suffered certain declines due to multiple adverse factors such as the volatile international situation and the impact of the COVID-19 pandemic. During the Reporting Period, the Group realized total revenue, other income and net gains and losses of RMB9.762 billion, down by RMB5.589 billion or 36.41% over the same period of last year. The change in revenue and other income was mainly attributable to the year-on-year decrease in income from the Company's equity proprietary and other businesses and the decrease in income from sales of bulk commodities by our subsidiaries.

Details were as follows:

Commission and fee income amounted to RMB4.501 billion, accounting for 46.11% of the total and representing a year-on-year decrease of 7.87%, which was primarily attributable to the decrease in management fee income from asset management business.

Interest income amounted to RMB2.731 billion, accounting for 27.98% of the total and representing a decrease of 7.19%, which was primarily attributable to the decrease in interest income from collateralized stock business and interest income from bond investment.

Net investment gains amounted to RMB0.410 billion, accounting for 4.20% of the total and representing a year-on-year decrease of 78.74%, which was primarily attributable to the decrease in gains on disposal of equity securities by proprietary business and income from changes in fair value of financial instruments.

Other income, gains and losses, net amounted to RMB2.119 billion, accounting for 21.71% of the total and representing a year-on-year decrease of 62.11%, which was primarily attributable to the decrease in income from sales of bulk commodities by our subsidiaries.

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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 2022		From January to June 2021		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Commission and fee income	4,501,399	46.11%	4,885,912	31.83%	(384,513)	(7.87%)
Interest income	2,731,336	27.98%	2,942,874	19.17%	(211,538)	(7.19%)
Net investment gains	410,229	4.20%	1,929,997	12.57%	(1,519,768)	(78.74%)
Other income, gains and losses, net	2,118,604	21.71%	5,591,928	36.43%	(3,473,324)	(62.11%)
Total revenue, other income and net gains and losses	9,761,568	100.00%	15,350,711	100.00%	(5,589,143)	(36.41%)

2. Total expenses

During the Reporting Period, total expenses of the Group amounted to RMB9.350 billion, down by RMB3.606 billion or 27.83% year-on-year, which was mainly attributable to the year-on-year decrease in various business-related costs and expenses and the decrease in sales cost of the bulk commodity business of our subsidiaries.

Details were as follows:

Staff costs were RMB2.436 billion, down by 24.42%, which was mainly attributable to the decrease in staff costs that fluctuate with business revenue.

Interest expenses were RMB2.052 billion, down by 8.16%, which was mainly attributable to the decrease in interest expenses for financing products such as bonds.

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Commission and fee expenses were RMB0.435 billion, down by 5.66%, which was mainly attributable to the decrease in expenses of investment banking and asset management businesses and bond lending expenses.

Depreciation and amortization expenses were RMB0.387 billion, up by 10.31%, which was mainly attributable to the increase in depreciation of fixed assets and right-of-use assets and amortization of intangible assets.

Other operating expenses, including operation expenses, and tax and surcharges, were totally RMB2.997 billion, down by 53.39%, which was mainly attributable to the decrease in sales cost of the bulk commodity business of our subsidiaries.

Impairment losses under expected credit loss model, net of reversal were RMB0.869 billion, representing an increase of 236.29%, which was mainly attributable to the increase in impairment loss of stock pledge repurchase assets during the period.

Other impairment losses amounted to RMB0.175 billion, which was mainly due to the provision for impairment of investment in associates during the period.

The components of total expenses of the Group during the first half of 2022 are set out as follows:

Unit: '000 Currency: RMB

Item	From January to June 2022	From January to June 2021	Changes	
			Amount	Proportion
Staff costs	2,435,763	3,222,572	(786,809)	(24.42%)
Interest expenses	2,052,102	2,234,521	(182,419)	(8.16%)
Commission and fee expenses	434,851	460,928	(26,077)	(5.66%)
Depreciation and amortization	386,776	350,640	36,136	10.31%
Other operating expenses	2,996,543	6,429,535	(3,432,992)	(53.39%)
Impairment losses under expected credit loss model, net of reversal	869,454	258,544	610,910	236.29%
Other impairment losses	174,951	–	174,951	–
Total	9,350,440	12,956,740	(3,606,300)	(27.83%)

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3. Cash flows

During the Reporting Period, the Company recorded RMB7.056 billion net increase in cash and cash equivalents.

Details were as follows:

- (1) Net cash from operating activities amounted to RMB12.295 billion, which was mainly attributable to:
 - i. RMB11.941 billion of net cash inflow was attributable to increase in account payables to brokerage clients;
 - ii. RMB5.423 billion of net cash inflow was attributable to increase in financial assets sold under repurchase agreements and decrease in placements from banks and other financial institutions;
 - iii. RMB5.222 billion of net cash inflow was attributable to decrease in financial assets at fair value through profit or loss and derivative financial assets;
 - iv. RMB12.205 billion of net cash outflow was attributable to increase in bank balances and clearing settlement funds restricted or held on behalf of customers.
- (2) Net cash used in investment activities was RMB10.755 billion, which was primarily attributable to: RMB12.093 billion of net cash outflow as a result of investment and disposal of financial investment.
- (3) Net cash from financing activities amounted to RMB5.517 billion, which was mainly attributable to:
 - i. net cash inflow of RMB12.559 billion as a result of completion of the Rights Issue of A Shares and H Shares;
 - ii. net repayment of debt financing of RMB5.728 billion.

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(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 RMB355.517 billion, total liabilities of RMB279.702 billion and total equity of RMB75.815 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 2022		As of the end of 2021		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Total assets	355,516,560		326,599,622		28,916,938	8.85%
Cash and bank balances	103,765,312	29.19%	90,555,816	27.73%	13,209,496	14.59%
Clearing settlement funds	31,786,820	8.94%	25,472,872	7.80%	6,313,948	24.79%
Deposits with exchanges and financial institutions	4,278,493	1.20%	2,655,369	0.81%	1,623,124	61.13%
Derivative financial assets	917,034	0.26%	279,902	0.09%	637,132	227.63%
Placements to banks and other financial institutions	538,248	0.15%	382,833	0.12%	155,415	40.60%
Advances to customers	20,091,271	5.65%	24,344,922	7.45%	(4,253,651)	(17.47%)
Account receivables	2,713,043	0.76%	1,011,537	0.31%	1,701,506	168.21%
Financial assets held under resale agreements	13,048,961	3.67%	11,502,955	3.52%	1,546,006	13.44%
Financial assets at fair value through profit or loss	86,362,147	24.29%	90,584,006	27.74%	(4,221,859)	(4.66%)
Debt instruments at fair value through other comprehensive income	69,678,825	19.60%	58,599,581	17.94%	11,079,244	18.91%
Equity instruments at fair value through other comprehensive income	4,919,698	1.38%	4,138,153	1.27%	781,545	18.89%
Debt instruments at amortized cost	3,414,605	0.96%	3,594,039	1.10%	(179,434)	(4.99%)
Deferred tax assets	1,641,068	0.46%	1,438,838	0.44%	202,230	14.06%
Investments in associates	6,342,058	1.78%	6,553,668	2.01%	(211,610)	(3.23%)
Right-of-use assets	730,791	0.21%	774,013	0.24%	(43,222)	(5.58%)
Investment property	329,567	0.09%	352,411	0.11%	(22,844)	(6.48%)
Properties and equipment	2,132,872	0.60%	2,234,866	0.68%	(101,994)	(4.56%)
Other intangible assets	210,713	0.06%	250,647	0.08%	(39,934)	(15.93%)

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Unit: '000 Currency: RMB

Items	As at the end of June 2022		As of the end of 2021		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Goodwill	32,135	0.01%	32,135	0.01%	0	0.00%
Other assets	2,582,899	0.73%	1,841,059	0.56%	741,840	40.29%
Total liabilities	279,701,542		262,456,516		17,245,026	6.57%
Due to banks and other financial institutions	2,779,960	0.99%	8,485,677	3.23%	(5,705,717)	(67.24%)
Short-term financing bills payable	12,734,826	4.55%	7,096,803	2.70%	5,638,023	79.44%
Account payables to brokerage clients	101,952,923	36.45%	90,012,125	34.30%	11,940,798	13.27%
Financial assets sold under repurchase agreements	73,892,468	26.42%	62,741,993	23.91%	11,150,475	17.77%
Financial liabilities at fair value through profit or loss	16,842,396	6.02%	16,588,356	6.32%	254,040	1.53%
Derivative financial liabilities	311,628	0.11%	733,829	0.28%	(422,201)	(57.53%)
Contract liabilities	108,073	0.04%	91,413	0.03%	16,660	18.22%
Current tax liabilities	174,972	0.06%	638,543	0.24%	(463,571)	(72.60%)
Accrued staff costs	2,190,587	0.78%	2,431,922	0.93%	(241,335)	(9.92%)
Borrowings	492,384	0.18%	558,645	0.21%	(66,261)	(11.86%)
Lease liabilities	736,990	0.26%	781,842	0.30%	(44,852)	(5.74%)
Bond payables	55,474,634	19.83%	67,509,217	25.72%	(12,034,583)	(17.83%)
Deferred tax liabilities	47,175	0.02%	19,202	0.01%	27,973	145.68%
Other liabilities	11,962,526	4.28%	4,766,949	1.82%	7,195,577	150.95%
Total equity	75,815,018		64,143,106		11,671,912	18.20%

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

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2. *Assets*

As at the end of the Reporting Period, the Group's total assets reached RMB355.517 billion, an increase of RMB28.917 billion or 8.85% from the end of last year, which was mainly attributable to the increase in cash and bank balances, debt instruments at fair value through other comprehensive income and clearing settlement funds. In the Group's assets, currencies, clearing settlement funds, deposits with exchanges and non-bank financial institutions and placements to banks and other financial institutions amounted to RMB140.369 billion, an increase of RMB21.302 billion from the end of last year, accounting for 39.48% of total assets. Financial investment and derivative financial assets amounted to RMB165.292 billion, an increase of RMB8.097 billion from the end of last year, accounting for 46.49% of total assets. Advance to financing customers, financial assets held under resale agreements and account receivables amounted to RMB35.853 billion, a decrease of RMB1.006 billion from the end of last year, accounting for 10.08% of total assets. Investment in associates, fixed assets and others amounted to RMB14.002 billion, an increase of RMB0.524 billion from the end of last year, accounting for 3.95% 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 RMB18.820 billion, accounting for 5.29% of the total asset.

4. *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities reached RMB279.702 billion, an increase of RMB17.245 billion or 6.57% from the end of last year. The gearing ratio, net of account payables to brokerage clients and funds payable to securities issuers, was 70.06%, a decrease of 2.83 percentage points from the end of last year. In the Group's liabilities, borrowings, short-term financing bills payables, placements from banks and financial institutions, bond payables and financial assets sold under repurchase agreements amounted to RMB145.374 billion, a decrease of RMB1.018 billion from the end of last year, accounting for 51.97% of total liabilities. Financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB17.154 billion, a decrease of RMB0.168 billion from the end of last year, accounting for 6.13% of total liabilities. Account payables to brokerage clients amounted to RMB101.953 billion, an increase of RMB11.941 billion from the end of last year, accounting for 36.45% of total liabilities. Accrued staff costs, current tax liabilities, contract liabilities and others amounted to RMB15.220 billion, an increase of RMB6.490 billion from the end of last year, accounting for 5.45% of total liabilities.

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5. Borrowings and bond financing

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB71.482 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

Items	As of the end of 2022	As of the end of 2021
Bond payables	55,474,634	67,509,217
Borrowings	492,384	558,645
Short-term financing bills payables	12,734,826	7,096,803
Placements from banks and financial institutions	2,779,960	8,485,677
Total	71,481,804	83,650,342

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 35, 39 and 40 to the attached condensed consolidated financial statements.

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

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(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 RMB6.342 billion, representing a decrease of RMB0.212 billion or 3.23%, as compared with the end of last year. The reason for the change was mainly due to the declaration of dividend by associates and provision for impairment of investment in associates. Please refer to Note 28 to the attached condensed consolidated financial statements for the details of the Group's external equity investment.

(1) Material investments

During the Reporting Period, there was no material investment held by the Group or future plans for material investments or capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at June 30, 2022.

(2) 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	84,664,229	86,362,147	(3,283,171)	(659,049)	(497,928)
2. Debt instruments at fair value through other comprehensive income	68,385,651	69,678,825	11,368,055	(205,232)	424,074
3. Equity instruments at fair value through other comprehensive income	3,627,094	4,919,698	(235,946)	1,017,490	124,564
4. Derivative financial instruments	8,410	605,406	45,213	1,182,127	371,849

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(iv) Material assets and equity acquisition and disposal

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

(v) Analysis on major subsidiaries and associates

1. Orient Futures Co., Ltd, with a registered capital of RMB3.3 billion, is 100% owned by the Company.

As at June 30, 2022, total assets of Orient Futures Co., Ltd amounted to RMB78.426 billion, and its net assets amounted to RMB5.367 billion. In the first half of 2022, its operating income (income from principal business), profit from principal business and net profit amounted to RMB2.693 billion, RMB0.376 billion and RMB0.285 billion, 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, 2022, total assets of Orient Securities Capital Investment Co., Ltd. amounted to RMB4.853 billion, and its net assets amounted to RMB4.829 billion. In the first half of 2022, its operating income and net loss amounted to RMB-0.042 billion and RMB0.049 billion, 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.

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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, 2022, total assets of Shanghai Orient Securities Asset Management Co., Ltd. amounted to RMB4.859 billion, and its net assets amounted to RMB3.372 billion. In the first half of 2022, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB1.499 billion, RMB0.542 billion and RMB0.497 billion, respectively.

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

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, 2022, total assets of Orient Securities Investment Banking Co., Ltd. amounted to RMB2.568 billion, and its net assets amounted to RMB1.724 billion. In the first half of 2022, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB0.800 billion, RMB0.126 billion and RMB0.109 billion, 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 RMB7.2 billion and is 100% owned by the Company.

As at June 30, 2022, total assets of Shanghai Orient Securities Innovation Investment Co., Ltd. amounted to RMB8.338 billion, and its net assets amounted to RMB7.105 billion. In the first half of 2022, its operating income (income from principal businesses), the profit from principal businesses and net profit amounted to RMB0.438 billion, RMB0.389 billion and RMB0.300 billion, respectively.

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

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

As at June 30, 2022, total assets of Orient Finance Holdings (Hong Kong) Limited to HKD19.160 billion, and its net assets amounted to HKD1.760 billion. In the first half of 2022, its operating income and net loss amounted to HKD-0.362 billion and HKD0.505 billion, respectively.

Its principal businesses are investment holding, and operation of securities brokerage business, futures brokerage business, asset management business, investment banking and margin financing business as regulated by the SFC pursuant to SFO through establishment of various subsidiaries and licensed sub-subsidiaries.

7. China Universal Asset Management Company Limited has a registered capital of RMB0.133 billion and its 35.412% equity interests is held by the Company.

As at June 30, 2022, total assets of China Universal Asset Management Company Limited amounted to RMB13.138 billion, and its net assets amounted to RMB8.986 billion. In the first half of 2022, its operating income (income from principal businesses) amounted to RMB3.200 billion, the profit from principal businesses and net profit was RMB1.360 billion and RMB1.009 billion, respectively.

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

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(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 24 structured entities included in the consolidated statement scope, with a total net asset value of RMB4.708 billion. During the Reporting Period, the Company did not add any new structured entities to the consolidated statement scope, and reduced 2 structured entities due to liquidation.

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

Unit: '000 Currency: RMB

Structured entities consolidated	As at June 30, 2022 or from January to June 2022
Total assets	5,422,005
Total liabilities	714,220
Total net assets	4,707,785
Operating income	(113,813)
Net profit	(157,240)

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

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(vii) Capital raising

(1) *Rights Issue of A Shares and H Shares*

As approved by the CSRC, the Company publicly issued securities (A Shares) through the Rights Issue on April 29, 2022. Deloitte Touche Tohmatsu Certified Public Accountants LLP has verified the proceeds from the Rights Issue of A Shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (22) No. 00203). Based on this capital verification report, it was noted that the Company issued a total of 1,502,907,061 RMB ordinary shares (A Shares) through the Rights Issue at an offer price of RMB8.46 per share. The total amount of proceeds raised was RMB12,714,593,736.06, and after deducting the sponsorship fee and underwriting fee of RMB141,509,433.96 for the public issuance of securities under the Rights Issue, proceeds of RMB12,573,084,302.10 were received. The above proceeds were deposited to the RMB designated account for proceeds from the Rights Issue opened with the China Construction Bank Corporation Shanghai Second Branch (account number: 31050163360009015016) and the RMB designated account for proceeds from the Rights Issue opened with Shanghai Pudong Development Bank Co., Ltd. Waitan Branch (account number: 96550078801600000452). After deducting the issuance expense (excluding value added tax) of RMB147,375,578.12 from the total proceeds from the Rights Issue of A Shares, the actual net proceeds amounted to RMB12,567,218,157.94, i.e. the net issue price per A Share was approximately RMB8.36, and the closing price as quoted on the SSE on April 15, 2022 (i.e. the pricing date) was RMB10.88 per A Share.

The Company publicly issued overseas listed foreign shares (H Shares) through the Rights Issue on May 20, 2022. Deloitte Touche Tohmatsu Certified Public Accountants LLP has verified the proceeds from the Rights Issue of H Shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (22) No. 00268). Based on this capital verification report, it was noted that the Company issued a total of 82,428 overseas listed foreign shares (H Shares) through the Rights Issue of H Shares at an offer price of HKD10.38 per share. The total amount of proceeds raised was HKD855,602.64, which was equivalent to RMB735,818.27 based on the median exchange rate as published by the People's Bank of China on May 20, 2022. After deducting relevant issuance expense, the actual net proceeds from public issuance of securities under the Rights Issue of H Shares amounted to HKD0, which was equivalent to RMB0 based on the median exchange rate as published by the People's Bank of China on May 20, 2022, i.e. the net issue price per H Share was approximately HKD0, and the closing price as quoted on the Hong Kong Stock Exchange on April 14, 2022 (i.e. the trading day of H Shares on the Hong Kong Stock Exchange before the pricing date) was HKD4.86 per H Share.

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The Company successfully completed the Rights Issue of A Shares and H Shares, which provided a favourable capital base for the comprehensive enhancement of its market competitiveness and risk resistance and the development of its investment banking and wealth management businesses. Based on the explanations of use of proceeds as set out in the A Share Rights Issue prospectus and H Share Rights Issue prospectus disclosed by the Company, the proceeds from the Rights Issue will be used mainly for the following purposes:

No.	Investment projects to be financed by the proceeds	Amount	Expected time
1	Investment banking business	Up to RMB6.0 billion	Before December 31, 2026
2	Wealth management and securities financing businesses	Up to RMB6.0 billion	Before December 31, 2023
3	Sales transactions business	Up to RMB3.8 billion	Before December 31, 2023
4	Replenishment of working capital	Up to RMB1.0 billion	Before December 31, 2023
Total		Up to RMB16.8 billion	

As at the end of the Reporting Period, the details relating to utilization of the proceeds from the Rights Issue of the Company are set out below: RMB1.700 billion was used for wealth management and securities financing businesses, RMB3.120 billion was used for sales transactions business, and RMB0.967 billion was used for replenishment of working capital, and a total of RMB5.787 billion of the proceeds from the Rights Issue of A Shares was used by the Company. Save for the above use of proceeds, approximately RMB6.810 billion (including the interests of proceeds) of the proceeds from Rights Issue remains unused. For details of the utilization of proceeds from the Rights Issue of the Company, please refer to the Special Report of 東方證券股份有限公司 on the Deposit and Actual Use of Proceeds for the First Half of 2022 disclosed by the Company on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dfzq.com.cn>) on August 30, 2022.

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(2) *IPO of H Shares*

As approved by the CSRC, the Company issued the overseas listed foreign shares (H Shares) in the Hong Kong Stock Exchange on July 8, 2016, and exercised the over-allotment option on August 3, 2016. Deloitte Touche Tohmatsu Certified Public Accountants 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 were HKD7,417,133,357.56 after deduction of such proceeds as transferred to the National Council for Social Security Fund and other expenses related to the issuance.

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

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

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As at the end of the Reporting Period, the details relating to utilization of the proceeds from the IPO 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, HKD0.275 billion for capital expenditure, and HKD0.416 billion for working capital and others. The Company utilized a cumulative of HKD7.305 billion of proceeds raised through H shares. Save for the above use of proceeds, approximately HKD0.117 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 one year 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 H Share prospectus, Rights Issue 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. No consolidated entity was added for the Reporting Period as compared with the beginning of the year.
2. Two consolidated entities were reduced for the Reporting Period as compared with the beginning of the year, being one structured entity reduced by Orient Finance Holdings, our subsidiary, and one structured entity reduced by Orient Futures, our subsidiary.

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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.

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Based on the overall business strategy and with the participation of the Board, the management and all staff, the Company accurately identifies, prudently assesses, dynamically monitors, timely responds and entirely manages 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 risks, while the risk management department of the Company is responsible for coordinating the overall market risk management of the Company.

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.

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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 RMB103 million.

2. *Credit risk*

Credit risk mainly refers to the risk of loss due to default by the debtor, counterparty or issuer, etc. 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 perform 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.

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The Company has established its respective credit risk management system with regard to bonds issuers, 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 has 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, and 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. In addition, the Company has established the same business and same customer management mechanism based on external guidelines and in line with the Company's actual business development, to carry out unified measurement, monitoring and management of credit business, improve the Group credit management system for the Company's credit business and further refine credit risk management.

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.

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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, so as to ensure that the Company's liquidity coverage ratio and net stable funding ratio meet regulatory requirements on an ongoing basis. The Company has good credit standing and stable financing channels. In terms of daily liquidity position management, the Company has sufficient reserves of high-quality liquid assets and conducts daily cash flow gap monitoring to ensure smooth operation of the Company's business and timely repayment of its liabilities as they fall due. The Company conducts regular liquidity stress testing and emergency exercise, identifies risk factors and vulnerable areas through analysis of stress test results, and applies the stress test results in relevant decision-making process of the Company. During the Reporting Period, the Company continued to strengthen the coordination of liquidity risk management of its subsidiaries to enhance the liquidity risk management capability of its subsidiaries and improve the overall liquidity risk prevention and control of the Group.

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 operational risk management, the Company conducted careful review on the operational procedure based on its internal control procedure and 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 updated the assessment on the identified operational risks, and monitored the key operational risks by establishing key risk indicators. The Company has realized operational risk losses data collection and management with the operational risk losses reporting mechanism. In addition, the Company has completed the development of operational risk management system and realized the identification, evaluation, monitoring, measurement and reporting of operational risks. The Company has completed the implementation of operational risk management of its wholly-owned and controlled subsidiaries to align with the Parent Company.

Section III Report of the Board

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 further improve the Company's anti-money laundering mechanism, the Company made amendments to five company level anti-money laundering systems, including the Anti-Money Laundering System of DFZQ, the Anti-Money Laundering System of Securities Branches of DFZQ, the Reporting System of Large-sum Transactions and Suspicious Transactions of DFZQ, the Money Laundering Risk Assessment and Customer Classification Management System of DFZQ and the Self-evaluation System for Money Laundering Risk of DFZQ in 2021, and continuously amended relevant anti-money laundering systems based on the latest regulatory requirements and actual working conditions in the first half of 2022. For tasks that require attention at the operational level, the Company continuously publishes operational guidelines (e.g. the Customer Beneficial Ownership Identification Operational Guideline and the Anti-Money Laundering List Screening and Analysis Guideline) and system function operation manuals to provide specific instructions on the work requirements. In terms of system development, meetings are held with relevant departments of the Company to discuss and identify relevant requirements for anti-money laundering in the account system and assist in implementation of relevant requirements to improve the quality of customer information collection of the Company. The Company conducts assessment of the customer risk classification model for anti-money laundering and intends to further optimize the functions of the system model and enhance the effectiveness of the assessment model upon completion of the assessment. In addition, the Company engages external third-party consulting agencies to carry out the Group's money laundering risk assessment, 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.

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.

Section III Report of the Board

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 leading the management and control of construction work including development and testing of the information system, and management of the approval and evaluation for outsourcing suppliers 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 sets 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's reputation risk management is mainly reflected in the following aspects:

1. In order to effectively establish a reputation control and evaluation mechanism for staff, the Company has linked its reputation risk management system with performance and set up independent appraisal indicators to assess and evaluate each department and staff for the current period to strengthen reputation control.
2. Establishing a comprehensive system for reporting public sentiment. Monthly briefings on public sentiment are sent to key management of the Company and relevant situations are reported to the Board of the Company and Shenergy Group through the risk control department to ensure that the Board and the management are aware of the level of reputational risk of the Company in a timely manner. For unexpected sensitive public sentiment, a special report on the analysis of public sentiment (usually in the form of a daily report) will be prepared and sent to the leaders and relevant departments of the Company in a timely manner.
3. The Company further strengthened supervision on public sentiment. The public sentiment monitoring system has gathered billions of data in the financial field covering the whole network, with a total accumulated data volume of over 2.19 billion, a total push volume of over 230 million, over 200 servers, and over 100 partnering institutions; of which over 870 million were news website data, over 438 million were WeChat data, over 438 million were APP data, and over 220 million were blog and forum data with a coverage of over 1 million self-media. In addition, the Company utilised the "Reputation Cloud" reputational risk management system to assist in the monitoring, research, analysis, response and handling of the Company's public sentiment information and meet the Company's needs for effective prevention of, response to and handling of reputational risks. Based on massive media data accumulation, semantic intelligent analysis and big data processing, the "Reputation Cloud" system enables the whole process management of monitoring, early warning and tracking of reputational risk events, including early warning in advance, timely handling during the event, and tracking of response effectiveness afterwards; and quantifies and visualises the reputational risk management capability.

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.

Section III Report of the Board

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 in this report, the Group had no other significant events subsequent to the end of last 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
2022 first extraordinary general meeting, 2022 first A Shares class meeting and 2022 first H Shares class meeting	2022-04-13	http://www.sse.com.cn http://www.hkexnews.hk	2022-04-14 2022-04-13	All resolutions were passed
2021 annual general meeting	2022-06-30	http://www.sse.com.cn http://www.hkexnews.hk	2022-07-01 2022-06-30	All resolutions were passed

Explanation on general meetings

During the Reporting Period, the Company convened the 2022 first extraordinary general meeting, 2022 first A Shares class meeting and 2022 first H Shares class meeting at Meeting Room, 15/F, Orient Securities Building, No. 119 South Zhongshan Road, Shanghai, the PRC on April 13, 2022. At the 2022 first extraordinary general meeting, 4 special resolutions, namely the “Resolution on Application for Conducting Market Making Business of Stocks on the Science and Technology Innovation Board”, the “Resolution on Application for Conducting Market Making Business of Bonds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange”, the “Resolution on Extension of Valid Period of the Resolution on Public Issuance of Securities Through Rights Issue of the Company” and the “Resolution on Extension of Valid Period of the Full Authorization Granted to the Board of Directors to Deal With Relevant Matters in Relation to the Rights Issue” were considered and approved. At the 2022 first A Shares class meeting and 2022 first H Shares class meeting, 2 special resolutions, namely the “Resolution on Extension of Valid Period of the Resolution on Public Issuance of Securities Through Rights Issue of the Company” and the “Resolution on Extension of Valid Period of the Full Authorization Granted to the Board of Directors 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 April 14, 2022.

Section IV Corporate Governance

During the Reporting Period, the Company convened the 2021 annual general meeting at Meeting Room, 15/F, Orient Securities Building, No. 119 South Zhongshan Road, Shanghai, the PRC on June 30, 2022, at which 2 special resolutions, namely the “Proposal Regarding the Amendments to Certain Articles of the Articles of Association” and the “Proposal Regarding the Reports on Use of Proceeds from Previous Fund-raising Activities of the Company”; and 12 ordinary resolutions, namely the “Report of the Board of Directors of the Company for the Year 2021”, the “Report of the Supervisory Committee of the Company for the Year 2021”, the “Work Report of the Independent Directors of the Company for the Year 2021”, the “Final Accounts Report of the Company for the Year 2021”, the “Profit Distribution Proposal of the Company for the Year 2021”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2022”, the “Annual Report of the Company for the Year 2021”, the “Proposal Regarding the Projected Routine Related-party Transactions of the Company in 2022”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2022”, the “Proposal Regarding the Engagement of Auditing Firms for the Year 2022”, the “Proposal Regarding the Election of Executive Director of the Company” and the “Proposal Regarding the Amendments to the Implementation Rules for Online Voting at Shareholders’ General Meetings 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 July 1, 2022.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Particulars of changes
Liu Wei	Non-executive Director	Resignation
Jin Wenzhong	President	Resignation
Lu Weiming	President	Appointment
Lu Weiming	Executive Director	Election

Section IV Corporate Governance

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

1. On March 30, 2022, due to work adjustment, Mr. Liu Wei, a non-executive Director of the Company, applied to resign as a Director and the member of the Remuneration and Nomination Committee under the Board of the Company. According to relevant requirements of the Company Law, the resignation of Mr. Liu Wei did not render the number of members of the Board of the Company falling below the statutory minimum requirement, and his resignation took effect on the date of receipt of the resignation letter by the Board of the Company. At the 13th meeting of the fifth session of the Board of the Company held on the same day, Mr. Jin Wenzhong, chairman of the Company, ceased to serve as the president of the Company, and Mr. Lu Weiming was appointed as the president of the Company, and his term of office shall commence from the date of approval at this Board meeting and end on the date of expiry of the term of the existing session of the Board.
2. At the 2021 annual general meeting held on June 30, 2022, Mr. Lu Weiming was elected as an executive Director of the fifth session of the Board with a term of office to the expiry of the fifth session of the Board.
3. On July 7, 2022, Mr. Xu Zhiming, an independent non-executive Director of the Company, applied to resign as an independent Director of the fifth session of the Board and a member of the Strategic Development Committee under the Board of the Company due to his six consecutive years of service. Given that the resignation of Mr. Xu Zhiming will result in the Company not satisfying the requirement under the Hong Kong Listing Rules that at least one independent non-executive director of a PRC issuer must be ordinarily resident in Hong Kong, the resignation of Mr. Xu Zhiming will take effect upon the Company electing an independent Director who meets the above requirement. Prior to performance of the duties of the new independent Director, Mr. Xu Zhiming will continue to perform his duties as an independent Director and a member of the Strategic Development Committee under the Board of the Company.

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. During the Reporting Period, 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, an executive Director of the Company, ceased to serve as a director of China SME Development Fund Co., Ltd. since April 2022.
2. Mr. Xu Zhiming, an independent non-executive Director of the Company, has served as an independent non-executive director of Genertec Universal Medical Group Company Limited since June 2022.
3. Ms. Tong Jie, a shareholder representative Supervisor of the Company, has served as the legal representative and an executive director of Shanghai Shengxun Investment Co., Ltd. since June 2022.
4. Mr. Xia Lijun, an independent Supervisor of the Company, ceased to serve as an independent director of Shanghai Sanyou Medical Co., Ltd. since June 2022.

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.

(iii) Service Contracts of Directors and Supervisors

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

(iv) Employees and Remuneration Policy

As of 30 June 2022, the Company had a total of 7,791 employees (including brokers), including 5,470 in the Parent Company and 2,321 in its wholly-owned and controlling subsidiaries.

The Company emphasizes the recruitment, motivation, training and use of talents, and adopted a salary system based on position salary and performance bonus. The remuneration level is linked to the value of the position, local market rates and performance evaluation results, so as to ensure “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.

Section IV Corporate Governance

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 focus on the goal of “Empowering Outstanding Talents, Improving the Skills of Staff and Promoting Core Value”, continuously improved the multi-level, diversified and multi-form personnel training system, optimised and improved the training system and designed customized training programs to help improve the vocational skills of cadre and staff based on the learning needs of different cadre and staff at different stages of career development.

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.

Section IV Corporate Governance

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 (Revised in 2022) of the CSRC, the SSE Listing Rules (Revised in January 2022), the Self-Regulatory Guidelines for Listed Companies No. 1 – Compliant Operation and other requirements, and based on the Company requirements of party building and construction of the industry culture, the Company amended and improved the Articles of Association and other rules. During the Reporting Period, the Company convened 2 general meetings, 7 Board meetings, 4 meetings of the Supervisory Committee, and 7 meetings of special committees under the Board in total, including 1 meeting of the Strategic Development Committee, 3 meetings of the Compliance and Risk Management Committee, 2 meetings of the Audit Committee, and 1 meeting 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. In addition, the Company strictly complied with all code provisions set out in Part 2 of the Corporate Governance Code and met most of the requirements for the recommended best practices set out in Part 2 of the Corporate Governance Code.

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

(i) Shareholders and general meetings

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

Section IV Corporate Governance

(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 three were executive Directors, four 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 2022 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.

(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.

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(v) Investors' relationship management work carried out

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. By upholding the work philosophy of "Sincerity, Professionalism and Compliance", the Company has formed an investor relations team led by the secretary of the Board to build a two-way communication channel with investors. The Company has established an Investor Relationship work system, mechanism and procedures. Through the dedicated investor hotline, e-mail, "Investor Relations" column of the 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, the Company strengthens communication with investors. In addition, the Company carefully considers the opinions and suggestions of investors and makes every effort to promote high-quality development.

During the Reporting Period, the Company conducted a total of 45 roadshows and communication activities of different kinds. In particular, in order to respond to the call of regulatory authorities and fully safeguard the rights and interests of different kinds of investors, the Company held the 2021 annual results presentation which was conducted by way of "live broadcast + telephone questions". Led by the chairman of the Board, the entire senior management team attended the meeting. Institutional investors, analysts, media reporters and other relevant parties from different sectors were invited to attend the meeting and ask questions, and a channel was opened up for minority investors to ask questions before and during the meeting, with a total of 54,000 visits to the live broadcast page. Through professional, sincere and thorough communication, the meeting helped investors quickly and accurately understand the key points of the Company's information disclosure and gain a full picture of the Company's development status and prospects. In addition, during the Reporting Period, the Company hosted 7 small-scale research activities, attended 23 exchange sessions with securities firms, answered the investor hotline and addressed questions from investors, patiently answered 57 questions from various investors through "SSE E-Information" platform, and published 19 articles with graphics and photos 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 won various awards including the "Best IR Hong Kong Listed Company (A+H Shares)" by New Fortune, the "Outstanding IR Enterprise" and the "Innovative Results Presentation Award" under the Quanjing Investor Relation Golden Awards, the "Best Investor Relation Award" and the "Best Board of Directors Award for Investor Relation" under the investor relation "Tianma Awards" 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. According to relevant information disclosure rules such as the Regulatory Guidelines for Listed Companies No. 5 – Insider Registration and Management System of Listed Companies and the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies issued by the CSRC and the Listing Rules of the Shanghai Stock Exchange, the Self-regulatory Guidelines for Companies Listed on the Shanghai Stock Exchange No. 2 – Management of Information Disclosure and the Self-regulatory Guidelines for Companies Listed on the Shanghai Stock Exchange No. 5 – Transactions and Related Transactions issued by the SSE, the Company reviewed its management system and amended the external guarantee management rules, the management rules for related transactions and other relevant rules and regulations of the Company. The Company was rated A (the highest level) by the SSE for its information disclosure practices in 2021.

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 fund into share capital during the first half of 2022.

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

Employee Stock Ownership Plan

1. *Overview of the H Share employee stock ownership plan of the Company*

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.

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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. The funds of the employee stock ownership plan shall be paid by the employees with their lawful remunerations, self-raised funds and other sources as permitted under the laws and regulations. China Universal was entrusted to manage the employee stock ownership plan as the asset management agency.

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, which was expired on December 24, 2021. The asset management agency of the employee stock ownership plan may decide whether to sell the shares at the discretion of the holders of the employee stock ownership plan.

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2. Total number of shares held under the employee stock ownership plan during the Reporting Period and as a percentage of the total share capital of the Company

The lock-up period of the subject shares purchased under the H share employee stock ownership plan of the Company was expired on December 24, 2021, and certain holders withdrew from the employee stock ownership plan at their own discretion, resulting in changes in the number of holders, the number of shares held and the percentage of shares held under the employee share ownership plan. The scope of the employee stock ownership plan covers the Company and its holding subsidiaries. As at the end of the Reporting Period, the employee stock ownership plan had a total of 3,128 holders holding a total of 51,503,600 shares, representing 0.6062% of the total share capital of the Company.

3. Sources of funds for implementation of the plan during the Reporting Period

The funds of the employee stock ownership plan shall be paid by the employees with their lawful remunerations, self-raised funds and other sources as permitted under the laws and regulations.

4. Change of asset management agency during the Reporting Period

During the Reporting Period, there was no change of asset management agency of the Company's employee stock ownership plan.

5. Disposal of shares held by the holders of the employee stock ownership plan when they resign, retire, decease, or are no longer suitable for participating in the stock ownership plan or other disposal other than those mentioned above.

During the Reporting Period, the Company acted strictly in accordance with the provisions of the employee stock ownership plan in the event that the holders become unsuitable to participate in the employee stock ownership plan during the validity period of the plan.

6. Changes in the composition of the management committee of the employee stock ownership plan

During the Reporting Period, there was no change in the composition of the management committee of the employee stock ownership plan of the Company.

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, and implements the concept of green environmental protection in the Company’s management process. During the Reporting Period, the Company did not identify any violations related to environmental protection in its operations that had a significant impact on the Company.

(i) Information on activities that are conducive to protecting the ecosystem, preventing and controlling pollution, and performing environmental responsibility

The Company attaches extra importance in protecting the ecosystem, preventing pollution and performing its environmental responsibility, and promotes the concept of green development in multiple ways internally and externally by carrying out employee environmental protection activities and launching a series of campaigns.

During the Reporting Period, the Company launched a series of environmental initiatives for its employees through various communication channels. In addition, the Company also carried out various environmental protection activities such as coffee grounds recycling, used clothes recycling, and plastic reduction activities for employees to redeem environmentally friendly recycled goods, calling on employees to practice sustainable lifestyle and consumption behaviour.

For external parties such as customers and partners, the Company actively promoted the concept of green development to customers and suppliers through multiple channels. During the Reporting Period, the Company launched various sessions of the “Carbon Neutrality” campaign through its official WeChat account and spread the concept of sustainable development and sustainable lifestyle to the public by publishing articles with graphics and photos. It also created a “Sustainable Development” section on its official website to continuously showcase the Company’s actions and achievements in energy saving, emission reduction, addressing climate change and performing corporate social responsibilities.

Section V Environmental and Social Responsibilities

(ii) 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 business philosophy and work style, and promotes sustainable office operations. In addition to officially releasing the Sustainable Development Plan and the Carbon Neutrality Target and Action Plan in last year, during the Reporting Period, the Company completed a specific action plan for its sustainable development plan, setting out its overall objectives, annual plans and action checklists.

In terms of specific measures taken by the Company, the Company called on all staff to eliminate energy waste at source, improved energy utilization efficiency, reduced the production of hazardous waste and promoted the reuse of used office supplies. In addition, the Company actively promoted the “Zero Waste” building project. In particular, the Company has commissioned qualified units to recycle hazardous waste generated from office operations, and has assigned staff to manage meeting materials and office consumables such as plastic products, in order to practise low-carbon activities.

The Company partnered with 36Kr, a media focuses on start-up and innovation, to launch the “Carbon Peaking and Carbon Neutrality Star Species Competition” with focus on four major sectors of new energy, new materials, new technologies and new models, jointly identified innovative enterprises with sustainable ideas, helped them better understand the carbon peaking and carbon neutrality policies, and assisted enterprises in capturing market demand and connecting with industrial capital. The competition attracted more than 120 companies and 12 of them entered the final round.

In addition, as a finance enterprise, the Company utilises its financial expertise to provide support for the development of green and environmental protection enterprises through investment and financing. In terms of financing business, the Company underwrote the issuance of the first green technology innovation exchangeable corporate bond of China Three Gorges Corporation, which was the first green technology innovation exchangeable corporate bond in China, and underwrote the issuance of the first carbon neutrality green corporate bond of Shenergy, and assisted in the successful listing of Yuneng Technology on the Science and Technology Innovation Board. In its investment business, the Company takes environmental and climate change into consideration in its investment decisions while pursuing value-based investment returns. It issued the Dongfanghong ESG Sustainable Investment Mixed Securities Investment Fund which strives to integrate the long-term value investment philosophy with the international mainstream ESG sustainable investment philosophy to achieve long-term sustainable returns and help investors achieve a better investment experience.

Section V Environmental and Social Responsibilities

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

The Company actively responds to the national call and the initiative of the Securities Association of China of “consolidating the achievements in pair-up assistance and taking up the new task of promoting rural revitalization”, thoroughly implements the spirit of relevant documents, consolidates the achievements in poverty alleviation and promotes rural revitalization in various aspects such as industry assistance, financial assistance, educational support and public welfare assistance.

As of the end of the Reporting Period, the Company and its subsidiaries had signed twinning assistance agreements with 29 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, Li County in Gansu Province, Jinggangshan City in Jiangxi Province, Chenxi County in Hunan Province, Shimen County in Hunan Province, Rucheng County in Hunan Province, Anhua County in Hunan Province, Ruijin City in Jiangxi Province, Neixiang County in Henan Province, Lankao County in Henan Province, Xupu County in Hunan Province and Shule County in Xinjiang Province, to carry out relevant supporting tasks.

During the Reporting Period, the Company and its subsidiaries invested a total of RMB3.79 million in consolidating the achievements in poverty alleviation and promoting rural revitalization, and carried out a total of eight projects, including one industrial assistance project, two financial assistance projects, two educational support projects, two public welfare assistance projects and one consumption-driven support project.

In the future, the Company will continue to adhere to the idea of focusing on industrial assistance, continue to carry out key industrial assistance projects in various former poverty-stricken counties, and comprehensively facilitate sustainable development in rural areas by focusing on financial assistance, educational support and public welfare assistance, thereby contributing to the national strategy of rural revitalisation.

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 horizontal 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	/	/

Section VI Significant Events

Background of undertaking	Type of undertaking	Covenantor	Content of undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform if failed to perform timely	Follow up plan for failure to perform timely
	To solve the problem of related party transactions	Shenergy Group	Shenergy Group and the companies and enterprises under its direct or indirect control will take every effort to avoid and regulate related party transactions with DFZQ and its subsidiaries; for those related party transactions that cannot be avoided or are necessary, the price of the related party transactions will be determined in accordance with the principles of fairness, openness and equity to ensure the fairness of the related party transactions. If Shenergy Group breaches the above undertaking to regulate related party transactions with the issuer, Shenergy Group shall cease to receive shareholders' dividends from the issuer from the date of the breach of the relevant undertaking and shall not transfer its shares in the issuer until the corresponding measures have been taken and implemented in accordance with the above undertaking; if the issuer or other investors suffer loss as a result of the failure to comply with the undertaking to regulate the related party transactions, compensation shall be made to the issuer or other investors in accordance with relevant laws.	After the public offering and listing of A Shares of the Company	No	Yes	/	/

Section VI Significant Events

Background of undertaking	Type of undertaking	Covenantor	Content of undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons	
							for failure to perform timely	Follow up plan for failure to perform timely
Undertakings in relation to secondary offering	Other	Shenergy Group	The undertaking regarding the effective implementation of the immediate return remedial measures for the Company's the Rights Issue. Shenergy Group has undertaken not to interfere with the Company's operation and management activities beyond its authority and not to embezzle the interests of the Company.	During the period when Shenergy Group remains as the largest shareholder	Yes	Yes	/	/
	Other	Shenergy Group	Shenergy Group has undertaken to subscribe in cash for the full amount of the shares of rights issue available to Shenergy Group under the rights issue plan based on the number of shares held after the close of business on the record date for the rights issue, in accordance with the price and proportion of rights issue determined through negotiation between the Company and the sponsor (underwriter).	During the period of the Rights Issue	Yes	Yes	/	/

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

Section VI Significant Events

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.

1. Existing litigations and arbitrations

As of the end of the Reporting Period, the existing 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	Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (上海郁泰登碩投資中心(有限合夥)) and the guarantors, being Shanghai Fuxing Industrial Group Co., Ltd. (上海阜興實業集團有限公司) and Shanghai Yutai Investment Management Co., Ltd. (上海郁泰投資管理有限公司)	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)" ("Jianrui Woneng (堅瑞沃能)", 300116) held by it in September 2016 and Shanghai Fuxing Industrial Group Co., Ltd. and Shanghai Yutai Investment Management 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.	According to the enforcement certificates issued by the notary public's office to Yutai Dengshuo and Fuxing Industrial, the case was filed with enforcement procedure in Shanghai No.2 Intermediate People's Court in August 2018. By early 2020, partial repayment was enforced through the courts. A separate lawsuit was filed against Yutai Investment for the shortfall in the guarantee contract, which was accepted by the Shanghai Financial Court in March 2020. Due to the involvement of the principal debtors, Yutai Dengshuo and Fuxing Industrial, in other cases, the Shanghai Financial Court has adjourned the hearing of the Yutai Investment guarantee contract litigation, pending notice from the court.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Beijing Wutong Yuxiang Investment Co., Ltd. (北京市梧桐翔宇投資有限公司)	Litigation	Beijing Wutong Yuxiang Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of “*ST Deao (*ST德奧)” (002260) held by it in August 2016. The above-mentioned transaction has been in default.	Principal of RMB124 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid.	In July 2019, the lawsuit was filed in the Shanghai Financial Court and in May 2020, the first instance judgment was rendered in favour of the Company and the other party did not appeal. In July, the case was filed with enforcement procedure in the Shanghai Financial Court and the court made a ruling of termination of enforcement in November 2020 as it was unable to determine when the listed company would resume trading, and in January 2021, the Company applied for renewal of freezing of the shares involved. In March 2022, an application was made to the Shanghai Financial Court for resumption of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Xu Leilei	Litigation	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. The above-mentioned transaction has been in default.	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.	According to the enforcement certificate issued by the notary public's office to Xu Leilei, the case was filed with enforcement procedure in Beijing No. 3 Intermediate Court in October 2019. In December, 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, and applied to the Nanning Intermediate Court, the first sealing court for the pledged shares, to negotiate the transfer of the right of disposal. The Nanning Central Court has withheld the transfer on the grounds that the first sealing case has not yet been concluded. The first sealing on the dispute between Huangshi Group and Xu Leilei over performance compensation entered into a retrial in September 2020, with the Company responding as a third party, and the Nanning Intermediate Court issued a judgment in February 2021 finding that the Company had a pledge over the relevant disputed shares and is entitled to claim cash compensation from Xu Leilei for the portion of shares that cannot be repurchased by Huangshi Group under the contract. Huangshi Group appealed against this, and in November 2021, the Guangxi High Court made a second instance ruling that the pledge held by the Company could not prevent Huangshi Group's request for repurchase at RMB1. In December 2021, the Company applied to the Supreme Court for a retrial and filed a challenge with the Nanning Intermediate Court regarding the enforcement action of non-transfer. In April 2022, the case of enforcement challenge was accepted by the Nanning Intermediate Court and the application for retrial was accepted by the Supreme Court. The case is still in progress.

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 lawsuit was filed in the Shanghai Financial Court and in February 2021, a judgment of first instance was rendered in favour of our claim against the debtor, Dongfang Junsheng, and the guarantors, Feng Biao and Gao Zhonglin, and the entire amount of the debt. Subsequently, Dongfang Junsheng appealed and the Shanghai High Court issued a second instance judgment in July 2021, upholding the original judgment. In October 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In November 2021, the court ruled to terminate the current enforcement procedure as the respondent had no property available for enforcement. In February 2022, the Shanghai Financial Court resumed the enforcement of the case and released the first batch of enforcement payment to the Company. The enforcement is still in 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 lawsuit was filed in the Shanghai Financial Court and in March 2021, a judgment of first instance was rendered in favour of our claim against the debtor, Shenzhen Laohuhui, and the guarantor, Feng Biao, and the entire amount of the debt. Subsequently, Shenzhen Laohuhui appealed and the Shanghai High Court issued a second instance judgment in September 2021, upholding the original judgment. In December 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In February 2022, the Shanghai Financial Court negotiated with the Lanzhou Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal. The case is now in the process of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Linlu Investment (Shanghai) Co., Ltd. (霖瀟投資(上海)有限公司) and Chen Zhonghua, Ji Jun and his spouse, the guarantors	Litigation	Linlu Investment (Shanghai) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Fushi Holding (福石控股)" (former "Huayi Jiaxin (華誼嘉信)", 300071) held by it in August 2016 and Chen Zhonghua, the legal representative and Ji Jun, a shareholder, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB109 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	In June 2020, the lawsuit was filed in the Shanghai Financial Court, and in September 2020, a mediation was reached and a civil settlement letter was issued by the court. As the debtor failed to fulfill its payment obligations under the settlement letter, an enforcement case was filed in the Shanghai Financial Court in March 2021, and the court received an enforcement objection from Huayi Jiaxin, a listed company that is not a party to the case, after completing the pre-auction valuation of the pledged shares in September. In December 2021, the court issued a ruling rejecting the enforcement objection. In June 2022, the auction of pledged shares was unsuccessful, and the Company subsequently applied to the Shanghai Financial Court for debt repayment with shares. The case is now in the process of enforcement.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shantou Chenghai Humei Storage Battery Co., Ltd. (汕頭市澄海區滬美蓄電池有限公司) and its guarantors Chen Zaixi, Chen Yinqing, etc.	Litigation	Shantou Chenghai Humei Storage Battery Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Dynavolt Delisted (猛獅退)" ("Dynavolt Technology (猛獅科技)", 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.	<p>In August 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in July 2021 in favour of the Company's claim, which was not appealed by the other party. In November 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In February 2022, the Shanghai Financial Court ruled on the sale of shares through auction, which was subsequently withdrawn due to the delisting of the listed company in June. The case is still in the process of enforcement.</p> <p>In addition, in November 2021, the Shantou Intermediate Court accepted the bankruptcy and liquidation case of the guarantor, Guangdong Mengshi Industrial Group Co., Ltd., which is currently pending bankruptcy proceedings by the administrator.</p>

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) and Zhuhai S.E.Z. Dezheng Group Co., Ltd. (珠海經濟特區德正集團有限公司), the guarantor	Litigation	Zhuhai Zhongzhu Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Zhongzhu (ST 中珠)" ("Zhongzhu Medical (中珠醫療)", 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, the lawsuit was filed in the Shanghai Financial Court. In February 2022, a first instance judgment was received upholding all claims of the Company. In May 2022, the defendant applied for an appeal, which is currently pending to be filed with the Shanghai High Court.
DFZQ	Xu Wei and Teng Yingqi, the guarantor	Litigation	Xu Wei conducted the share collateralized repurchase transaction with the Company by the shares of "ST Tensyn (ST 騰信)" ("Tensyn (騰信股份)", 300392) held by him 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, the lawsuit was filed in the Shanghai Financial Court. In June 2022, a first instance judgment was received, upholding all claims of the Company except for notary fees. The case is pending confirmation of the defendant's appeal.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Yunnan Jiutian Investment Holding Group Co., Ltd. (雲南九天投資控股集團有限公司)	Litigation	Through the “Dongwu-Pingan-Dongfang No. 5 Targeted Asset Management Plan”, Yunnan Jiutian Investment Holding Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of “Delisted Yijian (退市易見)” (former “Hejia Share (禾嘉股份)” and “Yijian Share (易見股份)”, 600093) held by it since October 2016. The above-mentioned transaction has been in default.	Principal of RMB428 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid.	In September 2021, the lawsuit was filed in the Shanghai Financial Court. In March 2022, a first instance judgment was received, upholding all claims of the Company except for notary fees. The case was filed with enforcement procedure in Shanghai Financial Court in May 2022. In June 2022, the repayment was enforced through the sale of part of the pledged shares, with the shortfall to be paid by continuous disposal, which is still in progress.
DFZQ	Zeng Zhuo	Litigation	Zeng Zhuo conducted the share collateralized repurchase transaction with the Company by the shares of “Xinning Logistics (新寧物流)” (300013) held by him since July 2016. The above-mentioned transaction has been in default.	Principal of RMB165.75 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid.	<p>According to the enforcement certificates issued by the notary public’s office to Zeng Zhuo, the case was filed with enforcement procedure in Suzhou Kunshan District Court in November 2021. In May 2022, the Kunshan Court negotiated with the Guangdong Jiangmen Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal.</p> <p>In November 2021, an application was filed with the Shenzhen Futian District Court to realise the security interest in respect of the unnotarised transactions. In January 2022, the court ruled that the pledged shares be sold by auction and the Company has priority in repayment with the auction proceeds. In May 2022, the application for enforcement against Zeng Zhuo for realisation of security interest was filed with the Kunshan Court and is in the process of enforcement.</p>

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Shanghai Zhonglu (Group) Co., Ltd. (上海中路(集團)有限公司)	Litigation	Shanghai Zhonglu (Group) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Zhonglu Share (中路股份)" (600818) held by it since November 2014. The above-mentioned transaction has been in default.	Principal of RMB598.81 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	<p>Two cases were filed due to different versions of the master transaction agreement:</p> <p>The lawsuit of the transaction under the old version of the master agreement was filed in the Shanghai Financial Court in November 2021 and is scheduled to be heard in July 2022.</p> <p>The lawsuit of the transaction under the new version of the master agreement was filed in the Shanghai Huangpu District Court in November 2021. The case was formally filed in March 2022 and is currently pending a court date.</p>
DFZQ	Ding Zhimin (丁志民)	Litigation	Sanding Holding Group Co., Ltd. (三鼎控股集團有限公司) conducted the share collateralized repurchase transaction with the Company by the shares of "Huading Share (華鼎股份)" (601113) held by it since January 2017, and Ding Zhimin provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default.	Principal of RMB495 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	The lawsuit was filed in the Shanghai Financial Court in January 2022. The case was heard in April 2022 and is pending judgment.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Dunhua Kangping Investment Co., Ltd. (敦化市康平投資有限責任公司)	Litigation	Dunhua Kangping Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Zixin Pharmaceutical (紫鑫藥業)" (002118) held by it since September 2016. The above-mentioned transaction has been in default.	Principal of RMB238.998 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid.	The lawsuit was filed in the Shanghai Financial Court in March 2022 and is currently pending a court date.
DFZQ	Shihezi Demeike Investment Partnership (Limited Partnership) (石河子德梅柯投資合夥企業(有限合夥)) and Chen Ze, the guarantor	Litigation	Shihezi Demeike Investment Partnership (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the shares of "Huachangda (華昌達)" (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.	<p>According to the enforcement certificates issued by the notary public's office to Shihezi Demeike, the case was filed with enforcement procedure in Hubei Shiyuan Intermediate Court in May 2021. In January 2022, the Hubei Shiyuan Intermediate Court suspended the enforcement due to acceptance of bankruptcy and liquidation case of Shihezi Demeike. In March 2022, the Company completed a claim of creditor's rights with the administrator. The case is currently pending bankruptcy proceedings by the administrator.</p> <p>In addition, in respect of the guarantor's liability, the lawsuit was filed in the Shanghai Financial Court in March 2021 and the first instance judgment was validly rendered in November 2021.</p>

Section VI Significant Events

2. Closed litigations and arbitrations

During the Reporting Period, the closed litigations and arbitrations of the Company are as follows:

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Kedi Food Group Co., Ltd (科迪食品集團股份有限公司) and Zhang Qinghai, the guarantor	Litigation	Kedi Food Group Co., Ltd conducted the share collateralized repurchase transaction with the Company by the restricted shares of “Kedi Delisted (科迪退)” (“Kedi Dairy (科迪乳業)”, 002770) held by it in December 2015 and Zhang Qinghai, the de facto controller, provided the unconditional, irrevocable and joint guarantee liabilities for the transaction. The above-mentioned transaction has been in default.	Principal of RMB232 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid.	In May 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in February 2021 in favour of all the Company’s claims except for the notary’s fees and the other party did not appeal. In March 2021, the debtor entered into bankruptcy reorganisation procedures and the administrator completed the confirmation of the Company’s claims other than the liquidated damages. In December 2021, the Company and the administrator entered into the Agreement on Arrangement for Settlement of Claims. In addition, in respect of the guarantee liability of Zhang Qinghai, the other defendant in the case, the Company filed an enforcement case in the Shanghai Financial Court in March 2021. In February 2022, due to the lack of property leads for enforcement, the Shanghai Financial Court ruled that the application for enforcement against Zhang Qinghai, the guarantor, shall be terminated.
DFZQ	Shandong Oriental Ocean Group Co., Ltd. (山東東方海洋集團有限公司) and its guarantors Che Shi, Song Zhenghua, Che Zhiyuan, etc.	Litigation	Shandong Oriental Ocean Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of “*ST Oriental Ocean” (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 lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in January 2021 in favour of the Company and the other party did not appeal. The case was filed with enforcement procedure in the Shanghai Financial Court in April 2021 and was subsequently executed through a judicial auction to repay the amount of the pledged shares involved. The shortfall is pending the disposal of other seized properties by the court. In March 2022, the court ruled to terminate the enforcement procedure.

Section VI Significant Events

Plaintiff	Defendant	Category of the litigation and arbitration	Reason	Amount involved	Progress
DFZQ	Cai Tingxiang	Litigation	Cai Tingxiang conducted the share collateralized repurchase transaction with the Company by the shares of “ST Culture (ST 文化)” (“Great Wall of Culture (文化長城)”, 300089) held by him 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.	According to the enforcement certificates issued by the notary public’s office to Cai Tingxiang, the case was filed with enforcement procedure in Guangdong Chaozhou Intermediate Court in January 2021. After two failed auctions, the court ruled in October 2021 that the debt shall be settled with shares and the enforcement shall be terminated. In May 2022, the share transfer procedures were completed.
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 circulating shares of “Delisted Global (退市環球)” (“Shangying Global (商贏環球)”, 600146) held by it since September 2016. The above-mentioned transaction has been in default.	Principal of RMB239 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid.	In December 2020, the case was filed with enforcement procedure in the Shanghai Financial Court. The executed party filed an objection, which was rejected by the Shanghai Financial Court in February 2021. During the same period, the Shanghai No. 3 Intermediate Court accepted the bankruptcy and liquidation case of Xusen International and the Shanghai Financial Court made a ruling of termination of enforcement and transferred the case to the bankruptcy court. In November 2021, the bankruptcy court decided to convert the bankruptcy liquidation to bankruptcy reorganisation upon the debtor’s application. In December, the pledged shares involved were sold through auction by the bankruptcy court. In January 2022, the Company received the proceeds from the auction, and will continue to participate in the bankruptcy reorganisation process.

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

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.

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.

Section VI Significant Events

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

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

As of the date of this report, Shenergy Group holds approximately 26.63% of the issued share capital of the Company. According to Rule 14A.07(1) of the Hong Kong Listing Rules, Shenergy Group and its related companies are connected persons of the Company. During the Reporting Period, the Company carried out related party/connected transactions in strict compliance with the “Resolution on Estimation for the Company’s 2022 Daily Related Transactions” considered and approved at the 2021 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/connected person	Projected amount	Actual amount
Securities and financial services	Fee and commission income	The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf and other services.		14,000.00	132.15
	Underwriting fee income	The Company charges securities underwriting fees for providing securities underwriting services.			95.46
	Interest expense on the margins of clients	The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services.	Shenergy Group and its related companies	1,400.00	34.03
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	1,500.00
Purchase of goods and receiving of services	Business and management fee	The Company receives its services such as property management and gas supply.		5,000.00	981.82

Note: In the first half of 2022, the related-party/connected transactions between the Company and Shenergy Group and its related companies accounted for a small proportion of the Company’s similar businesses.

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 2022 Daily Related Transactions” reviewed and approved at the 2021 annual general meeting. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
Securities and financial products services	Fee and commission income	The Company charges fees and commissions for providing 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	Subject to the actual amount due to unpredictable transaction volume.	8,135.92
			Great Wall Fund Management Co., Ltd.		317.62
			Related/connected natural person		0.36
	Interest income	The Company holds the bonds issued by the related parties and earns interest income for the corresponding period.	Chengtay Financial Leasing (Shanghai) Co., Ltd.	Subject to the actual amount due to unpredictability of size and term of bonds.	259.93
			China Pacific Property Insurance Co., Ltd.		237.27
	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.	Subject to the actual amount due to unpredictability of size and yields of securities and other products.	1,206.97
			Shenzhen Huitai Medical Equipment Co., Ltd.		(0.05)
			Haitong Securities Co., Ltd.		(121.05)
	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.	Zheneng Capital Holdings Limited	Subject to the actual amount due to unpredictability of the amount of funds of the clients.	2.24
			China Universal Asset Management Company Limited		0.35
Chengtay Financial Leasing (Shanghai) Co., Ltd.			0.11		
Related/connected natural person			0.57		

Section VI Significant Events

Type of transaction	Items of transaction	Brief description of related business or matters	Related party	Projected amount	Actual amount
	Fees and commissions receivable	The Company provides seat rental services to it.	China Universal Asset Management Company Limited	Subject to the actual amount due to unpredictability of transaction volume.	712.38
			Huatai Baoxing Fund Management Co., Ltd.		119.12
			Great Wall Fund Management Co., Ltd.		32.60
Trading in securities and financial products	Securities transactions	Balance of the stocks, bonds, funds and other products which are issued by the related parties and subscribed for by the Company as at the end of the period.	Great Wall Fund Management Co., Ltd.		20,858.75
			China Pacific Property Insurance Co., Ltd.		10,320.01
			Chengtay Financial Leasing (Shanghai) Co., Ltd.	Subject to the actual amount due to unpredictability of transaction and the volume.	6,128.50
			Shanghai Sanyou Medical Co., Ltd.		4,890.03
			Orient Fortune Information Co., Ltd.		4,472.57
			Shanghai Qizhong Golf Club Co., Ltd.		2,587.98
			Shenzhen Huitai Medical Equipment Co., Ltd.		652.18
			Haitong Securities Co., Ltd.		63.76

Notes:

- (1) The inter-group transactions 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 2022, 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 transactions 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 exempted 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 Products 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; securities financing business; entrusted asset management; investment consultancy; securities underwriting; financial advisory; and asset custody services.

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

- Securities and futures brokerage services – the commission rates for these services are generally transparent and standardized across the market. The commission rates will be determined based on arm's length negotiations with reference to the prevailing market rates for securities or futures sales or trades of a similar type; the fees (as the case may be) will be determined with reference to (among other things) the brokerage transaction fees, interest rates and commissions charged on independent third party customers in the market and the total amount of the expected brokerage transactions. For the futures brokerage services, commission per side varies depending on (i) the type of futures contract; (ii) the futures exchange where the trade takes place; and (iii) whether the trade is conducted in Hong Kong during the day or night. For brokerage related services, the fees (as the case may be) will be determined with reference to the expected cost;

Section VI Significant Events

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

Section VI Significant Events

(2) *Securities and Financial Products Transactions*

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

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

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

Section VI Significant Events

(3) *Purchase of Goods and Acceptance of Services*

The purchase of goods and acceptance of services contemplated under the Framework Agreement includes receiving services provided within the scope of operation of Shenergy Group and its associates, including but not limited to the following transactions:

the purchase of gas, natural gas, gas stoves, gas appliances, gas kitchen equipment and receiving services of gas transmission and distribution, gas project planning, design and construction and other ancillary services.

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

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

- The terms (including pricing terms) in respect of the transactions of the securities and financial products services, the securities and financial products transactions and the purchase of goods and acceptance of services shall be comparable to those offered by/to an independent third party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- Prior to confirming the pricing of transactions with related parties/connected persons, the Group will refer to the pricing of similar transactions or the offer of products or services to two or more independent third parties for the purpose of determining whether the pricing and terms of the relevant transactions are fair and reasonable and no less favorable than those offered by independent third parties (or no less favorable than those offered to an independent third party) (as the case may be). In case none of the above-mentioned prices is available for a particular transaction offered by or to an independent third party, the related/connected transaction shall be considered separately and be subject to approval by the investment decision-making team of the relevant business entity to ensure that the pricing is fair and reasonable as far as the Group is concerned.

Section VI Significant Events

- When providing or selling the same batch of securities or financial products to customers (including related parties/connected persons and independent third parties), the Group will offer the same pricing terms to all customers and will not give preferential terms to related/connected customers.
- Before determining the price, proposals regarding the pricing of and supporting materials for the continuing related/connected transactions will be submitted to the relevant internal departments for review and approval. The relevant internal departments will conduct qualification examination and due diligence, and assess whether the pricing of a particular transaction is in compliance with relevant policy and procedure of the Group and whether the price is fair and reasonable, and will grant approval, where appropriate. The internal audit department and the finance department are responsible for reviewing whether the continuing related/connected transactions are in compliance with the aforementioned pricing policies and monitoring the payments of such transactions.
- Any documents and records relating to related/connected transactions must be properly kept and maintained.
- The Company has formulated internal guidelines in accordance with the Hong Kong Listing Rules, stipulating relevant approval procedures for related/connected transactions.

The independent non-executive Directors and auditors of the Company will 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.

(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

External guarantees of the Company (excluding guarantees to its subsidiaries)	
Total amount of guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)	0
Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	0
Guarantees provided by the Company for subsidiaries	
Total amount of guarantees provided for subsidiaries during the Reporting Period	0
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	160.06
Total amount of guarantees provided by the Company (including those provided for subsidiaries)	
Total amount of guarantees (A+B)	160.06
Percentage of total guarantees over net assets of the Company (%)	24.96
Including:	
Amount of guarantees provided for shareholders, de facto controllers and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided for parties with gearing ratio exceeding 70% (D)	160.06
Amount of total guarantees exceeding 50% of net assets (E)	0
Total amount of above three types of guarantees (C+D+E)	160.06
Explanations on outstanding guarantees subject to joint liabilities	Not applicable

Section VI Significant Events

Unit: 100 million Currency: RMB

External guarantees of the Company (including guarantees to its subsidiaries)

Explanations on guarantees

During the Reporting Period, no new guarantees were provided by the Company.

As of the end of the Reporting Period, the Company and its wholly-owned subsidiary provided guarantee on financing activities of its subsidiaries of RMB7,080 million and non-financing guarantee of RMB8,926 million. In particular,

1. The Company provided full guarantee for the principal and interest of US\$500 million bonds issued by Orient HuiZhi Limited, a wholly-owned subsidiary.
2. The Company provided full guarantee for the principal and interest of US\$250 million bonds issued by Orient HuiZhi Limited, a wholly-owned subsidiary.
3. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided full guarantee for the principal and interest of US\$160 million bonds issued by Orient HongSheng Limited, its wholly-owned subsidiary.
4. Orient Finance 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.
5. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of US\$180 million for Orient Securities International Financial Group Co., Ltd., its wholly-owned subsidiary.
6. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of US\$150 million for Orient Securities International Investment Products Co., Ltd., its wholly-owned subsidiary.

Note: The amount of guarantees denominated in USD was converted at the spot exchange rate of USD/RMB = 1:6.7114 as at the end of June 2022.

Section VI Significant Events

3. Other material contracts

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

IX. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

1. Rights Issue of A Shares and H Shares of the Company

On May 2021, the “Proposal on the Public Issuance of Shares by Way of Rights Issue of the Company” was considered and approved at the 2020 annual general meeting, 2021 first A share class meeting and 2021 first H share class meeting. In February 2022, the CSRC issued the Reply on Approval for Issuance of Overseas Listed Foreign Shares by 東方證券股份有限公司 (CSRC Approval [2022] No. 348) (《關於核准東方證券股份有限公司發行境外上市外資股的批覆》(證監許可[2022]348號)), which approved the Company to issue up to 308,124,000 additional overseas listed foreign shares. In March 2022, the CSRC issued the Reply on Approval for Rights Issue by 東方證券股份有限公司 (CSRC Approval [2022] No. 540) (《關於核准東方證券股份有限公司配股的批覆》(證監許可[2022]540號)), which approved the Company to place 1,670,641,224 new shares to its existing shareholders.

In May 2022, the Company completed the Rights Issue of A Shares, and the A shareholders participated in the placing at a price of RMB8.46 per share on the basis of 2.8 shares for every 10 existing shares, with the actual number of shares subscribed being 1,502,907,061 shares, representing 89.96% of the total number of 1,670,641,224 A Shares available for placing. In the same month, the Company completed the Rights Issue of H Shares, and the H shareholders participated in the placing at a price of HKD10.38 per share on the same basis as the A Share placing, with the actual number of shares subscribed being 82,428 shares.

Upon completion of the Rights Issue of A Shares and H Shares of the Company, the Company’s registered capital increased from RMB6,993,655,803.00 to RMB8,496,645,292.00.

2. 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.

Section VI Significant Events

2) *Relocation of securities branches*

DFZQ Shanghai Qingpu District East Garden Road Securities Branch was relocated within the same city. The branch was relocated from Block D, No. 1606 East Garden Road, Qingpu District, Shanghai, the PRC to No. 291 Wushebang Road (street-facing shop at 1/F of Block 3) and No. 289 Wushebang Road (Room 103 at 1/F of Block 4), Qingpu District, Shanghai, the PRC. The name of the branch was changed to DFZQ Shanghai Qingpu District Wushebang Road Securities Branch.

DFZQ Chongqing Times Paradise Street Securities Branch was relocated within the same city. The branch was relocated from Units 18-4 & 18-5, Building 1, No. 2 Times Paradise Street, Yuzhong District, Chongqing, the PRC to Unit 28-35 and 38-41, No. 36 Jinzhou Avenue, New North Zone, Chongqing, the PRC. The name of the branch was changed to DFZQ Chongqing Jinzhou Avenue Securities Branch.

DFZQ Yiwu Securities Branch was relocated within the same city. The branch was relocated from Room 103, 1/F and Room 301 & 303, 3/F, No. 113 Gongren West Road, Yiwu, Zhejiang Province, the PRC to No. 36 and No. 38 Jiangbin Middle Road and 1-2 Floor (self-named), No. 854 Qingyun Street, Choucheng Subdistrict, Yiwu, Zhejiang Province, the PRC. The name of the branch was changed to DFZQ Yiwu Jiangbin Middle Road Securities Branch.

3) *Newly established futures branches*

During the Reporting Period, the futures subsidiary of the Company established the Fujian Branch of Orient Futures Co., Ltd, which is located at Unit 01, 27/F, Xiamen Fortune Center, No. 100 Lujiang Avenue, Siming District, Xiamen, Fujian Province, the PRC. As of the end of the Reporting Period, the Company had a total of 5 futures branches and 30 outlets.

4) *Relocation of futures branches*

Qingdao Outlet of Orient Futures Co., Ltd was relocated within the same city. The outlet was relocated from Room 1501, Unit 1, Building 2, No. 69, Haimen Road, Shinan District, Qingdao, Shandong Province, the PRC to Room 3006, Building D3, No. 6 Shandong Road, Shinan District, Qingdao, Shandong Province, the PRC. The name of the outlet remains unchanged.

Taiyuan Outlet of Orient Futures Co., Ltd was relocated within the same city. The outlet was relocated from No. 1023, 1024, 1025 & 1026, 10/F, Tower 1, Hexin Commercial Plaza, No. 705, Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC to 1402-2, 14/F, Unit 1, Block 1, No. 1 Jifu Road, Jinyuan District, Taiyuan, Shanxi Province, the PRC. The name of the outlet remains unchanged.

Section VI Significant Events

5) *Capital change in subsidiaries*

In July 2021, the Company planned to reduce the registered capital of Orient Securities Capital Investment, a wholly-owned subsidiary, by RMB950 million due to the Company's business development needs. In March 2022, after reassessment by the Company and consideration and approval at the president office meeting, in order to further facilitate the business development of Orient Securities Capital Investment and expand the scale of asset management, and taking into account the operational situation and capital requirements of Orient Securities Capital Investment, it was decided that the aforesaid plan to reduce the capital of Orient Securities Capital Investment by RMB950 million shall be terminated and the existing registered capital of Orient Securities Capital Investment shall remain unchanged at RMB4 billion.

In June 2022, the Company increased capital contribution of RMB0.5 billion to Orient Futures, a wholly-owned subsidiary and completed registration of industrial and commercial change of Orient Futures. Since then, the registered capital of Orient Futures has been changed from RMB2.8 billion to RMB3.3 billion. Such matter was considered and approved at the Board meeting and president office meeting of the Company. The purpose of capital injection is to enhance the overall competitiveness of Orient Futures, expand the scale of investment and operation, broaden business channels, replenish the net capital of the futures company and meet the needs of development plan.

3. **Implementation of profit distribution**

The implementation of the Company's profit distribution plan for the year 2021 was accomplished on July 29, 2022. Based on the total share capital of 8,496,645,292 Shares of the Company upon completion of the Rights Issue of A Shares and H Shares, 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 RMB2,124,161,323.00, representing 39.55% of the net profit attributable to the owners of the Parent Company in 2021 consolidated statements.

4. **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.

5. **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.

Section VII Changes in Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

1. Changes in Shares

Unit: share

	Before the change		Issue of new shares	Bonus issue	Changes (+, -)			After the change	
	Number of shares	Percentage (%)			Share conversion from capital reserve fund	Others	Sub-total	Number of shares	Percentage (%)
I. Restricted shares									
1. Shares held by state									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic investors									
4. Shares held by foreign investors									
II. Circulating non-restricted shares	6,993,655,803	100.00	1,502,989,489			1,502,989,489	8,496,645,292	100.00	
1. RMB denominated ordinary shares	5,966,575,803	85.31	1,502,907,061			1,502,907,061	7,469,482,864	87.91	
2. Foreign shares listed in the PRC									
3. Foreign shares listed overseas	1,027,080,000	14.69	82,428			82,428	1,027,162,428	12.09	
4. Others									
III. Total number of shares	6,993,655,803	100.00	1,502,989,489			1,502,989,489	8,496,645,292	100.00	

2. Explanations on changes in shares

During the Reporting Period, the Company successfully completed the Rights Issue of A Shares and H Shares at the end of May, whereby the Company increased the total number of shares by 1,502,907,061 through the Rights Issue of A Shares and by 82,428 through the Rights Issue of H Shares. As of the end of the Reporting Period, the total share capital of the Company was 8,496,645,292 shares, including 7,469,482,864 RMB ordinary shares (A Shares), representing 87.91% of the total share capital, and 1,027,162,428 overseas listed foreign shares (H Shares), representing 12.09% of the total share capital. As the largest shareholder of DFZQ, Shenergy Group held 26.63% of the shares.

Section VII Changes in Shares and Information on Shareholders

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) 256,869

(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			Number of restricted shares held	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 (%)		Status of shares	Number of shares	
Shenergy (Group) Company Limited	494,906,278	2,262,428,700	26.63	0	Nil	-	State-owned legal person
HKSCC Nominees Limited	85,804	1,027,064,934	12.09	0	Unknown	-	Offshore legal person
Shanghai Haiyan Investment Management Company Limited	77,699,530	423,186,126	4.98	0	Nil	-	State-owned legal person
Shanghai United Media Group	69,264,754	308,447,660	3.63	0	Nil	-	State-owned legal person
China Post Group Corporation Limited	50,048,106	228,791,342	2.69	0	Nil	-	State-owned legal person
China Securities Finance Corporation Limited	49,847,175	227,872,800	2.68	0	Nil	-	Unknown
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	38,855,600	177,625,600	2.09	0	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)	33,404,657	159,849,861	1.88	0	Nil	-	Domestic non-state owned legal person
Hong Kong Securities Clearing Company Limited	23,023,473	115,032,866	1.35	0	Nil	-	Offshore legal person
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	24,751,918	106,105,541	1.25	0	Nil	-	Other

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	2,262,428,700	RMB ordinary shares	2,262,428,700
HKSCC Nominees Limited	1,027,064,934	Overseas listed foreign shares	1,027,064,934
Shanghai Haiyan Investment Management Company Limited	423,186,126	RMB ordinary shares	423,186,126
Shanghai United Media Group	308,447,660	RMB ordinary shares	308,447,660
China Post Group Corporation Limited	228,791,342	RMB ordinary shares	228,791,342
China Securities Finance Corporation Limited	227,872,800	RMB ordinary shares	227,872,800
Zheneng Capital Holdings Limited (浙能資本控股有限公司)	177,625,600	RMB ordinary shares	177,625,600
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)	159,849,861	RMB ordinary shares	159,849,861
Hong Kong Securities Clearing Company Limited	115,032,866	RMB ordinary shares	115,032,866
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	106,105,541	RMB ordinary shares	106,105,541
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

- (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, 2022, to the best knowledge of the Company and its Directors, having made all reasonable enquiries, the following substantial shareholders and other parties (excluding the Directors, Supervisors and chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name of shareholders	Type of share	Nature of interests	Number of shares ^(Note 1)	Approximate percentage of total share capital of relevant class in issue of the Company (%) ^(Note 2)	Approximate percentage of total share capital in issue of the Company (%) ^(Note 2)
Shenergy (Group) Company Limited	A Share	Beneficial owner	2,262,428,700 (L)	30.29	26.63
China National Tobacco Corporation ^(Note 3)	A Share	Interests in controlled corporation	423,186,126 (L)	5.67	4.98
Shanghai Tobacco (Group) Company ^(Note 3)	A Share	Interests in controlled corporation	423,186,126 (L)	5.67	4.98
Shanghai Haiyan Investment Management Company Limited ^(Note 3)	A Share	Beneficial owner	423,186,126 (L)	5.67	4.98
Shanghai Wealspring Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	H Share	Investment manager	143,821,200 (L)	14.00	1.69
Zhu Lijia ^(Note 4)	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.12
Sun Hongyan ^(Note 4)	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.12
Hung Jia Finance Limited ^(Note 4)	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.12

Section VII Changes in Shares and Information on Shareholders

Name of shareholders	Type of share	Nature of interests	Number of shares ^(Note 1)	Approximate percentage of total share capital of relevant class in issue of the Company (%) ^(Note 2)	Approximate percentage of total share capital in issue of the Company (%) ^(Note 2)
Kaiser Century Investments Limited ^(Note 4)	H Share	Beneficial owner	94,940,800 (L)	9.24	1.12
Bank of Communications Co., Ltd. ^(Note 5)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.11
Bank of Communications (Nominee) Company Limited ^(Note 5)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.11
BOCOM International Asset Management Limited ^(Note 5)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.11
BOCOM International Holdings Company Limited ^(Note 5)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.11
BOCOM International Global Investment Limited ^(Note 5)	H Share	Beneficial owner	93,991,600 (L)	9.15	1.11
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) ^(Note 6)	H Share	Asset manager	59,836,800 (L)	5.83	0.70

Section VII Changes in Shares and Information on Shareholders

Notes:

1. (L) represents the long position.
2. As at June 30, 2022, the Company has issued 8,496,645,292 shares in total, including 7,469,482,864 A Shares and 1,027,162,428 H Shares.
3. Shanghai Haiyan Investment Management Company Limited is wholly owned by Shanghai Tobacco (Group) Co., Ltd., which in turn is wholly owned by China National Tobacco Corporation. Therefore, each of China National Tobacco Corporation and Shanghai Tobacco (Group) Co., Ltd. is deemed to be interested in the shares of the Company held by Shanghai Haiyan Investment Management Company Limited under the SFO.
4. Kaiser Century Investments Limited is owned as to 100% by Hung Jia Finance Limited. Hung Jia Finance Limited is owned as to 50% by each of Mr. Zhu Lijia and his spouse Ms. Sun Hongyan. Therefore, each of Mr. Zhu Lijia, Ms. Sun Hongyan and Hung Jia Finance Limited is deemed to be interested in the shares of the Company held by Kaiser Century Investments Limited under the SFO.
5. 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.
6. According to the Company's employee stock ownership plan, China Universal Asset Management Company Limited (as the asset manager) purchases and holds 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, 2022, 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, 2022, 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 Information on 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 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche) ^(Note)	20 Orient Securities Y1	175032	August 24, 2020	August 26, 2020	-	50	4.75	Simple interest payable annually, expected to pay interest once every year	SSE	For institutional 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

Section IX Information on 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	
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
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
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

Section IX Information on 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 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	21 Orient Securities S1	188546	August 9, 2021	August 11, 2021	July 27, 2022	30	2.68	Principal and interest to be repaid upon maturity in one lump sum	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	21 Orient Securities S2	188700	September 2, 2021	September 6, 2021	September 1, 2022	19	2.68	Principal and interest to be repaid upon maturity in one lump sum	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	21 Orient Bonds 02	185035	November 22, 2021	November 24, 2021	November 24, 2024	40	3.08	Simple interest payable annually	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (first tranche)	22 Orient Securities C1	185233	January 11, 2022	January 13, 2022	January 13, 2025	25	3.16	Simple interest payable annually	SSE	For institutional investors	Auction, quotation, price asking and transaction under agreement	No
2022 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche)	22 Orient Securities S1	185796	May 20, 2022	May 24, 2022	May 15, 2023	40	2.30	Principal and interest to be repaid upon maturity in one lump sum	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No

Section IX Information on 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
2022 Short-term Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche)	22 Orient Securities S2	185893	June 14, 2022	June 16, 2022	June 16, 2023	15	2.38	Principal and interest to be repaid upon maturity in one lump sum	SSE	For professional investors	Auction, quotation, price asking and transaction under agreement	No

Note: “20 Orient Securities Y1” shall be re-priced every 5 interest-accruing years. At the end of each repricing cycle, the Company is entitled to extend the term of such tranche of bonds for another re-pricing cycle (i.e. an extension of 5 years) or redeem such tranche of bonds in full.

2. Issuer or investor option clauses or investor protection clauses triggered or enforced

The Company’s “20 Orient Securities Y1” is issued with an issuer option of renewal and without an investor option of resale. As of the date of disclosure of this report, the issuer option of renewal has yet to become exercisable. For the issuer right of deferral of interest payment, as the “2021 Profit Distribution Proposal of the Company” was considered and approved at the 2021 annual general meeting of the Company held on June 30, 2022, which was a mandatory interest payment event as stipulated in the prospectus of “20 Orient Securities Y1”, the Company will make full and timely payment of the current interest on the bonds. The issuer option of redemption upon satisfaction of certain conditions has not been triggered as at the date of disclosure of this report.

Section IX Information on Bonds

3. Change in credit rating

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

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

As of the end of the Reporting Period, the Company's existing bonds did not involve guarantees. As agreed in the bond prospectuses, the Company's debt repayment guarantees include formulating the Bondholder Meeting Rules, establishing special repayment work teams, giving full play to the role of bond trustees and strictly performing the obligation of information disclosure. During the Reporting Period, the Company's debt repayment plan and other debt repayment guarantees were strictly implemented as required without any changes.

5. Other information on Company's bonds

For details of offshore bonds issued by the Company, please refer to Note 40 to the condensed consolidated financial statements.

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	1.32	1.50	(12.00)	Increase in current liabilities
Quick ratio	1.32	1.50	(12.00)	Increase in current liabilities
Gearing ratio (%)	70.06	72.89	Decreased by 2.83 percentage points	Increase in net assets due to completion of Rights Issue during the period

Section IX Information on Bonds

Unit: '000 Currency: RMB

	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	483,279	2,629,383	(81.62)	Decrease in net profit
EBITDA to total debts ratio	0.02	0.04	(50.00)	Decrease in earnings before interest, taxes, depreciation, and amortization
Interest coverage ratio	1.32	2.43	(45.68)	Decrease in total profit
Cash interest coverage ratio	2.49	4.29	(41.96)	Decrease in net operating cash inflows
EBITDA interest coverage ratio	1.52	2.59	(41.31)	Decrease in earnings before interest, taxes, depreciation, and amortization
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	Reply on Approval for Issuance of Overseas Listed Foreign Shares by 東方證券股份有限公司	CSRC Approval [2022] No. 348	February 18, 2022
2	CSRC	Reply on Approval for Rights Issue of 東方證券股份有限公司	CSRC Approval [2022] No. 540	March 16, 2022
3	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	Ji Gou Bu Han [2022] No. 561	March 17, 2022

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 149 to 228, which comprise the condensed consolidated statement of financial position as at June 30, 2022 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 30, 2022

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022

	NOTES	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue			
Commission and fee income	5	4,501,399	4,885,912
Interest income	6	2,731,336	2,942,874
		7,232,735	7,828,786
Net investment gains	7	410,229	1,929,997
Other income, gains and losses, net	8	2,118,604	5,591,928
Total revenue, other income and net gains and losses		9,761,568	15,350,711
Depreciation and amortisation	9	(386,776)	(350,640)
Staff costs	10	(2,435,763)	(3,222,572)
Commission and fee expenses		(434,851)	(460,928)
Interest expenses	11	(2,052,102)	(2,234,521)
Other operating expenses	12	(2,996,543)	(6,429,535)
Impairment losses under expected credit loss model, net of reversal	13	(869,454)	(258,544)
Other impairment losses		(174,951)	–
Total expenses		(9,350,440)	(12,956,740)
Share of results of associates		231,407	735,436
Profit before income tax		642,535	3,129,407
Income tax expense	14	4,640	(431,370)
Profit for the period		647,175	2,698,037
Attributable to:			
Equity holders of the Company		647,365	2,700,360
Non-controlling interests		(190)	(2,323)
		647,175	2,698,037
Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	15	0.07	0.36

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period	647,175	2,698,037
Other comprehensive income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on investments in equity instruments at fair value through other comprehensive income	1,068,968	221,476
Income tax relating to items that will not be reclassified to profit or loss	(267,242)	(55,369)
Subtotal	801,726	166,107
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on debt instruments measured at fair value through other comprehensive income		
– net fair value changes during the period	218,842	74,795
– reclassification adjustment to profit or loss on disposal	(424,074)	(56,086)
Charge for/(reversal of) impairment losses for debt instruments measured at fair value through other comprehensive income	11,659	(32,690)
Income tax relating to items that may be reclassified subsequently to profit or loss	49,513	3,495
Share of other comprehensive income/(expenses) of associates, net of related income tax	5,306	(7,419)
Exchange differences arising on translation	66,553	(17,630)
Subtotal	(72,201)	(35,535)
Other comprehensive income for the period, net of income tax	729,525	130,572
Total comprehensive income for the period	1,376,700	2,828,609
Attributable to:		
Equity holders of the Company	1,376,890	2,830,932
Non-controlling interests	(190)	(2,323)
	1,376,700	2,828,609

The accompanying notes presented on pages 159 to 228 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	NOTES	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Cash and bank balances	16	103,765,312	90,555,816
Clearing settlement funds	18	31,786,820	25,472,872
Deposits with exchanges and financial institutions	19	4,278,493	2,655,369
Derivative financial assets	20	917,034	279,902
Placements to banks and financial institutions		538,248	382,833
Advances to customers	21	20,091,271	24,344,922
Account receivables	22	2,713,043	1,011,537
Financial assets held under resale agreements	23	13,048,961	11,502,955
Financial assets at fair value through profit or loss	24	86,362,147	90,584,006
Debt instruments at fair value through other comprehensive income	25	69,678,825	58,599,581
Equity instruments at fair value through other comprehensive income	26	4,919,698	4,138,153
Debt instruments measured at amortised cost	27	3,414,605	3,594,039
Investments in associates	28	6,342,058	6,553,668
Right-of-use assets		730,791	774,013
Investment properties		329,567	352,411
Property and equipment	30	2,132,872	2,234,866
Other intangible assets		210,713	250,647
Goodwill		32,135	32,135
Deferred tax assets	32	1,641,068	1,438,838
Other assets	33	2,582,899	1,841,059
Total assets		355,516,560	326,599,622

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	NOTES	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Placements from banks and financial institutions	34	2,779,960	8,485,677
Short-term financing bill payables	35	12,734,826	7,096,803
Account payables to brokerage clients	36	101,952,923	90,012,125
Financial assets sold under repurchase agreements	37	73,892,468	62,741,993
Financial liabilities at fair value through profit or loss	38	16,842,396	16,588,356
Derivative financial liabilities	20	311,628	733,829
Contract liabilities		108,073	91,413
Current tax liabilities		174,972	638,543
Accrued staff costs		2,190,587	2,431,922
Borrowings	39	492,384	558,645
Lease liabilities		736,990	781,842
Bond payables	40	55,474,634	67,509,217
Deferred tax liabilities	32	47,175	19,202
Other liabilities	41	11,962,526	4,766,949
Total liabilities		279,701,542	262,456,516
Share capital	42	8,496,645	6,993,656
Other equity instrument	44	5,000,000	5,000,000
Reserves	45	54,969,337	43,003,283
Retained earnings		7,336,601	9,130,172
Equity attributable to equity holders of the Company		75,802,583	64,127,111
Non-controlling interests		12,435	15,995
Total equity		75,815,018	64,143,106
Total equity and liabilities		355,516,560	326,599,622

The accompanying notes presented on pages 159 to 228 form part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 149 to 228 were approved and authorised for issue by the Board of Directors on August 30, 2022 and signed on its behalf by:

Jin Wenzhong
Chairman of the Board

Lu Weiming
Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Equity attributable to equity holders of the Company											
	NOTES	Reserves								Subtotal	Non-controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	Investment			Retained earnings			
						General reserve	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		
Unaudited												
As at January 1, 2022		6,993,656	5,000,000	28,353,325	3,999,317	10,028,633	764,321	(142,313)	9,130,172	64,127,111	15,995	64,143,106
Profit for the period		-	-	-	-	-	-	-	647,365	647,365	(190)	647,175
Other comprehensive income for the period		-	-	-	-	-	657,666	71,859	-	729,525	-	729,525
Total comprehensive income for the period		-	-	-	-	-	657,666	71,859	647,365	1,376,890	(190)	1,376,700
Issuance of shares	42	1,502,989	-	11,122,255	(4,462)	-	-	-	-	12,620,782	-	12,620,782
Appropriation to general reserve		-	-	-	-	117,883	-	-	(117,883)	-	-	-
Distribution to holders of other equity instrument	43	-	-	-	-	-	-	-	(237,500)	(237,500)	-	(237,500)
Dividends recognised as distribution	43	-	-	-	-	-	-	-	(2,124,160)	(2,124,160)	(3,370)	(2,127,530)
Transfer to retained earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal		-	-	-	-	-	(38,607)	-	38,607	-	-	-
Other		-	-	39,460	-	-	-	-	-	39,460	-	39,460
As at June 30, 2022		8,496,645	5,000,000	39,515,040	3,994,855	10,146,516	1,383,380	(70,454)	7,336,601	75,802,583	12,435	75,815,018

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Equity attributable to equity holders of the Company											
	NOTES	Reserves							Retained earnings	Subtotal	Non-controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	Investment						
						General reserve	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		
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	43	-	-	-	-	-	-	(237,500)	(237,500)	-	(237,500)	
Dividends recognised as distribution	43	-	-	-	-	-	-	(1,748,414)	(1,748,414)	(2,616)	(1,751,030)	
Transfer to retained earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal	-	-	-	-	-	329	-	(329)	-	-	-	
As 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	

The accompanying notes presented on pages 159 to 228 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	642,535	3,129,407
Adjustments for:		
Interest expenses	2,052,102	2,234,521
Share of results of associates	(231,407)	(735,436)
Depreciation and amortisation	386,776	350,640
Impairment losses under expected credit loss model, net of reversal	869,454	258,544
Other impairment losses	174,951	–
Losses on disposal of property and equipment, right-of-use assets and investment properties	271	1,131
Foreign exchange losses/(gains), net	83,137	(104,669)
Net realised gains and income arising from financial assets at fair value through profit or loss	(151,899)	(250,935)
Net realised gains and income arising from debt instruments at fair value through other comprehensive income	(1,585,923)	(1,365,602)
Dividend income arising from equity instruments at fair value through other comprehensive income	(124,564)	(351,664)
Net realised gains arising from financial liabilities at FVTPL	(15,788)	–
Net realised losses arising from derivative financial instruments	–	6,736
Interest income from debt instruments measured at amortised cost	(58,255)	(93,555)
Unrealised fair value change of financial assets at fair value through profit or loss	659,049	(175,212)
Unrealised fair value change of financial liabilities at fair value through profit or loss	177,479	(740,093)
Unrealised fair value change of derivative financial instruments	(1,182,127)	825,560
Other net investment gains	(2,810)	–

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Operating cash flows before movements in working capital	1,692,981	2,989,373
Decrease/(increase) in advances to customers	4,252,139	(2,308,859)
Increase in placements to banks and other financial institutions	(155,415)	–
(Increase)/decrease in financial assets held under resale agreements	(2,406,519)	830,302
Decrease/(increase) in financial assets at fair value through profit or loss and derivative financial assets	5,221,593	(2,458,305)
Increase in restricted deposits	(1,966,721)	(2,824,590)
Increase in bank balances and clearing settlement funds restricted or held on behalf of customers	(12,205,118)	(11,986,381)
Increase in account receivables and other assets	(2,087,909)	(4,358,196)
Increase in other liabilities and contract liabilities	4,609,242	175,005
Increase in account payables to brokerage clients	11,940,798	12,277,395
(Decrease)/increase in financial liabilities at fair value through profit or loss and derivatives financial liabilities	(503,745)	3,717,208
Increase in financial assets sold under repurchase agreements	11,127,547	4,552,754
Decrease in placements from banks and other financial institutions	(5,704,772)	(5,014,490)
Cash generated from/(used in) operations	13,814,101	(4,408,784)
Income taxes paid	(850,917)	(714,982)
Interest paid	(668,643)	(774,450)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	12,294,541	(5,898,216)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	1,400,057	2,060,381
Proceeds on disposal of property and equipment and investment properties	19,763	556
Proceeds on disposal or redemption of:		
financial assets at fair value through profit or loss	6,018,077	6,862,004
equity instruments at fair value through other comprehensive income	287,423	3,022,908
debt instruments at fair value through other comprehensive income	32,814,217	34,698,059
debt instruments measured at amortised cost	135,000	1,336,201
Capital injection in associates	(96,050)	(6,300)
Purchases of:		
financial assets at fair value through profit or loss	(7,700,120)	(6,476,465)
equity instruments at fair value through other comprehensive income	–	(16,914)
debt instruments at fair value through other comprehensive income	(43,647,677)	(39,187,350)
Purchases of property and equipment and other intangible assets	(67,623)	(187,823)
Payments for right-of-use assets	(2,561)	(678)
Proceeds from disposal of a subsidiary, and disposal of and capital reduction from associates	84,181	48,139
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(10,755,313)	2,152,718

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	NOTE	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
FINANCING ACTIVITIES			
Proceeds from H and A shares issued		12,715,329	–
Proceeds from bonds and short-term financing bill payables issued		14,368,351	24,076,211
Repayments on bonds and short-term financing bill payables issued		(20,044,779)	(24,726,266)
Proceeds from borrowings		835,240	4,029,958
Repayments of borrowings		(887,031)	(710,873)
Repayments of leases liabilities		(172,871)	(163,135)
Dividends paid to shareholders		(3,370)	(28,062)
Transaction costs paid on issue of H and A shares		(94,547)	–
Interest paid on bonds and short-term financing bill payables		(1,175,576)	(1,302,711)
Interest paid on borrowings		(10,527)	(21,789)
Interest paid on lease liabilities		(13,311)	(16,142)
NET CASH GENERATED FROM FINANCING ACTIVITIES		5,516,908	1,137,191
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,056,136	(2,608,307)
CASH AND CASH EQUIVALENTS AT THE BEGINNING			
OF THE PERIOD	17	21,937,713	19,984,516
Effect of foreign exchange rate changes		(81,407)	52,843
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	28,912,442	17,429,052

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

1. GENERAL INFORMATION

東方證券股份有限公司, formerly known as Orient Securities Limited Liability Company (東方證券有限責任公司), was a limited liability company 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 (the “Company”). 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 Securities Building, 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 34 “Interim Financial Reporting” (“IAS 34”) 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.

This condensed consolidated financial statements do not include all of the information required for full set of financial statement prepared in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2021.

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, 2022

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

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2021.

Application of amendments to International Financial Reporting Standards

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 Group's annual period beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The directors of the Company consider 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.

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 judgement in the process of applying the accounting policies of the Group. The significant accounting estimates and judgements applied in preparing the condensed consolidated financial statements for the six months ended June 30, 2022 are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

4. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the “CODM”) of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organisations, whereby the businesses are organised and managed separately as individual strategic business units that offer different products and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the 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 includes 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 includes 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 other, covering head office operations and the overseas business in Hong Kong, include 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, 2022 and 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

4. SEGMENT REPORTING (Continued)

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.

The segment information provided to the CODM for the six months ended June 30, 2022 and 2021 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 other RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended June 30, 2022								
Unaudited								
<i>Segment revenue and results</i>								
Segment revenue and net investment gains	1,563,236	2,746,282	2,210,513	1,006,271	1,581,402	9,107,704	(1,464,740)	7,642,964
Segment other income, gains and losses, net	128,695	1,941,135	89,194	23,028	(63,448)	2,118,604	-	2,118,604
Segment revenue, other income and net gains and losses	1,691,931	4,687,417	2,299,707	1,029,299	1,517,954	11,226,308	(1,464,740)	9,761,568
Segment expenses	(990,003)	(4,736,136)	(1,034,410)	(691,088)	(1,947,718)	(9,399,355)	48,915	(9,350,440)
Segment results	701,928	(48,719)	1,265,297	338,211	(429,764)	1,826,953	(1,415,825)	411,128
Share of results of associates	270,329	(3,492)	23,000	-	(69,327)	220,510	10,897	231,407
Profit/(loss) before income tax	972,257	(52,211)	1,288,297	338,211	(499,091)	2,047,463	(1,404,928)	642,535
As at June 30, 2022								
Unaudited								
<i>Segment assets and liabilities</i>								
Segment assets	13,330,772	150,030,094	145,206,294	2,567,725	67,886,105	379,020,990	(23,504,430)	355,516,560
Segment liabilities	1,941,110	111,607,837	84,134,723	843,269	86,992,887	285,519,826	(5,818,284)	279,701,542
For the six months ended June 30, 2022								
Unaudited								
<i>Other segment information</i>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	42,256	151,189	24,232	24,422	144,677	386,776	-	386,776
Charge for/(reversal of) impairment losses	255	1,032,333	11,851	207	(241)	1,044,405	-	1,044,405
Capital expenditure	13,587	137,200	28	3,949	53,521	208,285	-	208,285

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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 other RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended June 30, 2021								
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, net	55,213	5,372,610	9,376	2,337	152,580	5,592,116	(188)	5,591,928
Segment revenue, other income and net gains and losses	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
As at June 30, 2021								
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
For the six months ended June 30, 2021								
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
Charge 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

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, 2022 and 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

5. COMMISSION AND FEE INCOME

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Commission on securities dealing, broking and handling fee income	1,395,477	1,521,062
Asset and fund management fee income	1,456,810	1,977,732
Underwriting, sponsors and financial advisory fee income	875,729	832,364
Commission on futures and options contracts dealing, broking and handling fee income	493,423	362,793
Consultancy fee income	135,568	67,852
Other	144,392	124,109
	4,501,399	4,885,912

6. INTEREST INCOME

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Advances to customers	642,496	688,870
Financial assets held under resale agreements	48,663	133,313
Deposits with exchanges and financial institutions and bank balances	818,316	713,417
Interest income from debt instruments measured at amortised cost	58,255	93,555
Interest income from debt instruments at fair value through other comprehensive income	1,161,849	1,309,516
Other	1,757	4,203
	2,731,336	2,942,874

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

7. NET INVESTMENT GAINS

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net realised gains from disposal of debt instruments at fair value through other comprehensive income ("FVTOCI")	424,074	56,086
Net realised (losses)/gains from disposal of financial assets at fair value through profit or loss ("FVTPL")	(743,858)	873,410
Net realised gains arising from financial liabilities at FVTPL	162,339	18,622
Net realised losses arising from derivative financial instruments	(810,278)	(344,447)
Dividend income from equity instruments at FVTOCI	124,564	351,664
– relating to investments derecognised during the period	11,004	307,553
– relating to investments held at the end of the period	113,560	44,111
Dividend income and interest income from financial assets at FVTPL	904,979	884,917
Unrealised fair value change of financial assets at FVTPL	(659,049)	175,212
Unrealised fair value change of financial liabilities at FVTPL	(177,479)	740,093
Unrealised fair value change of derivative financial instruments	1,182,127	(825,560)
Other	2,810	–
	410,229	1,929,997

8. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Foreign exchange (losses)/gains, net	(83,137)	104,669
Rental income	1,682	2,733
Government grants	215,796	113,297
Bulk commodity trading income	1,906,063	5,338,835
Other	78,200	32,394
	2,118,604	5,591,928

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

9. DEPRECIATION AND AMORTISATION

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation of property and equipment	141,607	129,721
Depreciation of right-of-use assets	173,409	163,834
Depreciation of investment properties	5,847	879
Amortisation of other intangible assets	65,913	56,206
	386,776	350,640

10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB2,080 million and RMB2,777 million for the period ended June 30, 2022 and 2021 respectively.

11. INTEREST EXPENSES

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Account payables to brokerage clients	59,899	52,559
Financial assets sold under repurchase agreements	654,785	684,900
Borrowings	10,288	14,807
Placements from banks and financial institutions	46,229	45,059
Short-term financing bill payables	108,088	148,849
Bond payables	1,159,415	1,272,574
Lease liabilities	13,398	15,773
	2,052,102	2,234,521

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Advisory expenses	38,651	43,537
Auditor's remuneration	4,640	4,515
Business travel expenses	25,668	44,581
Communication expenses	62,748	89,748
Electronic equipment operating expenses	97,188	121,887
Entertainment expenses	35,050	53,932
Administrative expenses	152,967	172,660
Operating lease rentals in respect of short-term leases/low value assets	6,174	13,165
Products distribution expenses	448,572	507,435
Securities and futures investor protection funds	31,274	37,558
Stock exchanges management fees	48,614	36,459
Sundry expenses	69,058	51,853
Tax and surcharges	46,726	53,290
Donation	3,310	19,729
Bulk commodity trading	1,908,113	5,177,924
Other	17,790	1,262
	2,996,543	6,429,535

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

13. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Expected credit losses (“ECL”) in respect of		
– Financial assets held under resale agreements	860,513	273,226
– Advances to customers	(392)	370
– Account receivables and other receivables	(2,306)	3,946
– Debt instruments at FVTOCI	11,659	(18,565)
– Debt instruments measured at amortised cost	(20)	(433)
	869,454	258,544

14. INCOME TAX EXPENSE

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax	402,583	432,589
– Hong Kong Profits Tax	5,518	5,544
	408,101	438,133
Adjustments in respect of current income tax in relation to prior years:		
– PRC Enterprise Income Tax	(20,755)	1,408
Deferred tax	(391,986)	(8,171)
	(4,640)	431,370

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

15. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited) (Restated)
Earnings for the purpose of basic earnings per share (RMB'000):		
Profit for the period attributable to equity holders of the Company	647,365	2,700,360
Less: profit attributable to holders of perpetual subordinated bond	(118,750)	(118,750)
Subtotal	528,615	2,581,610
Number of shares (in thousand):		
Number of issued shares on January 1	6,993,656	6,993,656
Effect of A share and H share rights issue	588,731	100,627
– Weighted average number of ordinary shares in issue	7,582,387	7,094,283
Basic earnings per share (RMB Yuan)	0.07	0.36

For the six months ended June 30, 2022 and 2021, there were no potential ordinary shares in issue.

During the first half of the year, the Company offered rights issue to its existing A share and H share shareholders, respectively. As the price for A rights share was below the market price at the time of rights issue, there were bonus elements for A share rights issue and the weighted average number of ordinary shares were adjusted retrospectively. As a result, the weighted average number of ordinary shares and the basic earnings per share for the six months ended June 30, 2021 were restated.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

16. CASH AND BANK BALANCES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
House accounts	30,107,961	22,624,963
Restricted bank deposits (<i>Note a</i>)	243,071	177,611
	30,351,032	22,802,574
Cash held on behalf of clients (<i>Note b</i>)	73,414,280	67,753,242
	103,765,312	90,555,816

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

Note a: The restricted bank deposits as of June 30, 2022 and December 31, 2021 included pledged bank deposits and other restricted bank deposits.

Note b: The Group maintains bank accounts to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in account payables to brokerage clients (*Note 36*).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Cash and bank balances	30,298,614	22,760,847
Clearing settlement funds	3,049,255	3,279,387
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	(4,184,356)	(3,916,910)
restricted bank deposits	(243,071)	(177,611)
	28,912,442	21,937,713

18. CLEARING SETTLEMENT FUNDS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Clearing settlement funds held with clearing houses for:		
House accounts	3,049,255	3,279,387
Clients	28,737,565	22,193,485
	31,786,820	25,472,872

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

19. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Trading deposits	818,187	1,011,534
Credit deposits	50,046	54,083
Performance bonds	3,410,260	1,589,752
	4,278,493	2,655,369

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. DERIVATIVE FINANCIAL INSTRUMENTS

	As at June 30, 2022 (Unaudited)		
	Notional amounts RMB'000	Fair Value	
		Assets RMB'000	Liabilities RMB'000
Interest rate derivatives			
Interest rate swaps	436,948,420	25,779	15,586
Treasury bond futures	12,677,808	-	-
Collar options	486,440	-	-
Equity derivatives			
Stock index futures	6,621,540	1,062	-
Total return swaps	4,259,582	170,145	32,661
Equity linked derivatives	49,903,734	307,430	63,295
Stock options	7,272,017	165,841	38,958
Currency derivatives			
Foreign exchange option	13,656,069	23,352	32,355
Foreign exchange swap	94,470,678	8,736	6,549
Foreign exchange risk forward	12,225,461	28,354	111,033
Credit derivatives			
Credit default swap	221,533	33,686	577
Other derivative instruments			
Commodity futures	6,230,095	-	-
Gold swaps	4,015,452	143,256	-
Gold forwards	1,099,970	9,393	-
Gold deferred contracts	369	-	-
Commodity options	28,654	-	10,614
	650,117,822	917,034	311,628

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

	As at December 31, 2021		
	(Audited)		
	Notional amounts RMB'000	Fair Value Assets RMB'000	Liabilities RMB'000
Interest rate derivatives			
Interest rate swaps	441,025,710	19,751	15,178
Treasury bond futures	11,738,716	–	–
Collar options	283,220	6	49
Equity derivatives			
Stock index futures	5,979,337	–	–
Total return swaps	2,582,603	99,098	74,899
Equity linked derivatives	35,739,382	5,280	138,915
Stock options	7,151,709	51,356	91,203
Currency derivatives			
Foreign exchange option	4,477,250	–	3,091
Foreign exchange swap	39,541,654	1,826	9,663
Foreign exchange risk forward	8,196,101	73,960	200,833
Credit derivatives			
Credit default swap	310,257	28,625	374
Other derivative instruments			
Commodity futures	23,268,343	–	–
Gold swaps	9,138,823	–	188,785
Gold forwards	1,135,341	–	10,839
Gold deferred contracts	392	–	–
Standard bond forward	150,000	–	–
	590,718,838	279,902	733,829

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

21. ADVANCES TO CUSTOMERS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Loans to margin clients	20,140,945	24,393,084
Less: impairment allowance	(49,674)	(48,162)
	20,091,271	24,344,922

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	48,162	46,601
(Reversal of)/charge for the period/year, net	(392)	2,923
Write off for the period/year	-	(171)
Exchange differences	1,904	(1,191)
At the end of the period/year	49,674	48,162

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

21. ADVANCES TO CUSTOMERS *(Continued)*

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,102	48,572	49,674

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	1,299	46,863	48,162

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

The loans to margin clients which are secured by the underlying cash collateral (Note 36) and pledged securities are interest bearing. The Group maintains a list of approved securities 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.

Loan to margin clients were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of pledged securities amounted to approximately RMB75,370 million and RMB81,412 million as at June 30, 2022 and December 31, 2021, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

22. ACCOUNT RECEIVABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account receivables from/related to:		
– Clearing house	109,904	79,372
– Brokers	202,047	292,798
– Asset management fee and trading seats commission	682,580	638,573
– Clients	1,678,937	–
– Advisory and investment banking commission	50,553	12,052
Subtotal	2,724,021	1,022,795
Less: impairment allowance	(10,978)	(11,258)
	2,713,043	1,011,537

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

22. ACCOUNT RECEIVABLES *(Continued)*

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

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Within 1 year	2,668,666	974,205
Between 1 and 2 years	38,876	32,927
Between 2 and 3 years	1,096	–
Over 3 years	4,405	4,405
	2,713,043	1,011,537

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	11,258	12,201
Reversal of the period/year, net	(350)	(897)
Exchange differences	70	(46)
At the end of the period/year	10,978	11,258

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by collateral type:		
– Stocks	11,664,616	12,651,238
– Bonds	7,305,326	4,234,523
Subtotal	18,969,942	16,885,761
Less: impairment allowance	(5,920,981)	(5,382,806)
	13,048,961	11,502,955
Analysed by market:		
– Stock exchanges	13,287,445	14,847,389
– Inter-bank market	5,682,497	2,038,372
Less: impairment allowance	(5,920,981)	(5,382,806)
	13,048,961	11,502,955

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	5,382,806	5,033,946
Charge for the period/year, net	860,513	1,318,267
Transfer out for the period/year	(322,338)	(843,036)
Write off for the period/year	–	(126,371)
At the end of the period/year	5,920,981	5,382,806

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	–	5,920,981	5,920,981

As at 31 December 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	–	5,382,806	5,382,806

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Debt securities (<i>Note a</i>)	37,528,358	44,018,362
– Equity securities	8,640,693	10,704,652
– Funds	11,375,411	12,232,040
– Other investments (<i>Note b</i>)	28,817,685	23,628,952
	86,362,147	90,584,006
Analysed as:		
– Listed	24,773,906	31,674,094
– Unlisted	61,588,241	58,909,912
	86,362,147	90,584,006

Note a: Debt securities include 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.

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. These investments mainly invest in debt securities and publicly traded equity securities listed in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Government bonds	29,294,934	26,397,534
– Bonds issued by policy banks	1,068,816	323,689
– Bonds issued by commercial banks and other financial institutions	1,855,807	2,566,900
– Other debt securities (<i>Note</i>)	37,459,268	29,311,458
	69,678,825	58,599,581
Analysed as:		
– Listed	36,652,166	33,253,769
– Unlisted	33,026,659	25,345,812
	69,678,825	58,599,581

Note: Other debt securities mainly comprise bonds and notes issued by corporates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	233,471	272,490
Charge for/(reversal of) the period/year, net	11,659	(24,894)
Write off for the period/year	–	(14,125)
Exchange difference	5	–
At the end of the period/year	245,135	233,471

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	15,724	229,411	245,135

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	11,225	222,246	233,471

No impairment allowance is recognised in the carrying amount of debt instruments at FVTOCI as they are at fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Equity securities (<i>Note a</i>)	4,541,942	3,555,261
– Perpetual instruments (<i>Note b</i>)	377,756	582,892
	4,919,698	4,138,153
Analysed as:		
– Listed	4,629,457	3,653,721
– Unlisted	290,241	484,432
	4,919,698	4,138,153

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 has 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.

During 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 they no longer meet the investment objective of the Group. The cumulative losses on disposal of RMB825 thousand on equity securities traded on the NEEQ, and the cumulative gains on disposal of RMB39,059 thousand on equity securities listed on stock exchanges and RMB373 thousand on private equity investments have been transferred from other comprehensive income to retained earnings respectively.

Note b: Those perpetual instruments are equity instruments which are not held for trading. Instead, they are held for long-term strategic purposes. The Group has elected to designate these perpetual 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 dividend income in the long run.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

27. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by type:		
– Government bonds	957,470	957,585
– Bonds issued by commercial banks and other financial institutions	1,845,753	1,980,025
– Other debt securities (<i>Note a</i>)	611,590	656,657
Less: impairment allowance	(208)	(228)
	3,414,605	3,594,039
Analysed as:		
– Listed	578,776	1,034,324
– Unlisted (<i>Note b</i>)	2,835,829	2,559,715
	3,414,605	3,594,039

Note a: Other debt securities mainly comprise bonds and notes issued by corporates.

Note b: The unlisted debt securities were traded on inter-bank market.

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	228	664
Reversal of the period/year, net	(20)	(436)
At the end of the period/year	208	228

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	208	–	208

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	228	–	228

28. INVESTMENTS IN ASSOCIATES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Cost of unlisted investments in associates	2,983,859	2,970,309
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,533,150	3,583,359
Less: impairment allowance	(174,951)	–
	6,342,058	6,553,668

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

28. INVESTMENTS IN ASSOCIATES (Continued)

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

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)	
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited (“China Universal”)	PRC 3 February 2005	35.41%	35.41%	Fund management
上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Investment Co., Ltd. *	PRC 12 July 2011	27.73%	27.73%	Investment management
東證睿波(上海)投資中心(有限合夥) Orient Securities Ruibo (Shanghai) Investment Center LLP. ^{(1)*}	PRC 25 June 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 3 November 2015	49.26%	49.26%	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP. *	PRC 4 February 2016	34.51%	34.51%	Equity investment
海寧東證藍海並購投資合夥企業(有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	PRC 13 July 2016	25.75%	25.75%	Investment management
東建國際控股有限公司 OCI International Holdings Limited	Cayman Islands 6 June 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 11 July 2016	43.17%	50.60%	Asset management

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

28. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)	
嘉興臨揚股權投資合夥企業(有限合夥) Jiaying Linyang Equity Investment Partnership LLP. *	PRC 13 April 2021	39.85%	39.85%	Investment management
嘉興岩泉投資合夥企業(有限合夥) Jiaying Yanquan Investment Partnership LLP. *	PRC 12 July 2018	33.61%	33.61%	Investment management
上海東愷投資管理有限公司 Shanghai Dongkai Capital Co., Ltd. *	PRC 21 September 2018	30.00%	45.00%	Investment management
誠泰融資租賃(上海)有限公司 Chengtay Financial Leasing (Shanghai) Co., Ltd. ⁽²⁾	PRC 11 September 2015	19.02%	21.67%	Financial leasing
宜興東證睿元股權投資合夥企業(有限合夥) Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. ^{(2)*}	PRC 11 March 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 Dongzheng Yunqi Technology Innovation Investment Partnership LLP. ^{(2)*}	PRC 14 January 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. ^{(2)*}	PRC 11 February 2018	18.89%	18.89%	Investment management

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

28. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)	
南通東證富象股權投資中心(有限合夥) Nantong Orient Securities Fuxiang Equity Investment Center LLP. ^{(2)*}	PRC 7 November 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 7 April 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 17 January 2020	50.00%	50.00%	Investment management
上海頤歌資產管理有限公司 Shanghai Yige Asset Management Co., Ltd *	PRC 11 April 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. ^{(1)*}	PRC 8 July 2020	76.37%	76.37%	Investment management
邦訊技術股份有限公司 Beijing Boomsense Technology Co., Ltd. ⁽²⁾	PRC 24 October 2002	19.67%	19.67%	Software and information technology services
杭州數行科技有限公司 Hangzhou Shuxing Technology Co., Ltd. ^{(2)*}	PRC 9 November 2017	10.00%	10.00%	Technology development

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

28. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)	
嘉興臨昶股權投資合夥企業(有限合夥) Jiaxing Linchang Equity Investment Partnership LLP. *	PRC 9 December 2021	49.88%	N/A	Investment management
嘉興起勢投資合夥企業(有限合夥) Jiaxing Qishi Investment Partnership LLP. *	PRC 11 July 2018	49.90%	N/A	Investment management
嘉興盈澤一期創業投資合夥企業 (有限合夥) Jiaxing Yingze Phase I Venture Capital Partnership LLP. *	PRC 28 February 2022	31.03%	N/A	Investment management

* English translated names are for identification purpose only.

- (1) Although the Group's percentages of shareholdings in these investees are more than 50%, they are accounted for as associates as the Group only has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

28. INVESTMENTS IN ASSOCIATES *(Continued)*

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

China Universal

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Total assets	13,138,427	13,459,008
Total liabilities	4,152,829	4,659,654
Net assets	8,985,598	8,799,354

	Six months ended June 30	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Total revenue	3,200,471	4,607,313
Profit for the period	1,008,617	1,570,239
Other comprehensive income/(expenses)	23,778	(5,875)
Total comprehensive income	1,032,395	1,564,364

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

28. INVESTMENTS IN ASSOCIATES *(Continued)*

China Universal *(Continued)*

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

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Equity attributable to equity holders of the associate	8,985,598	8,799,354
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	3,181,714	3,115,765

Aggregate information of other associates that are not individually material:

	Six months ended June 30	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The Group's share of (losses)/profits	(125,744)	180,469
The Group's share of other comprehensive expenses	(3,114)	(2,765)
The Group's share of total comprehensive (expenses)/income	(128,858)	177,704
Aggregate carrying amount of the Group's interests in these associates	3,160,344	3,263,564

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

29.1 Structured entities set up and managed by the Group

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 31, 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 RMB359,965 million and RMB410,192 million as at June 30, 2022 and December 31, 2021, 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, 2022 and December 31, 2021. As at June 30, 2022 and December 31, 2021, the carrying amounts of the Group's interests in unconsolidated funds, asset management schemes and limited partnerships were RMB3,452 million and RMB4,007 million, respectively, which approximates the maximum risk exposure to the Group. The 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, 2022 and 2021, were RMB1,457 million and RMB1,983 million, respectively.

The table below shows the carrying amount of unconsolidated funds, asset management schemes and limited partnership in which the Group acted as investment manager and held interests and its maximum exposure to loss in relation to those interests as at June 30, 2022 and December 31, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

29.1 Structured entities set up and managed by the Group *(Continued)*

As at June 30, 2022 (unaudited)

	Carrying amount RMB'000	Maximum exposure RMB'000
Financial assets at fair value through profit or loss	2,213,438	2,213,438
Investments in associates	1,238,313	1,238,313
Total	3,451,751	3,451,751

As at December 31, 2021 (audited)

	Carrying amount RMB'000	Maximum exposure RMB'000
Financial assets at fair value through profit or loss	2,581,639	2,581,639
Investments in associates	1,425,646	1,425,646
Total	4,007,285	4,007,285

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

29.2 Structured entities set up and managed by third party institutions in which the Group holds an interest

The Group also holds interest in structured entities such as funds, asset management schemes, trust schemes, wealth management products that are issued by banks or other financial institutions and limited partnership. These structured entities are not consolidated by the Group. The nature and purpose of these structured entities are to generate fee income from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The table below shows the carrying amount of unconsolidated funds, asset management schemes, trust schemes, wealth management products and limited partnership in which the third party acted as investment manager and the Group held interests and its maximum exposure to loss in relation to those interests as at June 30, 2022 and December 31, 2021.

As at June 30, 2022 (unaudited)

	Carrying amount RMB'000	Maximum exposure RMB'000
Financial assets at fair value through profit or loss	28,265,928	28,265,928
Investments in associates	323,835	323,835
Total	28,589,763	28,589,763

As at December 31, 2021 (audited)

	Carrying amount RMB'000	Maximum exposure RMB'000
Financial assets at fair value through profit or loss	25,309,995	25,309,995
Investments in associates	218,961	218,961
Total	25,528,956	25,528,956

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

30. PROPERTY AND EQUIPMENT

	Land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Unaudited							
COST							
As at January 1, 2022	1,879,840	1,071,380	43,841	145,556	629,057	26,712	3,796,386
Additions	1,139	12,582	-	590	10,010	17,392	41,713
Disposals	-	(6,837)	-	(3,177)	-	-	(10,014)
Transfer during the period	-	16,478	-	394	-	(16,872)	-
Exchange difference	-	622	26	59	519	123	1,349
As at June 30, 2022	1,880,979	1,094,225	43,867	143,422	639,586	27,355	3,829,434
ACCUMULATED DEPRECIATION							
As at January 1, 2022	259,621	725,189	32,276	83,227	461,207	-	1,561,520
Charge for the period	31,353	70,150	1,837	7,933	30,334	-	141,607
Eliminated on disposals	-	(4,368)	-	(2,830)	-	-	(7,198)
Exchange difference	-	468	24	15	126	-	633
As at June 30, 2022	290,974	791,439	34,137	88,345	491,667	-	1,696,562
CARRYING VALUES							
As at June 30, 2022	1,590,005	302,786	9,730	55,077	147,919	27,355	2,132,872

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

30. PROPERTY AND EQUIPMENT *(Continued)*

	Land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Audited							
COST							
As at January 1, 2021	1,879,840	909,175	42,763	121,141	546,396	65,838	3,565,153
Additions	-	92,084	1,309	22,730	83,059	91,591	290,773
Disposals	-	(50,273)	(1,999)	(6,243)	-	-	(58,515)
Transfer during the year	-	120,811	1,785	8,051	-	(130,647)	-
Exchange difference	-	(417)	(17)	(123)	(398)	(70)	(1,025)
As at December 31, 2021	1,879,840	1,071,380	43,841	145,556	629,057	26,712	3,796,386
ACCUMULATED DEPRECIATION							
As at January 1, 2021	199,204	629,546	30,356	74,211	406,174	-	1,339,491
Charge for the year	60,417	134,887	3,854	14,038	55,137	-	268,333
Eliminated on disposals	-	(38,939)	(1,921)	(4,972)	-	-	(45,832)
Exchange difference	-	(305)	(13)	(50)	(104)	-	(472)
As at December 31, 2021	259,621	725,189	32,276	83,227	461,207	-	1,561,520
CARRYING VALUES							
As at December 31, 2021	1,620,219	346,191	11,565	62,329	167,850	26,712	2,234,866

The carrying amount of the Group's property and equipment included 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 property is classified as property and equipment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

31. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities including asset management schemes, funds and limited partnerships. For the structured entities 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 structured entities 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 RMB4,012 million and RMB5,508 million as at June 30, 2022 and December 31, 2021, respectively.

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

32. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Deferred tax assets	1,641,068	1,438,838
Deferred tax liabilities	(47,175)	(19,202)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

32. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax assets and liabilities recognised and movements during the current period and prior year:

	Financial instrument at FVTPL and derivatives RMB'000	Accrued staff cost RMB'000	Financial instruments at FVTOCI RMB'000	Allowance for impairment losses RMB'000	Other RMB'000	Total RMB'000
As at January 1, 2022	(474,599)	316,795	(186,398)	1,772,688	(8,850)	1,419,636
(Charge)/credit to profit or loss	(194,070)	60,691	2,887	258,328	264,150	391,986
Charge to other comprehensive income	-	-	(217,729)	-	-	(217,729)
Transfer out upon disposal of equity instruments at FVTOCI	-	-	12,869	-	(12,869)	-
As at June 30, 2022	(668,669)	377,486	(388,371)	2,031,016	242,431	1,593,893
As at January 1, 2021	(413,404)	383,066	32,261	1,438,665	(4,845)	1,435,743
(Charge)/credit to profit or loss	(61,195)	(66,271)	(9,755)	334,023	(4,005)	192,797
Charge to other comprehensive income	-	-	(179,018)	-	-	(179,018)
Transfer out upon disposal of equity instruments at FVTOCI	-	-	(29,886)	-	-	(29,886)
As at December 31, 2021	(474,599)	316,795	(186,398)	1,772,688	(8,850)	1,419,636

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

33. OTHER ASSETS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Other receivables	3,294,986	2,392,097
Dividends receivable	353,205	–
Prepayments	274,852	172,281
Other	545,694	842,133
Less: impairment allowance	(1,885,838)	(1,565,452)
	2,582,899	1,841,059

The movements of the impairment allowance are set out below:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	1,565,452	703,758
(Reversal of)/charge for the period/year, net	(1,956)	18,670
Transfer in	322,338	843,036
Exchange differences	4	(12)
At the end of the period/year	1,885,838	1,565,452

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

33. OTHER ASSETS (Continued)

As at June 30, 2022 (unaudited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	2,477	1,883,361	1,885,838

As at December 31, 2021 (audited)

	12-month ECL RMB'000	Lifetime ECL RMB'000	Total RMB'000
Impairment allowance	4,866	1,560,586	1,565,452

34. PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Placements from banks (Note a)	774,913	6,480,155
Placements from China Securities Finance Corporation Limited (Note b)	2,005,047	2,005,522
	2,779,960	8,485,677

Note a: As at June 30, 2022, the effective interest rates bearing on the outstanding amount of placements from banks varied from 1.80% to 2.00% (December 31, 2021: 1.20% to 2.65%) per annum. The amount of placements from banks were repayable within four months (December 31, 2021: within one month) from the end of the reporting period.

Note b: As at June 30, 2022, the effective interest rate of placements from China Securities Finance Corporation Limited varied from 2.50% to 2.80% (December 31, 2021: 2.80%) per annum. The amount of placements from China Securities Finance Corporation Ltd. will be repayable within six months (December 31, 2021: within three months) from the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

35. SHORT-TERM FINANCING BILL PAYABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Short-term commercial paper and corporate bonds (<i>Note a</i>)	12,563,678	6,958,466
Income certificates (<i>Note b</i>)	171,148	138,337
	12,734,826	7,096,803

Note a: As at June 30, 2022, the yields of all the outstanding short-term commercial paper and corporate bonds ranged from 2.30% to 2.88% (December 31, 2021: 2.68% to 2.88%) per annum.

Note b: As at June 30, 2022, the yields of all the outstanding income certificates issued by the Group ranged from 2.10% to 4.20% (December 31, 2021: 2.10% to 4.20%) per annum.

36. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the account payables balances are repayable on demand except for certain balances representing 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, 2022 and December 31, 2021, included in the Group's account payable to brokerage clients were approximately RMB3,258 million and RMB2,770 million, respectively, of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

37. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Analysed by collateral type		
– Bonds	64,697,335	54,513,730
– Funds	2,324,040	4,441,581
– Advances to customers	1,157,210	3,786,682
– Gold	5,713,883	–
	73,892,468	62,741,993
Analysed by market		
– Stock exchanges	28,592,950	28,542,159
– Inter-bank market	35,429,295	27,344,526
– Over the counter	9,870,223	6,855,308
	73,892,468	62,741,993

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Debt securities	7,802,084	1,976,300
Gold borrowings	4,218,610	9,103,247
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities (<i>Note a</i>)	695,396	2,012,657
– Income certificates (<i>Note b</i>)	3,342,898	2,674,736
– Other (<i>Note c</i>)	783,408	821,416
	16,842,396	16,588,356

Note a: Interests attributable to other holders of consolidated structured entities consist of third-party unitholders' 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.

Note b: The income certificates were hybrid contracts containing embedded derivative.

Note c: Other mainly includes the structured note issued by a subsidiary of the Company. The fair value of the structured note is linked to performance of a third party perpetual bond. The Group irrevocably designates these financial liabilities as measured at FVTPL to eliminate an accounting mismatch.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

39. BORROWINGS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Unsecured short-term borrowings repayable within one year	492,384	558,645
	492,384	558,645

Short-term bank borrowings are repayable within one year. As at June 30, 2022, the annual interest rates on the borrowings were in the range of 1.59% to 4.50% (December 31, 2021: 1.40% to 4.85%).

During the current interim period, the Group obtained new borrowings amounting to RMB835 million (six months ended June 30, 2021: RMB3,573 million).

40. BOND PAYABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Corporate bonds (Note a)	32,631,221	36,429,599
Subordinated bonds (Note a)	9,603,883	20,601,787
Offshore bonds (Note a)	13,238,725	10,109,205
Income certificates (Note b)	805	368,626
	55,474,634	67,509,217

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

40. BOND PAYABLES (Continued)

Note a:

Name	Currency	Issue amount (in million)	Issue date	Maturity date	Coupon rate
17-3 Corporate Bond	RMB	4,000	03/08/2017	03/08/2027	4.98%
17 Offshore USD Bond	USD	500	30/11/2017	30/11/2022	3.625%
17 Offshore USD Bond	USD	250	22/03/2018	30/11/2022	3.625%
19 Corporate Bond	RMB	4,900	25/11/2019	25/11/2022	3.50%
19 Offshore USD Bond	USD	300	20/08/2019	20/08/2022	6 month-Libor +1.25%
19 Offshore EUR Bond	EUR	200	20/08/2019	20/08/2022	0.625%
19 Offshore SGD Bond	SGD	200	27/09/2019	27/09/2022	2.90%
20 Offshore USD Bond	USD	160	13/10/2020	13/10/2023	2.40%
20-2 Corporate Bond	RMB	4,000	18/06/2020	18/06/2023	3.45%
20-3 Corporate Bond	RMB	4,000	19/08/2020	19/08/2023	3.50%
20-4 Corporate Bond	RMB	3,500	28/09/2020	28/09/2023	3.75%
20-5 Corporate Bond	RMB	3,500	04/11/2020	04/11/2023	3.65%
21-1 Corporate Bond	RMB	4,000	27/01/2021	27/01/2024	3.60%
21-2 Corporate Bond	RMB	4,000	24/11/2021	24/11/2024	3.08%
21-1 Orient Subordinated Bond	RMB	2,500	08/03/2021	08/03/2024	3.95%
21-2 Orient Subordinated Bond	RMB	3,000	16/04/2021	16/04/2024	3.70%
21-3 Orient Subordinated Bond	RMB	1,500	16/04/2021	16/04/2026	4.20%
22-1 Orient Subordinated Bond	RMB	2,500	13/01/2022	13/01/2025	3.16%
22 Offshore USD Bond	USD	300	17/05/2022	17/05/2025	3.50%
22 Offshore EUR Bond	EUR	100	05/05/2022	05/05/2025	1.75%

* Libor represents London Inter-Bank Offered Rate

During the six months ended June 30, 2022, the Group newly issued bonds with an approximate amount of RMB5,214 million, and repaid matured bonds amounting to RMB17,000 million. The balance as at June 30, 2022 carried interest rates from 0.625% to 4.98% per annum, with original terms ranging from 3 to 10 years.

Note b: The amount represents income certificates issued by the Company with maturities of more than one year. As at June 30, 2022, the yield of the outstanding income certificates was 2.85% (December 31, 2021: 3.40%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

41. OTHER LIABILITIES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Other account payables		
– Payables for underwriting and products distribution fees	501,925	517,954
– Settlement payables	2,430,548	208,879
– Notes payable	645,900	525,986
Other payables and accruals		
– Value-added taxes and other taxes	295,053	148,926
– Payables for securities and futures investor protection fund	36,433	41,627
– Futures risk reserve	176,322	152,074
– Dividends payable	2,361,740	80
– Funds payable to securities issuers	336,718	–
– Derivatives deposit received from customers	4,565,002	2,555,792
– Other	612,885	615,631
	11,962,526	4,766,949

42. SHARE CAPITAL

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

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each			
Period ended June 30, 2022 (Unaudited)	6,993,656	1,502,989	8,496,645
Year ended December 31, 2021 (Audited)	6,993,656	–	6,993,656

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42. SHARE CAPITAL (Continued)

Pursuant to the CSRC's Approval in respect of the Rights Issue of 東方證券股份有限公司 (Zheng Jian Xu Ke [2022] No. 540) (《關於核准東方證券股份有限公司配股的批覆》(證監許可[2022] 540號)), new A rights shares were allotted to all A Share holders on the basis of two point eight A rights shares for every ten existing A Shares ("A Share Rights Issue"). On April 29, 2022, the Company completed the A Share Rights Issue, and 1,502,907,061 new A rights shares were issued at a price of RMB8.46 per share, raising approximately RMB12.715 billion in total. The new A Shares were listed on the Shanghai Stock Exchange on May 13, 2022.

Pursuant to the CSRC's Approval in respect of the Rights Issue of Overseas Listed Foreign Shares of 東方證券股份有限公司 (Zheng Jian Xu Ke [2022] No. 348) (《關於核准東方證券股份有限公司發行境外上市外資股的批覆》(證監許可[2022]348號)), new H rights shares were allotted to qualified H Share holders on the basis of two point eight H rights shares for every ten existing H Shares ("H Share Rights Issue"). As of May 20, 2022, 82,428 new H rights shares were issued at a price of HKD10.38 per share, raising approximately HKD856 thousand in total. The new H Shares were listed on the Hong Kong Stock Exchange on May 31, 2022.

43. DIVIDENDS

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Dividends recognised as distribution	2,124,160	1,748,414
Distribution to holders of other equity instrument	237,500	237,500
	2,361,660	1,985,914

During the current interim period, a final dividend of RMB2.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2021 (2021: RMB2.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2020) was declared and approved by Annual General Meeting of the Company held on June 30, 2022.

During the current interim period, no dividends were paid.

During the current interim period, dividend of the Group on perpetual subordinated bond amounted to RMB237,500 thousand (Period ended June 30, 2021: 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, 2022 and 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

44. OTHER EQUITY INSTRUMENT

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Perpetual subordinated bond	5,000,000	5,000,000
	5,000,000	5,000,000

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 reset every five years. The reset 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 reset 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, 2022

45. RESERVES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Capital reserve	39,515,040	28,353,325
Debt investment revaluation reserve	380,724	524,784
Equity investment revaluation reserve	969,453	206,334
Translation reserve	(70,454)	(142,313)
Surplus reserve	3,994,855	3,999,317
General reserve	10,146,516	10,028,633
Other investment revaluation reserve	33,203	33,203
	54,969,337	43,003,283

46. CAPITAL COMMITMENTS

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property and equipment: Contracted but not provided for	32,477	38,384

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationships of related party

The Company's 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, 2022 (Unaudited)	As at December 31, 2021 (Audited)
申能(集團)有限公司 Shenergy (Group) Company Limited	26.63	25.27

The Group and associates

The details of the associates of the Group are set out in Note 28.

Other related parties

Other related parties include: members of the Board of Directors, members of 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, 2022

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

(2) Related party transaction and balances

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material related party transactions and balances:

As at June 30, 2022 and December 31, 2021, the Group had the following material balances with the Company's major shareholder and entities under its control:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account payables to brokerage clients		
– Shenergy Group Finance Company Limited *	–	4,622
– Shanghai Dazhong Gas Co., Ltd. *	4	4
– Shanghai Jiu Lian Group Co., Ltd. *	6,665	491
– Shenergy (Group) Company Limited	4,800	10,282
– Shanghai Shenergy Property Management Co., Ltd. *	14	14
– Shanghai Gas (Group) Co., Ltd. *	2	1
– Shanghai Shibe Gas Co.,Ltd.	5	5
– Shanghai ICY Capital Management Ltd.	1	–
– Shanghai Shenergy Innovation & Development Co., Ltd. *	4,378	617

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

As at June 30, 2022 and December 31, 2021, the Group had the following material balances with its associates:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account payables to brokerage clients		
– China Universal	2,002	2,001
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	4	4
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	4,080	2,120
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	598	597
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	1,872	483
Other receivables		
– Shanghai Orient Securities Chunyi Investment Center LLP. *	9,849	9,849
– China Universal	7,124	3,342
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	5,920	5,920
Other account payables		
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	–	1,814
– Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. *	–	308

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

As at June 30, 2022 and December 31, 2021, the Group had the following material balances of products managed by its associates:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Financial assets at FVTPL		
– China Universal	831,368	642,138
– Shanghai Dongkai Capital Co., Ltd.*	127,243	151,716

As at June 30, 2022 and December 31, 2021, the Group had the following material balances of securities issued by its associates:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Financial assets at FVTPL		
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	61,285	88,817

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

For the six months ended June 30, 2022 and 2021, the Group had the following material transactions with its associates:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Commission and fee income		
– China Universal	81,359	150,285
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	–	131
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP. *	1,815	10,613
– Chengdu Jiaozi Oriental Investment Development Partnership LLP. *	17	4,245
– Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. *	5,849	4,094
– Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. *	308	277
Interest expenses		
– China Universal	4	4
– Haining Orient Securities Lanhai Merge Investment Partnership LLP. *	–	61
– Ningbo Meishan Bonded Port Area Orient Securities Xiade Investment Partnership LLP.*	6	2
– Chengtay Financial Leasing (Shanghai) Co., Ltd.	1	1
– Nantong Orient Securities Fuxiang Equity Investment Center LLP.*	2	–
Net investment gains	2,599	4,037

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

As at June 30, 2022 and December 31, 2021, the Group had the following material balances with other related parties**:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Account payables to brokerage clients		
– Shanghai Shangbao Asset Management Co., Ltd.	3	3

As at June 30, 2022 and December 31, 2021, the Group had the following material balances of securities issued by other related parties**:

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Financial assets at FVTPL		
– Great Wall Fund Management Co., Ltd.	208,588	230,498
– Haitong Securities Co., Ltd.	638	2,327
– China Pacific Insurance (Group) Co., Ltd.	–	1,641
– Shanghai Qizhong Garden Golf Club.	25,880	20,134
– Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	–	84
– China Zheshang Bank Co., Ltd.	–	256
– East Money Information Co., Ltd.	44,726	33,285
– Shanghai Sanyou Medical Co., Ltd.	48,900	59,999
Debt investments at FVTOCI		
– China Pacific Property Insurance Co., Ltd.	103,200	106,213
– Shanghai Shangbao Asset Management Co., Ltd.	–	40,445

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

For the six months ended June 30, 2022 and 2021, the Group had the following material transactions with other related parties**:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Commission and fee income		
– Great Wall Fund Management Co., Ltd.	3,176	1,194
– Shanghai Orient Xindeyizhang Public Welfare Foundation.*	–	15
– Shanghai Shangbao Asset Management Co., Ltd.	–	1
Interest expenses		
– Shanghai Shangbao Asset Management Co., Ltd.	–	1
– China Zheshang Bank Co., Ltd.	100	–
Interest income	2,373	4,182
Net investment gains	9,399	7,019

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

** The directors and supervisors of the Company have been appointed as directors or senior management of these related parties as at June 30, 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

47. 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,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term benefits:		
– Salaries, allowance and bonuses	9,284	24,069

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market 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.

Fair value of 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 in accordance with discounted cash flow method.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

The table below summarizes the carrying amounts and expected fair values 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, 2022		As at December 31, 2021	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Financial asset				
Debt instruments measured at amortised cost	3,414,605	3,451,422	3,594,039	3,624,187
Financial liability				
Bond payables				
– Corporate bonds	32,631,221	33,154,500	36,429,599	36,911,219
– Subordinated bonds	9,603,883	9,635,270	20,601,787	20,630,733
– Offshore bonds	13,238,725	13,102,015	10,109,205	10,551,219
– Income certificates	805	804	368,626	368,347
Total	55,474,634	55,892,589	67,509,217	68,461,518

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

As at June 30, 2022 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset				
Debt instruments measured at amortised cost	580,521	2,870,901	–	3,451,422
Financial liability				
Bond payables	42,789,770	13,102,819	–	55,892,589

As at December 31, 2021 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset				
Debt instruments measured at amortised cost	1,032,197	2,591,990	–	3,624,187
Financial liability				
Bond payables	57,541,952	10,919,566	–	68,461,518

The fair values of financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of respective group entities or counterparties.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

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 for Level 2 financial instruments 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 exchange rates.

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.

Financial instruments	Amount RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity securities	4,214,749 (asset)	Calculated based on pricing/yield such as price-to-earnings (P/E) ratio 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	1,234,127 (asset)	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.	Discount for lack of marketability	The higher the discount, the lower the fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

Financial instruments	Amount RMB'000	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity linked derivatives	307,430 (asset), 63,295 (liability)	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.	The volatility of the underlying equity instrument for option	The higher the volatility of the underlying equity instrument, the higher the fair value.
Other investments	1,879,736 (asset)	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	432,499 (liability)	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, 2022

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

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

As at June 30, 2022 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	36,652,166	33,026,659	–	69,678,825
Equity instruments at FVTOCI				
– Equity securities	4,170,407	10,581	360,954	4,541,942
– Perpetual instruments	315,044	62,712	–	377,756
Financial assets at FVTPL				
– Debt securities	13,598,861	23,929,497	–	37,528,358
– Equity securities	3,522,749	30,022	5,087,922	8,640,693
– Funds	1,602,871	9,772,540	–	11,375,411
– Other investments	4,959,304	21,978,645	1,879,736	28,817,685
Derivative financial assets	–	609,604	307,430	917,034
Total	64,821,402	89,420,260	7,636,042	161,877,704
Financial liabilities:				
Financial liabilities at FVTPL	4,218,610	12,191,287	432,499	16,842,396
Derivative financial liabilities	–	248,333	63,295	311,628
Total	4,218,610	12,439,620	495,794	17,154,024

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

As at December 31, 2021 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at FVTOCI				
– Debt securities	33,253,769	25,345,812	–	58,599,581
Equity instruments at FVTOCI				
– Equity securities	3,111,952	11,395	431,914	3,555,261
– Perpetual instruments	309,426	273,466	–	582,892
Financial assets at FVTPL				
– Debt securities	18,450,438	25,567,924	–	44,018,362
– Equity securities	5,084,853	111,758	5,508,041	10,704,652
– Funds	2,020,652	10,211,388	–	12,232,040
– Other investments	5,286,953	18,341,999	–	23,628,952
Derivative financial assets	–	274,622	5,280	279,902
Total	67,518,043	80,138,364	5,945,235	153,601,642
Financial liabilities:				
Financial liabilities at FVTPL				
Derivative financial liabilities	–	594,914	138,915	733,829
Total	9,103,247	7,666,873	552,065	17,322,185

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

Fair value of 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.

As at June 30, 2022 (unaudited)

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At the beginning of the period	431,914	5,508,041	(413,150)
Changes in fair value recognised in other comprehensive income	3,226	–	–
Changes in fair value recognised in profit or loss	–	290,618	(19,349)
Additions <i>(Note a)</i>	–	1,769,232	–
Transfer out of Level 3 <i>(Note b)</i>	–	(259,753)	–
Disposals	(74,186)	(340,480)	–
At the end of the period	360,954	6,967,658	(432,499)
Total gains/(losses) for assets/liabilities held at the end of the period			
– unrealised gains/(losses) recognised in profit or loss	–	198,571	(19,349)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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

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

As at June 30, 2021 (unaudited)

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000
At the beginning of the period	296,625	3,892,397	(442,836)
Changes in fair value recognised in other comprehensive income	65,290	–	–
Changes in fair value recognised in profit or loss	–	134,394	21,509
Additions <i>(Note a)</i>	20,565	782,666	–
Transfer out of Level 3 <i>(Note b)</i>	–	(478,153)	–
Disposals	(17,911)	(122,412)	–
At the end of the period	364,569	4,208,892	(421,327)
Total gains for assets/liabilities held at the end of the period			
– unrealised gains recognised in profit or loss	–	102,075	21,509

Note a: These mainly included the equity securities traded on the NEEQ with decreased turnover rates and other investments with significant unobservable inputs applied in valuing these investments. They were transferred from Level 2 to Level 3 in the fair value hierarchy.

Note b: These mainly included 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

49. SUBSEQUENT EVENT

On July 21, 2022, the Company issued a corporate bond amounting to RMB2 billion. The bond bears an interest rate of 2.79% with a maturity period of 3 years.

On July 21, 2022, the Company issued a corporate bond amounting to RMB1.5 billion. The bond bears an interest rate of 3.18% with a maturity period of 5 years.

On August 12, 2022, the Company issued a short-term financing bill amounting to RMB2.5 billion. The short-term financing bill bears an interest rate of 2.03% with a maturity period of 341 days.

On August 25, 2022, the Company issued a corporate bond amounting to RMB2 billion. The bond bears an interest rate of 3.00% with a maturity period of 5 years.

50. COMPARATIVE FIGURES

Certain comparative figures have been re-presented to conform to the presentation of current period.



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