
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in 東方證券股份有限公司, you should at once hand this circular together with the accompanying form of proxy and reply slip to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



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

(Stock Code: 03958)

(1) 2018 REPORT OF THE BOARD
(2) 2018 REPORT OF THE SUPERVISORY COMMITTEE
(3) 2018 FINAL ACCOUNTS REPORT
(4) 2018 PROFIT DISTRIBUTION PROPOSAL
(5) 2018 ANNUAL REPORT
(6) PROPRIETARY BUSINESS SCALE OF THE COMPANY IN 2019
(7) ENGAGEMENT OF AUDITING FIRMS FOR THE YEAR 2019
(8) PROJECTED ROUTINE RELATED PARTY
TRANSACTIONS OF THE COMPANY IN 2019
(9) EXPECTED PROVISION OF GUARANTEES BY THE COMPANY IN 2019
(10) GENERAL MANDATE TO ISSUE OFFSHORE DEBT
FINANCING INSTRUMENTS
(11) AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING

A notice convening the AGM of the Company to be held at Meeting Room, 4/F, Building 2, No. 318 South Zhongshau Road, Shanghai, the PRC on Tuesday, May 28, 2019 at 2:00 p.m. is set out on pages 13 to 16 of this circular.

The reply slip and the form of proxy for the AGM have been distributed on Friday, April 12, 2019 and have also been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn). If you are not able to attend the AGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the AGM (i.e. 2:00 p.m. on Monday, May 27, 2019), and deposit it together with the notarized power of attorney or other document of authorization with the H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM should you so desire.

Shareholders intending to attend the AGM in person or by their proxies should complete and return the reply slip for attending the AGM to the H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares) on or before Wednesday, May 8, 2019.

April 30, 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“A Share(s)”	the domestic share(s) of the Company with a nominal value of RMB1 each, which are listed for trading on the SSE
“AGM” or “Annual General Meeting”	the 2018 annual general meeting of the Company to be held at Meeting Room, 4/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC on Tuesday, May 28, 2019 at 2:00 p.m.
“Articles of Association”	the articles of association of 東方證券股份有限公司, as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“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
“Citi Orient”	Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a controlling subsidiary of the Company
“Company”	東方證券股份有限公司, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange under the stock code of 03958 and the A Shares of which are listed on the SSE under the stock code of 600958
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary share(s) of the Company with a nominal value of RMB1 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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
“Latest Practicable Date”	April 23, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Orient Finance Holdings”	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Orient Futures”	Orient Futures Co., Ltd (上海東證期貨有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Asset Management”	Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Capital Investment”	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Innovation Investment”	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rules of Procedure for Shareholders’ General Meetings”	the Rules of Procedure for Shareholders’ General Meetings of the Company, as amended from time to time
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares

DEFINITIONS

“Shenergy Group”	Shenergy (Group) Company Limited (申能(集團)有限公司)
“SSE”	Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

Unless otherwise indicated, all the financial data in this circular were presented in Renminbi.

LETTER FROM THE BOARD



(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)

Executive Directors:

Mr. PAN Xinjun (*Chairman*)
Mr. JIN Wenzhong (*President*)

Non-executive Directors:

Mr. LIU Wei
Mr. WU Junhao
Mr. CHEN Bin
Mr. LI Xiang
Ms. XIA Jinghan
Mr. XU Jianguo
Mr. DU Weihua

Registered office:

22/F, 23/F and 25-29/F
Building 2, No. 318 South Zhongshan Road
Shanghai
PRC

Principal place of business in Hong Kong:

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

Independent Non-executive Directors:

Mr. XU Guoxiang
Mr. TAO Xiuming
Mr. WEI Anning
Mr. XU Zhiming
Mr. JIN Qinglu

April 30, 2019

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

The purpose of this circular is to provide you, as holders of H Shares, with the notice of the AGM (set out on pages 13 to 16 of this circular) and information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions or abstain from voting at the AGM.

LETTER FROM THE BOARD

At the AGM, ordinary resolutions will be proposed to approve, among others, (i) the report of the Board of Directors of the Company for the year 2018 (the “**2018 Report of the Board**”); (ii) the report of the Supervisory Committee of the Company for the year 2018 (the “**2018 Report of the Supervisory Committee**”); (iii) the final accounts report of the Company for the year 2018 (the “**2018 Final Accounts Report**”); (iv) the profit distribution proposal of the Company for the year 2018 (the “**2018 Profit Distribution Proposal**”); (v) the annual report of the Company for the year 2018 (the “**2018 Annual Report**”); (vi) the proposal regarding the proprietary business scale of the Company in 2019; (vii) the proposal regarding the engagement of auditing firms for the year 2019; (viii) the proposal regarding the projected routine related party transactions of the Company in 2019; (ix) the proposal regarding the expected provision of guarantees by the Company in 2019. Special resolutions will be proposed to approve, among others, (x) the proposal regarding the general mandate to issue offshore debt financing instruments of the Company; and (xi) the proposal regarding the amendments to the Articles of Association.

ORDINARY RESOLUTIONS

1. 2018 Report of the Board

An ordinary resolution will be proposed at the AGM to approve the 2018 Report of the Board. Details of the aforesaid report of the Board are set out in Annex I of this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The 2018 Report of the Board was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

2. 2018 Report of the Supervisory Committee

An ordinary resolution will be proposed at the AGM to approve the 2018 Report of the Supervisory Committee. Details of the aforesaid report of the Supervisory Committee are set out in Annex II of this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The 2018 Report of the Supervisory Committee was considered and approved by the Supervisory Committee on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

3. 2018 Final Accounts Report

An ordinary resolution will be proposed at the AGM to approve the 2018 Final Accounts Report. Details of the aforesaid final accounts report are set out in Annex IV of this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The 2018 Final Accounts Report was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

LETTER FROM THE BOARD

4. 2018 Profit Distribution Proposal

An ordinary resolution will be proposed at the AGM to approve the 2018 Profit Distribution Proposal in accordance with the Articles of Association.

In accordance with the Company Law, the Securities Law, the Financial Rules for Financial Enterprises, the Listed Companies Regulatory Guidance No.3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by the CSRC, the Guidelines of Cash Dividends Distribution of SSE (《上海證券交易所上市公司現金分紅指引》) and the Articles of Association and other relevant rules, and based on the actual needs of business development of the Company, the proposed profit distribution plan for 2018 of the Company is as follows:

As at the beginning of 2018, the undistributed profit of the Company was RMB5,384,061,172.18. Together with the net profit of the Company realized in 2018 of RMB221,160,340.08 and deducting the cash dividends of 2017 distributed of RMB1,398,731,160.60 and the disposal of non-tradable equity instruments designated in 2018 to transfer undistributed profits of RMB61,387,230.89, the distributable profit of the Company in 2018 was amounted to RMB4,145,103,120.77.

In accordance with the relevant requirements of the aforesaid laws and regulations, the net profits of the Company for 2018 shall be distributed according to the following priority:

1. The Company appropriates RMB24,327,637.41 to the general risk reserve calculated on the basis of 11% of the net profit of the parent company realized in 2018;
2. The Company appropriates RMB22,116,034.01 to the statutory surplus reserve calculated on the basis of 10% of the net profit of the parent company realized in 2018;
3. The Company appropriates RMB33,174,051.01 to the transaction risk reserve calculated on the basis of 15% of the net profit of the parent company realized in 2018;
4. The Company appropriates RMB11,058,017.00 to the discretionary surplus reserve calculated on the basis of 5% of the net profit of the parent company realized in 2018;

The aggregate of the above amounted to RMB90,675,739.43.

Net of the above items, the Company's distributable profits attributable to the investors in 2018 was RMB4,054,427,381.34.

The Company has considered factors such as long-term development and the interest of investors comprehensively, and proposed the profit distribution scheme for 2018 as follows:

1. Ways of cash dividend distribution for 2018 profit of the Company: based on the total share capital of 6,993,655,803.00 Shares as at 31 December 2018, a cash dividend of RMB1.00 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders who are registered on the date of cash distribution in 2018, with a total cash dividend of RMB699,365,580.30, accounting for 56.81% of the net profit attributable to the owners of the parent company in 2018 consolidated statements.

LETTER FROM THE BOARD

2. Cash dividend will be denominated and distributed in RMB and paid in RMB to A Shareholders but paid in HK dollar to H Shareholders. The actual amount of distribution in HK dollar will be converted into HK dollar based on the average benchmark exchange rate published by the People's Bank of China five working days prior to the date of AGM.

The 2018 Profit Distribution Proposal was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval. The Company will conduct the cash dividend distribution within two months from the date of convening the AGM, subject to the approval of the aforesaid profit distribution proposal at the AGM. The Company will give further announcement regarding the record date and the book closure period for the dividend of H Shares.

5. 2018 Annual Report

An ordinary resolution will be proposed at the AGM to approve the 2018 Annual Report. The 2018 Annual Report of the Company has been despatched and also published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.dfzq.com.cn).

The 2018 Annual Report was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

6. The proposal regarding the proprietary business scale of the Company in 2019

An ordinary resolution will be proposed at the AGM to consider and approve the proposal regarding the proprietary business scale of the Company in 2019. Details are as follows:

The proprietary securities business is the principle business of the Company. In order to keep in line with regulatory requirements and further strengthen risk management, the proprietary business scale of the Company in 2019 is set out as follows in accordance with the Administrative Measures for Risk Control Indicators of Securities Companies and relevant laws and regulations and company rules:

In accordance with various regulatory requirements of the CSRC, the maximum amount of investment in proprietary equity securities and securities derivatives shall not exceed 80% of net capital of the Company, and the maximum amount of investment in proprietary non-equity securities and securities derivatives shall not exceed 400% of net capital of the Company. The Board will be authorized to determine the detailed investment scale within the aforesaid limit based on the market changes and business development and keep in line with various regulatory requirements in relation to proprietary management and risk monitoring.

The aforesaid resolution was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

LETTER FROM THE BOARD

7. The proposal regarding the engagement of auditing firms for the year 2019

An ordinary resolution will be proposed at the AGM to consider and approve the proposal regarding the engagement of accounting firms for the year 2019. Details are as follows:

According to the domestic and international supervisory regulations, the Company appointed accounting firms as the domestic and overseas auditors of the Company which were responsible for provision of relevant audit services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards. Pursuant to the resolution approved on the 2017 AGM of the Company, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic auditor in 2018 and Deloitte Touche Tohmatsu as the overseas auditor in 2018. During serving for the Company as auditors in 2018, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu followed auditing standards and other laws and regulations, adhered to professional ethics, showed strong professional competences and good abilities to perform their duties diligently, fulfilled effectively the responsibilities that the auditors should perform, and completed their audits independently, objectively and impartially.

1. The Board proposes that Deloitte Touche Tohmatsu Certified Public Accountants LLP be reappointed as the domestic auditor of the Company in 2019 and as the internal control auditor of the Company in 2019, and will be responsible for provision of relevant audit services in accordance with the PRC Accounting Standards for Business Enterprises for a period of one year. In 2019, the financial and special regulatory reporting auditing fees amounted to RMB1.19 million, and the internal control auditing fees were RMB420,000.
2. The Board proposes that Deloitte Touche Tohmatsu be reappointed as the overseas auditor of the Company in 2019, and will be responsible for provision of relevant audit and review services in accordance with the International Financial Reporting Standards for a period of one year. In 2019, the financial reporting auditing fees amounted to RMB1.19 million, and the semi-annual auditing fees were RMB500,000.
3. If there is any increase to the auditing fees due to the change in auditing content, the Board proposed that the general meeting of shareholders authorizes the Company's management to determine the auditing fees in accordance with market principles and sign relevant contracts.

The aforesaid resolution was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

LETTER FROM THE BOARD

8. The proposal regarding the projected routine related party transactions in 2019

An ordinary resolution will be proposed at the AGM to consider and approve the proposal regarding the projected routine related party transactions of the Company for the year 2019, details of which are set out in Annex V of this circular.

The aforesaid resolution was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

9. The proposal regarding the expected provision of guarantees by the Company in 2019

Reference is made to the announcement of the Company dated March 28, 2019 in relation to the projected intragroup guarantees for the year 2019. An ordinary resolution will be proposed at the AGM to consider and approve the guarantees provided by the Company for its subsidiaries or among its subsidiaries for the year 2019. Details are as follows:

In accordance with the operation plan of the Company and in order to minimize the financing costs, the Company and its subsidiaries propose to adopt various fundraising methods, including bond issuance and banking loans, which may involve guarantees provided by the Company for its subsidiaries or among its subsidiaries. To minimize the financing time cost and prepare internal approval in advance, the Company projects the guarantees during the period from the date of consideration and approval by the AGM to the date of the 2019 annual general meeting, and proposes to the AGM for consideration and approval in accordance with the relevant requirements of the laws and regulations, the Articles of Association, and the Administrative Measures for External Guarantees of the Company:

1. Limitation of the guarantees: the total amount of additional external guarantees provided by the Company and its subsidiaries within the validity period of authorization shall not exceed 20% of the latest audited net assets of the Company, and the amount of each separate guarantee shall not exceed 10% of the latest audited net assets of the Company.
2. Types of the guarantees: any one-time, multiple-time, or multiple-tranche onshore or offshore debt financing instrument(s) is/are issued through public or non-public issuances (including but not limited to ordinary bonds, subordinated bonds, ultra short-term financing bills, short-term financing bills, medium-term notes), or loans are granted from onshore or offshore financial institutions (including but not limited to bank credit, bank loans and syndicated loans).
3. Models of the guarantees: collateralization include guarantees, security, pledges, and other models as required under the provisions of the relevant laws and regulations.
4. Targets of the guarantees: guarantees will be provided by the Company for its directly and indirectly holding wholly-owned subsidiaries (including those with the gearing ratio over 70%), or provided among its wholly-owned subsidiaries (including those with the gearing ratio over 70%).
5. Validity period of authorization: the aforementioned guarantees shall be valid from the date of consideration and approval of the guarantees by the 2018 annual general meeting to the date of the 2019 annual general meeting.

LETTER FROM THE BOARD

6. Authorization: it is proposed to the AGM for the shareholders to authorize the Board and agree the Board in turn to further authorize the management to, at its/their sole discretion, execute all documents in connection with the aforementioned guarantees, obtain approvals from and handle filing formalities with the relevant regulatory authorities and all other relevant matters, and to fulfill the obligation of information disclosure in a timely manner in accordance with the relevant laws and regulations upon the provision of letters of guarantees or issuance of guarantee documents for the Company's wholly-owned subsidiaries.

The aforesaid resolution was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

SPECIAL RESOLUTIONS

10. The proposal regarding the general mandate to issue offshore debt financing instruments of the Company

Reference is made to the announcement of the Company dated March 28, 2019 in relation to the proposed general mandate to issue offshore debt financing instruments. A special resolution will be proposed at the AGM to consider and approve the proposal regarding the general mandate to issue offshore debt financing instruments of the Company, details of which are set out in Annex VI of this circular.

The aforesaid resolution was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

11. The proposal regarding the amendments to the Articles of Association

Reference is made to the announcement of the Company dated March 28, 2019 in relation to the proposed amendments to the Articles of Association. In order to further improve the corporate governance structure of the Company, according to the latest amendments to the Company Law, the "Code of Corporate Governance for Listed Companies" and the requirements of other laws, regulations and regulatory documents, the Company proposes to amend certain provisions in the Articles of Association. A special resolution will be proposed at the AGM to consider and approve the proposal regarding the amendments to the Articles of Association, details of which are set out in Annex VII of this circular. The Company has confirmed that the amendments to relevant articles regarding share repurchase and treasury shares will only apply to the repurchase of A Shares, not to H Shares. The Company undertakes to comply with all relevant laws and regulations (including the Hong Kong Listing Rules) in conducting repurchase of A Shares and/or H Shares in the future.

The above amendments are subject to approval of the Shareholders at the AGM and material articles therein will come into effect after being approved by the CSRC. The aforesaid resolution was considered and approved by the Board on March 28, 2019 and is hereby proposed at the AGM for consideration and approval.

LETTER FROM THE BOARD

READING MATERIALS – 2018 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS

Pursuant to the requirements of the Rules of General Meeting of Listed Companies (《上市公司股東大會規則》) issued by the CSRC, independent Directors shall present a duty performance report at the AGM. Such report will be presented at the AGM, but no Shareholder's resolution is required. The duty performance report of the independent Directors of the Company is made available to the Shareholders in Annex III of this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at Meeting Room, 4/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the PRC on Tuesday, May 28, 2019 at 2:00 p.m. The notice of the AGM is set out on pages 13 to 16 of this circular.

The register of members of H Shares of the Company will be closed from Sunday, April 28, 2019 to Tuesday, May 28, 2019 (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of H Shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as Shareholders on the register of members of H Shares of the Company before 4:30 p.m. on Friday, April 26, 2019 are entitled to attend and vote in respect of all resolutions to be proposed at the AGM. In order to attend the AGM, holders of H Shares should ensure that all transfer documents, accompanied by the relevant H Share certificates, are lodged with the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, April 26, 2019.

Reply slip and the form of proxy for the AGM have been distributed on Friday, April 12, 2019 and have also been published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn). Shareholders intending to attend the AGM in person or by their proxies should complete and return the reply slip for attending the AGM to the H Share Registrar (for holders of H Shares) on or before Wednesday, May 8, 2019.

To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to the H Share Registrar not less than 24 hours before the time appointed for the AGM (i.e. 2:00 p.m. on Monday, May 27, 2019). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM in person if you so wish.

In accordance with the provisions of the relevant PRC laws and regulations, in relation to resolution No. 8 at the AGM, the relevant related Shareholders shall abstain from voting on the related proposals, respectively.

LETTER FROM THE BOARD

HONG KONG LISTING RULES REQUIREMENT

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions at the AGM will be taken by way of a poll.

Save as mentioned above, to the best knowledge of the Directors, as at the Latest Practicable Date, no Shareholder has a material interest in any of the above resolutions and therefore no Shareholder is required to abstain from voting in respect of the above resolutions at the AGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Board believes that all the resolutions mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favor of the relevant resolutions to be proposed at the AGM as set out in the notice of the AGM set out in this circular.

Yours faithfully,
By order of the Board
PAN Xinjun
Chairman

NOTICE OF ANNUAL GENERAL MEETING



*(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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “**Annual General Meeting**”) of 東方證券股份有限公司 (the “**Company**”) will be held at Meeting Room, 4/F, Building 2, No. 318 South Zhongshan Road, Shanghai, the People's Republic of China (the “**PRC**”) on Tuesday, May 28, 2019 at 2:00 p.m., for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the Board of Directors of the Company for the year 2018.
2. To consider and approve the report of the Supervisory Committee of the Company for the year 2018.
3. To consider and approve the final accounts report of the Company for the year 2018.
4. To consider and approve the profit distribution proposal of the Company for the year 2018.
5. To consider and approve the annual report of the Company for the year 2018.
6. To consider and approve the proposal regarding the proprietary business scale of the Company in 2019.
7. To consider and approve the proposal regarding the engagement of auditing firms for the year 2019.
8. To consider and approve the proposal regarding the projected routine related party transactions of the Company in 2019, including:
 - 8.01 Routine related party transactions with Shenergy (Group) Company Limited and its related companies;
 - 8.02 Routine related party transactions with other related parties.
9. To consider and approve the proposal regarding the expected provision of guarantees by the Company in 2019.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

10. To consider and approve the proposal regarding the general mandate to issue offshore debt financing instruments of the Company, including:
 - 10.01 Issue methods;
 - 10.02 Issue type;
 - 10.03 Issue size;
 - 10.04 Issuer;
 - 10.05 Issue term;
 - 10.06 Issue interest rate, way of payment and issue price;
 - 10.07 Security and other arrangements;
 - 10.08 Use of proceeds;
 - 10.09 Issue target;
 - 10.10 Listing of debt financing instruments;
 - 10.11 Authorisation matters of issuance of offshore debt financing instruments;
 - 10.12 Validity period of resolution.
11. To consider and approve the proposal regarding the amendments to the articles of association of the Company.

By order of the Board of Directors

PAN Xinjun

Chairman

Shanghai, the PRC

April 12, 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Eligibility for attending the Annual General Meeting and date of registration of holders for H Shares

The register of members of H Shares of the Company will be closed from Sunday, April 28, 2019 to Tuesday, May 28, 2019 (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as shareholders on the register of members of H Shares of the Company before 4:30 p.m. on Friday, April 26, 2019 are entitled to attend and vote in respect of all resolutions to be proposed at this Annual General Meeting.

In order to attend this Annual General Meeting, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, April 26, 2019.

2. Proxy

- (1) Each shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized.

To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the Annual General Meeting (i.e. before 2:00 p.m. on Monday, May 27, 2019).

3. Registration procedures for attending the Annual General Meeting

- (1) A shareholder or his proxy should present proof of identity when attending the Annual General Meeting. If a shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the Annual General Meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the Annual General Meeting in person or by their proxies should complete and return the reply slip for attending the Annual General Meeting to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Wednesday, May 8, 2019.

4. Voting by poll

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a shareholders' general meeting must be taken by poll.

NOTICE OF ANNUAL GENERAL MEETING

5. Miscellaneous

- (1) The Annual General Meeting is expected to be held for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is:

17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The registered office of the Company:

22/F, 23/F and 25-29/F
Building 2, No. 318 South Zhongshan Road
Shanghai
The People's Republic of China

Contact office: Office of the Board
Telephone No.: 86 (21) 63325888
Facsimile No.: 86 (21) 63326010
Contact Person: Mr. DENG Haipeng

As at the date of this notice, the Board of Directors comprises Mr. PAN Xinjun and Mr. JIN Wenzhong as executive Directors; Mr. LIU Wei, Mr. WU Junhao, Mr. CHEN Bin, Mr. LI Xiang, Ms. XIA Jinghan, Mr. XU Jianguo and Mr. DU Weihua as non-executive Directors; and Mr. XU Guoxiang, Mr. TAO Xiuming, Mr. WEI Anning, Mr. XU Zhiming and Mr. JIN Qinglu as independent non-executive Directors.

Dear Shareholders,

The 2018 annual work report and 2019 annual work plan of the Board is set out below according to relevant requirements of laws and regulations and the Articles of Association:

In 2018, China's economy advanced with changes amid stability, as evidenced by the mounting downward economic pressure and significant drop in the capital market under the mixed influence of various macro unfavorable factors, such as de-capacity, de-leverage measures, strict supervision, and the Sino-US trade war. Throughout the year, the SSE Composite Index, the Shenzhen Composite Index and the GEM Index dipped by 24.6%, 33.3% and 28.7%, respectively, and the ChinaBond Total Net Price (Total Value) Index rose by 5.7%; the daily average trading volume of stocks transactions in SSE and Shenzhen Stock Exchange amounted to RMB368.87 billion, representing a year-on-year decrease of 19.5%; and the balances of margin financing and securities lending business as of the end of 2018 was RMB755.7 billion, representing a drop of 26.4% as compared to the end of the previous year. In 2018, the securities industry recorded a decline in performance with operating revenue and net profit falling by 14.47% and 41.04% year-on-year, respectively.

In face of the severe market condition, the Board of the Company formulated scientific decisions based on well-grounded judgments of the situation. In strict accordance with the requirements of the new three-year strategic planning, it adhered to the overall keynote of progressing amid stability and quality and efficiency improvement, with a view to promoting the Company's innovation and development; consolidating its advantageous business; enhancing and upgrading the basic business; strengthening the application of financial technology; deepening integration of industry and finance; boosting the synergic effects within the Group and strictly containing various risks. Thus, the Company maintained a relatively stable position against headwinds in the market.

I. PRINCIPAL OPERATION OF THE COMPANY IN 2018**(i) Key Financial Indicators**

In 2018, the Company realized consolidated operating income of RMB10.303 billion, representing a year-on-year decrease of 2.2%, and a net profit attributable to the parent company of RMB1.231 billion, representing a year-on-year decrease of 65.4%. As of the end of the year, the total assets of the Company amounted to RMB226.87 billion, representing a decrease of 2.2% over the end of the previous year, and the net assets attributable to the parent company amounted to RMB51.739 billion, representing a decrease of 2.4% over the end of the previous year.

(ii) Principal Operation

In 2018, the Company continued to secure certain highlights during its business development. Firstly, it achieved stable overall strength and industry position with sound financial condition. Secondly, subsidiaries such as Orient Securities Capital Investment recorded another significant upside in results while basic businesses such as fixed income, investment banking, China Universal and wealth management progressed with stability. Thirdly, the Company strictly adhered to the bottom line of risk control to regain the AA Grade of Class A rating among securities companies, being one of the 12 brokers to garner such rating during the year.

1. Earnestly pressing ahead with transformation of wealth management

Great efforts have been taken to explore and promote transaction business, seed funds incubation, main brokerage business, allocation of major classes of assets and other new businesses that aligned with our transformation. Revenue from agency business leaped to the 11th among peers for the first time.

In view of the stricter and tightening regulatory policies, scale of the securities financing business has been effectively reduced with the margin financing and securities lending shrinking by 23.0% from the beginning of the year. Meanwhile, the Company proactively addressed risks arising from equity pledge projects, thereby reducing the equity pledge scale by 23.3% from the beginning of the year with revenue of RMB2 billion realized throughout the year.

2. Differentiated performance in investment business segment

Fixed income business achieved substantial revenue increase and bond underwriting amount delivered satisfactory results. In 2018, underwriting amount of bonds issued by China Development Bank, Agricultural Development Bank as well as Book-entry T-bonds and municipal bonds on the stock exchange remained at top three and inter-bank market making also ranked among the top three; trading volume in the “Bond Connect” ranked second among peers; interest rate swaps volume recorded a six-fold increase year-on-year to leapfrog to the 4th among brokers; and capital intermediary business, gold and bulk commodities as well as debt financing business also witnessed a continuous rise in performance.

On the other hand, securities investment, equity investment and transaction business underperformed in the continuous market dip to suffer great losses. After surviving the severe test of the market, we actively adjusted the strategies in respect of the financial derivatives business, so as to mitigate its impact on the results.

3. Continued performance growth in subsidiaries led to further market dominance

- Orient Securities Asset Management ranked 1st among peers in terms of income from custodian asset management business. Publicly offered funds under management increased by 14% year-on-year and its active management capability and brand recognition captured dominance in the industry.
- Orient Futures saw a year-on-year increase of 40% in its size of client equity at year end, winning further recognition from clients in the field of information technology and its futures research.
- Orient Securities Capital Investment achieved total management scale of RMB27.77 billion, up by 35% year-on-year, and garnered the title of 2nd “Golden Bull Brokers Equity Investment Institutions (金牛券商股權投資機構)”.
- Orient Securities Innovation Investment steadily expanded its special assets disposal business to add 19 new projects, 7 new partners and successfully withdraw from 3 projects.

- Orient Finance Holdings promoted structural adjustment in an orderly manner and launched Dongfang Yiying App (東方易贏APP), through which a total of 58 bond underwriting projects were completed, ranking fourth among Chinese brokers in terms of underwriting amount.
- Approval ratio of IPO and M&A projects of Citi Orient achieved 100%, rising to the top 10 in the industry. In 2018, 9 equity financing projects, 59 bond financing projects (including 19 asset securitization projects), 5 M&A and asset restructuring projects and 7 NEEQ projects were completed.
- China Universal witnessed a significant increase in its fund management scale. As of the end of 2018, publicly offered funds amounted to RMB462.87 billion, representing an increase of 43.2% from the beginning of the year and jumping to the 8th place from 11th in the previous year among peers.

II. MAJOR WORK OF THE BOARD IN 2018

(i) Due diligence, scientific decision-making

In 2018, the Board focused on the consideration and decision on the Company's major issues. Throughout the year, the Company held a total of 9 Board meetings, in which, 2 meetings were held on site and 7 meetings were via teleconference. Firstly, the Company's 2018-2020 three-year strategic planning and other material strategic matters were considered and approved; secondly, matters relating to daily operation including the Company's annual business plan, allocation of assets and liabilities and related transactions were determined and tracked; thirdly, major decisions on personnel, organization and systems were considered and approved. The Board considered and passed the appointment of two senior management members according to its actual needs.

In strict compliance with relevant requirements of laws and regulations and the Articles of Association, the Board of the Company performed its duty as a convener of the Shareholders' general meeting diligently. In 2018, a total of one annual general meeting and one extraordinary general meeting were convened, at which the Board considered or listened to a total of 15 proposals or reports, which practically protected the rights of Shareholders.

(ii) Successfully completing the change of term of the Board

In 2018, upon expiration of the term of the third session of the Board, the Company launched the change of term of office in accordance with the Articles of Association in due course. Based on sound communication with Shenergy Group and other entities, the Company formulated the plan on change of office for the Board, the Supervisory Committee and the new session of the management team. In order to optimize the structure of the Board of the Company and improve the efficiency of decision-making, the size of the new session of the Board has been appropriately adjusted to add one employee representative Director. As of the end of March 2018, the aforesaid change of office has been completed smoothly and corporate governance remained standardized.

(iii) Continuously improving corporate governance

In order to continuously meet the requirements of a listed company of both A Shares and H Shares, the Board actively improved the corporate governance. The first was to strengthen the establishment of relevant systems. It made amendment and improvement to its Articles of Association and other systems according to the requirements of domestic and foreign laws and regulations and the actual situation of the Company's operation and management. The second was to effectively enhance management over related-party/connected transactions. The Board conducted a thorough self-check and combing on the management system, decision-making procedure and audit mechanism of the Company in accordance with the latest regulatory requirements and successfully entered into the first three-year Connected Transaction Framework Agreement with Shenergy Group. The third was to attach great importance to self-building including trainings for Directors and the Board, to promote the paperless reform of Board meeting and actively participate in regular trainings organized by regulatory authorities and special trainings on governance and information disclosure for listed companies to Directors according to the needs of work and to improve their ability to perform their duties. The fourth was to establish good relations with stakeholders, to maintain the interests of both Shareholders and creditors; to maintain the interests of customers through efficient and professional services; to build the "people-oriented home culture"; to continuously carry out various types of public welfare and poverty alleviation undertakings to proactively perform the corporate social responsibility.

(iv) Strengthening strategic management and Group management

Upon successful completion of the Company's strategic planning for 2015-2017, in order to seize the opportunity, embrace a new starting point and march towards a new journey, under the guidance of the Board, the Company, based on thorough research and repeated demonstration of the internal and external changes, has timely promoted the preparation and improvement, review and analysis, and implementation of the strategic planning for 2018-2020, thus laying out a scientific action plan for the Company's next leap-forward development.

The Board valued the effective linkage between the implementation of strategies and the management of the Group. In order to further enhance the level of synergy between the Company and the Group, strengthen the standardized management of subsidiaries, protect the rights and interests of Shareholders and improve the investment efficiency, the overall advantages and synergy between the Company and the Group have been further enhanced. In 2018, the contribution of subsidiaries to the Group's revenue and profits has been further increased.

(v) Strictly performing information disclosure responsibility

As a listed company of both A Shares and H Shares, the requirements for the authenticity, accuracy, completeness, timeliness and fairness of information disclosure have been further enhanced, so the Company has shouldered more responsibilities. The compliance and effectiveness of information disclosure will have an important impact on the Company's sustainable development. In strict accordance with the requirements of the listing rules of shares on the SSE and the HKEx, the Board continuously updated and improved the effectively functioning information disclosure operating system, and strictly regulated review processes and procedures to ensure that the Company performed its information disclosure obligations more accurately, completely and efficiently. In 2018, the Company prepared and disclosed in aggregate 4 regular reports, issued 77 temporary announcements, 12 monthly financial data briefings and 6 insider information announcements. The effectiveness of information disclosure of the Company has continued to be recognized by regulatory authorities, where the appraisal rating for the information disclosure of the Company for three consecutive years by SSE was A (excellent).

(vi) Carrying out sound management on investor relations

The Board of the Company attached great importance to management on investor relations. Standardized and professional management on investor relations is not only a listed company's obligation, but also an effective means to build a brand image and reflect corporate values. Under the guidance of the Board, the Company has continuously enriched investor relations management channels and strengthened communication with investors through a special investor hotline, SSE E-Interaction (上證E互動), performance roadshows and other forms. In 2018, the Company received seven on-site researches and investigations from institutions and analysts, attended 25 investor activities including exchange sessions with the Association for Public Companies or securities firms, arranged one on-site performance press conferences, one online performance call briefing, two overseas roadshows, answered the investor hotline and addressed questions from investors, patiently answered 63 questions from various investors through "SSE E-Information" platform, and received over 500 investors.

In 2018, the Company was recognized as the "Most Respected Listed Company by Investors in 2017" by the China Association of Listed Companies; and the Company's shares were admitted into the sample shares of SSE Corporate Governance Index and SSE 180 Corporate Governance Index, further enhancing the Company's market popularity and influence.

(vii) Improving comprehensive risk management and compliance management

In 2018, the Board of the Company continued to comply with the regulatory requirements, stick to the compliance bottom line, strengthen the concept of compliance by all staff and risk management and improve the multi-level endogenous comprehensive risk management system of the Group, so as to enhance the automation, specialization and refinement level of compliance and risk management. During the year, the Board formulated the Administrative Measures for the Effectiveness Evaluation of Compliance Management based on the actual situation of the Company and the previous practice on implementing the effectiveness evaluation of compliance management. It also focused on strengthening the overall risk and compliance management construction of subsidiaries, and further enhanced the professionalism and effectiveness of the Group's compliance and risk control, thereby fully adapting to the new requirements of the A share and H share listing, business innovation and collectivization development.

We take this opportunity to express our heartfelt gratitude to the Shareholders, Directors, Supervisors and customers of the Company for their great support for the development of the Company. In the future development of the Company, given the gap between the development of the Company and the leading brokers, we need to further improve the Company's management capability, continue to enhance innovation and transformation, and effectively strengthen the Company's core competitiveness.

III. SPECIFIC EXPLANATION ON DUTY PERFORMANCE, APPRAISAL AND REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT IN 2018**(i) Duty performance, appraisal and remuneration of Directors**

In 2018, all Directors of the Company lawfully, honestly and diligently fulfilled their statutory duties in compliance with relevant requirements of laws and regulations, the Listing Rules and the Articles of Association. The Directors actively attended the meetings of special committees and the Board meetings, carefully considered various issues, made recommendations and suggestions and provided professional expertise on important aspects including improvement on corporate governance, formulation of strategic planning and major decision-making, expansion on investment and financing channels, and implementation of new requirements for compliance and risk management, which ensured scientific and standardized decision-making of the Board, pointed out an exact direction and laid a solid foundation for seizing the opportunity of in-depth reform of industry, innovation and development in a timely and effectively manner to achieve a leaping development.

The Board of the Company held in aggregate 9 meetings during the year. Each Director has attended in the meetings in person or by entrusting other Directors, with particulars of attendance of meetings as follows:

Directors	Required attendance during the reporting period (times)	Attendance in person (times)	Attendance by proxy (times)	Absence (times)	Voting result
Pan Xinjun	9	9	0	0	Voting in favour of all proposals submitted for voting
Jin Wenzhong	9	9	0	0	Voting in favour of all proposals submitted for voting
Liu Wei*	6	6	0	0	Voting in favour of all proposals submitted for voting
Wu Junhao	9	9	0	0	Voting in favour of all proposals submitted for voting
Chen Bin	9	9	0	0	Voting in favour of all proposals submitted for voting
Li Xiang	9	8	1	0	Voting in favour of all proposals submitted for voting
			(Entrusted Pan Xinjun, the chairman, to vote on his behalf at the fifth meeting of the fourth session of the Board)		
Xia Jinghan*	6	6	0	0	Voting in favour of all proposals submitted for voting
Xu Jianguo	9	9	0	0	Voting in favour of all proposals submitted for voting
Xu Guoxiang	9	9	0	0	Voting in favour of all proposals submitted for voting
Tao Xiuming	9	9	0	0	Voting in favour of all proposals submitted for voting
Wei Anning	9	9	0	0	Voting in favour of all proposals submitted for voting
Xu Zhiming	9	9	0	0	Voting in favour of all proposals submitted for voting
Jin Qinglu	9	9	0	0	Voting in favour of all proposals submitted for voting
Du Weihua*	7	7	0	0	Voting in favour of all proposals submitted for voting
Wu Jianxiong*	2	2	0	0	Voting in favour of all proposals submitted for voting
Zhang Qian*	2	2	0	0	Voting in favour of all proposals submitted for voting
Huang Laifang*	2	2	0	0	Voting in favour of all proposals submitted for voting

*Notes: 1. On March 6, 2018, the non-employee representative Directors of the fourth session of the Board of the Company were elected at the 2018 first extraordinary general meeting, of whom Mr. Liu Wei, Ms. Xia Jinghan and Mr. Du Weihua were newly added Directors of the current session of the Board while Mr. Wu Jianxiong, Mr. Zhang Qian and Ms. Huang Laifang ceased to be the Directors of the Company upon expiration of the previous session of the Board. Mr. Du Weihua was an employee representative Director, who joined the Board via democratic election at the Company's employee congress held on December 11, 2017 and officially took office on March 6, 2018. Ms. Xia Jinghan officially took up her duties on March 12, 2018 after receiving the Reply on Approval of Xia Jinghan 's Qualification as a Director of a Security Company (Hu Zheng Jian Xu Ke [2018] No. 25) from the Shanghai Bureau of the CSRC. Mr. Liu Wei officially took up his duties on March 14, 2018 after receiving the Reply on Approval of Liu Wei 's Qualification as a Director of a Security Company (Hu Zheng Jian Xu Ke [2018] No. 27) from the Shanghai Bureau of the CSRC.

In 2018, the Strategic Development Committee of the Board held one meeting, the Compliance and Risk Management Committee held two meetings, the Remuneration and Nomination Committee held three meetings and the Audit Committee held seven meetings. Each special committee, with well-defined terms of reference, conducted prior consideration on the proposals respectively, put forward professional review opinions as reference for consideration of proposals to the Board, which provided strong support to improve the scientific and forward-looking decision-making of the Board. Independent Directors were capable of diligently performing their duties, expressing their independent opinions and recommendations on the proposals, which practically maintained the interests of Shareholders, especially minority Shareholders, and promoted the standardized operation of the Company.

In 2018, except that the independent Directors received the allowance for independent Directors in accordance with the resolution of the Shareholders' general meeting each year, and the chairman and president received the remuneration which was included into the personnel appraisal in accordance with the relevant provisions, the remaining Directors did not receive any remuneration from the Company.

(ii) Duty performance, appraisal and remuneration of senior management

In 2018, all senior management of the Company lawfully, honestly, diligently and effectively fulfilled their duties of operation and management in compliance with relevant requirements of laws and regulations, relevant systems of the Company including the Articles of Association and resolutions of the Board and president's office meeting. Under the guidance and support of the Board, the asset management and fixed income businesses of the Company achieved desirable growth momentum, the collectivization development secured sound results and significant progress was made in innovation-driven transformation, which ensured that the Company maintained its leading position in compliance and risk control across the industry. As a result, the Company regained the AA Grade of A Class rating, which laid a solid foundation for the strategic planning in next three years and new round of leapfrog development of the Company.

According to requirements of relevant systems of the Company, the remuneration and nomination committee of the Board are responsible for annual performance evaluation of operational management team after the end of each year.

In 2018, the legal representative (chairman), president, vice president and other management members of the Company received basic salary, performance related bonus and term incentive according to requirements of relevant systems, where the basic salary was determined according to remuneration coefficient, while performance related bonus was determined according to annual assessment results and annual assessment coefficient. For term incentive, it subject to the cap of 40% of total remuneration during the tenure and was determined according to the assessment for the terms. The salary and performance related bonus management of other senior management personnel shall be implemented according to the relevant regulations of the Company.

For the remuneration of senior management of the Company, please refer to “Remunerations of Directors, Supervisors and Senior Management” in 2018 annual report of the Company.

IV WORK PLAN FOR THE BOARD IN 2019

Year 2019 marks the 70th anniversary since the foundation of the New China and also a crucial point both for building a well-off society in an all-round way and for the implementation of the Company’s new three-year strategic planning. It is pointed out in the Central Economic Work Conference that, the capital market plays a leading role in the financial operation. Therefore, it is necessary to create a standardized, transparent, open, dynamic and resilient capital market through reform, improve the quality of listed companies, optimize the trading system, guide the inflow of more medium and long-term funds, and push for the establishment of a scientific innovation board in SSE and the pilot registration system as soon as possible. These measures will have an important and far-reaching impact on the development of capital markets. The development of the securities industry is also featured with important trends such as industry centralization, internationalization, financial technology and investor institutionalization.

As an important intermediary institution in the capital market, the Company will continue to fulfill its duty of serving the development of the real economy and the management of social wealth around the strategic goal of “building up a modern investment bank which has the domestic first-class core competitiveness and provides comprehensive financial services for clients”. In 2019, the Company will firmly grasp the overall keynote of seeking progress while maintaining stability and maintain strategic concentration, so as to strive to improve the Company’s operating performance, and return investors with good performance through addressing weaknesses, strengthening the foundation, consolidating advantages, improving management, and continuously boosting compliance and risk management.

The Board of the Company will give a full play to its leading and decision-making role, diligently perform their duties, collectively make progress, oversee the overall situation, promote innovation, strictly control the risk and lead the development. Specifically speaking, the Board will focus on the following work:

(i) Further improving corporate governance and effectively performing the responsibility of information disclosure

Since the listing of A Shares and H Shares, the Company has established and continuously adapted to the regulatory requirements of the A Shares and H Shares on the standardized operation of listed companies and the construction of information disclosure system. In 2019, the Board of the Company will further improve the corporate governance system and raise the level of corporate governance in accordance with the regulatory requirements of the A Shares and H Shares. The Company shall strictly fulfil the information disclosure obligations, ensure the authenticity, accuracy, completeness, timeliness and fairness of information disclosure, and further improve the effectiveness of domestic and foreign information disclosure, strengthen the management of investor relations, further establish and maintain a smooth channel for communication between domestic and foreign investors, and establish a good market image of the Company.

(ii) Strengthening the execution of strategies

The new three-year strategic planning of the Company for the years 2018-2020 requires that we shall adhere to the main theme of making progress while maintaining stability, stick to the customer-oriented approach, enhance cooperation with the Group, promote digital transformation and improve the level of comprehensive financial services. Business development shall progress steadily, with enhanced quality and efficiency achieved in operation and management. Party building shall consolidate strength and compliance and risk control shall ensure our sustainable development. The Board will continue to closely focus on the new three-year strategic planning through seizing opportunities, embracing challenges and promoting implementation, to continue to give play to the leading and guiding role of the strategic planning, especially to strengthen the implementation of the six strategic tasks, consolidate advantageous businesses and address weak businesses. We will further promote the management of subsidiaries, and facilitate Group coordination and resource integration. Meanwhile, according to the needs of the Company's development, we will research and organize the capital operation related to the Company's development in a timely manner.

(iii) Deepening the innovation, transformation and development of the Company

The Board of the Company will create favorable conditions for the management to achieve the full-year operation target and continue to promote the innovation, transformation and development of the Company. Firstly, it will strengthen the management of the Company's asset and liability allocation and steadily push forward the adjustment of the Company's income structure and the optimization of its profit model. Secondly, it will take full advantage of the development opportunities of new businesses such as the launch of scientific innovation board and financial derivatives to build a new business system. Thirdly, it will deepen cooperation in production and finance with Shenergy Group and other large enterprise to serve the development of the real economy.

(iv) Adhering to the bottom line of compliance and strengthening the overall risk management

In 2019, the industry regulation continues to stress that the risk prevention shall be placed in a more prominent position, and the bottom line of non-occurring of major systemic risk shall be firmly held; the strict overall supervision shall be further deepened to maintain the capital market order. The Board will continuously urge the Company to carry out strict compliance and the risk control management to ensure non-occurring of risk of material violations of regulations. The first is to strictly implement various regulatory requirements to ensure that every business of the Company is in line with regulatory indicators, and further enhance the quality and efficiency of work. The second is to further rationalize and improve the compliance management system of the Group to achieve full coverage of compliance management, and focus on key fields. The third is to further rationalize and improve the comprehensive risk management system of the Group, strengthen the control on various risks including market risk, credit risk, liquidity risk and employees' occupational ethics, and vigorously promote the construction of risk management information system. The fourth is to adhere to carry out risk-oriented audit, and strictly control the quality of audit.

(v) Strengthening the construction of talent team and promoting the reform of system and mechanism

The enhancement of comprehensive capabilities of the Company requires support and safeguard of cadre team and professional talents. In 2019, the Board will follow the new three-year strategic planning of the Company, guide the Company in construction of talent echelon and training of key talents, and take the training of talents as a key task. The Company shall strengthen the introduction and training of talents, promote the professionalization, younger generation and internationalization of cadre team, and further improve the incentive and restraint mechanisms to fully mobilize and stimulate the vitality and enthusiasm of the talent team.

(vi) Improving self-construction and the Directors' capability to perform duties

With increasingly stricter regulatory requirements imposed by both the PRC and Hong Kong following the listing of A Shares and H Shares, the Company shall bring the functions of the special committees of the Board and the independent Directors into full play and improve self-construction to ensure that major decisions will be made scientifically and in compliance with laws and regulations. The Company shall also arrange for the Directors to participate in regular and occasional trainings held by relevant regulatory authorities or stock exchanges with specific purposes, assisting the Directors to keep abreast of the latest policies and regulations of both the PRC and Hong Kong and be familiar with the requirements of standardized operation and information disclosure by listed securities companies, hence further improve their capability to perform duties.

In the face of new opportunities and challenges, in 2019, remaining true to its original aspiration and with the strong support of all parties concerned, the Board will continue to unite all cadres and employees of the Company and closely focus on the strategic goal of building a first-class modern investment bank, so as to seek progress in stability, perform its duties diligently, stick to the bottom line of compliance and risk management, strengthen internal capabilities, make up the weaknesses, enhance its core competitiveness and push the development of the Company to a new level!

The above proposal is hereby put forth to Shareholders for consideration.

Dear Shareholders,

The Report of the Supervisory Committee of the Company for the Year 2018 is submitted to the shareholders' general meeting for consideration as follows.

I. REVIEW OF THE WORK IN 2018

In 2018, in compliance with the Company Law, the Securities Law and relevant national laws and regulations, the Supervisory Committee, under the whole year's guiding ideology of **“promoting supervision to keep pace with the times, effectively integrating supervision resources, strengthening the Company's risk control defense line, and promoting the steady development of the Company”**, standardized the supervision process based on the Company's transformation and development, integrated internal and external supervision forces, and promoted the improvement of the Company's compliance and risk management system, to contributed to the Company's sustained and steady development.

(i) Consolidating the basic work and continuously standardizing the operation of the Supervisory Committee

1. *Completing the re-election of the Supervisory Committee in accordance with the law*

According to the requirements of corporate governance, the 15th and 1st meeting to the third and fourth sessions of the Supervisory Committee and the 2018 first extraordinary general meeting were held to successfully complete the re-election of the Supervisory Committee of the Company and the qualification declaration and information disclosure in accordance with the law. The new Supervisory Committee consists of nine Supervisors, who have profound theoretical foundation and rich practical experience in financial management, risk management, corporate governance and other professional fields, laying a solid foundation for the establishment of an efficient and standardized governance structure for public companies.

2. *Convening meetings of the Supervisory Committee and attending the general meetings of the Company in accordance with relevant laws*

In 2018, the Supervisory Committee held six meetings in total, at which the proposals such as the regular reports of the Company were duly discussed and considered. In addition, the Supervisors of the Company attended two general meetings in total, at which the chairman of the Supervisory Committee reported to Shareholders the work and plans of the Supervisory Committee, thus fulfilled the duties as Supervisors in accordance with relevant laws.

3. *Continuing with the assessment on performance of duties by Directors, Supervisors and senior management*

The Supervisory Committee continued to conduct the assessment on performance of duties in 2018 in accordance with the “Rules of the Supervisory Committee of the Company on Assessment of the Performance of Duties by Directors, Supervisors and Senior Management (《公司監事會對董事、監事、高管人員履職評價辦法》)”. With regard to the performance of duties by Directors, Supervisors and Senior Management in 2017, the Supervisory Committee prepared the respective reports on performance of duties by Directors, Supervisors and Senior Management, which were considered and approved at the second meeting of the fourth session of the Supervisory Committee. In 2018, the Supervisory Committee members attended a total of two on-site meetings of the Board and a total of seven on-site meetings of the special committees of the Board. Supervisors attending the meetings performed due supervision over the decision-making procedures and performance of duties by Directors at the meetings in accordance with relevant laws through studying the proposals to be put forth to relevant meetings in advance and recording the attendance and opinions of Directors and the voting at the meetings. In addition, the Supervisory Committee members opined at the meetings of the Board, which effectively strengthened the exchange and communication with Shareholders, Directors and managers of the Company.

4. *Making targeted supervision proposals to key departments*

In accordance with the requirements made at the second meeting of the fourth session of the Supervisory Committee on finance, compliance and risk management, the Supervisory Committee gave “Supervision Proposals” in written (《監督建議書》) to the Finance Planning Management Department, the Treasury Management Department, the Compliance and Legal Management Department and the Risk Management Department, respectively, in which it made the suggestions such as “smooth transition of accounting standard changes and overall improvement of financial management level”, “practical implementation of new supervision regulations and optimization of the Company’s compliance system”, “strengthening supervision and implementation of control and promotion of subsidiary compliance management”, “continuous promotion of overall management and establishment of a Group risk control platform”. The relevant departments have submitted their work plans and improvement measures to the Supervisory Committee.

(ii) Effectively extending the supervision coverage and continuously strengthening the supervision function

1. Convening investigation symposium on audit work

In order to unite the internal and external supervision forces of the Company and pay more attention to the financial situation of the Company through multiple channels, in 2018, the Supervisory Committee held an investigation symposium on audit work with the audit department, the planning financial management department and Deloitte Touche Tohmatsu Certified Public Accountants to listen to the overall audit situation and internal control audit situation of the Company, the impact of the change of accounting standards on the Company and the corresponding measures, and the coordination and cooperation between internal and external auditors of the Company. The Supervisors present at the meeting put forward supervision suggestions such as “thoroughly studying the policy orientation and supervision logic of the new accounting standards and dynamically formulating various response measures” and “strengthening the red line awareness and strictly observing the compliance bottom line”.

2. In-depth research on branches and subsidiaries of the Company

In order to continuously deepen the inspection and research mechanism of the Supervisory Committee and strengthen the supervision and inspection of the financial management and compliance risk management of branches and subsidiaries, the Supervisory Committee successively carried out inspection and research in securities branches in Hangzhou, Shanghai Yincheng Middle Road and Shanghai Orient Securities Capital Investment Co., Ltd. in 2018. Via listening to the development of key businesses, the operation of the securities branches and the implementation of new regulatory rules, financial management, compliance and risk management, and summarizing the working opinions of the cadres and employees of the securities branches, the Supervisory Committee put forward supervision suggestions and submitted the same to the relevant functional departments, so as to promote the communication between the Company’s headquarters and the branches and subsidiaries, and actively discuss the cooperation mode, thereby promoting the Company to be better and stronger.

3. Carrying out post-investment evaluation, rectification and supervision

In 2018, the Supervisory Committee issued a letter to Orient Finance Holdings (Hong Kong) Limited according to the “Special Report on Overseas Post-investment Evaluation” on the basis of the preliminary overseas post-investment evaluation, urging the rectification of the problems found in the feedback post-evaluation. The Hong Kong subsidiary reported in its reply the overall rectification and work plan in terms of capital financial management, internal control, organizational structure and division of powers. The rectification and supervision will further promote relevant departments to improve various control systems and enhance the standardization of the Company’s overseas business.

(iii) Establishing regulations and standardizing supervision, and promoting the improvement of corporate governance

1. *Making solid progress in system building and setting rules for various works*

According to the Company Law, the Securities Law, the Guidelines on the Work of Supervisory Committees of Listed Companies and other normative documents, the Supervisory Committee has drafted and formulated the main contents of the Regulations on the Work of the Supervisory Committee of the Company, as well as the Interim Measures for Inspections and Investigations by the Supervisory Committee, the Interim Measures for Regular Meetings of Supervisors of Subsidiaries and other detailed implementation rules by summarizing the practical cases over the years with reference to the operating experience of peers and the actual situation of the Company. The work principles, duties and specific measures for performing functions of the Supervisory Committee have been clarified and standardized, providing reference basis and implementation standards for the Supervisory Committee to carry out various tasks in an effective manner.

2. *Revising and improving the performance evaluation system, and steadily boosting the effectiveness of supervision*

In order to further standardize and urge Directors, Supervisors and senior management personnel to perform their duties, in 2018, according to the requirements of the “Guidelines for the Supervision and Evaluation of the Performance of Directors, Supervisors and Senior Management” of China Association for Public Companies and other documents, the Supervisory Committee summarized and refined the beneficial experience of various peer companies in performance evaluation and based on the actual situation of the Company, combed and perfected the current evaluation basis and process to formulate the “Work Plan on Further Improving the Performance Evaluation System of Directors, Supervisors and Senior Management”, which detailed performance evaluation basis, optimized performance evaluation procedures, explored and promoted the comprehensive application of performance evaluation results, thus further strengthening the supervision effectiveness of the Supervisory Committee, and promoting the improvement of corporate governance.

3. *Constantly strengthening the professional construction of the Supervisory Committee*

The Supervisory Committee actively organized the Company’s Supervisors to participate in duty performance and professional course trainings organized by the CSRC, SSE, the Association for Public Companies and internal organizations of the Company, and strengthened the study and discussion on the domestic macroeconomic situation, industry innovation and development, business risk control and other aspects to lay the foundation for the continuous and effective performance of supervision duties. At the same time, it is committed to improving the professional level of the daily offices of the Supervisory Committee, improving the construction of the talent team, and continuously strengthening the learning capabilities and training of its members, so as to assist the Supervisory Committee to carry out effective supervision with a more professional and efficient working team.

(iv) Specific explanation on the performance of duties and remuneration of Supervisors in 2018

In 2018, all the Supervisors of the Company discharged their duties lawfully, honestly and diligently in accordance with laws and regulations and the requirements of the Articles of Association. The Supervisors actively attended the meetings and activities of the Supervisory Committee, conducted effective supervision over the finance, compliance and risk management and key operations of the Company and gave prompt opinions and suggestions thereon, which promoted the sustainable and healthy development of the Company.

During the year, the Supervisory Committee held a total of six meetings and all Supervisors attended such meetings either in person or by way of proxy. Set out below are the details of their attendances:

Name of Supervisor	Required attendances (Times)	Attendance in person (Times)	Attendance by proxy (Times)	Absence	Voting results
Zhang Qian	5	5	0	0	Voting in favour of all proposals
Li Bin	6	6	0	0	Voting in favour of all proposals
Huang Laifang	5	4	1	0	Voting in favour of all proposals
Tong Jie	5	5	0	0	Voting in favour of all proposals
Liu Wenbin	6	5	1	0	Voting in favour of all proposals
Yin Keding	6	6	0	0	Voting in favour of all proposals
Wu Zhengkui	6	6	0	0	Voting in favour of all proposals
Zhou Wenwu	6	6	0	0	Voting in favour of all proposals
Yao Yuan	6	6	0	0	Voting in favour of all proposals

In 2018, Apart from Li Bin, the vice chairman of the Supervisory Committee, who received his remuneration based on assessment of performances for the management team in accordance with relevant requirements, and Zhou Wenwu and Yao Yuan, both being employee representative Supervisors, who received their remunerations based on the assessment of performances for their specific posts, other Supervisors did not receive remunerations from the Company.

II. SUPERVISORY OPINIONS AND SUGGESTIONS**(i) Supervision opinions****1. *Opinions on the duty performance of the Directors and senior management***

In 2018, following the guiding ideology of the annual work determined by the general meeting and the Board at the beginning of the year, the Directors and senior management of the Company actively responded to the severe market environment, adjusted the allocation of assets and liabilities in a timely manner and strictly adhered to the compliance bottom line. As a result, the performance of its subsidiaries grew steadily and the Company received AA rating in the evaluation of brokers, thus generally maintaining a stable position in the industry.

In 2018, the Company was able to operate in accordance with the Company Law, the Securities Law, the Articles of Association and relevant requirements of the state, and the decision-making procedures of the Company were in compliance with relevant laws. We are not aware of any breach of laws, regulations or the Articles of Association in the discharge of their duties of Directors and senior management of the Company, nor are we aware of any behavior detrimental to the interests of Shareholders, the Company or the employees.

2. *Opinions on the financial activities of the Company in 2018*

The Supervisory Committee is of the opinion that, in 2018, the Company was able to conduct its financial activities in earnest observance of the national financial and tax laws and regulations and the financial rules of the Company, and in strict accordance with the disclosure requirements on financial information of listed securities firms in Shanghai and Hong Kong. The Company completed the implementation of the new accounting standards within the Group, realized the smooth transition of the Company's financial work, further improved the system with a focus on strengthening the construction of the financial system according to the requirements of the new regulation; and actively adjusted the focus and direction of the Company's resource allocation to match the pace of market changes and ensure the Company's financial stability.

3. *Opinion on the compliance and risk management of the Company*

The Supervisory Committee is of the opinion that, in 2018, the Company's compliance and risk management work was able to strictly implement the regulatory requirements, continuously improved the Company's compliance and risk management system and organizational structure, actively promoted system construction, strengthened subsidiary management, set up a collectivization compliance and risk management framework, promoted the disposal of a number of compliance risk matters, continuously strengthened compliance publicity, and standardized anti-money laundering. No major compliance and risk incidents were found throughout the year, and the Company received the AA rating in brokers evaluation.

(ii) Supervision suggestions

In 2019, the Company will continue to implement the development concept of stable operation, strengthen the analysis of the development situation of the industry and the Company, enhance the integration of resources and business cooperation, improve risk prevention and control capacity, sharpen the use of financial technology and continuously improve the market response capability, so as to accumulate strength for the realization of the new round of development goals.

1. *Strengthening research on industry trend and deepening the coordinated development of the Group*

(1) Strengthen forward-looking and trend research on international economic trends and industry development, identify and deal with various potential risks in advance, seek and grasp market opportunities, dynamically adjust key development areas according to market changes, and continue to push forward the implementation of strategic planning. (2) Actively adjust the business structure, speed up business innovation and transformation, promote the integration of finance and science and technology, integrate internal and external resources and strengthen business cooperation to promote the coordinated development of the Group. (3) Deepen the integration of industry and finance, dock the development needs of state-owned customers, provide targeted integrated financial solutions, and strengthen services to institutional customers.

2. *Optimizing the allocation of assets and liabilities and promoting the process of internationalization*

(1) Dynamically optimize the allocation of assets and liabilities of the Company, prepare for the resource arrangements such as the scientific innovation board and Shanghai-London Stock Connect ahead of schedule to ensure compliance with regulatory requirements and changes in the industry situation. (2) Continue to pay attention to liquidity risk management and strengthen monitoring and research on the debt scale and leverage ratio of the Company and the industry. (3) Continuously improve the level of overseas liquidity and exchange rate risk management, and promote the internationalization of the Company.

3. *Improving compliance control system and strengthening risk research, judgment and response*

(1) Continue to improve the construction of the Company's compliance risk control system. While meeting external regulatory requirements, we will further serve the Company's strategic development needs and create value through compliance. (2) Strengthen the research and judgment on the market situation, prevent potential risks in a timely manner, improve the level of risk identification and assessment, monitoring and measurement, reporting and response to ensure that the requirements of the regulatory risk control index system are met. (3) Pay attention to the construction of compliance risk control personnel, continuously optimize the construction of management system, and improve work accuracy and efficiency. (4) Further promote compliance risk management of subsidiaries, implement relevant system requirements, and strengthen parent company's inspection and supervision of compliance risk control over subsidiaries.

III. WORK PLAN FOR 2019

Looking into 2019, the Supervisory Committee will follow the Company Law, the Securities Law and relevant national laws and regulations, and take “keeping up with the industry situation, moving forward the supervision threshold, urging the establishment of a firm defense line of compliance risk control, and promoting the stable and healthy development of the Company” as the guiding ideology of the whole year’s work. Focusing on the Company’s transformation and development process, the Supervisory Committee will pay close attention to changes in the external situation and the industry supervision dynamics, strengthen the study and implementation of relevant laws and regulations, actively explore effective modes of prior supervision, continuously improve the regulatory level of supervision work, and further unleash the supervisory role of internal and external Supervisors, to contribute to the steady development of the Company.

(i) Paying attention to prior supervision and fully implementing the statutory supervisory authority

1. Setting up a platform to improve the information right

It will pay close attention to the regulatory dynamics of the securities industry, study the regulatory requirements of the Company in corporate governance, finance, compliance risk control and other aspects in a timely manner, conduct summary analysis based on the compliance and risk management of the Company and the information submitted by the financial department, build an information platform of the Supervisory Committee on the premise of complying with the relevant requirements for information disclosure, regularly and collectively push supervisory information to Supervisors, and timely adjust the types of information according to Supervisors’ feedbacks, so as to further improve the timeliness, comprehensiveness and effectiveness of Supervisors’ access to information and fully implement the Supervisors’ information right.

2. Being problem-oriented and paying attention to the implementation of supervision in advance

According to the statutory supervision function of the Supervisory Committee, it will focus on industry hot spots, key tips from the supervision department, and potential risks discovered by relevant departments of the Company or intermediary organizations, select areas that need to be focused on, collect and analyse information, and on the basis of forming relevant current situation descriptions and investigation outlines, carry out targeted inspections and investigations on relevant departments, fully grasp the Company’s risk prevention and control and response measures on relevant issues, and explore an effective mode of change from post-supervision to prior attention, so as to provide assistance for the Company to timely investigate risks and maintain stable operation.

3. *Forming a joint force to analyse and deepen the right of suggestion vertically*

The Supervisory Committee will refine the key issues found in its daily supervision or inspection and research to form special supervision topics. The Supervisory Committee will carry out investigation and research through in-depth excavation of information materials, understanding of industry-related work experience, comprehensive use of special interviews, on-site inspections and other forms, and when necessary, will engage relevant departments or professional organizations to carry out special work to form professional supervision suggestions, which will be submitted to relevant departments or units. On the basis of completing supervision and inspection and putting forward supervision suggestions, it will study and strengthen the follow-up and implementation of supervision suggestions and form a supervision closed loop to improve efficiency.

(ii) *Extensively learning from experience and broadening supervision ideas in key areas***1. *Paying close attention to the Group's financial security***

According to the “Guidelines on Financial Supervision of the Supervisory Committees of Listed Companies” and advanced working experience among peers, it will study and formulate the financial supervision work plan of the Supervisory Committee of the Company, exchange with accounting firms and financial auditing departments of the Company on the Company's regular financial report preparation, decision-making on major financial matters, implementation of financial accounting system and other aspects, focus on the Company's leverage level and liquidity risk, and timely feedback the problems found to the management of the Company, to ensure the financial security of the Group's funds.

2. *Overall supervision of the Group's compliance risk control construction*

The Supervisory Committee will continue to pay attention to the construction of the Group's compliance risk control system, strengthen communication with the Compliance and Risk Management Committee of the Board and relevant functional departments of the Company, investigate the implementation of various requirements such as comprehensive risk management and employee practice management in key departments and branches, and master the incorporation of subsidiaries into the Group's overall compliance risk control system through multiple channels. It will cooperate with relevant departments, entrust external professional institutions to carry out compliance effectiveness evaluation according to regulatory requirements, urge the Company to further improve risk awareness and compliance risk control capability, implement risk prevention and control responsibilities, and continuously meet external regulatory requirements and business development needs.

(iii) Integrating multi-party resources and giving full play to internal and external supervision

1. *Promoting the joint exchange among Directors, Supervisors and senior management*

By inviting Director representatives to attend meetings of the Supervisory Committee, special meetings of the Supervisory Committee or conduct inspections and investigations, the Supervisory Committee will listen to their opinions and suggestions on the work of the Supervisory Committee and seek effective focal points for supervision in key areas to jointly promote the improvement of corporate governance efficiency. It will study and convene meetings of Supervisors, Directors and senior management personnel to discuss strategic development, business philosophy, risk control and other major issues, so as to provide momentum for the realization of a sound interaction between decision-making mechanism, supervision mechanism and management mechanism.

2. *Actively seeking opportunities for industry-finance integration*

The Supervisory Committee will further strengthen information exchange and interactive communication with Shareholders, give full play to industry advantages and carry out better financial services. It will cooperate with relevant business departments and subsidiaries to visit Supervisors, exchange business cooperation needs, explore opportunities for industrial and financial integration, and promote the implementation of industrial and financial integration projects in accordance with the principle of complementary advantages to achieve mutual benefits and win-win.

3. *Exploring and strengthening the work guidance for supervisors of subsidiary companies*

The Supervisory Committee will explore the establishment of a supervisor (committee) joint meeting mechanism for parent and subsidiary companies, discuss the latest regulatory requirements and supervision difficulties together, fully understand the status of each subsidiary company in implementing corporate governance standards and incorporate it into the construction of the Group compliance risk control system, strengthen guidance and supervision over the work of the supervisor (committee) of the subsidiary companies, urge the Company to timely promote the performance evaluation of directors, supervisors and senior management who station in the subsidiary companies, and improve the performance of the supervisors of the subsidiary companies.

(iv) Improving supervision procedures and comprehensively strengthening the performance supervision system

1. *Promoting refined management of work of the Supervisory Committee*

The Supervisory Committee will carry out the opinions of the Regulations on the Work of the Supervisory Committee of the Company, earnestly carry out the propaganda and guidance for all supervisors, and strictly implement the supervision content, supervision standards and supervision procedures to achieve refined management. Meanwhile, according to the changes in external supervision requirements and the actual work situation of the Supervisory Committee, the Supervisory Committee will track and optimize the contents of the “Work Regulations” and improve the detailed operating rules in real time, so as to provide the standard guidance system for the development of various work of the Supervisory Committee.

2. *Optimizing the performance evaluation system*

The Supervisory Committee will revise and explain the “Performance Evaluation Measures” to Directors, supervisors and senior management personnel, listen to the opinions and suggestions of the evaluation targets extensively, communicate with relevant departments of the Company to sort out the cooperation process in the performance evaluation process, discuss the effective mode of applying the performance evaluation results to the annual performance evaluation of senior management personnel, study and investigate the performance evaluation of the Supervisory Committee among peers, focus on the research of procedures and methods and the application of results, continuously and dynamically improve the performance evaluation system, and promote the further improvement of the corporate governance structure of the Company.

3. *Strengthening the training and exchange of supervisors*

The Supervisory Committee will continue to maintain and deepen contact and communication with regulatory agencies, grasp the regulatory spirit and work priorities in a timely manner, and make full use of platforms such as the Association for Public Company to strengthen communication and interaction with the Supervisory Committee of peers. It will actively organize supervisors to participate in professional training, learn and exchange at first-class enterprises, draw on the experience of the advanced corporate governance experience, learn from each other’s strengths, promote the Supervisory Committee to enrich working ideas, optimizing working methods, and continuously improve the professional level of duty performance. The Supervisory Committee will further strengthen the construction of the personnel team in the offices of the Supervisory Committee, strengthen professional learning and training, and continuously improve the professional competence and work efficiency of the staff.

The above proposal is hereby put forth to Shareholders for consideration.

Dear Shareholders,

We, as the independent directors of Orient Securities Company Limited, hereby report our work for 2018 below pursuant to the Guidance on the Establishment of Independent Director System in Listed Companies, the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the Listing Rules of Shanghai Stock Exchange as well as the relevant rules under the Guidelines for the Format of the Annual Work Report of Independent Directors promulgated by the Shanghai Stock Exchange:

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

At the beginning of the reporting period, the third session of the Board of the Company consisted of 14 Directors, including 5 independent Directors. The Company completed the re-election of the Board in March 2018. As of the end of the reporting period, the fourth session of the Board of the Company consisted of 14 Directors, including 5 independent Directors. The independent Directors remained unchanged. The basic information of each of the independent Directors is as follows:

(i) Biographical details of independent Directors

Mr. Xu Guoxiang, born in 1960, is a member of CPC, a doctor in economics and a professor. Currently, he is an independent non-executive Director of the Company, a director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics, a chair professor of the School of Statistics and Management of Shanghai University of Finance and Economics, an independent director of Luzhou Laojiao Co., Ltd., a supervisor of Dazhong Transportation (Group) Co., Ltd., and a supervisor of Shanghai Xintonglian Packaging Co., Ltd. Mr. Xu served as a lecturer of the Department of Management of Shanghai Maritime University, and a lecturer, associate professor, professor and the department head of the Department of Statistics of Shanghai University of Finance and Economics from January 1986 to May 2003. Mr. Xu has been the director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics since June 2003.

Mr. Tao Xiuming, born in 1964, is a member of CPC, holds a master's doctorate degree in law. Currently, he is an independent non-executive Director of the Company, a founding partner and the management committee director of Beijing JunZeJun Law Offices, an executive director of Beijing Houjian Investment Co., Ltd., and an independent director of Taikang Asset Management Co., Ltd. Mr. Tao served in the China Law Counsel Center and Tianping Law Firm from July 1989 to April 1992, and in the Institute of International Law of Chinese Academy of Social Sciences from April 1992 to December 1994. Mr. Tao has been a partner of Beijing JunZeJun Law Offices since July 1995.

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

Mr. Xu Zhiming, born in 1961, holds a doctorate in economics. Currently, he is an independent non-executive Director of the Company, a founding partner of China Broadband Capital. Mr. Xu served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation, and the co-director of corporate finance department and co-director of capital market department of Nomura International (Hong Kong) Limited, a director and the director of investment banking division in the Great China Region of National Westminster Bank of Britain, a director and the director of corporate financing division in the Great China Region of Bank of Boston of the United States from December 1986 to August 1999, an executive director of China Resources Enterprise, Limited, an executive director of China Resources (Beijing) Land Limited, the managing director and chief operating officer of China Resources Logic Limited from August 1999 to December 2001, as well as a senior consultant of TOM Group Limited, and an executive director and chief operating officer of TOM Online Inc from January 2002 to May 2005. Mr. Xu has been a founding partner of China Broadband Capital since March 2006.

Mr. Jin Qinglu, born in 1972, a member of CPC, holds a doctorate in accountancy and is a professor. Currently, he is an independent non-executive Director of the Company, the dean and a doctoral supervisor of the School of Accountancy of Shanghai University of Finance and Economics, and an independent director of Shanghai Emperor Of Cleaning Hi-tech Co., Ltd. Mr. Jin served as an assistant professor in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to June 2011, then a vice professor in the School of Accountancy of Shanghai University of Finance and Economics from July 2011 to June 2012. Mr. Jin has been a professor in the School of Accountancy of Shanghai University of Finance and Economics since July 2012, the vice dean of the School of Accountancy and the Institute of Accounting and Finance of Shanghai University of Finance and Economics from February 2014 to November 2018, the vice dean of the School of Accountancy of Shanghai University of Finance and Economics from April 2015 to November 2018, the director of the Collaborative Innovation Center for Accounting Reform and Development of Shanghai University of Finance and Economics from January 2016 to November 2018 and the dean of the School of Accountancy of Shanghai University of Finance and Economics since November 2018.

(ii) Statement of independence

The five independent Directors of the Company and their immediate family members, major social relations are not related to the Company's substantial Shareholders or other units or individuals with material interests in the Company, and thus there is no situation affecting their independence.

II. ANNUAL WORK PERFORMANCE OF INDEPENDENT DIRECTORS**(i) Attendance of the General Meetings**

There were 2 general meetings convened by the Company this year. The first extraordinary general meeting for 2018 was convened on March 6, 2018, which was attended by two independent Directors, including Mr. Wei Anning and Mr. Xu Zhiming. The annual general meeting for 2017 was convened on May 25, 2018, which was attended by the independent Director Wei Anning, who addressed the work report on behalf of the independent Directors at the meeting.

(ii) Attendance of the Board Meetings

There were 9 meetings convened by the Board this year, 2 of which were on-site meetings and 7 of which were held by way of correspondence. All the directors attended the meetings in person or appointed other directors as their proxies to attend the meetings. The attendance of such meetings is detailed below:

Independent Directors	Required Attendance (times)	Attendance in Person (times)	Attendance by Proxy (times)	Absence (times)	Voting results
Xu Guoxiang	9	9	0	0	Voting in favour of all proposals
Tao Xiuming	9	9	0	0	Voting in favour of all proposals
Wei Anning	9	9	0	0	Voting in favour of all proposals
Xu Zhiming	9	9	0	0	Voting in favour of all proposals
Jin Qinglu	9	9	0	0	Voting in favour of all proposals

(iii) Attendance of the Meetings of the Special Committees of the Board

According to the Securities Company Governance Guidelines and other laws and regulations as well as the provisions of the Articles of Association, the Board of the Company establishes four special committees: the Strategic Development Committee, the Compliance and Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee. The specific positions of each independent Director are as follows:

Independent Directors of the fourth session of the Board	Position
Xu Guoxiang	Member of the Audit Committee, member of the Remuneration and Nomination Committee
Tao Xiuming	Member of the Compliance and Risk Management Committee
Wei Anning	Chairman of the Remuneration and Nomination Committee, member of the Audit Committee
Xu Zhiming	Member of the Strategic Development Committee
Jin Qinglu	Chairman of the Audit Committee, member of the Remuneration and Nomination Committee

The Board of the Company held a total of 13 special committees this year, including 1 meeting for the Strategic Development Committee, 2 meetings for the Compliance and Risk Management Committee, 7 meetings for the Audit Committee and 3 meetings for the Remuneration and Nomination Committee. The specific attendance is as follows (actual attendance/required attendance):

Independent Directors	Strategic Development Committee	Compliance and Risk Management Committee	Audit Committee	Remuneration and Nomination Committee
Xu Guoxiang			7/7	3/3
Tao Xiuming		2/2		
Wei Anning			7/7	3/3
Xu Zhiming	1/1			
Jin Qinglu			7/7	2/2

The proposals considered by the special committees the respective independent directors served for were fully reviewed and discussed, and relevant recommendations were put forward. In the end, the independent directors voted in favour of the related proposals and there was no against or abstain from voting. In addition, the Audit Committee communicated with Deloitte & Touche LLP (Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP) in respect of reviewing the semi-annual report for 2018 and plan on auditing the financial statement for 2018, respectively, so that the audit process was reasonably arranged, the audit strategy and key issues were defined and the Company's auditing was ensured to be completed in a timely and effective manner.

(iv) Other Duty Performance

Year 2018 unfolded with the Company's new three-year strategic planning. The Board of the Company closely focused on the strategic goal of "building up a modern investment bank which has the domestic first-class core competitiveness and provides comprehensive financial services for clients". In due diligence and by scientific decision-making, it fully implemented the overall keynote of seeking progress while maintaining stability, and improving quality and efficiency, adhered to innovation orientation, strictly controlled all kinds of risks, and effectively realized the Company's missions. In particular, the independent Directors of the Company actively participated in the general meeting, the Board meetings and the meetings of the special committees to actively understand the Company's strategic development, innovation and transformation, compliance and risk management, and put forward professional opinions and suggestions on relevant decisions and corporate governance, thereby effectively improving the scientific and forward-looking decisions of the Board and enhancing the effectiveness of corporate governance.

Independent Directors had timely access to detailed information on the Company's operation and management and grasped the Company's operation dynamics through the Company Report, Comprehensive Report on Compliance and Risk Management, Compliance Courier and other materials regularly compiled by the Company. At the same time, independent Directors maintained daily contact with the Company in a timely manner through e-mail and telephone, forming an effective communication mechanism to ensuring the information right.

III. KEY ISSUES ON THE ANNUAL WORK PERFORMANCE OF INDEPENDENT DIRECTORS**(i) Related Party Transactions**

The independent Directors of the Company made judgments on the necessity and objectivity of the related party transactions of the Company and determined whether the pricing was fair and reasonable or whether it damaged the interests of the Company and Shareholders in accordance with the Listing Rules of SSE, the Guidelines on Related Party Transactions of Listed Companies, Hong Kong Listing Rules and other laws and regulations as well as the requirements of the Administrative Measures for Related Party Transactions formulated by the Company. The independent directors of the Company also reviewed the foregoing based on relevant processes.

1. The independent Directors of the Company expressed their prior approval opinions and independent opinions on the estimated 2018 daily related party transactions reviewed by the second meeting of the fourth session of the Board that: the daily related party transactions estimated during the period from year 2018 to the convening of the 2018 Annual General Meeting of the Company were all derived from the daily business operation and business development of the Company, which did not affect the independence of the Company. The estimated pricing was reasonable and fair without prejudice to the interests of the Company's non-related Shareholders and the Company; and the estimated procedural arrangements complied with laws, administrative regulations, departmental rules, other normative documents and the Articles of Association of the Company.

2. The independent Directors of the Company expressed their prior approval opinions and independent opinions on the entering into of the Connected Transaction Framework Agreement between the Company and Shenergy Group, which was considered at the fourth meeting of the fourth session of the Board that: the Connected Transaction Framework Agreement entered into with Shenergy Group was for the purpose of satisfying the Company's daily operation and business development needs and facilitating centralized management and supervision of connected transactions that may occur continuously between the Company and Shenergy Group; the transaction price was reasonable and fair, conformed to the principle of market transaction without prejudice to the interests of the Company's non-related Shareholders and the Company and did not affect the independence of the Company; and the relevant consideration and voting procedures complied with the provisions of relevant laws, regulations and the Articles of Association of the Company.

3. The independent Directors of the Company expressed their prior approval and independent opinions on the related party transaction concerning the transfer of all 45% shares of Shanghai ICY Capital Co., Ltd. held by Orient Securities Capital Investment, a wholly-owned subsidiary of the Company, which was considered at the fifth meeting of the fourth session of the Board that: the proposed transfer of the 45% equity interests held by Orient Securities Capital Investment to Shanghai Shenergy ICY Equity Investment Co., Ltd., a wholly-owned subsidiary of Shenergy Group, the largest Shareholder of the Company constituted connected transaction, which was aimed at adjusting the capital structure of Orient Securities Capital Investment, benefited the Company's standardized organizational structure, satisfied regulatory requirements, and ensured the stable and standardized operation of the Company; and the transaction pricing was based on the report of the evaluation institution, and was reasonable and fair without prejudice to the interests of the Company's non-related Shareholders and the Company and did not affect the independence of the Company; and the principal business of the Company was not dependent on related parties due to this related party transaction. The relevant procedural arrangements complied with laws, administrative regulations, departmental rules, other normative documents and the Articles of Association of the Company.

(ii) External Guarantee and Capital Occupation

In accordance with the Notification on Standardizing the Capital Transfer between Listed Companies and Related Parties and on Certain Issues of External Guarantee of Listed Companies and the Notification on Standardizing External Guarantee Behavior of Listed Companies promulgated by the CSRC, the Administrative Measures for External Guarantee formulated by the Company and other rules and requirements, the independent directors of the Company carefully and meticulously verified, among others, the external guarantee and capital occupation, and were of the opinion that there was no damage to the legitimate rights and interests of the Company and other Shareholders.

1. The independent Directors of the Company expressed independent opinions on the estimated 2018 external guarantees considered at the second meeting of the fourth session of the Board: the Company's estimation of the guarantees provided to or among subsidiaries during the authorization period arose from the Company's business plan and the need to reduce financing costs; and it was expected to comply with relevant laws and regulations, the Articles of Association of the Company, the Administrative Measures for External Guarantees of the Company and other provisions, and the decision-making procedures were arranged legally.
2. The independent Directors of the Company issued special statements and independent opinions on the Company's external guarantees as of December 31, 2017 in accordance with the Notice on Regulating the Capital Exchanges Between Listed Companies and Related Parties and Certain Issues Concerning the External Guarantees of Listed Companies (Zheng Jian Fa [2003] No.56) and relevant regulations and requirements: As of December 31, 2017, the Company's external guarantees included the guarantee provided by the parent company for bonds issued by the subsidiaries of its wholly-owned subsidiary, Orient Hong Kong, the guarantees provided by Orient Hong Kong for bonds issued by its subsidiaries and bank borrowings granted to its subsidiaries, and the guarantees provided for loans for business development between subsidiaries of Shanghai Orient Securities Capital Investment Co., Ltd., a wholly-owned subsidiary of the Company. The corporate guarantees totalled RMB7.291 billion, accounting for 13.76% of the Company's net assets. Such guarantees were carried out to meet the Company's business development and broaden overseas financing channels. Save for the above, the Company did not have other external guarantees, and the Company did not provide any guarantees to controlling Shareholders, de facto controllers and their related parties. In accordance with legal procedures, the Company performed the review procedure for external guarantees to fully protect the legitimate rights and interests of the Company and all Shareholders without prejudice to the legitimate rights and interests of the Company and other Shareholders.

(iii) Use of Proceeds Raised

At the end of December 2017, the Company completed the non-public issuance of ordinary shares (A shares) dominated in Renminbi with net proceeds raised of RMB10,957,180,338.81. According to the “No. 2 Guideline on Supervision of Listed Companies – Regulatory Requirements for the Management and Use of Proceeds by Listed Companies” and “Measures for the Management of Proceeds by Listed Companies of SSE” and other regulations of the CSRC, independent Directors of the Company expressed their independent opinions twice on the above-mentioned issues concerning the deposit and actual use of proceeds at the second meeting of the fourth session of the Board (annual) and the fifth meeting of the fourth session of the Board (semi-annual) that: upon verification, the deposit, use and management of the Company’s proceeds conformed to the relevant provisions of the CSRC and the SSE on the deposit and use of the proceeds of listed companies, the relevant provisions of the Company’s “Administrative Measures for the Management of Proceeds” and the interests of all Shareholders of the Company. The investment projects of the proceeds remained unchanged. During the period, the Company fulfilled its relevant obligations without any violation of laws and regulations, and there was no untimely, untrue, inaccurate or incomplete disclosure of information about the proceeds.

(iv) Nomination, Appointment and Remuneration of Directors and Senior Management

1. The independent Directors of the Company expressed their independent opinions on the issue concerning the provision of 2017 performance bonus for the Company’s management team, which was considered at the second meeting of the fourth session of the Board that: the total amount of performance bonuses determined by the Company in accordance with the “Management Measures for Remuneration and Performance of Management Team Members” and based on the annual performance evaluation conducted by the Remuneration and Nomination Committee of the Board was in line with the actual situation and system regulations of the Company, which could reflect the consistency of responsibilities, rights and benefits, and was conducive to the sustainable development of the Company.
2. The independent Directors of the Company, after reviewing the personal biographies of the relevant personnel and other relevant materials helpful to make judgments, expressed their independent opinions on the issue concerning increasing the number of candidates for the re-election of the Board which was considered at the 37th meeting of the third session of the Board and the issue concerning the appointment of senior management personnel, which was considered at the second meeting of the fourth session of the Board and the fifth meeting of the fourth session of the Board that: after reviewing the biographies and other materials of the proposed senior management personnel, their qualifications conformed to the relevant provisions of the Company Law, the Securities Law, the Measures for the Supervision of the Qualifications of Directors, Supervisors and Senior Management Personnel of Securities Companies and other laws and regulations as well as the Articles of Association of the Company; after understanding the educational background and work experience of the proposed senior management personnel, the relevant personnel could meet the responsibilities and requirements of the corresponding positions in the Company, which was conducive to the Company’s operation and development; and the nomination and appointment procedures conformed to the relevant provisions of laws, regulations and the Articles of Association of the Company.

(v) Results Forecast and Results Express

During the reporting period, the Company published the announcement on the expected increase of its 2017 annual results, the results express for annual results 2017 and the results express for the first three quarters in 2018, respectively. The independent directors of the Company were of the opinion that the company discloses information in a timely manner in accordance with the Listing Rules of SSE, the Memorandum of Understanding on the Daily Information Disclosure of Listed Companies and the Company's Administrative Measures for Information Disclosure, and that the financial data and indicators contained in the results forecast and results express are not significantly different from the actual data and indicators disclosed in related regular reports.

(vi) Appointment of Accounting Firm

Given that Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (“DTT”) and DTT (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行)) were in compliance with the auditing standards and other laws and regulations as well as professional ethics to serve as the domestic and overseas auditor for 2017 of the Company, diligently performed its audit duties, and completed the audit work in an independent, objective and fair manner. The independent Directors expressed independent opinion in respect of the issue for appointing the accounting firm for 2018 as considered at the second meeting of the fourth session of the Board: the re-appointment of Deloitte Touche Tohmatsu was based on scientific decision-making, legal and compliant procedures, and complied with the provisions of the Articles of Association; and it was agreed to re-appoint Deloitte Touche Tohmatsu as the domestic and overseas auditor of the Company for 2018 and to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the internal control auditor of the Company for 2018 and agreed to submit the same to the general meeting of the Company for consideration.

(vii) Changes in accounting policies

The independent Directors of the Company expressed their independent opinions on the matters concerning the change of the Company's accounting policies which was considered at the second meeting of the fourth session of the Board that: the change of accounting policies and adjustment of relevant financial information conformed to the relevant regulations of the Ministry of Finance and the CSRC and the actual needs of the Company and could objectively and fairly reflect the Company's current financial situation and operating results without prejudice to the interests of the Company and its Shareholders; and The decision-making procedure complied with the provisions of relevant laws and regulations and the Articles of Association of the Company.

(viii) Provision for Impairment of Assets

The independent Directors of the Company expressed independent opinions on the matters concerning the provision for impairment of assets which was considered at the 38th meeting of the third session of the Board that: the provision for impairment of assets was based on sufficient grounds and standardized decision-making procedures, and complied with the provisions of the Accounting Standards for Business Enterprises and the Company's accounting policies, which truly and fairly reflected the Company's financial situation as at December 31, 2017 and its operating results in 2017, conformed to the overall interests of the Company, and facilitated the provision of more authentic, reliable and accurate accounting information for investors; and the decision-making process complied with the provisions of relevant laws, regulations and the Articles of Association of the Company without prejudice to the interests of the Company and all Shareholders, especially the small and medium Shareholders.

(ix) Cash Dividends

The independent Directors of the Company expressed independent opinions on the 2017 profit distribution plan at the second meeting of the fourth session of the Board that, the 2017 profit distribution plan proposed by the Company upon comprehensive consideration of the interests of Shareholders, the Company's development and other factors, was in line with relevant laws, regulations and normative documents as well as the ongoing, stable profit distribution policy determined in accordance with the Articles of Association and the Shareholders' Returns in the Next Three Years upon Listing, which was conducive to the Company's long-term development and in line with the interests of Shareholders. The independent directors agreed to submit the plan to the general meeting.

(x) Performance of the Undertakings of the Company and Shareholders

The independent directors diligently performed their duties and safeguarded the overall interests of the Company. In particular, the independent directors attached great importance to protect the legitimate rights and interests of the minority Shareholders from being damaged and actively concerned about the performance of the undertakings of the Company and Shareholders. The undertakings that had not yet been fulfilled by the Shareholders and the Company were fully disclosed in the Company's announcements. During the reporting period, the Company and its Shareholders had fulfilled related undertakings in good faith, and there was no breach thereof.

(xi) Implementation of Information Disclosure

The Company disclosed the information in accordance with the Company Law, Securities Law, the Listing Rules of SSE, Hong Kong Listing Rules and other laws, regulations, normative documents as well as the Articles of Association. The independent directors were of the opinion that the Company's information was disclosed in a true, accurate, complete, timely and fair manner, and there was no false representation, misleading statement or material omission.

(xii) Implementation of internal control

The independent Directors were of the opinion that the Company had established and continuously improved the internal control system in accordance with the Company Law, the Securities Law, the Basic Norms of Corporate Internal Control and its supporting guidelines as well as the requirements of CSRC on regulating internal control. The relevant system covers all levels and links of the Company's operation and management, and has formed a standardized management system in actual operation, which can effectively control the risks of operation and management, protect the safety and integrity of the Company's assets, and safeguard the interests of the Company and all Shareholders. The Company's internal control evaluation report comprehensively, truly and accurately reflected the actual situation of the Company's internal control without false records, misleading statements or major omissions and agreed with the conclusions made in the 2017 Internal Control Evaluation Report of the Company.

(xiii) The Operation of the Board of Directors and its Special Committees

The independent directors were of the opinion that the meetings for the Board of Directors and its special committees were convened and held in accordance with the Articles of Association, the Rules of Procedures of the Board of Directors and the working rules of the committees; and that their duties were performed under laws and rules, the decision-making process was scientific and efficient, the voting results were effectively implemented, and the information was disclosed in a true, accurate, complete and timely manner.

(xiv) Other Issues that Independent Directors Consider Necessary to be Improved by the Listed Company

The independent directors were of the opinion that, in the volatile market, the Company's business should maintain steady, taking the road of sustainable development, so as to continuously improve the synergic collectivization development and application of financial and other technologies in accordance with the three-year strategic planning; establish talents strategy, further proceed with the construction of motivation mechanism, and fully mobilize the enthusiasm of talents.

IV. OVERALL EVALUATION AND RECOMMENDATIONS

In 2018, all the independent directors were faithful in performing their duties. Through diligent and dedicated engagement in the decision-making for significant matters of the Company under the principle of objectivity, fairness and independence, the independent directors made positive contribution for improving the corporate governance structure and safeguarding the interests of the Company as a whole as well as the legitimate rights and interests of the public Shareholders.

In 2019, all the independent directors will continuously abide by the regulatory requirements for listed securities companies; diligently and faithfully perform their duties in strict compliance with the requirements under the laws, regulations and the Articles of Association; actively engage in the decision-making for significant matters of the Company; and safeguard the legitimate rights and interests of all the Shareholders and in particular of the minority Shareholders, with a view to promote the Company to develop in a sustainable, health and stable way.

Dear Shareholders,

The preparation of 2018 final accounts report of the Company has finished. Both Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have audited the Company's 2018 financial statements and issued standard unqualified opinions on the financial statements.

Unless otherwise stated, the financial data in this report are based on its A Shares audited consolidated financial statements. Among which, net asset, net profit, and consolidated total income are all based on those attributable to the parent company.

2018 KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: 100 million Currency: RMB

Items	A Share			H Share		
	As at the end of 2018	As at the end of 2017	Change	As at the end of 2018	As at the end of 2017	Change
Total assets	2,268.70	2,318.60	-2%	2,268.70	2,318.60	-2%
Total liabilities	1,745.97	1,783.59	-2%	1,745.97	1,783.59	-2%
Net assets	517.39	529.86	-2%	517.39	529.86	-2%
Net capital (parent company)	402.35	437.32	-8%	402.35	437.32	-8%
Items	2018	2017	Change	2018	2017	Change
Operating income/revenue and other income	103.03	105.32	-2%	157.02	166.79	-6%
Operating expenses/total expenses	90.46	64.27	+41%	150.35	127.68	+18%
Total profit	13.31	43.89	-70%	13.31	43.89	-70%
Net profit	12.31	35.54	-65%	12.31	35.54	-65%
Total consolidated income	9.35	24.31	-62%	9.35	24.31	-62%
Earnings per Share (RMB/Share)	0.18	0.57	-68%	0.18	0.57	-68%
Weighted average returns on net assets	2.37%	8.62%	↓ 6.25 percentage points	2.37%	8.62%	↓ 6.25 percentage points

Note: For financial report of A Share and H share, total assets, total liabilities and net assets are identical; the differences between operating income and operating expenditure was mainly in income and expenses for fees and interests, which were reflected in net amount in A Share while reflected respectively in H Share.

I. FINANCIAL POSITION IN 2018**(i) Assets**

As at the end of 2018, the total assets of the Company amounted to RMB226.87 billion, representing a decrease of RMB4.99 billion or 2% compared with that of the end of the previous year. The major changes were: financial assets held under resale agreements recorded a decrease of RMB6.45 billion from the end last year; monetary funds recorded a decrease of RMB5.581 billion from the end last year; lending amount recorded a decrease of RMB2.663 billion from the end of last year and total financial assets and derivative financial assets of various categories recorded an increase of RMB11.249 billion from the end of last year.

(ii) Liabilities

As at the end of 2018, total liabilities of the Company amounted to RMB174.597 billion, representing a decrease of RMB3.761 billion or 2% compared with that of the end of last year. The major changes were: bonds payable decreased by RMB8.261 billion from the end of the previous year; financial assets sold under repurchase agreements decreased by RMB6.704 billion from the end of the previous year; interest payables decreased by RMB1.61 billion from the end of the previous year due to the adjustment in preparation of statements; short-term bills payable increased by RMB10.601 billion from the end of the previous year and brokerage trading of securities business increased by RMB3.84 billion from the end of the previous year.

After deducting amount from securities brokerage business and funds payable to securities issuers, as at the end of 2018, the gearing ratio of the Company was 73.17%, representing a drop of 0.52 percentage point compared with that of the end of the previous year.

(iii) Net assets and net capital

As at the end of 2018, the net assets of the Company amounted to RMB51.739 billion, representing a decrease of RMB1.246 billion or 2% compared with that of the end of the previous year. The major changes were: cash dividend distributed for 2017 of RMB1.399 billion; a decrease of RMB783 million in net assets as a result of change of accounting policies at the beginning of 2018; and net profit of RMB1.231 billion for 2018.

At the end of 2018, net asset per share attributable to owners of the parent company was RMB7.40/Share, representing a decrease of RMB0.18/Share or 2% from the end of the previous year.

As of the end of 2018, net capital of the parent company amounted to RMB40.235 billion, representing a decrease of RMB3.497 billion or 8% from the end of the previous year. During the year, major risk control indicators such as net capital continued to meet regulatory requirements, and each indicator maintained a certain margin of safety.

II. OPERATION RESULTS IN 2018**(i) Operating Income**

In 2018, the Company realized operating income of RMB10.303 billion, representing a decrease of RMB228 million or 2% year on year. Among which:

1. According to the requirements of Cai Kuai [2018] No.36, interest income previously presented under “investment in creditor’s rights” and “investment in other creditor’s rights” under investment income shall be reclassified to net interest income, so net interest income and investment income of the current year recorded an increase and a decrease, respectively year on year, which together totaled RMB3.464 billion, representing a year-on-year decrease of RMB54 million, mainly attributable to: interest income of securities and financial business decreased by RMB329 million from the same period of last year; interest expenses of financial assets sold under repurchase agreements decreased by RMB200 million from the same period of last year; and interest expenses on subordinated bonds, corporate bonds and lending decreased by RMB135 million as compared with the same period last year.
2. Net commissions and fee income amounted to RMB4.989 billion, down by RMB18 million year on year, which was mainly attributable to: net income from asset management business increased by RMB403 million over the same period last year; net fee income from investment banking business, and brokerage business decreased by an aggregate of RMB420 million as compared with the same period last year.
3. Gains from fair value change amounted to RMB-1.931 billion, representing a year-on-year decrease of RMB3.618 billion, which was mainly attributable to a significant year-on-year decline in fair value of the proprietary equity investments of the Company, resulting in a substantial negative amount of gains from fair value changes.
4. Exchange gains amounted to RMB-18 million, representing a year-on-year increase of RMB112 million, which was mainly attributable to a rise in foreign exchange rates.
5. Income from other businesses amounted to RMB3.799 billion, up by RMB3.349 billion year on year, which was mainly attributable to a significant increase sales income from bulk commodities of subsidiaries.

(ii) Operating expenditure

In 2018, the Company incurred operating expenditure of RMB9.046 billion, representing a year-on-year increase of RMB2.619 billion or 41%, which was mainly attributable to: a year-on-year increase of RMB3.354 billion in other business expenditure as affected by the bulk commodity trading of subsidiaries and a year-on-year decrease of RMB457 million in aggregate in taxes, business and management fee.

(iii) Profit and comprehensive income

In 2018, the Company realized net profit of RMB1.231 billion, a decrease of RMB2.323 billion or 65% compared with the same period of last year. The Company realized total comprehensive income of RMB935 million, a decrease of RMB1.495 billion or 62% compared with the same period of last year.

In 2018, earnings per Share attributable to owners of the parent company amounted to RMB0.18 per Share, a decrease of RMB0.39 per Share or 68% compared with the same period of last year.

In conclusion, in 2018, the Company's operating performance dropped significantly compared with the same period last year due to the severe market shock. However, the Company actively adjusted its operating strategy and actively controlled the scale of venture capital to secure stable overall strength and position in the industry and achieve healthy financial indicators and thus secured a relatively sound financial condition.

The above proposal is hereby put forth to the Shareholders for consideration.

Dear Shareholders,

In accordance with the Listing Rules of Shanghai Stock Exchange, the Guidelines for the Implementation of Related Party Transactions of Listed Companies of Shanghai Stock Exchange, and the Administrative Measures for the Related Party Transactions of the Company, taking into consideration of the Company's daily operation and business development needs, the Company has made estimation on the routine related party transactions that may occur in 2019 and during the period to 2019 AGM, details of which are as follows:

I. DESCRIPTION OF RELATED PARTIES AND RELATED RELATIONS

1. Shenergy (Group) Company Limited ("Shenergy Group") and its related companies

Shenergy Group was established by Shanghai State-owned Assets Supervision and Administration Commission on November 18, 1996 with a registered capital of RMB10 billion. Its legal representative is HUANG Dinan. Shenergy Group holds 25.27% shares of the Company and is the largest shareholder of the Company. Shenergy Group and its related companies include legal persons or other organizations directly or indirectly controlled by Shenergy Group, 30%-controlled companies and its subsidiaries held, directly or indirectly, by Shenergy Group.

2. Other Related Parties

In addition to the aforementioned related parties, the related natural persons and other related legal persons include:

(1) Related natural persons

Related natural persons refer to natural persons who directly or indirectly hold more than 5% of the shares of the Company; directors, supervisors and senior management of the company; close family members of the aforementioned persons, including their spouse, parents and parents-in-law, siblings and their spouses, offspring of 18 years old or above and their spouses, siblings of their spouses and parents of daughters-in-law or sons-in-law; and other natural persons, recognized based on the principal of substance over form by the CSRC, the SSE, or by the Company, who have a special relationship with the Company and may cause the Company to lean against its interest, including natural persons holding 10% or more of shares of the holding subsidiaries that controlled by and have significant influence on the Company.

(2) Related legal persons

Related legal persons refer to legal persons or other organizations which hold more than 5% of the shares of the Company, other than Shenergy Group; legal persons or other organizations directly or indirectly controlled by the related natural persons of the Company, or where the related natural persons of the Company serve as directors and senior management, other than the Company and its holding subsidiaries; and legal persons or other organizations, recognized based on the principal of substance over form by the CSRC, the SSE, or by the Company, who have a special relationship with the Company and may cause the Company to lean against its interest, including legal persons or other organization holding 10% or more of shares of the holding subsidiaries that controlled by and have significant influence on the Company.

II. DETAILS OF PROJECTED ROUTINE RELATED PARTY TRANSACTIONS**1. Related party transactions with Shenergy Group and its related companies**

No.	Category of Transactions	Contents of Transactions	Projected Amount
1	Services for Securities and Financial Products	The services cover, including but not limited to, securities and futures brokerage; leasing of trading seats; sale of securities and financial products; securities and financial business; entrusted assets management; investment and consultancy; underwriting financial advisor of investment bank and asset custody services.	Due to uncertainties of the occurrence and volume of such business, the projected cap will be calculated based on the actual amount.
2	Trading in Securities and Financial Products	The trading covers, including but not limited to, resale or repurchase in the interbank market; bonds proprietary trade business in the inter-bank market; usufruct transfer business; subscription for funds, wealth management or trust plans issued by related parties; related parties' subscription for funds and wealth management products issued by the Company.	
3	Purchasing goods and receiving labor	Including services within the business scope of Shenergy Group and its related companies, which cover, including but not limited to, purchase gas, natural gas, gas stoves, gas equipment, gas kitchen equipment, and acceptance of supporting services such as gas transmission and distribution, gas project planning, design and construction.	

Note: Under the requirements of the Hong Kong Listing Rules and other management rules, the Company carried out continuing related/connected transactions with Shenergy Group and its related companies in strict compliance with the "Resolution on Estimation for the Company's 2018 Daily Related Transactions" considered and approved at the 2017 annual general meeting, the "Resolution on the Signing Connected Transaction Framework Agreement with Shenergy (Group) Company Limited" considered and approved at the 4th meeting of the fourth session of the Board and the applicable annual caps as approved previously.

2. Related party transactions with other related companies

No.	Category of Transactions	Contents of Transactions	Projected Amount
1	Services for Securities and Financial Products	The services cover, including but not limited to, securities and futures brokerage; leasing of trading seats; dealing in securities and financial products; securities and financial business; entrusted assets management; investment and consultancy; underwriting financial advisor of investment banks and asset custody services.	Due to uncertainties of the occurrence and volume of such business, the projected cap will be calculated based on the actual amount.
2	Trading in Securities and Financial Products	The transactions with related parties may refer to, including but not limited to, resale and repurchase in the inter-bank market; bonds proprietary trade business in the inter-bank market; usufruct transfer business; subscription for bonds, funds, wealth management or trust plans issued by related parties; related parties' subscription for bonds, funds and wealth management products issued by the Company.	

3. Related party transactions with related natural persons

Related natural persons will receive securities and futures brokerage services rendered by the Company or subscribe for wealth management products issued by the Company in accordance with laws, regulations and regulatory requirements. Due to uncertainties of the occurrence and volume of such business, the projected cap will be calculated based on the actual amount.

III. PRICING DETERMINATION POLICY AND BASIS OF RELATED PARTY TRANSACTIONS

For the aforementioned related party transactions in the ordinary course of business, the Company will determine the transaction price in strict compliance with the principle of fairness with reference to the market price level, industry practice and prices determined by any third party. The aforementioned related party transactions did not impair the interests of the Company and its shareholders, especially minority shareholders.

IV. IMPACT OF ROUTINE RELATED PARTY TRANSACTIONS ON THE COMPANY

1. The above related party transactions are those that will contribute to normal business development of the Company during the normal business of the Company;
2. The pricing of the aforesaid related party transactions was determined with reference to the market price, which was fair and reasonable without causing any prejudice against the interests of the Company and its non-associated shareholders; and
3. The above related party transactions did not affect the independence of the Company as the principal businesses of the Company did not rely on the related parties as a result of the above related party transactions.

The above proposal is hereby put forth to the Shareholders for consideration (the relevant related Shareholders shall abstain from voting on the related proposals, respectively).

Dear Shareholders,

The Board has considered and agreed to propose a resolution regarding granting general mandate to issue offshore debt financing instruments at the shareholders' general meeting of the Company, whereby the Company is approved to issue offshore debt financing instruments (the “**Offshore Financing Instruments**”), through public or non-public offering, on a one-off or multiple issuances or multi-tranche issuances basis, details of which are as follows:

1. ISSUE METHODS

Offshore Debt Financing Instruments will be issued through public or non-public offering, on a one-off or multiple issuances or multi-tranche issuances basis.

2. ISSUE TYPE

According to the actual conditions, the issuance will be in the form of bonds, subordinated bonds or structural notes, including but not limited to USD bonds, offshore RMB or bonds or subordinated bonds in other foreign currencies, foreign currency notes (including but not limited to commercial notes), medium term note programme and etc.

3. ISSUE SIZE

The maximum balance of the outstanding balance after the issuance of the Offshore Debt Financing Instruments does not exceed RMB20 billion. For instrument denominated in foreign currency, it shall be based on the median exchange rate published by the People's Bank of China on the date of issuance and shall be in compliance with the requirements prescribed in the relevant laws and regulations on the maximum amount of the specific debt financing instruments to be issued.

4. ISSUER

The Issuer of Offshore Debt Financing Instruments can be one of the following entities according to the needs of the issuance:

- (1) the Company;
- (2) offshore wholly-owned subsidiaries of the Company;
- (3) on the premise of fulfilling the following conditions 1, 2 and 3, a directly or indirectly wholly-owned offshore subsidiary established overseas by the Company can be the issuer of Offshore Debt Financing Instruments to issue, on a one-off or multiple issuances or multi-tranche issuances basis, Offshore Debt Financing Instruments overseas.
 - 1 Those wholly-owned offshore subsidiaries are established in Hong Kong or other appropriate offshore jurisdictions while the Company directly or indirectly holds 100% interest of those wholly-owned offshore subsidiaries.

- 2 The registered capital of the proposed directly or indirectly wholly-owned offshore subsidiaries shall not be higher than US\$10,000 or the equivalent amount in other currencies. The name of the entity will be subject to the final version approved by the approving and registering authorities.
- 3 The mandate will be granted at the general meeting and all necessary approval processes required by the regulatory authorities will have been fulfilled. Issuer will be determined in accordance with relevant laws and regulations as well as the advice and recommendations of regulatory authorities, the Company's actual needs for funding and the then prevailing market conditions at the time of issuance.

5. ISSUE TERM

The term of the Offshore Debt Financing Instruments shall be no longer than 10 years (inclusive). It may have single or multiple combined maturities.

6. ISSUE INTEREST RATE, WAY OF PAYMENT AND ISSUE PRICE

The interest rate and payment methods of the issuance of Offshore Debt Financing Instruments will be determined by the issuer and sponsor or lead underwriter (if any) in accordance with the then prevailing market conditions at the time of issuance and relevant provisions.

Issue price will be determined in accordance with the then prevailing market conditions at the time of issuance and relevant laws and regulations.

7. SECURITY AND OTHER ARRANGEMENTS

The Company, the wholly-owned subsidiary and/or third party will provide security or issue letter of support and/or keepwell agreement, standby letter of credit or other credit enhancements, according to the structure of each issuance.

8. USE OF PROCEEDS

The proceeds raised from the issuance of Offshore Debt Financing Instruments shall be used to fund business operation needs of the Company, improve the debt structure of the Company, supplement working capital of the Company and/or make project investment.

9. ISSUE TARGET

The issue target of the Offshore Debt Financing Instruments shall be the onshore and offshore investors whom meet the conditions for subscription.

10. LISTING OF DEBT FINANCING INSTRUMENTS

A resolution regarding to the application of listing of the Offshore Debt Financing Instruments will be proposed at the general meeting to authorise the Board, and agree the Board in turn to authorise the chairman and general manager of the Company (“**Authorized Representatives**”) to jointly or individually determine in accordance with the actual conditions of the Company and then prevailing market conditions at the time of issuance.

11. AUTHORISATION MATTERS OF ISSUANCE OF OFFSHORE DEBT FINANCING INSTRUMENTS

To ensure effective coordination for the issuance of Offshore Debt Financing Instruments and other matters in connection with the issuance, a resolution will be proposed at the general meeting to authorise the Board, and agree the Board in turn to further authorise the executive directors to deal with, at its/their sole discretion, all matters in connection with the issuance of Offshore Debt Financing Instruments in accordance with the relevant laws and regulations as well as the advice and recommendations from regulatory authorities, within the framework and under the principles approved at the general meeting, in order to maximise the interest of the Company, including but not limited to:

- 1 formulation and adjustment of the details of the proposal for issuance of Offshore Debt Financing Instruments in accordance with the applicable laws, regulations and relevant provisions from regulatory authorities as well as resolutions passed at the general meeting of the Company, and based on the actual conditions of the Company and the specific conditions of the relevant debt market, including without limitation, the determination of the suitable issuer(s), timing of issue, details of issue size and method, terms of issue, issue targets, maturity, whether to issue on a one-off, multiple issuances, multi-tranche issuances or multiple-category issuances basis and, if on multiple issuances, multi-tranche issuances or multiple-category issuances basis, the issue size and term of each issuance, tranche and category, the methods in which the nominal value and interest rate are determined, currency (including offshore RMB), pricing method, issuance arrangements, credit enhancement arrangements including letter of guarantee or letter of support, rating arrangement, details of subscription method, whether to incorporate terms of repurchase or redemption, details of placement arrangements, use of proceeds, registration, listing of Offshore Debt Financing Instruments and place of listing, measures to mitigate repayment risks, measures to ensure debt repayment (if applicable), etc. and all matters in connection with the issuance of Offshore Debt Financing Instruments;
- 2 handling, at its/their sole discretion, the establishment of directly or indirectly wholly-owned offshore subsidiaries and all related matters, including but not limited to procedures at home or abroad such as approval, filing and registration, in relation to the issuance of Off-shore Debt Financing Instruments according to relevant provisions;

- 3 determining and engaging intermediary agency, signing, implementing, amending and completing all agreements and documents relating to the issuance of Offshore Debt Financing Instruments, including without limitation, the sponsor agreement, underwriting agreement, credit enhancement agreements such as guarantee agreement or letter of support, bond indenture, engagement letter with intermediary agency, trust agreement, settlement management agreement, registration and custody agreement, listing agreement and other legal documents, etc., and disclosing the relevant information in accordance with the relevant laws, regulations and the listing rules of the stock exchanges on which the Company's securities are listed (including without limitation, the preliminary and final offering memoranda of the debt financing instruments, and all announcements and etc. in relation to the issuance of Offshore Debt Financing Instruments);
- 4 selecting and engaging trustee manager(s) and settlement manager(s) for the issuance of Offshore Debt Financing Instruments, signing the trustee agreement(s) and settlement management agreement(s) and (if applicable), formulating rules for meetings of the holders of the debt financing instruments;
- 5 undertaking all applications and filings as well as listing matters (if applicable) in connection with the issuance of Offshore Debt Financing Instruments, including without limitation, preparing, revising and submitting relevant application and filing materials relating to the issuance and listing of the Offshore Debt Financing Instruments and application and filing materials in respect of credit enhancement agreements such as guarantee or letter of support to be provided by the Company, the issuer and/or third party, and signing the relevant application and filing documents and other legal documents;
- 6 making relevant adjustments to matters relating to the issuance of Offshore Debt Financing Instruments according to the advice of and changes in the policies of regulatory authorities or the changes in market conditions, or determining whether to continue with all or part of the work in respect of the issuance of Offshore Debt Financing Instruments in accordance with the actual conditions, unless re-approval by the shareholders at the general meeting is otherwise required pursuant to the relevant laws, regulations and the articles of association of the Company;
- 7 dealing with other relevant matters in connection with the issuance of Offshore Debt Financing Instruments;
- 8 subject to approval of the above authorisation at the general meeting, a resolution will be proposed to the Board to authorise its Authorized Representatives for the issuance of Offshore Debt Financing Instruments to jointly or individually deal with all matters in connection with the issuance of Offshore Debt Financing Instruments on behalf of the Company pursuant to the resolutions passed at the general meeting and the authorisation granted by the Board.

12. VALIDITY PERIOD OF RESOLUTION

The shareholder's resolutions regarding the issuance of Offshore Debt Financing Instruments shall be valid for a period of 36 months from the date of passing of the resolutions at the general meeting. Where the Board and/or its Authorized Representatives have, during the term of the authorisation, decided the issuance or partial issuance of Offshore Debt Financing Instruments, and provided that the Company has also, during the term of the authorisation, obtained the approval or license from or completed filing or registration (if applicable) with regulatory authorities on the issuance, the Company may, during the validity period of such approval, license, filing or registration, complete the issuance or relevant partial issuance of Offshore Debt Financing Instruments.

The Company will allocate resources reasonably according to the annual asset-liability allocation plan. At the same time, the Company will promote the implementation of comprehensive risk management, implement total risk control, monitor liquidity risk indicators in real time, conduct stress tests, and establish emergency plans to ensure the Company's liquidity safety, and ensure that all businesses are carried out in an orderly manner while the use of funds has achieved good results.

The above proposal is hereby put forth to Shareholders for consideration.

Original articles	Amended articles	Reasons for the amendments
<p>Article 5 The address of the Company: 22F, 23F and 25-29F, Building 2, No. 318, South Zhongshan Road, Shanghai; Postal code: 200010; Telephone number: 0 21-63325888; Fax number: 021-63326010.</p>	<p>Article 5 The address of the Company: <u>Orient Securities Building, No. 119</u>, South Zhongshan Road, Shanghai; Postal code: 200010; Telephone number: 021-63325888; Fax number: 021-63326010.</p>	<p>The Company's latest office address</p>
<p>Article 26 The Company may, in the following circumstances, repurchase shares of the Company <u>in accordance with the procedures provide d i n t h e Article s of Association and with the approval of the relevant authorities of the PRC:</u></p> <p><u>(1) canceling shares in order to reduce the registered capital of the Company;</u></p> <p>(2) merging with other companies holding shares of the Company;</p> <p><u>(3) awarding shares to employees of the Company;</u></p> <p>(4) shareholders objecting to resolutions of the shareholders' general meeting concerning merger or division of the Company requesting the Company to repurchase their shares;</p> <p><u>(5) other circumstances approved by laws, administrative regulations and the securities regulatory authority in the place where the Company's Shares are listed.</u></p>	<p>Article 26 The Company may, in the following circumstances, repurchase shares of the Company:</p> <p><u>(1) reducing the registered capital of the Company;</u></p> <p>(2) merging with other companies holding shares of the Company;</p> <p><u>(3) using the shares in the employee share ownership plan or as share incentive;</u></p> <p>(4) acquiring shares held by shareholders (upon their request) who vote against any resolution proposed in any shareholders' general meeting on the merger or division of the Company;</p> <p><u>(5) using the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;</u></p> <p><u>(6) safeguarding corporate value and shareholders' equity as the Company deems necessary;</u></p> <p><u>(7) other circumstances approved by laws, administrative regulations and the securities regulatory authority in the place where the Company's Shares are listed.</u></p>	<p>The revised "Company Law"</p>

Original articles	Amended articles	Reasons for the amendments
<p>The Company shall not trade its shares unless in the aforesaid circumstances. Where the Company purchases its shares due to reasons stated in previous Clause (1) to Clause (3), a resolution by the shareholders' general meeting is required.</p>	<p>The Company shall not trade its shares unless in the aforesaid circumstances. Any purchase of the shares of the Company under provisions <u>set out in</u> Clauses (1) and <u>(2)</u> referred to above shall be resolved at a shareholders' general meeting; <u>any purchase of the shares of the Company under provisions set out in Clauses (3), (5) and (6) referred to above shall be resolved by the Board's meeting where over two-thirds of the directors are present.</u></p> <p><u>Where the laws, administrative regulations, departmental rules, provisions of the Articles of Association and securities regulatory authorities of the listing places of the Company provide otherwise in terms of the matters involved in share repurchase, such relevant provisions thereof shall prevail.</u></p>	

Original articles	Amended articles	Reasons for the amendments
<p>Article 27 The Company may repurchase its shares in any of the following ways:</p> <p>(1) making a general offer to repurchase shares from all shareholders on a pro rata basis;</p> <p>(2) repurchasing shares through open transactions in the stock exchange;</p> <p>(3) repurchasing shares based on an off-market agreement;</p> <p>(4) in other forms approved by laws, administrative regulations and competent authorities.</p>	<p>Article 27 <u>Where the Company repurchases its shares, it shall fulfill the obligations of information disclosure pursuant to the Securities Law and relevant laws and regulations. Where the Company repurchases its shares pursuant to clauses (3), (5) and (6) of Article 26, it shall be conducted through open and centralized transactions. In addition,</u> the Company may repurchase its shares in any of the following ways:</p> <p>(1) making a general offer to repurchase shares from all shareholders on a pro rata basis;</p> <p>(2) repurchasing shares through open and <u>centralized</u> transactions in the stock exchange;</p> <p>(3) repurchasing shares based on an off-market agreement;</p> <p>(4) in other forms approved by laws, administrative regulations and competent authorities.</p>	<p>The revised “Company Law”</p>

Original articles	Amended articles	Reasons for the amendments
<p>Article 29 After repurchasing its shares according to the aforesaid provisions, where it is in the circumstance stated in Clause (1) in Article 26 of the Articles of Association, the Company shall cancel such shares within ten days from the date of repurchase; where it is in the circumstances stated in Clause (2) or Clause (4), the Company shall transfer or cancel such shares within six months. Where the registered capital is changed, the Company shall register the change of the registered capital with the State Administration for Industry & Commerce. The total par value of the cancelled shares shall be reduced accordingly from the registered capital of the Company. <u>Where the Company repurchases its Shares in accordance with Clause (3) in Article 26 of the Articles of Association, such repurchased shares shall not exceed 5% of the issued shares of the Company. The payment for the repurchase shall be made out of the after-tax profits of the Company and such repurchased shares shall be transferred to employees within one year from the repurchase.</u></p>	<p>Article 29 After repurchasing its shares according to the aforesaid provisions, where it is in the circumstance stated in Clause (1) in Article 26 of the Articles of Association, the Company shall cancel such shares within ten days from the date of repurchase; where it is in the circumstances stated in Clause (2) or Clause (4), the Company shall transfer or cancel such shares within six months; <u>in case of circumstances set out in clauses (3), (5) and (6), the total shares held by the Company shall not exceed 10% of the total shares issued by the Company, and such shares shall be transferred or cancelled within 3 years.</u> Where the registered capital is changed, the Company shall register the change of the registered capital with the State Administration for Industry & Commerce. The total par value of the cancelled shares shall be reduced accordingly from the registered capital of the Company.</p>	<p>The revised “Company Law”</p>

Original articles	Amended articles	Reasons for the amendments
<p>Article 62 The shareholders' general meeting is the authority of the Company and shall exercise the following functions and powers in accordance with the laws:</p> <p>(1) to determine the operating policies and investment plans of the Company;</p> <p>.....</p> <p>(19) to consider such other matters to be resolved at shareholders' general meeting as required by laws, regulations, listing rules of the places where the shares of the Company are listed or the Articles of Association.</p> <p>.....</p>	<p>Article 62 The shareholders' general meeting is the authority of the Company and shall exercise the following functions and powers in accordance with the laws:</p> <p>(1) to determine the operating policies and investment plans of the Company;</p> <p>.....</p> <p><u>(19) pass resolutions on purchase of the shares of the Company because of the circumstances (1) and (2) as required in Article 26 of the Articles of Association;</u></p> <p><u>(20)</u> to consider such other matters to be resolved at shareholders' general meeting as required by laws, regulations, listing rules of the places where the shares of the Company are listed or the Articles of Association.</p> <p>.....</p>	<p>The revised "Company Law"</p>

Original articles	Amended articles	Reasons for the amendments
<p>Article 109 The list of candidates for Directors and Supervisors shall be submitted to the shareholders' general meeting for voting by way of proposal. When a voting is made on election of Directors or Supervisors at a shareholder's general meeting, the cumulative voting system may be adopted in accordance with the requirements of the Articles of Association or the resolutions of the shareholders' general meeting. In respect of the election of Directors or Supervisors, the cumulative voting system shall be adopted <u>when the largest shareholder holds 30% or above or the connected persons together hold 50% or above of the total shares of the Company.</u> The cumulative voting system as referred to in the preceding paragraph means that when Directors or Supervisors are elected at a shareholders' general meeting, each share shall carry the same number of voting right as the number of Directors or Supervisors to be elected, and the voting rights owned by shareholders may be cumulatively used. The Board of Directors shall announce the resumes and basic information of the director or supervisor candidates to shareholders.</p>	<p>Article 109 The list of candidates for Directors and Supervisors shall be submitted to the shareholders' general meeting for voting by way of proposal. When a voting is made on election of Directors or Supervisors at a shareholder's general meeting, the cumulative voting system may be adopted in accordance with the requirements of the Articles of Association or the resolutions of the shareholders' general meeting. In respect of the election of Directors or Supervisors, the cumulative voting system shall be adopted <u>when sole shareholder and its concert party are interested in 30% or more in shares of the Company.</u> The cumulative voting system as referred to in the preceding paragraph means that when Directors or Supervisors are elected at a shareholders' general meeting, each share shall carry the same number of voting right as the number of Directors or Supervisors to be elected, and the voting rights owned by shareholders may be cumulatively used. The Board of Directors shall announce the resumes and basic information of the director or supervisor candidates to shareholders.</p>	<p>According to the Code of Corporate Governance for Listed Companies issued on 30 September 2018</p>

Original articles	Amended articles	Reasons for the amendments
<p>Article 152 The Board of Directors shall perform the following duties:</p> <p>(1) to convene shareholders' general meetings and to report to shareholders' general meetings;</p> <p>.....</p> <p>(7) to formulate plans for any substantial acquisition by the Company, repurchase of Shares or merger, division, and dissolution of the Company;</p> <p>.....</p> <p>(18) other duties and powers granted by the laws, regulations and the Articles of Association.</p> <p>.....</p>	<p>Article 152 The Board of Directors shall perform the following duties:</p> <p>(1) to convene shareholders' general meetings and to report to shareholders' general meetings;</p> <p>.....</p> <p>(7) to formulate plans for any substantial acquisition by the Company, <u>repurchase of the shares of the Company, because of the circumstances (1) and (2) as required in Article 26 of the Articles of Association</u> or merger, division, and dissolution of the Company;</p> <p>.....</p> <p><u>(18) to decide on repurchase of shares of the Company under circumstances as prescribed under items (3), (5) and (6) of Article 26 of the Articles of Association;</u></p> <p>.....</p> <p><u>(19)</u> other duties and powers granted by the laws, regulations and the Articles of Association.</p> <p>.....</p>	<p>The revised "Company Law"</p>

Original articles	Amended articles	Reasons for the amendments
<p>Article 163 The quorum of the meeting of the Board of Directors shall be over half of the Directors. Each Director shall have one voting right. Unless otherwise provided in the Articles of Association, the resolutions of the Board of Directors shall be passed with the approval of over half of all Directors.</p> <p>.....</p>	<p>Article 163 The quorum of the meeting of the Board of Directors shall be over half of the Directors <u>unless otherwise stipulated in the Articles of Association</u>. Each Director shall have one voting right. Unless otherwise provided in the Articles of Association, the resolutions of the Board of Directors shall be passed with the approval of over half of all Directors.</p> <p>.....</p>	<p>The revised “Company Law”</p>
<p>Article 309 These Articles were adopted by a special resolution of the shareholders’ general meeting of the Company with its important clause approved by the CSRC and shall be effective on the date on which <u>the overseas listed foreign shares (H shares) of the Company under the public offering are listed on the Hong Kong Exchange Stock</u>. From the effective date of these Articles, the existing Articles of the Company and amendments thereto shall lapse automatically.</p>	<p>Article 309 These Articles were adopted by a special resolution of the shareholders’ general meeting of the Company and shall be effective on the date on which the CSRC approved the important clauses of these Articles. From the effective date of these Articles, the existing Articles of the Company and amendments thereto shall lapse automatically.</p>	<p>Actual circumstances of the Company</p>