
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 adviser.

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 form of proxy to the purchaser(s) or 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 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) 2022 REPORT OF THE BOARD
(2) 2022 REPORT OF THE SUPERVISORY COMMITTEE
(3) 2022 WORK REPORT OF THE INDEPENDENT DIRECTORS
(4) 2022 FINAL ACCOUNTS REPORT
(5) 2022 PROFIT DISTRIBUTION PROPOSAL
(6) PROPRIETARY BUSINESS SCALE OF THE COMPANY IN 2023
(7) 2022 ANNUAL REPORT
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COMPANY IN 2023**
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(10) ENGAGEMENT OF AUDITING FIRMS FOR THE YEAR 2023
**(11) PLAN ON SHAREHOLDERS' RETURNS IN THE NEXT THREE YEARS OF
THE COMPANY (2023-2025)**
**(12) PROPOSAL REGARDING THE GENERAL MANDATE TO ISSUE
ONSHORE DEBT FINANCING INSTRUMENTS OF THE COMPANY
AND**
NOTICE OF ANNUAL GENERAL MEETING

A notice convening the AGM of the Company to be held at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on Wednesday, May 10, 2023 at 2:00 p.m. is set out on pages 15 to 17 of this circular.

The form of proxy for the AGM has been distributed to you and has also been published on the HKEX news website (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn) on Monday, April 3, 2023. 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, 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 Shareholders from attending and voting at the AGM should they so desire.

This circular is prepared in both Chinese and English. In case of any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

April 18, 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

“A Share(s)”	PRC domestically listed share(s) with a par value of RMB1.00 each in the share capital of the Company, which are listed on the SSE and traded in RMB
“A Shareholder(s)”	holder(s) of the A Shares
“AGM” or “Annual General Meeting”	the 2022 annual general meeting of the Company to be held at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on Wednesday, May 10, 2023 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 Clear”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“China Universal”	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司), an investee company of the Company
“Company”	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)”	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholder(s)”	holder(s) of the H Shares

DEFINITIONS

“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	April 11, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“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
“Rights Issue”	the A Share rights issue and/or the H Share rights issue, details of which are set out in the A Share Rights Issue Prospectus of 東方證券股份有限公司 dated April 18, 2022 and the H Share rights issue prospectus dated May 5, 2022 published by the Company on the HKEX news website (http://www.hkexnews.hk)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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)
“Share(s)”	the A Share(s) and/or the H Share(s)
“Shenergy Group”	Shenergy (Group) Company Limited (申能(集團)有限公司)
“Shenzhen-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shenzhen Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shenzhen
“SSE”	the Shanghai Stock Exchange

DEFINITIONS

“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“%”	per cent.

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. SONG Xuefeng
Mr. JIN Wenzhong (*Chairman*)
Mr. LU Weiming (*President*)

Registered office:

Orient Securities Building
No. 119 South Zhongshan Road
Shanghai
PRC

Non-executive Directors:

Mr. YU Xuechun
Mr. ZHOU Donghui
Mr. CHENG Feng
Mr. REN Zhixiang
Ms. ZHU Jing (*employee representative Director*)

Principal place of business in Hong Kong:

28th and 29th Floor
100 Queen's Road Central
Central
Hong Kong

Independent non-executive Directors:

Mr. JIN Qinglu
Mr. WU Hong
Mr. FENG Xingdong
Mr. LUO Xinyu
Mr. CHAN Hon

To the Shareholders

Dear Sirs or Madams,

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 15 to 17 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.

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 2022 (the “**2022 Report of the Board**”); (ii) the report of the Supervisory Committee of the Company for the year 2022 (the “**2022 Report of the Supervisory Committee**”); (iii) the work report of the independent Directors of the Company for the year 2022 (the “**2022 Work Report of the Independent Directors**”); (iv) the final accounts report of the Company for the year 2022 (the “**2022 Final Accounts Report**”); (v) the profit distribution proposal of the Company for the year 2022 (the “**2022 Profit Distribution Proposal**”); (vi) the proposal regarding the proprietary business scale of the Company in 2023; (vii) the annual report of the Company for the year 2022 (the “**2022 Annual Report**”); (viii) the proposal regarding the projected routine related-party transactions of the Company in 2023; (ix) the proposal regarding the expected provision of guarantees by the Company in 2023; (x) the proposal regarding the engagement of auditing firms for the year 2023; and (xi) the plan on shareholders' returns in the next three years of the Company (2023-2025) (“**Plan on Shareholders' Returns in the Next Three Years of the Company (2023-2025)**”). At the AGM, a special resolution will be proposed to approve, among others, the proposal regarding the general mandate to issue onshore debt financing instruments of the Company.

LETTER FROM THE BOARD

ORDINARY RESOLUTIONS

1. 2022 Report of the Board

An ordinary resolution will be proposed at the AGM to consider and approve the 2022 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 2022 Report of the Board was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

2. 2022 Report of the Supervisory Committee

An ordinary resolution will be proposed at the AGM to consider and approve the 2022 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 2022 Report of the Supervisory Committee was considered and approved by the Supervisory Committee on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

3. 2022 Work Report of the Independent Directors

An ordinary resolution will be proposed at the AGM to consider and approve the 2022 Work Report of the Independent Directors. Details of the aforesaid work report of the independent Directors are set out 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.

The 2022 Work Report of the Independent Directors was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

4. 2022 Final Accounts Report

An ordinary resolution will be proposed at the AGM to consider and approve the 2022 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 2022 Final Accounts Report was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

LETTER FROM THE BOARD

5. 2022 Profit Distribution Proposal

An ordinary resolution will be proposed at the AGM to consider and approve the 2022 Profit Distribution Proposal in accordance with the Articles of Association. Details are as follows:

In accordance with the Company Law, the Securities Law and the Financial Rules for Financial Enterprises (《金融企業財務規則》), as well as 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》), the Interim Measures on the Supervision and Administration of Risk Reserves of Public Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》) issued by the CSRC, and the Articles of Association and other relevant rules, and based on the actual needs of business development of the Company, the details of the proposed profit distribution plan for 2022 of the Company are as follows: as at the beginning of 2022, the undistributed profit of the Company was RMB4,868,993,122.78, of which profit distributable to the Shareholders was RMB4,785,705,451.55 after deducting the interest accrued on the cumulative perpetual bonds issued by the Company as at the end of last year which were classified as equity of RMB83,287,671.23, together with the net profit of the Company realized in 2022 of RMB2,986,875,245.34 and deducting the cash dividends distributed for 2021 implemented during the year of RMB2,124,161,323.00, the impact on unallocated profits of the owners' interests internally carried forward in 2022 of RMB464,477,982.53 and the distribution to holders of other equity instruments of the Company of RMB237,500,000.00, the distributable profit of the Company as at the end of 2022 was RMB5,875,397,356.42.

In accordance with the relevant requirements of the aforesaid laws and regulations and the Articles of Association, the net profits of the Company for 2022 shall be allocated according to the following sequence:

1. The Company appropriates RMB298,687,524.53 to the general risk reserve calculated on the basis of 10% of the net profit of the Company realized in 2022;
2. The Company appropriates RMB298,687,524.53 to the statutory surplus reserve calculated on the basis of 10% of the net profit of the Company realized in 2022;
3. The Company appropriates RMB298,687,524.53 to the transaction risk reserve calculated on the basis of 10% of the net profit of the Company realized in 2022; and
4. A risk reserve for custodian business of RMB410,103.57 was set aside at 2.5% of the custodian fee income of the publicly offered funds.

The aggregate of the above amounted to RMB896,472,677.16.

Net of the above items, the Company's distributable profits attributable to the investors as at the end of 2022 was RMB4,978,924,679.26.

LETTER FROM THE BOARD

The Company has considered factors such as long-term development and the interest of investors comprehensively, and proposed the profit distribution plan for 2022 as follows:

1. The 2022 profit distribution of the Company will be in the form of cash dividend, based on the total share capital of 8,496,645,292 Shares as at the end of 2022, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders who are registered on the record date of cash distribution in 2022, with a total cash dividend of RMB1,274,496,793.80, accounting for 42.33% of the net profit attributable to the owners of the parent company in 2022 consolidated statements.
2. Cash dividend will be denominated and declared in RMB, and paid in RMB to A Shareholders and in Hong Kong dollars to H Shareholders. The actual amount of distribution in Hong Kong dollars will be calculated based on the average benchmark exchange rate of RMB and Hong Kong dollars published by the People's Bank of China five working days prior to the date of 2022 AGM.

The 2022 Profit Distribution Proposal was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

Subject to approval of the 2022 Profit Distribution Proposal at the AGM, the Company will distribute cash dividends within two months from the date of the AGM. Information about the record date and closure of register of members for the purpose of dividend distribution on H Shares and the record date for the purpose of dividend distribution on A Shares and specific date for distribution will be separately announced by the Company.

6. The Proposal Regarding the Proprietary Business Scale of the Company in 2023

An ordinary resolution will be proposed at the AGM to consider and approve the proposal regarding the proprietary business scale of the Company in 2023. Details are as follows:

The proprietary securities business is an important component of the principal business of the Company. In order to keep in line with regulatory requirements over listed securities companies and further strengthen risk management, the proprietary business scale of the Company in 2023 is set out as follows in accordance with the Rules on Strengthening the Supervision and Administration of Listed Securities Companies (as amended in 2020) (《關於加強上市證券公司監管的規定(2020年修訂)》) and the Administrative Measures for Risk Control Indicators of Securities Companies (as amended in 2020) (《證券公司風險控制指標管理辦法(2020年修正)》) and relevant laws and regulations and relevant rules of the Company:

In accordance with various regulatory requirements of the CSRC, the maximum amount of investment in proprietary equity securities and their 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 of the Company will be authorized to determine the specific investment scale within the aforesaid limit subject to the regulatory requirements of the CSRC in relation to proprietary business management and risk monitoring based on the market changes and business development.

LETTER FROM THE BOARD

The aforesaid resolution was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

7. 2022 Annual Report

An ordinary resolution will be proposed at the AGM to consider and approve the 2022 Annual Report. The 2022 Annual Report has been published on the HKEX news website (www.hkexnews.hk) and the website of the Company (www.dfzq.com.cn) and will be despatched in due course.

The 2022 Annual Report was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

8. The Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2023

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 2023, details of which are set out in Annex V of this circular.

The aforesaid resolution was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

9. The Proposal Regarding the Expected Provision of Guarantees by the Company in 2023

Reference is made to the announcement of the Company dated March 30, 2023 in relation to the projected intragroup guarantees for the year 2023. 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 2023. Details are as follows:

In accordance with the operation plan of the Company, the Company and its subsidiaries propose to raise funds by issuing bonds, bank loans, and other channels. In order to reduce financing costs, the Company or its subsidiaries may provide financing guarantees for its wholly-owned subsidiaries. Meanwhile, in order to enhance the external operation capability of the Company's subsidiaries in Hong Kong, Orient Finance Holdings, a wholly-owned subsidiary of the Company, proposes to provide non-financing guarantees for its wholly-owned subsidiaries.

In accordance with the relevant laws, regulations, the Articles of Association and the Measures to Manage External Guarantees of the Company (《公司對外擔保管理辦法》), expected provision of guarantees during the period from the date when this proposal is considered and approved at the AGM to the date of the 2023 annual general meeting of the Company is projected and the following matters are proposed for consideration and approval at the AGM:

(i) Financing guarantees

1. Limitation of the guarantees: The total amount of new guarantees provided by the Company and its subsidiaries for wholly-owned subsidiaries with a gearing ratio of 70% or less shall not exceed 10% of the latest audited net assets of the Company.

LETTER FROM THE BOARD

The total amount of new guarantees provided by the Company and its subsidiaries for wholly-owned subsidiaries with a gearing ratio of over 70% shall not exceed 10% of the latest audited net assets of the Company.

2. Types of the guarantees: including but not limited to providing guarantees for 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 granted from onshore or offshore financial institutions (including but not limited to bank credit, bank loans and syndicated loans) and other debts.
3. Models of the guarantees: including guarantees, mortgages, pledges, and other models as stipulated under the provisions of the relevant laws and regulations.
4. Targets of the guarantees: directly and indirectly holding wholly-owned subsidiaries of the Company.
5. Validity period of authorization: the aforementioned guarantees shall be valid from the date of consideration and approval of the guarantees by the 2022 annual general meeting to the date of the 2023 annual general meeting.
6. Authorization: subject to the quota, type, model, targets and validity period of financing guarantees, it is proposed to the general meeting to authorize the Board of the Company and agree the Board of the Company in turn to further authorize the management of the Company to, at its/their sole discretion, deal with all specific matters involved in the aforementioned financing guarantee, including but limited to executing all documents in connection with the aforementioned guarantees, obtaining approvals from and handling filing formalities with the relevant regulatory authorities, and fulfilling 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 between the Company and its wholly-owned subsidiaries and between the subsidiaries and their wholly-owned subsidiaries.

(ii) Non-financing guarantees

1. Limitation of the guarantees: the total amount of guarantees provided by Orient Finance Holdings for wholly-owned subsidiaries with a gearing ratio of over 70% shall not exceed US\$1.7 billion and the amount guaranteed shall be calculated subject to the agreed amount as set out in the guarantee agreement or the limit of risk monitoring indicators.
2. Types of the guarantees: including but not limited to providing guarantees for non-financing transactions such as International Swaps and Derivatives Association (ISDA), Master Clearing Agreement, Bond Market Association/International Securities Market Association Global Master Repurchase Agreement (TBMA/ISMA GMRA), Master Brokerage Service Agreement, physical trading of precious metals, brokerage business, and issuance of structured notes.

LETTER FROM THE BOARD

3. Models of the guarantees: including guarantees, mortgages, pledges, and other models as stipulated under the provisions of the relevant laws and regulations.
4. Targets of the guarantees: wholly-owned subsidiaries with a gearing ratio of over 70% directly or indirectly held by Orient Finance Holdings.
5. Validity period of authorization: the aforementioned guarantees shall be valid from the date of consideration and approval of the guarantees by the 2022 annual general meeting to the date of the 2023 annual general meeting.
6. Authorization: subject to the quota, type, model, targets and validity period of the non-financing guarantees, it is proposed to the general meeting to authorize the Board of the Company and agree the Board of the Company in turn to further authorize the competent directors of Orient Finance Holdings to, at its/their sole discretion, deal with all specific matters involved in the aforementioned non-financing guarantees, including but not limited to executing all documents in connection with the aforementioned guarantees, obtaining approvals from and handling filing formalities with the relevant regulatory authorities, and fulfilling 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 wholly-owned subsidiaries of Orient Finance Holdings.

The aforesaid resolution was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

10. The Proposal Regarding the Engagement of Auditing Firms for the Year 2023

An ordinary resolution will be proposed at the AGM to consider and approve the proposal regarding the engagement of accounting firms for the year 2023. Details are as follows:

According to the supervisory regulations of the domestic and overseas places where the Company's securities are listed, the Company appoints accounting firms as the domestic and overseas auditors of the Company to be 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 at the 2021 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic auditor of the Company for the year of 2022 and Deloitte Touche Tohmatsu (collectively, "DTT") as the overseas auditor of the Company for the year of 2022. During serving as auditors for the Company for the year of 2022, DTT followed auditing standards and other laws and regulations, adhered to professional ethics, showed professional competence and faithfully and diligently performed their duties, fulfilled effectively the responsibilities that the auditors should perform, and completed their audits independently, objectively and impartially.

LETTER FROM THE BOARD

Pursuant to Article 31 under Chapter V of the Administrative Measures for State-owned Financial Enterprises to Select and Engage Accounting Firms (Cai Jin [2020] No. 6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020]6號)), “a financial enterprise shall, in principle, engage the same accounting firm (including the affiliated members of such accounting firm) for no more than 5 years. Upon expiry of the 5-year period, the financial enterprise may, based on the audit quality of the accounting firm in its previous audits, shareholders’ evaluations, and opinions of the financial regulators, properly extend the term of engagement after performing the decision-making procedures stipulated herein, provided that the consecutive engagement period shall not exceed 8 years, and no tendering is required during the abovementioned term.” As DTT has served as the Company’s auditors for 5 consecutive years, the Company conducted evaluation on the auditing services provided by DTT in accordance with the above requirements and solicited opinions of relevant authorities, none of whom raised an objection. According to relevant regulations and after checking the website of the Ministry of Finance, the administrative penalty imposed by the Ministry of Finance on Deloitte Touche Tohmatsu Certified Public Accountants LLP and its Beijing branch in March 2023 did not constitute a situation that will lead to DTT being prohibited from entering into new and expanding existing audit business for financial enterprises within three years as required under the Administrative Measures for State-owned Financial Enterprises to Select and Engage Accounting Firms (《國有金融企業選聘會計師事務所管理辦法》), and the penalty did not affect the Company’s re-appointment of DTT.

Based on the above conditions, it is therefore proposed to the AGM to consider the following matters:

1. The Board proposes that Deloitte Touche Tohmatsu Certified Public Accountants LLP be re-appointed as the domestic auditor of the Company for the year of 2023 and as the internal control auditor of the Company for the year of 2023, who 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 2023, the financial and special regulatory reporting auditing fees will amount to RMB1.19 million, and the internal control auditing fees will amount to RMB0.50 million.
2. The Board proposes that Deloitte Touche Tohmatsu be re-appointed as the overseas auditor of the Company for the year of 2023, who 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 2023, the financial reporting auditing fees will amount to RMB1.19 million, and the interim review fee will amount to RMB0.93 million.
3. If there is any increase in the auditing fees due to the change in auditing scope, it is proposed that the AGM authorize 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 30, 2023 and is hereby proposed at the AGM for consideration and approval.

11. Plan on Shareholders’ Returns in the Next Three Years of the Company (2023-2025)

An ordinary resolution will be proposed at the AGM to consider and approve the Plan on Shareholders’ Returns in the Next Three Years of 東方證券股份有限公司 (2023-2025).

LETTER FROM THE BOARD

Pursuant to the Company Law of the People's Republic of China, the Notice Regarding Further Implementation of Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (Revised in 2022) (《上市公司監管指引第3號 – 上市公司現金分紅(2022年修訂)》), both issued by the China Securities Regulatory Commission, the Guidelines No. 1 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Standardized Operation issued by the Shanghai Stock Exchange and the Articles of Association, and based on the actual situation of the Company, the Company has formulated the Plan on Shareholders' Returns in the Next Three Years of 東方證券股份有限公司 (2023-2025).

The details of the Plan on Shareholders' Returns in the Next Three Years of 東方證券股份有限公司 (2023-2025) above are set out in Annex VI 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 Plan on Shareholders' Returns in the Next Three Years of 東方證券股份有限公司 (2023-2025) was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

SPECIAL RESOLUTION

12. The proposal regarding the general mandate to issue onshore debt financing instruments of the Company

A special resolution will be proposed at the AGM to consider and approve the proposal regarding the general mandate to issue onshore debt financing instruments of the Company. The details of the above proposal regarding the general mandate to issue onshore debt financing instruments of the Company are set out in Annex VII 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 proposal regarding the general mandate to issue onshore debt financing instruments of the Company was considered and approved by the Board on March 30, 2023 and is hereby proposed at the AGM for consideration and approval.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at Meeting Room, 15/F, No. 119 South Zhongshan Road, Shanghai, the PRC on Wednesday, May 10, 2023 at 2:00 p.m. The notice of the AGM is set out on pages 15 to 17 of this circular.

LETTER FROM THE BOARD

The register of members of H Shares of the Company will be closed from Friday, May 5, 2023 to Wednesday, May 10, 2023 (both days inclusive), during which time no transfers of H Shares will be effected. Holders of H Shares who have submitted their transfer documents 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 Thursday, May 4, 2023 are entitled to attend and vote in respect of all resolutions to be proposed at the AGM (except for Shareholders who are required to abstain from voting on relevant resolution(s) to be proposed at the AGM according to the Hong Kong Listing Rules and relevant PRC laws and regulations). 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 Thursday, May 4, 2023.

The form of proxy for the AGM has been distributed to you and has also been published on the HKEX news website (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn) on Monday, April 3, 2023.

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. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the AGM in person if they 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.

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, voting for 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.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers 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 attached to this circular.

Yours faithfully,
By Order of the Board
JIN Wenzhong
Chairman

April 18, 2023

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 2022 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, 15/F, No. 119 South Zhongshan Road, Shanghai, the People's Republic of China (the “**PRC**”) on Wednesday, May 10, 2023 at 2:00 p.m., for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the Board of the Company for the year 2022.
2. To consider and approve the report of the Supervisory Committee of the Company for the year 2022.
3. To consider and approve the work report of the independent directors of the Company for the year 2022.
4. To consider and approve the final accounts report of the Company for the year 2022.
5. To consider and approve the profit distribution proposal of the Company for the year 2022.
6. To consider and approve the proposal regarding the proprietary business scale of the Company in 2023.
7. To consider and approve the annual report of the Company for the year 2022.

NOTICE OF ANNUAL GENERAL MEETING

8. To consider and approve the proposal regarding the projected routine related party transactions of the Company in 2023:
 - 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 2023.
10. To consider and approve the proposal regarding the engagement of auditing firms for the year 2023.
11. To consider and approve the proposal in relation to the shareholders' returns of DFZQ in the next three years (2023-2025).

SPECIAL RESOLUTION

12. To consider and approve the proposal regarding the general mandate to issue onshore debt financing instruments of the Company.

By order of the Board of Directors
JIN Wenzhong
Chairman

Shanghai, the PRC
April 4, 2023

Notes:

1. ELIGIBILITY FOR ATTENDING THE ANNUAL GENERAL MEETING AND DATE OF REGISTRATION FOR HOLDERS OF H SHARES

The register of members of H Shares of the Company will be closed from Friday, May 5, 2023 to Wednesday, May 10, 2023 (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 Thursday, May 4, 2023 are entitled to attend and vote in respect of all resolutions to be proposed at the Annual General Meeting (except for shareholders who are required to abstain from voting on relevant resolution(s) to be proposed at the Annual General Meeting according to the Hong Kong Listing Rules and relevant PRC laws and regulations).

In order to attend the 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 Thursday, May 4, 2023.

NOTICE OF ANNUAL GENERAL MEETING

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/her/their 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/her/their 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 Tuesday, May 9, 2023).

3. REGISTRATION PROCEDURES FOR ATTENDING THE ANNUAL GENERAL MEETING

A shareholder or his/her/their 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.

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.

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:

Orient Securities Building
No. 119 South Zhongshan Road
Huangpu District, Shanghai
the People's Republic of China

Contact department: Office of the Board
Telephone No.: 86(21) 6332 6373
Facsimile No.: 86(21) 6332 6010
Contact Person: Mr. WU Yibo
- (4) Please refer to the circular of the Company in relation to the Annual General Meeting to be dispatched in due course for details of the resolutions to be proposed at the Annual General Meeting for consideration and approval.

As at the date of this notice, the Board of Directors comprises Mr. SONG Xuefeng, Mr. JIN Wenzhong and Mr. LU Weiming as executive Directors; Mr. YU Xuechun, Mr. ZHOU Donghui, Mr. CHENG Feng, Mr. REN Zhixiang and Ms. ZHU Jing as non-executive Directors; and Mr. JIN Qinglu, Mr. WU Hong, Mr. FENG Xingdong, Mr. LUO Xinyu and Mr. CHAN Hon as independent non-executive Directors.

2022 REPORT OF THE BOARD OF THE COMPANY

Dear Shareholders,

The 2022 work report and 2023 work plan of the Board are hereby set forth below according to relevant requirements of laws and regulations and the Articles of Association:

In 2022, with a volatile international environment and increased downward pressure on China's economy, the stock market suffered a sharp decline. In particular, the SSE Composite Index, the SZSE Component Index and the ChiNext Index decreased by 15.1%, 25.9% and 29.4%, respectively, the comprehensive price index of ChinaBond increased by 0.5%; and the average daily trading volume of the SSE and SZSE stocks amounted to RMB925.1 billion, representing a year-on-year decrease of 12.6%.

The Board of the Company adhered to the general keynote of “maintaining stability with steady progress”, actively responded to the challenges, successfully implemented the Rights Issue for capital replenishment, focused on the principle of “improving the scale and performance of the investment banking business and wealth management business, consolidating the brand influence and advantages of the investment business and asset management business and securing breakthroughs in business fields empowered by financial technology (two improves, two consolidates and one breakthrough)”, maintained overall stable operation and development, and steadily implemented a new round of strategies.

I. PRINCIPAL OPERATING CONDITION OF THE COMPANY IN 2022**(i) Key Financial Indicators**

In 2022, the Company achieved consolidated operating revenue of RMB18.729 billion, a year-on-year decrease of 23.15%; and net profit attributable to the parent company of RMB3.011 billion, a year-on-year decrease of 43.95%. As of the end of the year, the Company had total assets of RMB368.067 billion, an increase of 12.70% from the end of the previous year; and net assets attributable to the parent company of RMB77.386 billion, an increase of 20.68% from the end of the previous year.

(ii) Principal Operating Condition

In 2022, the Company adhered to its business strategies and continued to develop its business. Meanwhile, the Company effectively guarded against and controlled risks, and maintained the “Grade AA, Category A” rating among securities dealers.

1. Significant improvement in investment banking business with strong momentum

In 2022, Orient Investment Banking completed 24 equity financing projects with underwriting amount of RMB23.379 billion; participated in 11 projects of issuance of additional shares as the lead underwriter, ranking 9th in the industry; recorded a total transaction size of RMB7.251 billion for M&A business, and ranked 6th in the industry in terms of projects passing administrative review. Total size of bonds underwritten of the investment banking business amounted to RMB336.348 billion, ranked 7th in the industry. Orient Investment Banking was rated A in the evaluation of corporate bond business practice capability; the Company ranked third in the industry for book-entry treasury bond underwriting, and ranked second in the industry for underwriting of CDB bonds and bonds of Agricultural Development Bank of China.

2. *Continuously consolidating the core competitiveness of investment management business*

Orient Securities Asset Management focuses on active management and continuously enhances its core competitiveness driven by the dual cores of “professional investment research + professional services”. As at the end of 2022, the total size of entrusted assets under management of Orient Securities Asset Management amounted to RMB284.752 billion, in which the size of publicly offered funds under management was RMB207.132 billion, and the size of the long-term closed-end equity funds under management amounted to approximately RMB78.9 billion, accounted for 69% of all equity funds under management of the Company. It continuously expanded its product portfolio based on its investment research capabilities, successfully invested in funds related to medical upgrade and ESG sustainable investment; promoted the construction of the third pillar of personal pension funds, and became the first wealth management securities firm approved to add Y shares in personal pension funds.

China Universal continued to consolidate its active investment management capability, improved its product portfolio with multiple strategies and assets, officially launched its index brand “HTF index”, comprehensively promoted the transformation of its advisory services, continuously deepened the cooperation with institutional customers, and accelerated the strategic business of personal pension. As at the end of 2022, the management scale of non-monetary wealth management publicly offered funds of China Universal amounted to RMB530.225 billion, ranking among the top in the industry.

3. *In-depth transformation of wealth management business and continuous development of incremental innovative business*

The Company continuously developed its core competitiveness in the financial products agency sales business. As at the end of 2022, the size of equity+mixed publicly offered funds held by the Company amounted to RMB39.7 billion, ranking 10th among securities dealers; fund investment advisory business saw significant growth with a size of approximately RMB14.9 billion, serving approximately 160,000 clients. The Company established the “Orient Vision” institutional wealth management business brand to provide institutional customers with one-stop fund investment services such as order placement and fund research; and became one of the first companies to be qualified for sale of individual pension funds and officially commenced such business.

The Company continued to optimise the business and customer structure of margin financing and securities lending business with a balance of RMB19.365 billion, and maintained the guarantee ratio above the market average; continued to adhere to the keynote of “risk control and scale reduction”, with the outstanding balance of collateralized stock business amounting to RMB9.132 billion, representing a decrease of 22% from the end of last year.

4. *Further strengthening investment research capabilities and striving to improve the investment business system*

In terms of proprietary equity investment business, the Company mainly adopted a bottom-up approach for stock selection to maintain a balanced trading position, and continuously adjusted and optimized the trading strategies based on market conditions. In terms of FICC business, the Company steadily increased the size of fixed income proprietary investment, strengthened its bond credit risk management while adjusting its position structure in a timely manner, actively updated its quotation strategy for market-making business in interbank bond market with a year-on-year increase of 7% in trading volume. The market making business for CDB bonds, bonds of Agricultural Development Bank of China and bonds of the Export-Import Bank of China ranked first in the market, and foreign exchange and commodity business maintained stable operation. In terms of financial derivatives, the Company achieved favourable returns with low withdrawal for its market-making business, with market-making revenue up 86% year-on-year. For the OTC derivatives business, the Company continued to explore business models, the trading volume of OTC options reached RMB103.296 billion throughout the year, representing a year-on-year increase of 53%, and the trading volume of income swaps amounted to RMB18.758 billion, 8.5 times the size of the same period of last year. The Securities Research Institute carried out thorough research on fundamentals, cultivated the public offering market, and actively developed non-public offering customers to assist the Group to realize the provision of integrated financial services.

5. *Facilitating collectivized development with remarkable results achieved by various subsidiaries*

The Company continuously develop a “Collaborative DFZQ” by persistently strengthening the sharing of customer resources and business collaboration and establishing the overall distinctive advantage of “1+1>2”. In 2022, various subsidiaries delivered outstanding performance and made important contribution to the results of the Company.

With its core competitive advantages in research and technology, Orient Futures maintained its key operating indicators among the top five in China, and registered a trading volume of nearly 1.4 billion lots, ranking first in China; actively developed financial technology such as big data and strengthened its brand influence.

Orient Securities Capital Investment increased its investment in sectors such as military industry, chip manufacturing, medical devices and new energy, and managed 48 funds with a scale of RMB15.183 billion. During the year, 11 target companies completed IPO and listing or passed the review by the listing committee, and one target company completed restructuring and listing.

Orient Securities Innovation Investment continuously optimized the allocation structure to enhance the stability of returns. In particular, it adhered to its investment strategy of focusing on “invisible champions”, had 89 existing projects with an investment scale of over RMB4.0 billion; and steadily promoted special asset acquisition and disposal business with an investment scale of RMB1,658 million.

II. MAJOR WORK OF THE BOARD IN 2022**(i) Working with Diligence and Scientific Decision-making**

In 2022, the Board continued to effectively carry out consideration of major issues to guarantee scientific and efficient decision-making process. The Board held a total of 12 meetings throughout the year, including 2 meetings held on-site and 10 meetings held via correspondence. At such meetings, the Board determined the Company's annual operation plan, assets/liabilities portfolio, application for new business qualification and other issues relating to daily operation; and considered and approved the Rights Issue, election of Directors, appointment of senior management, amendments to strategic planning, amendments to the Articles of Association and other major decisions regarding major investment and financing, personnel, organization and system.

In strict compliance with relevant requirements of laws and regulations and the Articles of Association, the Board performed its duty as a convener of the Shareholders' general meeting diligently. Three general meetings were convened in 2022, at which 24 resolutions were considered and approved, which effectively protected the rights of Shareholders.

(ii) Successfully Completing the Rights Issue of the Company

In the first quarter of 2022, the Company efficiently completed the feedback and filing in relation to the Rights Issue, and the applications for Rights Issue of A Shares and H Shares were approved by the CSRC and the Hong Kong Stock Exchange respectively. In April, despite the harsh challenge from market downturn and various difficulties, the Company successfully completed the Rights Issue of A Shares and H Shares within the issuance timeframe with the strong support from the Shareholders of the Company. With a subscription rate of nearly 90%, the A Share Rights Issue raised RMB12.715 billion, which effectively strengthened the capital strength of the Company. Meanwhile, the Company completed the issuance of RMB23 billion of domestic bonds, 100 million Euro Yulan bonds and USD300 million bonds. The Company also effectively managed the allocation of its assets and liabilities with focus on improving the ROE of the Company.

(iii) Constantly Improving Corporate Governance

Firstly, according to the Guidelines for the Articles of Association of Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines No. 1 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Standardized Operation and other new regulations, the Company amended and improved ten corporate governance rules such as the Articles of Association, the Independent Director Policy of the Company and the Management Measures of Related-party Transactions of the Company.

Secondly, the Company further strengthened Shareholders and equity ownership management. The Company continued to implement the requirements of the Provisions on the Administration of Equity Ownership of Securities Companies, formulated the Rules on Equity Ownership Management of the Company, refined the specific work of equity ownership management, successfully completed the annual profit distribution to holders of A Shares and H Shares, and continued to conduct the follow-up management of employee ownership of H Shares.

Thirdly, the Company continued to optimize the management of the Company's related transactions, external guarantees and external donations. The Company optimized the related party searching system, improved the management and control of intra-group transaction quota, and coordinated efforts to establish a more effective guarantee information exchange and collaboration mechanism.

Fourthly, the Company increased its efforts in implementation of feedback of the Directors' opinions and the self-development of the Board members, and stepped up training and duty performance of "key minorities" so as to enhance the Company's service quality for the Directors

(iv) Continuously Enhancing the Quality of Information Disclosure

The Board strictly followed the requirements of the specific chapter of the new Securities Law and its ancillary rules and the listing rules of the SSE and the Hong Kong Stock Exchange, actively implemented the new regulatory regulations of the two places, revised and improved the Management Measures of Information Disclosure of the Company and the Administrative Measures for Insider Registration and Confidentiality of the Company, persistently optimized the review procedures and processes, and continuously enhanced the quality of information disclosure to ensure the compliance and effectiveness of information disclosure of the Company. In 2022, the Company prepared and disclosed in aggregate 4 periodic reports, issued nearly 80 temporary announcements, and was rated A (the highest level) by the SSE for its information disclosure practices for two consecutive years.

(v) Actively Improving Investor Relations Management

The Board actively improved the investor relations management mechanism, and established brand image to convey corporate value. In 2022, the Company conducted a total of 85 investor relations exchange activities, including three regular results presentations and one cash dividend briefing. The Company's annual and interim results presentations were conducted in the form of "video livestreaming + call-in enquiries" and recorded a total view count of approximately 100,000. The Company won the award of "Best Practice of Annual Report Presentation of Listed Companies" by the China Association for Public Companies. The Company also continued to improve the investor relations management channels, answered 85 relevant questions on the SSE E-Information platform, pushed 25 articles in the "DFZQ Investor Relations Platform" WeChat official account with nearly 300,000 views, which effectively conveyed our corporate value.

(vi) Optimizing Institutional Mechanisms and Strengthening the Development of Talent Pool

The Company strengthened the composition of its leaders and senior management team and optimised the structure and division of labour; and accelerated the introduction and promotion of middle-level cadres, continued to promote the construction of a young workforce. It also optimized the performance management mode, adjusted the structure and weight of performance indicators, and focused on enhancing efficiency. The Company optimized the job ranking system, guided departments to optimize internal remuneration distribution, and invested more resources in outstanding performers and key talents.

(vii) Strengthening Compliance and Risk Control and Management

In 2022, following the high-quality development trend of the industry, the Board of the Company actively responded to the impact of market fluctuation, strengthened stress testing, risk alert and asset monitoring, continued to deepen vertical management and control of subsidiaries, enhanced risk management of front office operations, and promoted the construction of a digital early warning closed-loop management system and a risk limit management system to ensure compliant development and effective risk control of the Company. The Company formulated the plan for vertical management and control of compliance and risk control, revised the internal control and management measures, standardized business decision-making procedures and approval processes, and effectively rectified the issues identified in audit and self-inspection. It also made all efforts to properly address the risks of collateralized stock business.

(viii) Actively Practicing Sustainable Development

The Board of the Company continuously improves the ESG governance structure, integrates sustainable development into the strategic development of the Company, formulates the overall planning and objectives of ESG and sustainable development management, and actively practices the concept of responsible investment. The Company maintained its MSCI ESG rating of A and continued to be rated as Class A in the culture construction activities of brokers.

This year marks the 25th anniversary of the Company's establishment. While we are proud of the Company's achievements, we must also recognize the significant gap between the Company and the development goal and industry leaders. We still have a long way to go to achieve our goal of "strengthening our weaknesses, expanding our strengths, and rebuilding our advantages." In the future, the Company needs to further enhance its professional financial service capabilities, core competitiveness and strategic execution.

III. SPECIFIC EXPLANATION ON DUTY PERFORMANCE, APPRAISAL AND REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT IN 2022**(i) Duty Performance, Appraisal and Remuneration of Directors**

In 2022, all Directors of the Company lawfully 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 the Board and special committees, made recommendations and suggestions and provided professional opinions on important aspects including improvement of corporate governance, major operational decision-making, major investment and financing activities and enhancement of compliance and risk management, which ensured the scientific and standardized decision-making of the Board and effectively safeguarded the rights and interests of Shareholders.

The Board of the Company held in aggregate 12 meetings during the year. All Directors have attended the meetings in person or by appointing other Directors as their proxy, and the particulars of attendance of meetings are as follows:

Directors	Required attendance during the reporting period (times)	Attendance in person (times)	Attendance by proxy (times)	Absence (times)	Voting results
Song Xuefeng	12	11	1	0	Voting in favour of all proposals submitted for voting
Jin Wenzhong	12	12	0	0	Voting in favour of all proposals submitted for voting
Lu Weiming*	5	5	0	0	Voting in favour of all proposals submitted for voting
Yu Xuechun	12	12	0	0	Voting in favour of all proposals submitted for voting
Zhou Donghui	12	12	0	0	Voting in favour of all proposals submitted for voting
Cheng Feng	12	12	0	0	Voting in favour of all proposals submitted for voting
Ren Zhixiang	12	12	0	0	Voting in favour of all proposals submitted for voting
Jin Qinglu	12	12	0	0	Voting in favour of all proposals submitted for voting
Wu Hong	12	12	0	0	Voting in favour of all proposals submitted for voting
Feng Xingdong	12	12	0	0	Voting in favour of all proposals submitted for voting
Luo Xinyu	12	12	0	0	Voting in favour of all proposals submitted for voting
Chan Hon*	1	1	0	0	Voting in favour of all proposals submitted for voting
Zhu Jing	12	12	0	0	Voting in favour of all proposals submitted for voting

Directors	Required attendance during the reporting period (times)	Attendance in person (times)	Attendance by proxy (times)	Absence (times)	Voting results
Liu Wei*	4	4	0	0	Voting in favour of all proposals submitted for voting
Xu Zhiming*	11	11	0	0	Voting in favour of all proposals submitted for voting

Note: Directors marked with * represent those who were newly appointed or left office during the reporting period. For details, please refer to “Section IV-Corporate Governance-Directors, Supervisors and Senior Management” contained in the 2022 Annual Report of the Company.

In 2022, the Board convened a total of 16 meetings of the special committees, including 1 meeting for the Strategic Development Committee, 5 meetings for the Compliance and Risk Management Committee, 6 meetings for the Audit Committee and 4 meetings for the Remuneration and Nomination Committee. Each special committee, with well-defined terms of reference, conducted prior consideration on the proposals respectively, and put forward professional review opinions as reference for consideration of proposals to the Board, providing strong support to improve the scientific and forward-looking decision-making of the Board and effectively enhancing the corporate governance. Independent Directors were capable of diligently performing their duties to express their independent opinions and recommendations on the proposals, practically maintaining the interests of Shareholders, especially minority Shareholders, and promoting the standardized operation of the Company.

In 2022, except that the independent Directors received the allowance for independent Directors in accordance with the resolution of the Shareholders’ general meeting each year, and Directors who entered into labour contracts with the Company received the remuneration which was based on 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 2022, all senior management members of the Company lawfully and diligently fulfilled their duties of operation and management in compliance with relevant requirements of laws and regulations and the Articles of Association as well as resolutions of the Board and the president’s office. The Company’s investment banking, fixed income and wealth management business registered solid growth, asset management and asset-heavy businesses developed despite pressure, financial technology, Group integration and compliance penetration achieved sound results, and the compliance and risk control system remained in effect, which laid a solid foundation for the Company to achieve the new strategic planning goal and conclude a new round of leap-frog development.

According to the requirements of relevant systems of the Company, the Remuneration and Nomination Committee of the Board is responsible for annual performance evaluation of the management team after the end of each year.

In 2022, remunerations of the executives such as the legal representative (Chairman), president and vice presidents of the Company were determined based on the Appraisal Incentive and Constraint Plan of Executives, comprising of annual fixed remunerations and performance-related bonuses, of which annual fixed remunerations were determined according to the roles served and the performance-related bonuses depended upon the Company's operating results, annual performance appraisal and tenure-based performance appraisal of executives. Remunerations and performance-related bonuses of other senior management members are subject to relevant requirements of the Company.

For the remunerations of senior management members of the Company, please refer to "Remunerations of Directors, Supervisors and Senior Management" in the 2022 Annual Report of the Company.

IV. WORK PLAN FOR THE BOARD IN 2023

The year of 2023 is the opening year to fully implement the spirit of the 20th National Congress of the Chinese Communist Party, and will also mark a crucial milestone for the "3+1" strategic planning of the Company. Leveraging the enhanced resilience of domestic economic growth, the fundamental upsides will remain unchanged in the long run. Driven by in-depth reform and favourable policies, the comprehensive registration system launched in the capital market will present both opportunities and challenges to industry development.

The Company will continue to fulfill its duty of serving the development of the real economy and the management of social wealth with a focus on the strategic goal of "becoming a modern investment bank with the first-class core competitiveness in the industry and provides comprehensive financial services for clients". In 2023, the Company will continue to firmly grasp the overall keynote of seeking progress while maintaining stability and maintain strategic concentration, strive to "stabilize growth" and "facilitate development", and work hard to pursue a high-quality development path that follows the general rules of financial institutions while also embodying the unique characteristics of DFZQ.

The Board of the Company will capitalize on its leading and decision-making role, diligently perform its duties, coordinate the overall situation and steer the development. In particular, the Board will focus on the following tasks:

Firstly, we will continue to improve the governance of listed company. We will continue to improve the corporate governance structure and decision-making mechanism to ensure scientific decision-making and standardized operation of the Company; strictly fulfill the new requirements of information disclosure, optimize the information disclosed to better meet the needs of investors, and enhance the relevance and effectiveness of information disclosure; strengthen investor relations management, effectively convey the value of the Company through communication with various investors, and strive to enhance the market value of the Company.

Secondly, we will play a leading role in strategic management. The Board will continue to focus on the new four-year strategic plan from 2021 to 2024, conduct strategic analysis and project research, facilitate implementation of the plan, and give full play to the leading and guiding role of strategic planning. We will adhere to the strategy of “two improves, two consolidates and one breakthrough” to promote the development of institutional sales and trading business and establish a comprehensive wealth management business system; foster a balanced structure between the Company’s asset-light and asset-heavy businesses as well as traditional and innovative businesses; vigorously promote the customer base growth and quality improvement of the Company; and continue to develop a “Collaborative DFZQ” and strengthen customer resource sharing and business collaboration. We will also lead and support the Company’s management in its efforts to achieve all operational goals for the year.

Thirdly, we will adhere to the bottom line of compliance and strengthen comprehensive risk management. We will comply with all regulatory requirements, deepen the vertical management and control of compliance and risk control, continue to promote consolidated risk management, and implement the “three” lines of defense; carry out effective risk management and control, analyze the business nature, solidly improve the effectiveness of the comprehensive risk management system, strengthen the penetration-driven risk management of the business sides, and improve the Group’s risk warning system; adopt a risk-oriented approach, expand the scope and depth of auditing, make strict inspection and rectification, and create a closed loop of audit management.

Fourthly, we will strengthen the construction of talent team and step up the reform of system and mechanism. We will continue to deepen the talent strategy, improve the assessment and incentive mechanism, promote the corporate culture of “striving for common development in a people-oriented approach”, and further explore the potential of talent; strengthen the top-level design of talent system construction, improve the strategic layout of talent, build a talent team with matching scale, reasonable structure and excellent quality; improve the top-level design of the remuneration system, and strengthen value contribution and performance output; establish a more distinctive selection and employment guideline, and fully leverage the advantages of talent as the primary resource, so as to provide strong support in terms of talents and mechanism for long-term sustainable development of the Company.

Fifthly, we will improving self-construction of the Board and enhance the Directors’ capabilities to perform duties. Following the implementation of the new regulatory requirements for the listing places of the A Shares and H Shares, the Company will fully leverage the role of the Board and its special committees, further motivate the independent Directors to perform their duties, improve self-construction, ensure major decisions are made in a scientific and regulated manner; and continue to provide regular and irregular trainings for the Shareholders, Directors, general manager, secretary to the Board and other “key minorities” to constantly enhance their duty performance capabilities.

Addressing new opportunities and challenges, in 2023, while remaining true to its original aspiration and mission and with the strong support of all parties concerned, the Board will continue to perform its duties diligently, take bold action and embark on a new journey to facilitate the Company to scale new heights through uniting all cadres and employees of the Company and closely focusing on the strategic goal of building a first-class modern investment bank.

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

2022 REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY

Dear Shareholders,

In accordance with relevant requirements under the laws, regulations and the Articles of Association, the 2022 Report of the Supervisory Committee of the Company is as follows.

I. WORK OF THE SUPERVISORY COMMITTEE IN 2022

In 2022, following the Company Law, the Securities Law and relevant state laws and regulations, the Supervisory Committee upheld the annual working guideline of **“implementing the new development concept, focusing on supervision in key areas, optimizing and improving the supervision mechanism, and promoting the Company to achieve high-quality development”**, effectively performed its supervision responsibilities, and constantly innovated on supervision approaches, in an endeavor to expedite the Company to achieve high-quality development. During the year, the Supervisory Committee of the Company was again granted the award of “Best Practice of Supervisory Committee of Listed Companies” by the China Association for Public Companies.

(i) Operating in a Compliant and Orderly Manner Based on its Duties and Position**1. *Convening meetings of the Supervisory Committee in compliant manner to diligently consider material matters***

In accordance with the Articles of Association and the Rules of Procedure for the Supervisory Committee of the Company, the Supervisory Committee convened 7 meetings in 2022 and considered and reviewed 31 resolutions in relation to the periodic reports, financial management, internal control compliance, risk management, anti-money laundering and related-party transactions of the Company. All Supervisors diligently performed their duties, attended the meetings of the Supervisory Committee in strict accordance with relevant requirements, expressed their supervisory opinions independently and professionally, formed 5 Supervision Suggestions and made 16 supervisory recommendations throughout the year, which gained the attention of the Board of Directors, the management and relevant departments, and played a positive role in promoting the compliant and stable operation of the Company.

2. *Attending and presenting at relevant meetings to strictly carry out process supervision*

In 2022, the Supervisors of the Company attended three general meetings and were present at two on-site meetings of the Board of Directors and eight on-site meetings of the special committees of the Board of Directors to supervise the attendance, opinions and voting of the Directors and senior management and expressed their supervisory opinions in an independent and unbiased manner, thus effectively performing the supervisory duties of the Supervisory Committee. In addition, it conducted annual performance assessment of Directors, Supervisors and senior management through special interviews and daily supervision to promote the compliant operation of corporate governance.

(ii) Focusing on Key Areas and Implementing Special Supervision

1. *Focusing on the key points and effectively strengthening financial supervision efforts*

Firstly, the Supervisory Committee formulated a financial supervision work plan, coordinated to formulate a financial supervision list, and promoted its implementation as a key task throughout the year to enhance the systematic and targeted financial supervision. Secondly, the Supervisory Committee diligently performed its financial reporting audit duties, formulated the Guidelines for the Audit of Regular Reports by the Supervisory Committee, clarified the overall audit requirements, identified key concerns and promoted the standardized audit of regular reports by the Supervisory Committee. Thirdly, the Supervisory Committee has established a regular meeting and information reporting mechanism for financial supervision, received independent reports on audits by accounting firms for key financial matters, and held regular work communication meetings with the Company's finance and other departments to enhance the effectiveness of financial supervision in multiple aspects. In 2022, the Supervisory Committee made supervisory recommendations on the financial management of the Company, such as "strengthening financial risk prevention, deepening capital management, making proper debt planning and improving capital operation capability", and the relevant departments proposed measures such as "optimizing financial performance assessment indicators and strictly reviewing the use of proceeds from Rights Issue" based on the recommendations and diligently implemented the same.

2. *Taking a holistic approach to promote the building of a solid defense line of compliance and risk control*

The Supervisory Committee closely monitored changes in the external environment and changes in the Company's risk control indicators, and paid close attention to risk management and internal control in key areas and processes. Firstly, the Supervisory Committee carried out thematic research through "issue-oriented" approach, and focused on the top-level design and implementation of the Company's compliance and risk control work in areas such as system construction, organizational structure, performance assessment, accountability and consolidated management by enhancing penetration-driven management capabilities. Secondly, the Supervisory Committee improved the risk reporting and tracking mechanism, reviewed the Company's compliance and risk control work on a monthly basis, established a risk event ledger, and required relevant departments to provide regular feedback on the progress of major risk mitigation and management. In 2022, the Supervisory Committee put forward supervisory recommendations on compliance and risk management such as "promoting on-site risk management model, strengthening the whole process risk control of key businesses, improving vertical penetration-driven management mechanism, and actively fostering the compliance culture among all employees", and the relevant departments responded to the recommendations with measures such as "improving the hierarchical decision-making and internal control system and exploring and deepening the on-site management model" and actively implemented the same.

3. *Improving management through rectification driven by inspection and targeted supervision*

The Supervisory Committee closely followed the regulatory requirements and carried out supervision and inspection of key businesses and crucial aspects of concern. Firstly, it engaged accounting firms to carry out special inspections on the Company's information disclosure, registration of insiders and management of related-party transactions, and adopted on-site interviews, field sampling and walk-through tests to deeply identify management loopholes, sort out weak spots, explore room for improvement, and make suggestions for improvement on related work to promote the improvement of corporate governance system. Secondly, it effectively implemented the requirements of preventing and mitigating major risks, examined the risk management of the Company's snowball business and projects related to the real estate industry in accordance with the work plan of the Shanghai SASAC and Shenergy Group, and formulated supervision and inspection reports, effectively urging the Company to further strengthen its risk management.

(iii) Improving supervision mechanism and strengthening self-construction

1. *Establishing relevant lists and facilitating the implementation of supervision opinions through closed-loop management*

The Supervisory Committee further improved the closed-loop supervision management mechanism. Firstly, it established the rectification and follow-up standards of "having a clear list of issues, a detailed plan for addressing them, a system for tracking progress, and a focus on delivering results". It required the Company's treasury, finance, compliance and risk control departments to locate the weaknesses and shortcomings based on the supervision suggestions, form targeted rectification tasks, and give feedback to the Supervisory Committee on the actual implementation. Secondly, in response to the inspection and investigation results of previous years, the Supervisory Committee conducted retrospective review on the derivatives business, conducted written assessment on optimization of internal control system, development of relevant systems and talent pool, and rectification of internal and external issues identified, thereby achieving concrete and effective results in implementing supervision efforts.

2. *Strengthening the construction of collectivized supervision system by promoting cross-functional collaboration and coordination*

The Supervisory Committee actively promoted the establishment of a "joint supervision" framework to encourages everyone to participate in the supervision process. Firstly, the Supervisory Committee convened regular supervisory work meetings to exchange and discuss the prominent problems found in routine supervision, further strengthened the communication and collaboration between the Supervisory Committee and the Company's disciplinary inspection, audit, compliance, risk control and other internal supervision functions, thereby realizing the sharing of supervisory resources and information. Secondly, it improved the work mechanism of the supervisory committees of parents and subsidiaries, conducted special investigation on the operation of the supervisors (supervisory committees) of subsidiaries, put forward work suggestions in terms of strengthening the construction of organizational system and improving the ability of duty performance, and sent the Newsletter on the Work of Supervisors of Subsidiaries on a regular basis to further consolidate the foundation of supervision, extend the supervision coverage and strengthen comprehensive and coordinated supervision.

3. *Strengthening the foundation by continuously improving professional ability to perform duties*

With the value goal of “high-quality development driven by effective supervision”, the Supervisory Committee continuously strengthened its ability to perform its duties. Firstly, it safeguarded the right to information of Supervisors through multiple channels and issued 11 Work Bulletins of the Supervisory Committee, 4 Work Newsletters of the Supervisory Committee and 9 Information Disclosure Briefings throughout the year to timely communicate market regulatory dynamics, industry development trends, business operation of the Company and other information. Secondly, it actively summarized its supervision results into a systematic theory, persistently carried out cutting-edge research on ESG of securities companies, completed the key projects of Securities Association of China in 2022, and published several feature articles in external media to further expand the Company’s influence. Thirdly, it organized Supervisors to participate in various types of training on duty performance, and exchanged and learned from the practical experience of industry peers to broaden the work ideas and enhance professional abilities.

II. MEETINGS AND PERFORMANCE OF DUTIES OF THE SUPERVISORY COMMITTEE

In 2022, 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 inspection and research activities of the Supervisory Committee, conducted effective supervision over the finance, compliance and risk management of the Company and raised 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 7 meetings, details of which are set out below:

No.	Meeting	Form	Date	Proposal passed
1	6th meeting of the fifth session of the Supervisory Committee	Correspondence	January 14, 2022	The “Proposal on Examination of the Authenticity, Accuracy and Completeness of the Prospectus for Public Issuance of Subordinated Bonds to Professional Investors by 東方證券股份有限公司 in 2022” was considered and approved

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No.	Meeting	Form	Date	Proposal passed
2	7th meeting of the fifth session of the Supervisory Committee	On-site meeting and videoconference	March 30, 2022	The “Work Report of Supervisory Committee of the Company for the Year 2021”, the “Company’s 2021 Annual Financial Report”, the “2021 Profit Distribution Proposal of the Company”, the “Company’s 2021 Annual Compliance Report”, the “2021 Anti-Money Laundering Report of the Company”, the “Company’s 2021 Annual Risk Management Work Report”, the “Special Audit Report on the Company’s Anti-Money Laundering Work in 2021”, the “Company’s 2021 Annual Internal Control Assessment Report”, the “2021 Compliance Management Effectiveness Assessment Report of the Company”, the “Proposal Regarding the Audit of the Related Transactions of the Company in 2021”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2022”, the “Proposal Regarding the Expected Provision of External Guarantees by the Company in 2022”, the “Proposal Regarding the Reports on Use of Proceeds from Previous Fund-raising Activities of the Company”, the “Proposal on the Company’s 2021 Annual Social Responsibility Report”, the “2021 Annual Report of the Company”, the “Evaluation Report on Performance of Duties by Directors of the Company for the Year 2021”, the “Evaluation Report on Performance of Duties by Supervisors of the Company for the Year 2021”, the “Evaluation Report on Performance of Duties by Senior Management of the Company for the Year 2021” and the “Proposal on Formulation of the Guidelines for Audit of Regular Reports by the Supervisory Committee of 東方證券股份有限公司” were considered and approved.
3	8th meeting of the fifth session of the Supervisory Committee	Correspondence	April 29, 2022	The “First Quarterly Report of the Company for the Year 2022” was considered and approved.

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No.	Meeting	Form	Date	Proposal passed
4	9th meeting of the fifth session of the Supervisory Committee	Correspondence	June 2, 2022	The “Proposal on Adjustment to the Company’s Profit Distribution Plan for 2021” was considered and approved.
5	10th meeting of the fifth session of the Supervisory Committee	On-site	August 30, 2022	The “Company’s 2022 Interim Financial Work Report”, the “Special Report on the Deposit and Actual Use of Proceeds of the Company for the First Half of 2022”, the “Company’s 2022 Interim Compliance Report”, the “Company’s 2022 Interim Risk Management Work Report” and the “2022 Interim Report of the Company” were considered and approved and the “Company’s 2022 Interim Work Report of the Supervisory Committee” was presented.
6	11th meeting of the fifth session of the Supervisory Committee	Correspondence	October 24, 2022	The “Proposal on Examination of the Authenticity, Accuracy and Completeness of the Prospectus for Non-public Issuance of Corporate Bonds to Professional Investors by 東方證券股份有限公司 in 2022” and the “Proposal on Examination of the Authenticity, Accuracy and Completeness of the Prospectus for Public Issuance of Short-term Corporate Bonds to Professional Investors by 東方證券股份有限公司 in 2022” were considered and approved.
7	12th meeting of the fifth session of the Supervisory Committee	Correspondence	October 28, 2022	The “Third Quarterly Report of the Company for the Year 2022” was considered and approved.

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During the reporting period, the attendance of the Supervisors at the meetings of the Supervisory Committee is set out below:

Name of Supervisor	Position	Attendance				
		Required attendances (Times)	Attendance in person (Times)	Attendance via correspondence (Times)	Attendance by proxy (Times)	Absence (Times)
ZHANG Qian (resigned)	Chairman of the Supervisory Committee, shareholder representative Supervisor	5	5	3	0	0
DU Weihua	Vice chairman of the Supervisory Committee, employee representative Supervisor	7	7	5	0	0
WU Junhao	Shareholder representative Supervisor	7	6	5	1	0
ZHANG Jian	Shareholder representative Supervisor	7	7	5	0	0
SHEN Guangjun	Shareholder representative Supervisor	7	6	5	1	0
TONG Jie	Shareholder representative Supervisor	7	7	5	0	0
XIA Lijun	Independent Supervisor	7	7	5	0	0
RUAN Fei	Employee representative Supervisor	7	7	5	0	0
DING Yan	Employee representative Supervisor	7	7	5	0	0
Meetings of the Supervisory Committee held during the year (times)				7		
Including: on-site meeting (times)				2		
Meetings held via correspondence (times)				5		

III. SUPERVISION OPINIONS AND SUGGESTIONS**(i) Supervision Opinions of the Supervisory Committee*****1. Finance management***

The Company conscientiously implemented the national financial and taxation laws and regulations with respect to its finance management, strictly complied with the financial information disclosure requirements of A Share and H Share market, coordinated the financial resources, optimized the asset and liability portfolio, provided financial support for major strategic matters of the Company, strengthened the effectiveness of financial forecasting and financial planning, and continuously improved the Group's refined financial management and active management and control capacity based on the Company's annual operation philosophy, and provided effective support for the stable operation of the Company. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued a "standard unqualified opinion" audit report on the Company's financial statements, and the Company maintained, in all material respects, effective internal control over financial reporting in accordance with the Basic Norms for Enterprise Internal Control and related rules.

2. Compliance and risk management

Pursuant to relevant laws and regulations, regulatory requirements and internal management policies of the Company, the Company actively responded to external situations, strengthened stress testing, risk alert and asset monitoring, constantly enhanced the compliance and risk control vertical and penetration-driven management, standardize business decision-making procedures and approval processes, and stepped up special work for compliance management over anti-money laundering and duty performance of employees to effectively ensure the steady operation of the Company. In 2022, the Company did not record any material case of non-compliance throughout the year, and maintained a rating of "Grade AA, Category A" for securities firms.

3. Duty performance of the Directors and senior management

The Directors and senior management of the Company have sound professional ethics and professional qualities, and are able to diligently perform their duties required by laws. In 2022, the Directors and senior management of the Company followed the annual work guidance determined by the general meeting and the Board at the beginning of the year, actively responded to the impact of external environment such as recurring pandemic and market fluctuations, continued to maintain strategic concentration, adhered to the general keynote of maintaining stability while seeking progress, completed the capital replenishment of the Company, implemented various tasks in an orderly manner, and ensured the stable operation and development of the Company. During the reporting period, the Supervisory Committee did not identify any violations of laws, regulations, Articles of Association or damage to the legitimate rights and interests of Shareholders by the Directors and senior management of the Company in duty performance.

4. *Information disclosure management*

The Company disclosed information in a timely and fair manner in strict accordance with the information disclosure regulations of the A and H share market, such as the Securities Law and the requirements of the Company's Administrative Measures on Information Disclosure, and the information disclosed was true, accurate and complete, thus effectively safeguarding the legitimate rights and interests of Shareholders and investors. During the reporting period, the Supervisory Committee did not identify any violation of laws and regulations in the Company's information disclosure.

5. *Related-party transaction management*

The Company conducted related party transactions in strict accordance with laws, regulations, external regulatory requirements, and internal management systems such as the Company's Measures for the Administration of Related Party Transactions. The Company's decision-making procedures on related party transactions were compliant, and information disclosure was standardized. During the reporting period, the Supervisory Committee did not identify any harm caused to the interests of the Company in related party transactions.

6. *Management of registration of insiders*

According to laws, regulations, regulatory requirements and the internal management system of the Company, the Company shall register, manage, disclose, record, keep confidential the inside information and investigate the responsibility for violations, and maintain the fair principle of information disclosure. During the reporting period, the Supervisory Committee did not identify any violation of the registration management and confidentiality obligations of insiders.

(ii) *Supervision Suggestions of the Supervisory Committee***1. *Fully promoting high-quality development of the Company by seizing opportunities, practicing integrity and honesty and making innovation***

In 2023, the Company shall fully implement the spirit of the 20th National Congress of the Chinese Communist Party, strengthen the overall leadership of the Party, center on the positioning and strength of the capital market and securities firms in the process of Chinese-style modernization, focus on the main responsibility and main business of serving the real economy and wealth management of society, adhere to the target-oriented and problem-oriented approach, seize the opportunities brought by the comprehensive implementation of registration system, and promote the overall progress with key breakthroughs. In addition to adhering to the "two improves, two consolidates and one breakthrough", the Company shall innovate and optimize the business layout, gather business synergy, explore the resource advantages from all sides, strengthen talent and technology empowerment, enhance the ability to provide comprehensive financial services throughout the life cycle of customers, strengthen its role as the "gatekeeper" of the capital market, and contribute to the construction of a new development pattern.

2. *Enhancing capital utilization efficiency through allocation optimization and active management*

The Company shall, on the basis of fully understanding the business development patterns, enhance the ability of active management of capital and finance, reasonably organize the Company's resources, make scientific plans for use of proceeds from the Rights Issue, and improve the overall resource utilization efficiency and comprehensive value return. Based on market conditions, the Company shall expand the scope of financial data analysis of the Company and the industry to provide financial support for business decision-making of the Company. Empowered by financial technology, it shall optimize the comprehensive budget management system and capital management system of the Company, strengthen the refined, proactive and forward-looking management of liquidity risk, debt management and penetration-driven financial management of subsidiaries, enhance the efficiency and effectiveness of capital and financial management, and facilitate the accelerated development of the Group's businesses.

3. *Consolidating the foundation of stable development by strengthening business integration and promoting penetration-driven development*

In view of the complex and ever-changing economic and financial environment in China and abroad, the Company shall further ensure a balanced relationship between compliance and risk control and business development, analyze changes in the internal and external environment in a timely manner, strengthen communication with regulatory authorities, form an in-depth understanding of business fundamentals, and construct a compliance and risk management system that meets the endogenous needs of development of the Company. The Company shall further substantiate the three lines of defense of compliance and risk control, especially the responsibility of business departments and subsidiaries as the first line of defense, and strengthen the penetration-driven and continuous risk control of business. It shall also coordinate and integrate the supervision resources of all parties in the Company, fully utilize financial technology, thoroughly investigate the causes of risks and take effective preventive and corrective measures and strictly implement accountability to enable closed-loop management of risk prevention and control and lay a solid foundation for high-quality development of the Company.

IV. WORK PLAN FOR 2023

The year 2023 is the opening year for the comprehensive implementation of the spirit of the 20th National Congress of the Chinese Communist Party. Guided by Xi Jinping's thought on socialism with Chinese characteristics in the new era, the Supervisory Committee of the Company will fully implement the spirit of the 20th National Congress of the Chinese Communist Party, carry out comprehensive and in-depth reform based on the capital market, focus on the strategic planning of the Company, commit itself to the guiding ideology of **"prioritizing the supervision efforts on key areas, optimizing supervision mechanisms and innovating supervision measures to support the Company in opening a new chapter of high-quality development"**, earnestly perform its statutory supervisory duties, effectively urge the Company to build up a solid line of defense for compliance and risk control, continuously establish and improve the supervision mechanism for corporate governance decision-making and execution with equal power and responsibility, coordinated operation, clear attribution of responsibility and effective checks and balances, thereby contributing to the Company's high-quality development.

(i) Prioritizing In-depth Study and Implementation of the Spirit of the 20th National Congress of the Chinese Communist Party, Improving the Political Awareness, and Enhancing Supervision Effectiveness with Focus on Overall Development of the Company

1. **Enhancing the supervision effectiveness of the Supervisory Committee by studying, comprehending and practicing the spirit of the 20th National Congress of the Chinese Communist Party.** Guided by Xi Jinping's thought on socialism with Chinese characteristics in the new era, the Supervisory Committee of the Company will further study and implement the spirit of the 20th National Congress of the Chinese Communist Party in a comprehensive, in-depth and accurate manner, align its thoughts and actions on supervision work with the spirit of the 20th National Congress of the Chinese Communist Party, improve its political awareness, clarify its responsibilities, center on the overall development of the Company, focus on key supervision areas such as finance, compliance and risk management, and strive to enhance the supervision effectiveness of the Supervisory Committee.
2. **Persistently strengthening the leadership of the Party and comprehensively improving the quality of supervision by the Supervisory Committee.** By strictly adhering to the "Work Plan of Shenergy Group for Strengthening the Leadership of the Party in Improving Corporate Governance", the Supervisory Committee of the Company will implement the "two commitments", stay true to its original aspirations as a state-owned financial enterprise, and focus on strengthening the supervision of corporate governance practices, decision making of "major matters, appointment and dismissal of key executives, investment decisions on major projects, use of large amounts of funds" and implementation of "pre-approval process" of party organization, so as to effectively play the role of checks and balances of the Supervisory Committee in the corporate governance structure.

(ii) Diligently and Continuously Improving the Mechanism of Supervision and Checks and Balances and Focusing on Supervision Priorities to Promote High-quality Development with High-quality Supervision

1. **Optimizing the effective mode of supervision of major financial matters to effectively enhance the efficiency of financial supervision.** Firstly, the Supervisory Committee will improve the scope of consideration of financial matters in accordance with relevant laws and regulations with reference to the regulatory guidelines and the practice of industry peers, strengthen the supervision of major financial matters, and prudently monitor the compliance and reasonableness of the Company's financial decisions. Secondly, relying on daily supervision and information reporting mechanisms, the Supervisory Committee will continuously follow up on matters such as the Company's financial management, budget execution and the operation of subsidiaries, pay attention to the main factors affecting the Company's profitability and asset quality, and make objective analysis of the operation and management situations reflected in financial indicators.

2. **Reinforcing the “problem-oriented” closed loop of inspection, investigation and supervision to effectively facilitate the Company to vigorously safeguard the solid defense line of compliance and risk control.** Firstly, the Supervisory Committee will focus on regulatory priorities, the concerns of the SASAC and Shenergy Group, collaborate with internal and external supervision efforts, conduct problem-oriented inspection and investigation, and continuously establish and improve a comprehensive risk management system. Secondly, the Supervisory Committee will pay more attention to the rectification of problems identified in inspection, investigation and supervision, revisit the situations set out in the supervision recommendations, and implement regular follow-up, feedback and review mechanisms. Thirdly, the Supervisory Committee will strengthen the use of investigation results, explore the use of inspection, investigation and rectification as an important basis for performance assessment of senior management, and enable closed-loop supervision of identifying and investigating problems, making recommendations, urging rectification, and accountability and incentive.

3. **Taking multiple measures to improve the guidance mechanism of the supervisors (supervisory committees) of the parent and subsidiaries and continuously optimize the supervision system of corporate governance.** Firstly, the Supervisory Committee will continue to strengthen the work guidance for supervisors (supervisory committees) of subsidiaries, follow up and supervise the implementation of support for performance of duties by supervisors of subsidiaries, regularly prepare the “Newsletter for Supervisors of Subsidiaries”, convey regulatory requirements and important work of the Supervisory Committee of the parent company, and convene joint work meetings of supervisors of parents and subsidiaries as and when appropriate. Secondly, the Supervisory Committee will work with relevant departments to explore and promote the establishment of a sound management mechanism for dispatching supervisors, study and construct a closed-loop system for supervisors of subsidiaries covering audit delegation, performance report and work assessment, and facilitate the formation of a work system of the Supervisory Committee that enables interaction among different levels of management.

(iii) Closely Monitoring Latest Regulatory Policies and Requirements and Collaborating with Different Parties to Continuously Optimize and Improve the Supervision System

- 1. Promptly benchmarking our supervisory policies and regulations against regulatory requirements and strengthening management of duty performance and information disclosure of Supervisors.** Firstly, the Supervisory Committee will timely report information on the practices, training, integrity, internal disciplinary actions and other relevant information of the Supervisors of the Company in accordance with the latest “Measures for Supervision and Management of Directors, Supervisors, Senior Management and Practitioners of Securities and Fund Management Institutions” and “Rules for Management of Directors, Supervisors, Senior Management and Practitioners of Securities Firms” to strengthen the regulation of appointment and conduct of Supervisors. Secondly, the Supervisory Committee will report on investment conduct of the Supervisors of the Company in accordance with the “Management Measures for Investment Conduct of Directors, Supervisors and Employees of the Company” to ensure timely and compliant reporting and further regulate the investment conduct of the Supervisors. Thirdly, the Supervisory Committee will summarize the impact of the latest laws and regulations and regulatory requirements on the work of the Supervisory Committee in a timely manner, formulate the Work Notices of the Supervisory Committee and send to the Supervisors for reference, refine the implementation rules of the supervision system in a timely manner, and provide institutional support for the effective implementation of supervisory work.
- 2. Collaborating with and integrating internal and external supervision resources and pooling efforts to facilitate the transformation of supervision results.** Firstly, the Supervisory Committee will continue to make use of the synergy with compliance, risk control, audit and other internal supervision organs in daily supervision, inspection and investigation, integrate supervision resources, share supervision information, and assist the Company to prevent, identify and mitigate risks in a timely manner. Secondly, the Supervisory Committee will organize and participate in the supervisory work meetings with the attendance of disciplinary inspection, compliance and risk control and other internal supervision organs, collaborate with relevant departments to follow up on the resolved matters, and urge the implementation and rectification in a timely manner based on the practical-minded principle. Thirdly, the Supervisory Committee will continue to introduce third-party independent organizations to assist the Supervisory Committee in carrying out relevant supervision and inspection to foster continuous improvement of governance performance of the Company.
- 3. Effectively leveraging the diverse composition of the Supervisory Committee to deliver concrete performance of independent supervision.** Firstly, the Supervisory Committee will continue to leverage the professional experience of shareholder representative supervisors in corporate governance, raise supervision suggestions to the decisions made by the Board and management of the Company, and further explore opportunities for industry-finance integration with shareholder entities. Secondly, the Supervisory Committee will leverage the advantages of independent supervisors in terms of professionalism and independence, prudently express opinions of the Supervisory Committee and improve the scientific supervision. Thirdly, the Supervisory Committee will investigate and promote effective approaches of democratic management via employee representative supervisors, and conduct supervision based on the post characteristics to safeguard the democratic decision-making and supervision rights of employees.

(iv) Vigorously Strengthening Self-construction of the Supervisory Committee and Enhancing the Duty Performance Capacity to Effectively Promote Quality and Efficiency Enhancement of Securities Firms

- 1. Proactively exploring trending ESG topics and bravely fulfilling the responsibilities and missions as a securities firm.** Firstly, the Supervisory Committee will implement the green development requirements put forward in the report of the 20th National Congress of the Chinese Communist Party, explore and promote the implementation of relevant recommendations based on previous key projects of Securities Association of China led by the Supervisory Committee, assist the Company in industry culture building and enhance the Company's ability to practice green finance. Secondly, the Supervisory Committee will continue to promote the ESG research of securities companies, continue to attend relevant seminars held by the Securities Association of China and the Asset Management Association of China, and put forward advice and suggestions for the securities industry to comprehensively implement the sustainable development concept and provide better support for the development of real economy.
- 2. Taking aggressive approach to strengthen professional training of the Supervisory Committee and learning from peers to facilitate innovation of supervision mode.** Firstly, the Supervisory Committee will maintain close communication with the Securities Association of China and China Association for Public Companies, proactively attend trainings on corporate governance and enhance the supervision theoretic level and duty performance capacity of the Supervisory Committee. Secondly, the Supervisory Committee will strengthen study of new policies and new business, and invite the accounting firm and finance department to give lectures on the requirements for preparation and audit of the Company's periodic reports, so as to constantly enhance the capabilities to make analysis and judgement on the matters under supervision. Thirdly, the Supervisory Committee will conduct exchanges with supervisory committees of the financial peers to share typical cases, communicate duty performance experience, exchange ideas and explore innovative supervision approaches, and work together with dedication and unity to promote the high-quality and sustainable development of listed companies.

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

2022 WORK REPORT OF THE INDEPENDENT DIRECTORS OF THE COMPANY

Dear Shareholders,

Pursuant to the Rules for Independent Directors of Listed Companies (《上市公司獨立董事規則》) issued by the CSRC, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Guidelines No. 1 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Standardized Operation, the Guidelines No. 2 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Information Disclosure Management and other requirements, we, as the independent Directors of 東方證券股份有限公司, hereby report our work in 2021 as follows:

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

As at the beginning of the reporting period, the fifth session of the Board comprised 13 Directors, among whom 5 were independent Directors: Mr. XU Zhiming, Mr. JIN Qinglu, Mr. WU Hong, Mr. FENG Xingdong and Mr. LUO Xinyu. As at the end of the reporting period, the fifth session of the Board comprised 13 Directors, among whom 5 were independent Directors: Mr. JIN Qinglu, Mr. WU Hong, Mr. FENG Xingdong, Mr. LUO Xinyu and Mr. CHAN Hon.

On July 7, 2022, having served for six consecutive years, Mr. XU Zhiming has tendered to the Board his resignation from the positions of an independent non-executive Director of the fifth session of the Board and a member of the Strategic Development Committee of the Board. Given that the resignation of Mr. XU Zhiming will result in the Company not satisfying the requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited that at least one independent non-executive director of a PRC issuer must be ordinarily resident in Hong Kong, the resignation of Mr. XU Zhiming continued to perform his duties above until the new independent Director assumed office.

As nominated by the Board, at the 2022 second extraordinary general meeting of the Company held on November 8, 2022, Mr. CHAN Hon was elected as an independent non-executive Director of the fifth session of the Board. Mr. XU Zhiming ceased to serve as an independent non-executive Director of the Company since then.

All the 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.

Biographical details of each independent Director are available in the Company's 2022 Annual Report published on the website of the SSE (<http://www.sse.com.cn>) on the same date of this report.

II. ANNUAL DUTY PERFORMANCE OF INDEPENDENT DIRECTORS**(i) Means and Times for Attending Board Meetings and Voting Results, and Times for Participating in General Meetings****1. Attendance at the Board meetings and meetings of Board committees**

The fifth session of the Board established four special committees, being the Strategic Development Committee, Compliance and Risk Management Committee, Audit Committee and Remuneration and Nomination Committee. Positions held by each independent Director on such committees are set out below:

**Independent Directors as
at the end of the reporting
period****Positions held**

JIN Qinglu	Chairman of the Audit Committee and member of the Remuneration and Nomination Committee
WU Hong	Chairman of the Remuneration and Nomination Committee and member of the Compliance and Risk Management Committee
FENG Xingdong	Member of the Audit Committee and the Remuneration and Nomination Committee
LUO Xinyu	Member of the Audit Committee
CHAN Hon	Not a member of any committee

**Independent Director who
resigned during the
reporting period****Positions held**

XU Zhiming	Member of the Strategic Development Committee
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ANNEX III 2022 WORK REPORT OF THE INDEPENDENT DIRECTORS

A total of 12 Board meetings were held throughout the year, including 2 on-site meetings and 10 meetings by correspondence, and all independent Directors attended such meetings in person. A total of 16 meetings of the special committees were held, including 1 meeting of the Strategic Development Committee, 5 meetings of the Compliance and Risk Management Committee, 6 meetings of the Audit Committee and 4 meetings of the Remuneration and Nomination Committee. Specific information of attendance is set out below (actual attendance/required attendance):

Independent Directors	Board meetings	Meetings of the Strategic Development Committee	Meetings of the Compliance and Risk Management Committee	Meetings of the Audit Committee	Meetings of the Remuneration and Nomination Committee
JIN Qinglu	12/12			6/6	4/4
WU Hong	12/12		4/5		4/4
FENG Xingdong	12/12			6/6	4/4
LUO Xinyu	12/12			6/6	
CHAN Hon	1/1				
XU Zhiming	11/11	1/1			

All independent Directors voted for the proposals submitted to the Board for consideration, comprehensively reviewed and discussed the issues considered by the special committees they served, and put forward relevant opinions and suggestions, and ultimately they all voted in favor of the relevant proposals, and there was no objection or abstention. In addition, the Audit Committee also communicated with DTT on the interim review of financial statements prepared under the International Financial Reporting Standards in 2022, rationally arranged the audit process, and specified the audit strategy and key concerns. The Compliance and Risk Management Committee also evaluated the performance of the Company's chief risk officer and compliance officer in 2021, and submitted the results to the Remuneration and Nomination Committee for approval and then to the Board for confirmation.

2. Participation in the general meetings

A total of 3 general meetings were convened by the Company throughout the year. No independent Directors participated in the Company's 2022 first extraordinary general meeting, 2022 first A Shares class meeting and 2022 first H Shares class meeting held on April 13, 2022. Mr. XU Zhiming, Mr. JIN Qinglu, Mr. WU Hong, Mr. FENG Xingdong and Mr. LUO Xinyu, our independent Directors, participated in the Company's 2021 annual general meeting held on June 30, 2022, at which Mr. LUO Xinyu presented the annual work report of the independent Directors. Mr. XU Zhiming, Mr. JIN Qinglu, Mr. WU Hong, Mr. FENG Xingdong and Mr. LUO Xinyu, our independent Directors, participated in the Company's 2022 second extraordinary general meeting held on November 8, 2022, Mr. CHAN Hon, the proposed independent Director, attended the meeting and gave an explanation on his ability to perform his duties, his professional ability, his experience in the industry and whether there is any conflict of interest with the Company.

(ii) Independent Opinions Expressed**1. *Nomination, appointment and removal of Directors***

- (1) Upon review of the biographical details of Mr. LU Weiming, being a candidate of the executive Director of the fifth session of the Board, and other relevant information that may contribute to making judgements, the independent Directors expressed their independent opinions as to the election of executive Director considered at the 13th meeting of the fifth session of the Board that, the Board intended to elect Mr. LU Weiming as an executive Director of the Company and the relevant election procedures are in compliance with the relevant requirements of laws, regulations and the Articles of Association; Mr. LU Weiming possesses the relevant expertise and decision-making, supervision and coordination capacity, meets the requirements for performance of duties of relevant position of the Company and is conducive to the operation and development of the Company; his qualifications satisfy the relevant requirements in the Company Law, the Securities Law, the Measures for Supervision and Management of Directors, Supervisors, Senior Management and Practitioners of Securities and Fund Management Institutions and other laws and regulations and the Articles of Association; and the election of executive Director was approved to be submitted to the general meeting of the Company for consideration.

- (2) Upon review of the biographical details of Mr. CHAN Hon, an independent non-executive Director of the fifth session of the Board, and other relevant information that may contribute to making judgements, the independent Directors expressed their independent opinions as to election of the independent non-executive Director considered at the 18th meeting of the fifth session of the Board that, Mr. CHAN Hon possesses the relevant expertise and decision-making, supervision and coordination capacity, meets the requirements for duty performance and his qualifications satisfy the relevant requirements in the Company Law, the Securities Law, the Measures for Supervision and Management of Directors, Supervisors, Senior Management and Practitioners of Securities and Fund Management Institutions and other laws and regulations and the Articles of Association; Mr. CHAN Hon was nominated by the Board and submitted to the general meeting for consideration, the procedures of which were legal and valid and complied with the requirements in the Articles of Association; the nomination of Mr. CHAN Hon by the Board as a candidate of independent non-executive Director was approved to be submitted to the general meeting of the Company for consideration.

2. *Appointment of senior management members*

- (1) Upon review of the biographical details of Mr. LU Weiming and other relevant information that may contribute to making judgements, the independent Directors expressed their independent opinions as to the appointment of president of the Company considered at the 13th meeting of the fifth session of the Board that, the Board proposed to appoint Mr. LU Weiming as the president of the Company, the procedures of which were in compliance with the relevant requirements of relevant laws and regulations and the Articles of Association; Mr. LU Weiming possesses the relevant expertise and decision-making, supervision and coordination capacity, meets the requirements for performance of duties of relevant position of the Company and is conducive to the operation and development of the Company; his qualifications satisfy the relevant requirements in the Company Law, the Securities Law, the Measures for Supervision and Management of Directors, Supervisors, Senior Management and Practitioners of Securities and Fund Management Institutions and other laws and regulations and the Articles of Association; and the above appointment of senior management member by the fifth session of the Board was approved.

- (2) Upon review of the biographical details of Mr. JIANG Helei and other relevant information that may contribute to making judgements, the independent Directors expressed their independent opinions as to the appointment of senior management member of the Company considered at the 19th meeting of the fifth session of the Board that, the fifth session of the Board proposed to appoint Mr. JIANG Helei as the chief compliance officer and chief risk officer of the Company, the procedures of nomination and appointment were in compliance with the relevant requirements of relevant laws and regulations and the Articles of Association; Mr. JIANG Helei possesses the relevant expertise and decision-making, supervision and coordination capacity, meets the requirements for performance of duties of relevant position of the Company and is conducive to the operation and development of the Company; his qualifications satisfy the relevant requirements in the Company Law, the Securities Law, the Measures for Supervision and Management of Directors, Supervisors, Senior Management and Practitioners of Securities and Fund Management Institutions, the Compliance Management Measures for Securities Companies and Securities Investment Fund Management Companies and other laws and regulations and the Articles of Association; and the above appointment of senior management member by the fifth session of the Board was approved.

3. *Remunerations of Directors and senior management members*

- (1) The independent Directors of the Company expressed their independent opinions on the annual remuneration of the Directors and senior management members of the Company considered at the 13th meeting of the fifth session of the Board that: the total remuneration of the Directors and senior management members of the Company for the year 2021 was in compliance with the requirements of the Articles of Association, the Terms of Reference of the Remuneration and Nomination Committee of the Company, the Assessment, Incentive and Restraint Mechanism Plan for Senior Management of the Company and other regulations, and no objection was raised to the total remuneration of the Directors and senior management members of the Company as disclosed in the annual report of the Company.
- (2) The independent Directors of the Company expressed their independent opinions on the provision for performance bonus of senior management members of the Company in 2021 considered at the 17th meeting of the fifth session of the Board that: the total amount of performance bonuses determined in accordance with the Assessment, Incentive and Restraint Mechanism Plan for Senior Management of the Company and based on relevant data in the consolidated financial statements of the Company in 2021 and 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; the Board considered the proposal in accordance with the provisions of the Articles of Association, and the related Directors recused themselves from voting, the relevant consideration procedures and the content of the adopted proposal were in compliance with the relevant laws and regulations; and the proposal on provision for performance bonus was approved.

4. *Appointment of accounting firms*

The independent Directors of the Company considered that, given that Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu (collectively, “**DTT**”) 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 2021 of the Company, diligently performed their audit duties, and completed the audit work in an independent, objective and fair manner. The re-appointment of DTT by the Company 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 appoint DTT as the domestic and overseas auditors of the Company for 2022 and to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the internal control auditor of the Company for 2022 and agreed to submit the same to the general meeting of the Company for consideration.

5. *Internal control evaluation report*

The independent Directors of the Company believe that the Company has formulated relevant internal control systems in accordance with laws, regulations and regulatory documents based on the basic principles of internal control and combined with the needs of operation and management. The relevant system covers all aspects and processes 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 gave a comprehensive, truthful and accurate view of 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 2021 Internal Control Evaluation Report of the Company.

6. *Formulation of the cash dividend plan*

- (1) The independent Directors of the Company expressed independent opinions on the 2021 profit distribution plan considered at the 13th meeting of the fifth session of the Board that, in view of the ongoing Rights Issue of A Shares and H Shares of the Company and taking into account factors such as interests of Shareholders and the Company's development, the Company temporarily suspended the profit distribution for the year 2021 and did not transfer capital reserve fund into share capital. The Company planned to make profit distribution in accordance with relevant laws and regulations and the Articles of Association and other requirements as soon as possible after the completion of the Rights Issue. The above profit distribution plan was in line with relevant laws and regulations, regulatory documents and the actual situation of the Company, and 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 for consideration.
- (2) The independent Directors of the Company expressed independent opinions on adjustment to the 2021 profit distribution plan of the Company considered at the 16th meeting of the fifth session of the Board that, the 2021 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 regulatory documents as well as the ongoing, stable profit distribution policy determined in accordance with the Articles of Association and the Plan on Shareholders' Returns in the Next Three Years of the Company (2020-2022), 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 for consideration.

7. *Discloseable related-party transactions*

The independent Directors of the Company made judgments on the necessity and rationality of the related party transactions of the Company and determined whether the pricing was fair or whether the interests of the Company and Shareholders were prejudiced in accordance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Guidelines No. 5 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Transactions and Related-party Transactions, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other 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.

The independent Directors of the Company expressed their prior approval opinions and independent opinions on the Projected Routine Related-party Transactions of the Company for 2022 considered at the 13th meeting of the fifth session of the Board that: the projected routine related-party transactions of the Company for 2022 and prior to the convening of the 2022 AGM were conducted in the ordinary course of business and for the business development of the Company, which did not impair the independence of the Company and the projected pricing was reasonable and fair without prejudice to the interests of non-related shareholders of the Company and the Company. The projecting procedures complied with laws, regulations and the requirements of the Articles of Association.

8. *Capital transactions and external guarantees*

Pursuant to the CSRC's Regulatory Guideline No. 8 for Listed Companies – Regulatory Requirements on Capital Transactions and External Guarantees of Listed Companies and the Administrative Measures on External Guarantees of the Company, the independent Directors earnestly conducted a review on the outstanding external guarantees as at the end of the reporting period and those incurred in the current period, and considered that the consideration process was in line with laws without prejudice 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 2022 external guarantees considered at the 13th meeting of the fifth session of the Board that, the Company's estimation of the possible guarantees to be provided to or among subsidiaries during the authorization period arose from the Company's business plan and the need to reduce financing costs as well as enhancement of the operating capacity of the Hong Kong subsidiaries; and the estimation complied with relevant regulations, the Articles of Association, the Administrative Measures for External Guarantees of the Company and other provisions, and the decision-making procedures were arranged legally. The independent Directors agreed on the above external guarantees.

- (2) The independent Directors of the Company issued special statements and independent opinions on the Company's external guarantees during the reporting period at the 13th meeting of the fifth session of the Board that, as of December 31, 2021, the Company's external guarantees included the guarantee provided by the parent company and Orient Finance Holdings (Hong Kong) Limited ("**Orient Finance Holdings**"), a wholly-owned subsidiary, for financing guarantees and non-financing guarantees to subsidiaries of Orient Finance Holdings. The above-mentioned guarantees totaled RMB16.227 billion, accounting for 25.30% of the Company's net assets. During the reporting period, the Company and its wholly-owned subsidiaries provided additional financing guarantees of RMB82 million and non-financing guarantees of RMB6,375 million to their subsidiaries. Such guarantees were carried out to meet the Company's business development, broaden overseas financing channels and enhance the external operating capacity of the Hong Kong subsidiaries. Save for the above, the Company did not provide 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.

9. *Use of proceeds*

The Company completed the public issuance of shares by way of Rights Issue at the end of May 2022, raising net proceeds of RMB12.567 billion. According to the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for Management and Use of Proceeds of Listed Companies of the CSRC, the Guidelines No. 1 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Standardized Operation and other relevant requirements, the independent Directors of the Company expressed independent opinions on the deposit and actual use of proceeds above considered at the 18th meeting of the fifth session of the Board that, the deposit, use and management of proceeds of the Company for the first half of 2022 were in compliance with the relevant regulations of the CSRC and the Shanghai Stock Exchange on deposit and use of proceeds of listed companies as well as the relevant requirements of the Management Measures of Proceeds from Fund-raising Activities of the Company without changes in the investment projects financed by the proceeds, and there was no discrepancy between the actual use of proceeds and the information disclosed by the Company; during the period, the Company fulfilled relevant obligations without any violation of laws or regulations or any damage to the interests of the Company and its Shareholders, and the information disclosure of relevant proceeds was made in a timely, true, accurate and complete manner. The independent Directors agreed on the Special Report on the Deposit and Actual Use of Proceeds of the Company for the First Half of 2022.

10. *Information disclosure*

The Company disclosed the information in accordance with the Company Law, Securities Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other laws and regulations as well as the Articles of Association and other internal rules. 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, which ensured that investors were informed of the material matters of the Company in a timely manner and effectively safeguarded the legitimate rights and interests of the Shareholders of the Company.

11. *Performance of the undertakings of the Company and Shareholders*

The independent Directors diligently performed their duties and paid close attention to 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.

(iii) *On-site Inspection*

The independent Directors carried out on-site inspection over the Company through attending general meetings, Board meetings and meetings of the special committees to urge the compliant operation of the Company and the Board of the Company. The independent Directors gained insight into the Company's operating condition and financial status, discussed with the Directors, Supervisors and senior management members regarding the economic environment, industry development trends and implementation of resolutions of the Board, and proactively kept abreast of the Company's information disclosure and media reports about the Company to ensure the effective implementation of information disclosure and other relevant systems of the Company. They also had timely access to the Company's operation and management information and followed up the operating dynamics of the Company with reference to the Company Newsletters, Board Bulletins, Compliance and Risk Management Comprehensive Report, Compliance Mails and other materials. Meanwhile, the independent Directors also keep contact with the Company through e-mails and telephone calls, so as to establish an effective communication mechanism.

(iv) *Proposing the Convening of Board Meetings and Appointment and Removal of Auditing Firms and Independently Appointing External Auditing Institutions and Advisory Institutions*

During the reporting period, the independent Directors did not propose the convening of Board meetings or appointment or removal of auditing firms, nor did it independently appoint external auditing institutions and advisory institutions.

(v) Other Work Conducted on Protecting the Legitimate Rights and Interests of Minority Shareholders

The independent Directors of the Company proactively attended various meetings of the Company, took the initiative to learn about the Company's strategic development, innovation and transformation and compliance and risk management, and raised professional opinions and suggestions for relevant decisions and corporate governance, which effectively improved the scientific and forward-looking decision-making process of the Board, enhanced the Company's corporate governance and safeguarded the interests of the Company and the legitimate rights and interests of minority Shareholders.

III. OVERALL EVALUATION AND RECOMMENDATIONS

In 2022, all the independent Directors faithfully performed their duties. Through diligent and dedicated engagement in the decision-making for significant matters of the Company, the independent Directors made positive contributions 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 2023, 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 relevant requirements under the laws, regulations and the Articles of Association; and effectively safeguard the legitimate rights and interests of all the Shareholders and in particular of the minority Shareholders, with a view to promoting the sustainable, healthy and stable development of the Company.

Independent Directors: JIN Qinglu, WU Hong, FENG Xingdong, LUO Xinyu and CHAN Hon

March 2023

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

2022 FINAL ACCOUNTS REPORT OF THE COMPANY

Dear Shareholders,

The preparation of 2022 final accounts report of the Company has been completed. The 2022 financial statements of the Company were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, who issued a standard unqualified audit report thereon.

Unless otherwise stated, the financial data in this report are based on the audited A Share consolidated financial statements, of which the data on net assets, net profit, and total comprehensive income are all based on those attributable to owners of the parent company.

2022 KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB100 million

Items	A Share			H Share		
	As at the end of 2022	As at the end of 2021	Change	As at the end of 2022	As at the end of 2021	Change
Total assets	3,680.67	3,266.00	+13%	3,680.67	3,266.00	+13%
Total liabilities	2,906.69	2,624.57	+11%	2,906.69	2,624.57	+11%
Net assets	773.86	641.27	+21%	773.86	641.27	+21%
Net capital (parent company)	473.77	368.95	+28%	473.77	368.95	+28%
Items	2022	2021	Change	2022	2021	Change
Operating income/ revenue and other income	187.29	243.70	-23%	231.07	285.63	-19%
Operating expenses/ total expenses	155.50	181.40	-14%	203.95	237.00	-14%
Total profit	33.78	63.07	-46%	33.78	63.07	-46%
Net profit	30.11	53.71	-44%	30.11	53.71	-44%
Total comprehensive income	29.41	58.68	-50%	29.41	58.68	-50%
Earnings per Share (RMB/Share)	0.35	0.72	-51%	0.35	0.72	-51%
Weighted average return on net assets	4.16%	9.02%	↓ 4.86 percentage points	4.16%	9.02%	↓ 4.86 percentage points

Note: For A Share and H share financial reports, total assets, total liabilities and net assets are identical. The differences in operating income and operating expenditure are mainly attributable to the income and expenses for fees and interests, which are reflected on a net basis for A Share but reflected separately for H Share.

I. FINANCIAL POSITION IN 2022**(i) Assets**

As at the end of 2022, total assets of the Company amounted to RMB368.067 billion, representing an increase of RMB41.467 billion or 13% as compared with those of the end of the previous year. The major changes were as follows: with the increase in customer funds, monetary funds recorded an increase of RMB31.306 billion over the end of the previous year; various kinds of financial investment and derivative financial assets recorded an increase of RMB11.334 billion in aggregate from the end of the previous year; clearing settlement funds recorded an increase of RMB3.633 billion over the end of the previous year; lending amount recorded a decrease of RMB4.846 billion over the end of the previous year; and the financial assets held under resale agreements recorded a decrease of RMB2.892 billion over the end of the previous year.

(ii) Liabilities

As at the end of 2022, total liabilities of the Company amounted to RMB290.669 billion, representing an increase of RMB28.212 billion or 11% as compared with those of the end of the previous year. The major changes were as follows: amount from securities brokerage business increased by RMB33.029 billion over the end of the previous year; financial liabilities held for trading increased by RMB1.951 billion over the end of the previous year; short-term financing bills payable recorded an increase of RMB1.204 billion over the end of the previous year and bonds payable decreased by RMB11.707 billion over the end of the previous year.

After deducting amount from securities brokerage business and funds payable to securities issuers, as at the end of 2022, the gearing ratio of the Company was 68.41%, representing a decline of 4.48 percentage points as compared with that of the end of the previous year.

(iii) Net Assets and Net Capital

As at the end of 2022, net assets of the Company amounted to RMB77.386 billion, representing an increase of RMB13.259 billion or 21% as compared with that of the end of the previous year. The major changes were as follows: share capital and capital reserve increased by RMB1.503 billion and RMB11.122 billion respectively due to Rights Issue; net profit of RMB3.011 billion in 2022, other comprehensive income (net of tax) of RMB-69 million, and cash dividend distributed for 2021 of RMB2.124 billion.

At the end of 2022, net asset per Share attributable to owners of the parent company was RMB9.11/Share, representing a decrease of RMB0.06/Share or 1% over the end of the previous year.

As of the end of 2022, net capital of the parent company amounted to RMB47.377 billion, representing an increase of RMB10.482 billion over the end of the previous year due to the Rights Issue. During the year, major risk control indicators such as net capital continued to meet regulatory requirements.

II. OPERATION RESULTS IN 2022**(i) Operating Income**

In 2022, the Company realized operating income of RMB18.729 billion, representing a year-on-year decrease of RMB5.642 billion or 23%, among which:

1. net fee income and commission amounted to RMB8.034 billion, down by RMB1.366 billion year on year, which was mainly attributable to the decrease of RMB977 million in net fee income from asset management business as compared with the same period last year; the decrease of RMB532 million in net fee income from brokerage business as compared with the same period last year and the increase of RMB28 million in net fee income from investment banking business as compared with the same period last year.
2. the investment income amounted to RMB3.138 billion, representing a year-on-year decrease of RMB1,619 million and gains from fair value changes amounted to RMB-572 million, representing a year-on-year decrease of RMB560 million, which was mainly attributable to the decrease in the investment income and fair value changes from proprietary securities of the Company due to market turbulences.
3. income from other businesses amounted to RMB6.632 billion, representing a year-on-year decrease of RMB1.870 billion, which was mainly attributable to the decrease in income from warehouse receipt services.

(ii) Operating Expenditure

In 2022, the Company incurred operating expenditure of RMB15.550 billion, representing a year-on-year decrease of RMB2.589 billion or 14%, which was mainly attributable to a year-on-year decrease of RMB1.768 billion in cost of other businesses; a year-on-year decrease of RMB541 million in business and management fee; and a year-on-year decrease of RMB262 million in asset impairment loss and credit impairment loss due to the decrease in impairment provided for the share pledge business.

(iii) Profit and Comprehensive Income

In 2022, the Company realized net profit of RMB3.011 billion, a decrease of RMB2.361 billion or 44% compared with the same period of last year. The Company realized total comprehensive income of RMB2.941 billion, a decrease of RMB2.927 billion or 50% compared with the same period of last year.

In 2022, earnings per Share attributable to ordinary shareholders of the parent company amounted to RMB0.35 per Share, a decrease of RMB0.37 per Share or 51% compared with the same period of last year.

In conclusion, in 2022, affected by various adverse factors such as the volatile international environment, major equity indices in the capital market suffered fluctuations and adjustments. Facing the complex and challenging external business environment, the Company strived to overcome difficulties, maintained stability while seeking progress, and actively seized market trading opportunities. Despite the decline in overall performance due to the year-on-year decrease in revenue from securities investment and other businesses, the overall operation and development of the Company remained stable.

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

PROPOSAL REGARDING THE PROJECTED ROUTINE RELATED PARTY
TRANSACTIONS OF THE COMPANY IN 2023

Dear Shareholders,

In accordance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Guidelines No. 5 for the Self-regulation of Listed Companies on the 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 2023 and up to 2023 annual general meeting, details of which are as follows:

I. DESCRIPTION OF RELATED PARTIES AND RELATED RELATIONSHIP**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 RMB20 billion. Its legal representative is HUANG Dinan. Shenergy Group holds 26.63% shares of the Company and is the largest shareholder of the Company. The related companies of Shenergy Group include parties acting in concert with Shenergy Group, associates of Shenergy Group¹ and major upstream and downstream companies of Shenergy Group and the above entities.

2. Other related parties

Except for the above-mentioned related parties, related natural persons and other related legal persons of the Company 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; natural persons that met or will meet any of the conditions enumerated above in the past 12 months or within 12 months after relevant agreements or arrangements take effect; and other natural persons, recognized based on the principle of substance over form by the CSRC, the Shanghai Stock Exchange, or by the Company, who have a special relationship with the Company and may cause the Company to lean against its interest.

¹ Associates of Shenergy Group mainly include subsidiaries (50%-controlled companies) of Shenergy Group, 30%-controlled companies held by Shenergy Group and its subsidiaries and any subsidiaries under such 30%-controlled companies.

(2) Other related legal persons

Related legal persons refer to legal persons or other organizations which hold more than 5% of the Shares of the Company and parties acting in concert with them 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 (excluding being an independent Director of both parties) and senior management, other than the Company and its holding subsidiaries; legal persons or other organizations that met or will meet any of the conditions enumerated above in the past 12 months or within 12 months after relevant agreements or arrangements take effect; and legal persons or other organizations, recognized based on the principle of substance over form by the CSRC, the Shanghai Stock Exchange, or by the Company, who have a special relationship with the Company and may cause the Company to lean against its interest.

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

No.	Category of Transactions	Description	Projected Amount
1	Securities and Financial Services	The services provided or received cover, including but not limited to: securities and futures brokerage; underwriting and sponsoring; financial consultancy; entrusted assets management; settlement and sale of foreign exchange; margin financing and securities lending; securities and financial advisory and consultancy, etc.	The related-party transactions with Shenergy Group and its associates are conducted in accordance with the framework agreements on related-party transactions entered into between the Company and Shenergy Group, and the amount of the transactions shall not exceed the maximum amount agreed in the said agreements.
2	Trading in Securities and Financial Products	The trading covers, including but not limited to: 1. transactions relating to equity products, non-equity products and their derivatives: including but not limited to stocks, bonds, funds, trusts, wealth management products, asset management schemes, asset securitization products, swaps, futures, options, forwards and other financial products; 2. financing-related transactions: financial intermediation activities among financial institutions, including but not limited to interbank lending; repurchases; mutual holding of debt instruments such as income certificates, short-term financing bills, subordinated bonds and corporate bonds; and 3. other securities and financial products transactions as permitted by the regulatory authorities.	For related-party transaction with other related companies of Shenergy Group, due to uncertainties of the occurrence and volume of such business, the projected cap will be calculated based on the actual amount.
3	Purchasing goods and receiving labor	Including goods procured and services received within the business scope of Shenergy Group and its related companies, which cover, including but not limited to: acceptance of goods and labor such as electricity, gas, natural gas, gas stoves, gas equipment, gas kitchen equipment, and acceptance of services such as property management, gas transmission and distribution, gas project planning, design and construction.	

2. Projected related-party transactions with other related companies

No.	Category of Transactions	Description	Projected Amount
1	Securities and Financial Services	<p>The services provided or received cover, including but not limited to:</p> <p>securities and futures brokerage; leasing of trading seats; sale of securities and financial products; underwriting and sponsoring; financial consultancy; entrusted assets management; settlement and sale of foreign exchange; securities and financial business; entrusted assets management; securities and financial advisory and consultancy; insurance, etc.</p>	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	<p>The trading covers, including but not limited to:</p> <ol style="list-style-type: none"> 1. transactions relating to equity products, non-equity products and their derivatives: including but not limited to stocks, bonds, funds, trusts, wealth management products, asset management schemes, asset securitization products, swaps, futures, options, forwards and other financial products; 2. financing-related transactions: financial intermediation activities among financial institutions, including but not limited to interbank lending; repurchases; mutual holding of debt instruments such as income certificates, short-term financing bills, subordinated bonds and corporate bonds; and 3. other securities and financial products transactions as permitted by the regulatory authorities. 	
3	Other services	<p>Including but not limited to the following services:</p> <p>acceptance of labor service, research and consultancy, training, property leasing and other services.</p>	

3. Projected related-party transactions with related natural persons

Related natural persons of the Company will receive securities and financial services provided by the Company, trade in securities and financial products with the Company and provide relevant services to 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 PRINCIPLE 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 prevailing market price, industry practice and prices determined by any third party. The aforementioned related-party transactions did not prejudice the interests of the Company and its Shareholders, especially the minority Shareholders.

IV. IMPACT OF ROUTINE RELATED-PARTY TRANSACTIONS ON THE COMPANY

1. The above related-party transactions are conducted in the ordinary business operation of the Company and will contribute to normal business development 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 prejudice to the interests of the non-related shareholders of the Company and the Company;
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 for Shareholders' consideration (the relevant related Shareholders shall abstain from voting on the related proposals, respectively).

PLAN ON SHAREHOLDERS' RETURNS IN THE NEXT THREE YEARS OF
東方證券股份有限公司 (2023-2025)

In order to further standardize the dividends distribution of 東方證券股份有限公司 (hereinafter referred to as the “**Company**”), promote the Company to establish a solid, scientific, sustainable and stable shareholders’ return mechanism, as well as protect the legal interests of the minority investors, and according to the relevant regulations under the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), the Guideline No.3 for the Supervision and Administration of Listed Companies – Cash Dividends Distribution of Listed Companies (Revised in 2022) (《上市公司監管指引第3號 – 上市公司現金分紅(2022年修訂)》) issued by the China Securities Regulatory Commission, the Guidelines No. 1 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Standardized Operation as well as the Articles of Association, and based on the actual conditions of the Company, the Plan on Shareholders’ Returns in the Next Three Years (2023-2025) (hereinafter referred to as the “**Plan**”) is formulated. Detailed information is as follows:

Article 1 Factors considered in formulating the Plan

With a vision on long-term and sustainable development, the Company has fully taken into account development strategic planning of the Company, industrial development trend, shareholders’ returns, cost of social funds, external financing environment to establish a sustainable, stable and scientific return plan and mechanism for investors and make clear and systematic arrangements for profit distribution of the Company in order to ensure the continuity and stability of the profit distribution policy.

Article 2 Principles for formulating the Plan

The Plan shall be formulated in compliance with the rules under the relevant laws, regulations and the Articles of Association through attaching importance to the reasonable investment return for investors and paying attention to actual operation for the current year and sustainable development of the Company. The Shareholder’ Return Plan of the Company shall fully consider and listen to the opinions from the Shareholders (in particular the minority investors), independent directors and supervisors.

Article 3 Specific Shareholders' Return Plan for the next three years of the Company (from 2023 to 2025)

- (I) The Company may distribute its profit in cash, shares or a combination of both or in any other forms as permitted by the laws and regulations. The Company shall determine a cash dividends policy that enables the shareholders to share the growth and development results of the Company and receive reasonable investment returns, by considering factors such as its development stage, capital requirements.
- (II) The Company adopts cash dividends as its priority profit distribution policy, i.e. the Company shall distribute its dividends in cash when the Company gains profit in that year and the accumulated undistributed profit is positive and if there is distributable profit available after making up losses, and making appropriation of various accumulation funds and reserve funds in accordance with the laws. The profit distributed by the Company shall not exceed its accumulated distributable profit. Profit distributed in cash in a single year shall be no less than 30% of the distributable profit of that year.
- (III) The Company generally distributes its profit on a yearly basis. Subject to the compliance of the profit distribution principles and cash dividends conditions, the Board of the Company may propose to distribute interim cash dividends based on the operational condition of the Company.
- (IV) If the Company grows rapidly and the Board considers that there is a mismatch between Company's share price and the size of its share capital, the Company may, after making the above cash dividends distribution and taking into consideration the growth of the Company and the diluted net assets per share, propose and implement a proposal on distribution of dividends in cash.
- (V) The Board of the Company shall take into account features of the industries where the Company operates, its development stage, business model, and profit level and whether it has any significant capital expenditure plans, and formulate differentiated cash dividends policies in accordance with the provisions set out below and procedures provided in the Articles of Association:
 - (1) If the Company is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution;
 - (2) If the Company is at the mature stage of development and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 40% in the profit distribution;
 - (3) If the Company is at the growing development stage and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 20% in the profit distribution.

If it is difficult to determine the Company's stage of development while it has a significant capital expenditure plan, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution.

The proportion of cash dividends in the profit distribution shall be the cash dividends divided by the sum of cash dividends and scrip dividends.

Article 4 Decision-making mechanism for the profit distribution plan of the Company

The Board shall formulate a definite and clear Shareholders' Return Plan every three years after carrying out a thorough discussion of the conditions and percentage of profit distribution, the development stage of the Company, and its significant capital expenditure plans; and shall formulate profit distribution plan for the current period after conducting careful research into and deliberation on the timing, conditions and minimum percentage of cash dividends of the Company as well as conditions of adjustment. The profit distribution plan proposed by the Board shall be passed by a majority of the Directors, and independent Directors shall express their independent opinions on the profit distribution plan before it is submitted to the shareholders' general meeting for consideration and approval.

The independent Directors may collect opinions from minority shareholders for formulating and putting forward a dividends distribution proposal to the Board for consideration.

Before the profit distribution plan is considered at the shareholders' general meeting, the Company shall actively communicate and contact with its Shareholders, especially minority Shareholders through multiple channels, discuss in detail and exchange ideas with Shareholders on the profit distribution plan, fully listen to the opinions and demands of minority Shareholders, and timely respond to the concerns of minority Shareholders. If profit distribution plan for the current year is decided in compliance with the existing cash dividends policy or as per the minimum proportion of cash dividends, the profit distribution plan shall be passed by more than a half of the voting rights held by Shareholders (including their proxies) present at the Shareholders' general meeting. If profit distribution plan for the current year cannot be decided in compliance with the existing cash dividends policy or as per the minimum proportion of cash dividends under special circumstances, the Company shall disclose specific reasons and definite opinions from independent Directors in the annual reports. Profit distribution plan for the current year shall be passed by more than two thirds of the voting rights held by shareholders (including their proxies) present at the shareholders' general meeting. If the Company is profitable and has positive retained earnings during the annual report period and has not made cash dividends or the ratio of total cash dividends to be distributed over the net profit attributable to the Shareholders of the Company for the year is less than 30%, the Company shall provide an explanation for not making cash dividends or the low level of cash dividends in the announcement of the Board resolution to consider and approve the profit distribution, taking into account the characteristics and development stage of the industry in which it operates and its own business model, profitability, capital requirements and other factors, and disclose the specific use of the retained earnings and the expected return. The independent Shareholders shall express explicit opinions in this regard. The Supervisory Committee shall supervise the Board in the implementation of the cash dividend policy, the shareholders' returns plan and the corresponding decision-making procedures and information disclosure. In case that the Board fails to strictly execute the cash dividends policy and Shareholders' Return Plan, fails to strictly implement the corresponding decision-making procedures for cash dividends, or fails to make an authentic, accurate and complete disclosure of cash dividends policy and its execution progress, the Supervisory Committee shall express explicit opinions and urge the Board to make corrections in a timely manner.

Article 5 Formulation cycle and decision-making mechanism for the Shareholders' Return Plan

- (I) The Company shall review the Shareholders' Return Plan again at least once every three years and finalize the Shareholders' Return Plan for that period based on its own actual conditions and the opinions from the shareholders (in particular the public investors) and independent directors, and make sure that such return plan will not violate the relevant regulations of the profit distribution policy.
- (II) Relevant department of the Company shall formulate the Plan by combing actual operation of the Company and fully taking into account the profit scale, cash flow condition, development stage and current funds needs of the Company to protect the equity of the shareholders (in particular the minority shareholders). The department shall carry out specific discussion based on the sustainable development of the Company and fully listen to the opinions from the shareholders (in particular the minority shareholders) and independent directors.

Article 6 The matters not covered in the Plan shall be executed in accordance with the requirements under the relevant laws and regulations, regulatory documents and the applicable Articles of Association.

Article 7 The Plan shall be interpreted by the Board of the Company.

**PROPOSAL REGARDING THE GENERAL MANDATE TO ISSUE ONSHORE DEBT
FINANCING INSTRUMENTS OF THE COMPANY**

Dear Shareholders,

Given that the Proposal on General Mandate to Issue Onshore Debt Financing Instruments by the Company considered and approved at the 2019 annual general meeting of the Company will expire on May 14, 2023, to meet the requirements of business development of the Company and guarantee the smooth implementation of relevant financing tasks, the Company needs to re-obtain a general mandate for issuance of onshore debt financing instruments at the general meeting. For such purpose, it is proposed to the annual general meeting to consider and approve the following matters:

1. ISSUER OF ONSHORE DEBT FINANCING INSTRUMENTS

The onshore debt financing instruments as set out in this proposal shall be issued by the Company as the issuer.

2. ISSUANCE SIZE OF ONSHORE DEBT FINANCING INSTRUMENTS

The Company imposes quota management on debt financing instruments. The outstanding amount of onshore debt financing instruments stipulated under this proposal shall in aggregate not exceed 200% (including currently issued but outstanding debt financing instruments) of the audited net assets as of the end of the previous year (at the parent company level). The specific issuance size of different onshore debt financing instruments shall comply with the issuance limit under relevant laws and regulations as well as various risk control indicators.

3. TYPE OF ONSHORE DEBT FINANCING INSTRUMENTS

Onshore debt financing instruments under this proposal include corporate bonds (including short-term corporate bonds), short-term financing bonds, subordinated bonds (including perpetual subordinated bonds), subordinated debt, income certificate, financial bonds and other onshore debt financing instruments issuable by the Company upon approval from, filing with or being permitted by regulatory authorities and other relevant departments in accordance with relevant regulations, excluding asset-backed securities, right to earnings from margin financing and securities lending and refinancing, and do not include conversion clause.

4. TERM OF ONSHORE DEBT FINANCING INSTRUMENTS

Subject to the minimum term required by regulatory authorities, the Company's onshore debt financing instruments with fixed term shall have a term of not more than 10 years (10 years inclusive). Onshore debt financing instruments with no fixed term are not subject to the above restrictions on term. Instruments of various terms may be single type or hybrid types.

5. COUPON RATE OF ONSHORE DEBT FINANCING INSTRUMENTS AND METHOD OF DETERMINATION

Onshore debt financing instruments under this proposal may be of fixed and/or floating coupon rate. The interest rate and method of determination and payment of interest of onshore debt financing instruments will be determined based on market condition at the time of issuance in accordance with relevant laws and regulations.

6. METHOD AND TARGET OF ISSUANCE

Onshore debt financing instruments shall be approved or filed with the CSRC and other relevant departments in accordance with relevant regulations, and shall be issued to the public in one or more tranches on stock exchanges recognized by the CSRC and other relevant departments in accordance with the law, or to qualified investors in accordance with relevant regulations.

7. USE OF PROCEEDS

Proceeds will be used to meet the needs of the Company's business operations, adjust the Company's debt structure, repay the debts when they fall due, supplement the Company's working capital and/or for project investment and other purposes in accordance with relevant laws and regulations or the permissions of regulatory authorities.

8. AUTHORIZATION

In order to effectively coordinate specific matters in the process of issuance of onshore debt financing instruments by the Company, it is proposed at the general meeting to authorize the Board of the Company, and approve that the Board shall further delegate to the management of the Company all authorization matters within the scope where the outstanding amount of the onshore debt financing instruments shall not be more than 185% of the audited net assets (at the parent company level) as of the end of the previous year. The management of the Company shall, in accordance with the provisions of relevant laws and regulations and the requirements of regulatory authorities, subject to the framework and content as considered and approved at the general meeting and for the purpose of safeguarding the maximum interests of the Company, handle all matters at its sole discretion concerning issuance of onshore debt financing instruments of the Company, including but not limited to:

- (1) formulate and implement specific plans for issuance of onshore debt financing instruments according to the applicable laws and regulations, the relevant regulations of the regulatory authorities and the resolutions of the general meeting of the Company, as well as the actual situation of the Company and the market, including but not limited to the type, size, term, coupon rate and its determination method, issuance target, guarantee arrangement, issuance price, timing of issuance, single or multiple tranches and number of tranche, use of proceeds, with or without repurchase and redemption terms (including coupon rate increase option and investor repurchase option, etc.), rating arrangement, subscription method, placement arrangement, debt repayment guarantee measures, method for principal and interest repayment, listing arrangement and other matters related to the issuance of onshore debt financing instruments;

- (2) determine upon engagement of intermediary agency(ies) to handle declaration, approval, filing, registration, listing and other related matters for issuance to the relevant regulatory authorities, exchanges and other institutions, including but not limited to authorizing, signing, executing, modifying and completing all necessary contracts, agreements and documents related to issuance and listing of onshore debt financing instruments (including but not limited to prospectus, underwriting agreement, guarantee agreement, engagement letter(s) of intermediary agency(ies), entrusted management agreement, creditor's rights agency agreement, registration and custody agreement, listing agreement, various announcements and other legal documents, etc.), and make relevant information disclosure in accordance with relevant laws and regulations, exchange listing rules and other normative documents;
- (3) select and engage trustee(s) and liquidation manager(s) for the issuance of onshore debt financing instruments, sign trustee management agreements and liquidation management agreements, and formulate meeting rules for holders of onshore debt financing instrument (if applicable);
- (4) adjust relevant matters related to the issuance and listing of onshore debt financing instruments according to the opinions of the regulatory authorities if there is any change in the policies of the regulatory authorities, exchanges and other competent agencies on the issuance and listing of onshore debt financing instruments or market conditions, except for matters that are required to be re-voted by the general meeting in accordance with relevant laws, regulations and the Articles of Association;
- (5) handle other matters related to the issuance and listing of onshore debt financing instruments.

9. VALIDITY PERIOD OF PROPOSAL

The resolution of the general meeting regarding the issuance of onshore debt financing instruments of the Company shall be valid from the date of consideration and approval at the general meeting until the date of convening the 2025 annual general meeting.

If the Board and/or the management has decided to issue or partially issue the onshore debt financing instruments within the validity period of the authorization, and the Company has also obtained the issuance approval, permission, filing or registration (if applicable) from the regulatory authority within the validity period of the authorization, the Company may complete the issuance or partial issuance of the domestic debt financing instruments within the validity period of such approval, permission, filing or registration.

After this proposal becomes effective, the Proposal Regarding the General Mandate to Issue Onshore Debt Financing Instruments of the Company considered and approved at the 2019 annual general meeting of the Company will cease to apply.

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