



东方证券
— D F Z Q —



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

Stock code: 03958

2023 Interim Report



Important Notice

- I. The Board, the Supervisory Committee and its Directors, Supervisors and senior management of the Company warrant that the information contained herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this interim report, and severally and jointly accept legal liability.
- II. This report was considered and approved at the 28th meeting of the fifth Session of the Board and the 16th meeting of the fifth session of the Supervisory Committee of the Company. All Directors and Supervisors of the Company attended the meetings and no Director or Supervisor has raised any objection to this report.
- III. The 2023 interim financial report of the Company, prepared in accordance with the International Financial Reporting Standards (“IFRSs”), was reviewed by Deloitte Touche Tohmatsu. Unless otherwise stated, all financial information is denominated in RMB.
- IV. Mr. Jin Wenzhong, the chairman of the Company, Mr. Shu Hong, the accounting chief, and Mr. You Wenjie, the person-in-charge of the accounting department (head of accounting), warrant the truthfulness, accuracy and completeness of the financial report set out in the interim report.
- V. The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period approved by the Board

The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve fund into share capital during the first half of 2023.
- VI. Risk representation of the forward-looking statements

Forward-looking statements, including future plans and development strategies, may be contained in this report. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Neither the Company nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information. Investors are advised to pay attention to such investment risks involved and not place undue reliance on forward-looking statements.
- VII. No appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their respective related parties has occurred during the Reporting Period.
- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures during the Reporting Period.
- IX. There is no situation where more than half of the Directors of the Company are unable to guarantee the truthfulness, accuracy and completeness of the interim report disclosed by the Company.

Important Notice

X. Material risk warnings

General economic and political conditions, such as macroeconomic and monetary policies, laws and regulations on the financial and securities industries, upward and downward trends in the market, business and financial sectors, currency and interest rate fluctuations, availability of short-term and long-term market funding sources and financing cost, could affect the business of the Company. As a securities company, the business of the Company is directly affected by the inherent risks associated with the securities markets, including market volatility, changes in investment sentiment, fluctuations in trading volume, liquidity changes, and the creditworthiness or the perceived creditworthiness of the securities industry in the marketplace.

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

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

- XI. Chinese and English versions of this report are provided by the Company. In the event of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.
- XII. Unless otherwise stated, all analysis and explanations contained in this report are prepared on a consolidated basis.



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Section I Definitions

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

Definitions of the frequently used terms

| | |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “A Share(s)” | the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE |
| “Articles of Association” | the articles of association of DFZQ |
| “Board” or “Board of Directors” | the board of directors of DFZQ |
| “CCDC” | China Central Depository and Clearing Co., Ltd. (中央國債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” or “the Company” or “Parent Company” or “DFZQ” | 東方證券股份有限公司 |
| “Company Law” | the Company Law of the People’s Republic of China |
| “Corporate Governance Code” | the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules |
| “CSDCC” | China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) |
| “CSRC” | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Director(s)” | the director(s) of DFZQ |
| “Group” or “the Group” or “We” | DFZQ and its subsidiaries |
| “H Share(s)” | the overseas listed foreign shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange |

Section I Definitions

| | |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| “Hong Kong” | the Special Administrative Region of Hong Kong of the PRC |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “IPO” | Initial public offering |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules |
| “NEEQ” | National Equities Exchange and Quotations (全國中小企業股份轉讓系統) |
| “Orient Finance Holdings” | Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company |
| “Orient Futures” | Orient Futures Co., Ltd (上海東證期貨有限公司), a wholly-owned subsidiary of the Company |
| “Orient Investment Banking” | Orient Securities Investment Banking Co., Ltd. (東方證券承銷保薦有限公司), a wholly-owned subsidiary of the Company |
| “Orient Securities Asset Management” | Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company |
| “Orient Securities Innovation” | Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company |
| “Orient Securities International” | Orient Securities International Financial Group Co., Ltd. (東證國際金融集團有限公司), a wholly-owned subsidiary of Orient Finance Holdings |
| “Orient Securities Capital Investment” | Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company |

Section I Definitions

| | |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| “PRC” or “China” | the People’s Republic of China and for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Reporting Period” | January 1, 2023 to June 30, 2023 |
| “Rights Issue Prospectus” | the A Share Rights Issue Prospectus of 東方證券股份有限公司 dated April 18, 2022 and the H Share Rights Issue prospectus dated May 5, 2022 of the Company |
| “RMB, RMB’000, RMB’0000, RMB million, RMB100 million” | Renminbi Yuan, Renminbi’000, Renminbi’0000, Renminbi million, Renminbi 100 million (unless otherwise specified) |
| “Securities Law” | the Securities Law of the People’s Republic of China |
| “SFC” | Hong Kong Securities and Futures Commission |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shanghai Bureau of the CSRC” | the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission |
| “Shenergy Group” | Shenergy (Group) Company Limited (申能(集團)有限公司) |
| “SSE” | the Shanghai Stock Exchange |
| “SSE Composite Index” | Shanghai Stock Exchange Stock Price Composite Index |
| “Supervisor(s)” | the supervisor(s) of DFZQ |
| “Supervisory Committee” | the supervisory committee of DFZQ |
| “SZSE” | the Shenzhen Stock Exchange |
| “SZSE Component Index” | Shenzhen Stock Exchange Component Index |

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

Section II Company Profile and Key Financial Indicators

I. COMPANY INFORMATION

| | |
|-------------------------------------------|-----------------------------------|
| Chinese name of the Company | 東方證券股份有限公司 |
| Chinese abbreviation of the Company | 東方證券 |
| English name of the Company | ORIENT SECURITIES COMPANY LIMITED |
| English abbreviation of the Company | DFZQ |
| Legal representative of the Company | Jin Wenzhong |
| General manager of the Company | Lu Weiming |
| Authorized representatives of the Company | Song Xuefeng, Jin Wenzhong |
| Joint company secretaries | Wang Rufu, Ngai Wai Fung |

Registered capital and net capital

Unit: Yuan Currency: RMB

| | As at the end of this Reporting Period | As at the end of last year |
|--------------------|-------------------------------------------------------|---------------------------------------|
| Registered capital | 8,496,645,292.00 | 8,496,645,292.00 |
| Net capital | 45,566,298,947.31 | 47,377,141,479.67 |

Business scope of the Company:

Securities business; securities investment advisory. The business scope of the Company shall be subject to the items approved by the company registration authority.

Section II Company Profile and Key Financial Indicators

Each individual business qualification of the Company

| No. | Name of business qualification | Approval authority and approval number |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 1 | Permit to operate securities and futures business | CSRC (No.: 913100001322947763) |
| 2 | Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business | Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108) |
| 3 | Qualification for conducting online securities commissioning | CSRC (Zheng Jian Xin Xi Zi [2001] No. 8) |
| 4 | Qualification for conducting distribution business of open-ended securities investment funds | CSRC (Zheng Jian Ji Jin Zi [2004] No. 50) |
| 5 | Qualification for conducting SSE Fund Connect business | SSE Membership Department (SSE [2005]) |
| 6 | Qualification for conducting underwriting business of short-term financing bills | People's Bank of China (Yin Fa [2005] No. 275) |
| 7 | Pilot securities companies conducting relevant innovative businesses | Securities Association of China (Zhong Zheng Han [2004] No. 266) |
| 8 | Qualification for conducting share transfer agency business | Securities Association of China (Zhong Zheng Xie Han [2006] No. 158) |
| 9 | Qualification for conducting quotation and transfer business | Securities Association of China (Zhong Zheng Xie Han [2006] No. 173) |
| 10 | Dealer qualification for Integrated Electronic Platform of Fixed-income Securities of SSE | SSE (Shang Zheng Hui Zi [2007] No. 45) |
| 11 | Approval of brokerage business qualification on financial futures | CSRC (Zheng Jian Qi Huo Zi [2007] No. 351) |
| 12 | Qualification of Type A clearing participants of China Securities Depository and Clearing Corporation Limited | CSDCC (Zhong Guo Jie Suan Han Zi [2008] No. 25) |
| 13 | Qualification for clearing business of financial futures transaction | CSRC (Zheng Jian Xu Ke [2008] No. 684) |
| 14 | Qualification for trial operation of direct investment business | CSRC (Ji Gou Bu Bu Han [2009] No. 475) |
| 15 | Qualification for provision of intermediary and referral services to futures companies | CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 132) |

Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification | Approval authority and approval number |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 16 | Establishment of wholly-owned subsidiary, Shanghai Orient Securities Asset Management Co., Ltd. and qualification for conducting securities assets management business | CSRC (Zheng Jian Xu Ke [2010] No. 518) |
| 17 | Permit to operate securities and futures business | CSRC (No. 91310000555998513B) |
| 18 | Qualification for conducting margin financing and securities lending business | CSRC (Zheng Jian Xu Ke [2010] No. 764) |
| 19 | Type 1 Licence – Dealing in securities | Securities and Futures Commission of Hong Kong (CE No. AVD362) |
| | Type 4 Licence – Advising on securities | |
| 20 | Type 9 Licence – Asset management | Securities and Futures Commission of Hong Kong (CE No. AVH864) |
| 21 | Qualification for implementation of the securities broker system | CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514) |
| 22 | Type 2 Licence – Dealing in futures contracts | Securities and Futures Commission of Hong Kong (CE No. AWD036) |
| 23 | Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business | CSRC (Zheng Jian Xu Ke [2011] No. 2136) |
| 24 | Qualification for trial operation of dealer-quoted collateralized bond repurchase business | CSRC (Ji Gou Bu Bu Han [2012] No. 20) |
| 25 | Qualification for provision of integrated services to insurance institutional investors | China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4) |
| 26 | Qualification for conducting securities repurchase agreement transaction business | CSRC (Ji Gou Bu Bu Han [2012] No. 481) SSE (Shang Zheng Hui Zi [2012] No. 167) SZSE (Shen Zheng Hui [2013] No. 15) |
| 27 | Qualification for investment manager of insurance funds | China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4) |
| 28 | Qualification of pilot margin refinancing | China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2012] No. 149 and Zhong Zheng Jin Han [2012] No. 153) |
| 29 | Qualification for assets management business | CSRC (Zheng Jian Xu Ke [2012] No. 1501) |
| 30 | Qualification for conducting special institutional client business of insurance institutions | China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions) |

Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification | Approval authority and approval number |
|-----|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 31 | Qualification of sponsor | CSRC (Zheng Jian Xu Ke [2013] No. 33) |
| 32 | Permit to operate securities and futures business | CSRC (No.: 91310000132110914L) |
| 33 | Qualification for financial products distribution business | Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52) |
| 34 | Qualification for conducting brokerage business in NEEQ as host broker | National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Han [2013] No. 44) |
| 35 | Conducting comprehensive custodian business for private equity fund (limited partnership) | CSRC (Ji Gou Bu Bu Han [2013] No. 174) |
| 36 | Qualification for conducting pilot consumption and payment service of securities funds of clients | CSRC (Ji Gou Bu Bu Han [2013] No. 207) |
| 37 | Permit to operate securities investment business | CSRC (RQF2013HKS015) |
| 38 | Qualification for collateralized stock repurchase business | SSE (Shang Zheng Hui [2013] No. 77) SZSE (Shen Zheng Hui [2013] No. 60) |
| 39 | Qualification for conducting securities pledge registration agency business | CSDCC (Confirmation on Qualification for Securities Pledge Registration Agency Business) |
| 40 | Qualification for management business of publicly offered securities investment fund | CSRC (Zheng Jian Xu Ke [2013] No. 1131) |
| 41 | Qualification for equity-based return swaps and OTC options business | Securities Association of China (Zhong Zheng Xie Han [2013] No. 923) |
| 42 | Qualification for conducting pilot securities refinancing business | China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227) |
| 43 | Qualification for brokerage business of marketable securities in foreign currencies | Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15) |
| 44 | License of Securities Business in Foreign Currency | State Administration of Foreign Exchange (SC201102) |
| 45 | Qualification for conducting market maker business in NEEQ as host broker | National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No. 707) |
| 46 | Qualification of first batch of quotation and service participants of private fund products trading between companies | China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch]) |
| 47 | Type 6 Licence – Advising on corporate finance | Securities and Futures Commission of Hong Kong (CE No. BDN128) |

Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification | Approval authority and approval number |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 48 | Permit to conduct Shanghai-Hong Kong Stock Connect business | SSE (Shang Zheng Han [2014] No. 626) |
| 49 | Qualification for pilot OTC market business | Securities Association of China (Zhong Zheng Xie Han [2014] No. 632) |
| 50 | Qualification for pilot proprietary business of gold spot contract | CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876) |
| 51 | Pilot online securities business | Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3)) |
| 52 | Qualification for underwriting business of debt financing instruments of non-financial institutions | National Association of Financial Market Institutional Investors (Announcement of National Association of Financial Market Institutional Investors [2014] No. 16) |
| 53 | Qualification of options transaction participants of SSE and permit to operate stock and options brokerage and proprietary business and qualification for options clearing business | SSE (Shang Zheng Han [2015] No. 61) |
| 54 | Qualification for conducting transfer and deposit service of clients' deposits | China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11) China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67) |
| 55 | Qualification for stock and options market making business | CSRC (Zheng Jian Xu Ke [2015] No. 163) |
| 56 | Qualification for conducting quotation business for debt financing instruments of non-financial institutions | National Association of Financial Market Institutional Investors (Zhong Shi Xie Bei [2015] No. 32) |
| 57 | Qualification for sales of securities investment fund | Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61) |
| 58 | Permit to operate securities and futures business, with business scope of underwriting and sponsoring of securities (excluding government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes) | CSRC (No.: 913100007178330852) |
| 59 | Qualification for funds sales business | CSRC (No.: 000000519) |
| 60 | Contractor of service in relation to private equity fund business | Asset Management Association of China |

Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification | Approval authority and approval number |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 61 | Qualification for issue of short-term financing bills | CSRC (Ji Gou Bu Han [2015] No. 3337) |
| 62 | Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect | SZSE (Shen Zheng Hui [2016] No. 326) |
| 63 | Qualification for company conducting pilot market making business for quotation system | China Securities Internet System Co., Ltd. (Zhong Zheng Bao Jia Han [2016] No. 185) |
| 64 | Qualification for inter-bank Gold Price Asking Transactions | Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81) |
| 65 | Qualification of stock options transaction participants of SSE | SSE (Shang Zheng Han [2017] No. 165) |
| 66 | Authorization for pledge-type dealer-quoted repurchase transactions of SZSE | SZSE (Shen Zheng Hui [2017] No. 371) |
| 67 | Qualification for primary market makers of SSE 50ETF Options | SSE (Shang Zheng Han [2018] No. 430) |
| 68 | Qualification of the custodian business for securities investment funds | CSRC (Zheng Jian Xu Ke [2018] No. 1686) |
| 69 | Qualification for conducting securities underwriting business (only including government bonds such as treasury bonds, local municipal bonds, financial bonds of policy banks, financing instruments governed by National Association of Financial Market Institutional Investors (including but not limited to debt financing instruments of non-financial institutions)) | Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2019] No. 8) |
| 70 | Qualification for primary market makers of SSE listed funds business | SSE (Shang Zheng Han [2019] No. 101) |
| 71 | Qualification for credit derivatives business (inter-bank market credit risk relieving instruments, stock exchange market credit risk relieving instruments and other credit derivatives selling business approved by regulatory authorities) | CSRC (Ji Gou Bu Han [2019] No. 463) |
| 72 | Qualification for market making business of treasure bond futures | CSRC (Ji Gou Bu Han [2019] No. 1023) |

Section II Company Profile and Key Financial Indicators

| No. | Name of business qualification | Approval authority and approval number |
|-----|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 73 | Standard pilot for Internet investment account | Securities Association of China (Zhong Zheng Xie Han [2019] No.185) |
| 74 | Authorisation for trading of stock option business on SZSE | SZSE (Shen Zheng Hui [2019] No. 470) |
| 75 | Qualification for commodity options market making business | CSRC (Ji Gou Bu Han [2019] No. 3058) |
| 76 | Qualification for stock index options market making business | CSRC (Ji Gou Bu Han [2019] No. 3067) |
| 77 | Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on SZSE | SZSE (Shen Zheng Hui [2019] No. 483) |
| 78 | Qualification for Shanghai and Shenzhen 300ETF option primary market maker business on SSE | SSE (Shang Zheng Han [2019] No. 2300) |
| 79 | Qualified domestic institutional investor | CSRC (Zheng Jian Xu Ke [2019] No. 1470) |
| 80 | Operation Qualification of Settlement and Sale of Foreign Exchange Business | State Administration of Foreign Exchange (Hui Fu [2020] No. 10) |
| 81 | Qualification for Foreign Exchange Agency Business | State Administration of Foreign Exchange (Hui Zong Bian Han [2020] No. 482) |
| 82 | Qualification for Fund Investment Advisory Business | Securities and Fund Institution Supervision Department (Ji Gou Bu Han [2021] No. 1686) |
| 83 | Qualification for Proprietary Trading of Carbon Emission Rights | CSRC (Ji Gou Bu Han [2023] No. 100) |

In addition, the Company has the membership qualifications of the Securities Association of China, SSE, SZSE, National Debt Association of China and Shanghai Gold Exchange. It also has a clearing participant qualification of CSDCC and the membership qualifications of the Asset Management Association of China.

Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

| | Secretary to the Board | Representative of securities affairs |
|------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Name | Wang Rufu | Li Tingting |
| Correspondence address | 11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC | 11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Tel | +86-021-63325888 | +86-021-63325888 |
| Fax | +86-021-63326010 | +86-021-63326010 |
| E-mail | wangrf@orientsec.com.cn | litingting@orientsec.com.cn |

III. BASIC COMPANY INFORMATION

| | |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Registered address | Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Business address | Orient Securities Building, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC, 3-6/F, 12/F, 13/F, 22/F, 25-27/F, 29/F, 32/F, 36/F and 38/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, the PRC |
| Postal code of business address | 200010 |
| Place of business in Hong Kong | 28-29/F, No. 100 Queen's Road Central, Central, Hong Kong |
| Company website | http://www.dfzq.com.cn |
| E-mail | ir@orientsec.com.cn |
| Investor relations hotline | +86-021-63326373 |
| Customer service hotline for brokerage business | 95503 |

Section II Company Profile and Key Financial Indicators

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

| | |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Newspapers designated by the Company for information disclosure | China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily |
| Website for publication of interim reports | http://www.sse.com.cn (SSE) http://www.hkexnews.hk (Hong Kong Stock Exchange) |
| Place where the interim reports of the Company are available | 11/F, No. 119 South Zhongshan Road, Huangpu District, Shanghai, the PRC |

V. BRIEF INFORMATION ON SHARES OF THE COMPANY

| Type of shares | Stock exchange on which shares are listed | Stock abbreviation | Stock code |
|----------------|-------------------------------------------|--------------------|------------|
| A Shares | SSE | 東方證券 | 600958 |
| H Shares | Hong Kong Stock Exchange | DFZQ | 03958 |

Section II Company Profile and Key Financial Indicators

VI. OTHER RELEVANT INFORMATION

| | | |
|------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------------------|
| Domestic accounting firm appointed by the Company | Name | Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) |
| | Office address | 30/F, No. 222 East Yan'an Road, Huangpu District, Shanghai, the PRC |
| | Name of the signing accountants | Shi Man, Ding Yi Qing |
| Overseas accounting firm appointed by the Company | Name | Deloitte Touche Tohmatsu |
| | Office address | 35/F, One Pacific Place, No. 88 Queensway, Hong Kong |
| | Name of the signing accountant | Shi Chung Fai |
| Chief Risk Officer and Chief Compliance Officer | Jiang Helei | |
| Legal Advisor to the Company as to the PRC law | Grandall Law Firm (Shanghai) | |
| Legal Advisor to the Company as to Hong Kong law | Clifford Chance | |
| A Share Registrar | Shanghai Branch of CSDCC | |
| H Share Registrar | Computershare Hong Kong Investor Services Limited | |

Section II Company Profile and Key Financial Indicators

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(i) Key Accounting Data

Unless otherwise indicated, all accounting data and financial indicators set out in this report are prepared in accordance with IFRSs

Unit: '000 Currency: RMB

| Items | From January to June 2023 | From January to June 2022 | The current period as compared with the previous period |
|-------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------------------------------------------|
| Operating results | | | |
| Total revenue, other income and net gains and losses | 10,992,854 | 9,761,568 | 12.61% |
| Profit before income tax | 2,146,769 | 642,535 | 234.11% |
| Profit for the period-attributable to shareholders of the Company | 1,901,450 | 647,365 | 193.72% |
| Net cash (used in)/from operating activities | (5,989,139) | 12,294,541 | (148.71%) |
| Earnings per share (RMB/share) | | | |
| Basic earnings per share | 0.21 | 0.07 | 200.00% |
| Diluted earnings per share | N/A | N/A | N/A |
| Indicators of profitability | | | |
| Weighted average returns on net assets (%) | 2.44 | 0.86 | Increased by 1.58 percentage points |

Section II Company Profile and Key Financial Indicators

Unit: '000 Currency: RMB

| Items | June 30, 2023 | December 31, 2022 | As at the end of the Reporting Period as compared with as at the end of last year |
|----------------------------------------------------------------------------------------|--------------------|----------------------|-----------------------------------------------------------------------------------------------------|
| Indicators of scale | | | |
| Total assets | 360,118,151 | 368,066,959 | (2.16%) |
| Total liabilities | 282,120,546 | 290,668,670 | (2.94%) |
| Account payables to brokerage clients | 100,599,431 | 123,041,420 | (18.24%) |
| Equity attributable to shareholders of the Company | 77,985,854 | 77,386,472 | 0.77% |
| Share capital ('000 shares) | 8,496,645 | 8,496,645 | 0.00% |
| Net assets per share attributable to shareholders of the Company (RMB/share) | 9.18 | 9.11 | 0.77% |
| Gearing ratio (%) ^{Note} | 69.93 | 68.41 | Increased by 1.52 percentage points |

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

Section II Company Profile and Key Financial Indicators

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

Unit: '000 Currency: RMB

| Items | As at the end of the Reporting Period | As at the end of last year |
|----------------------------------------------------------------------------|------------------------------------------------|----------------------------------|
| Net capital | 45,566,299 | 47,377,141 |
| Net assets | 70,531,731 | 70,411,065 |
| Risk coverage rate (%) | 230.12 | 253.08 |
| Capital gearing ratio (%) | 13.45 | 14.38 |
| Liquidity coverage ratio (%) | 219.78 | 218.50 |
| Net stable funding ratio (%) | 134.37 | 139.09 |
| Net capital/net assets (%) | 64.60 | 67.29 |
| Net capital/liabilities (%) | 26.96 | 30.78 |
| Net assets/liabilities (%) | 41.74 | 45.75 |
| Proprietary equity-based securities and its derivatives/net capital (%) | 12.69 | 12.83 |
| Proprietary non-equity securities and its derivatives/net capital (%) | 358.26 | 312.27 |

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

VIII. DIFFERENCES BETWEEN IFRSS AND CASBE

Net profits for January to June 2023 and January to June 2022, and net assets as of June 30, 2023 and December 31, 2022 as stated in the consolidated financial statements of the Company prepared in accordance with CASBE are consistent with those prepared in accordance with IFRSs.

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I. EXPLANATIONS ON THE INDUSTRY AND PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY DURING THE REPORTING PERIOD

The Company is a comprehensive securities company established under the CSRC's approval, which provides all-round, one-stop financial services covering securities, futures, asset management, investment banking, investment consultancy and securities research. After years of development, the Company has established a leading position in its competitive business sectors such as proprietary investment, asset management, wealth management and securities research.

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

- **Investment Management**

The Company provides its clients with asset management schemes, publicly offered securities investment funds products and private equity investment funds management.

- The Company conducts asset management business through Orient Securities Asset Management, a wholly-owned subsidiary of the Company, providing a complete product line of asset management business including collective asset management, single asset management, specialized asset management and publicly offered securities investment funds.
- The Company conducts fund management business for its clients through China Universal, an associate in which the Company is the largest shareholder with a shareholding of 35.412%.
- The Company engages in private equity investment fund management business through Orient Securities Capital Investment, a wholly-owned subsidiary of the Company.

- **Brokerage and Securities Financing**

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

- The Company's securities brokerage business primarily focuses on trading stocks, funds and bonds by accepting entrustments or on behalf of the clients according to the instructions given to the authorized branches, and provision of product sales, publicly offered fund investment advisory and other services to the clients.
- The Company conducts futures brokerage business through Orient Futures, a wholly-owned subsidiary of the Company, who provides the clients with commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and distribution of funds and other services.

Section III Report of the Board

- The Company conducts risk management business through Orient Securities Runhe, a wholly-owned subsidiary of Orient Futures and facilitates companies to manage price risks during operations via warehouse receipt services, basis trade and OTC options in futures and spot markets.
 - The Company's margin financing and securities lending business mainly refers to a transaction in which an investor provides the Company with collateral to borrow funds and purchase securities (margin financing transaction) or borrow and sell securities (securities lending transaction).
 - The Company's collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their stocks or other securities as collateral to obtain financing from the Company and agree to repay the funds on a future date to release such pledge.
 - The Company provides OTC financial products and also provides transfer, market making quotation and other services to its clients.
 - The custodian business of the Company mainly includes providing asset custody and fund services to private equity investment funds, publicly offered funds and various asset management institutions.
- **Securities Sales and Trading**

The Company conducts securities sales and trading business with its own capital, including equity investment and trading business, fixed income investment and trading business, financial derivatives trading business, innovating investment and securities research services.

 - The Company engages in professional equity investment and trading business and fixed income investment and trading business, which includes various stocks, funds, bonds, derivatives and others. In the meantime, the Company actively expands FICC business.
 - The Company conducts financial derivatives trading business by flexibly utilizing derivatives and quantitative trading strategies to obtain absolute income with low risk exposure.
 - The Company engages in alternative investment business through Orient Securities Innovation, a wholly-owned subsidiary of the Company, and its investment products include equity investment, special assets investment, quantitative investment etc.

Section III Report of the Board

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

- **Investment Banking**

The Company carries out investment banking business mainly through Orient Investment Banking, a wholly-owned subsidiary of the Company, the fixed income business headquarters and the investment banking business headquarters (planned).

- The Company provides equity underwriting and sponsorship services, including underwriting and sponsorship services of IPOs, and refinancing projects including non-public offerings and rights issues.
- The Company provides debt underwriting services, including underwriting services for corporate bonds, enterprise bonds, treasury bonds, financial bonds and others.
- The Company provides financial advisory services in areas such as mergers and acquisitions and restructuring, NEEQ securities recommendation and listing as well as enterprise reform.

- **Headquarters and Others**

The Company's headquarters and other businesses mainly include headquarters' treasury business, overseas business and financial technology.

- Headquarters' treasury business mainly includes the management of headquarters financing business and liquidity reserves.
- The Company conducts internationalization business through Orient Finance Holdings, a wholly-owned subsidiary of the Company, with its business place in Hong Kong. Orient Finance Holdings conducts brokerage business, asset management business, investment banking business and margin financing business regulated by the SFC in accordance with the SFO through Orient Securities International, its wholly-owned subsidiary and various licensed companies.
- The Company keeps up with the trend of technology-driven business development, actively strengthens independent research and development, and continues to promote the integrated development of financial technology.

Section III Report of the Board

In the first half of 2023, the domestic and external macroeconomic environment was complicated, with inflation and interest rate hikes, geopolitical risks, energy issues and other factors impacting the capital market. In response, China strengthened the regulation on domestic macroeconomy by implementing active fiscal policy and prudent monetary policy, leading to continuous recovery of the national economy despite pressure and challenges, with a GDP growth rate of 5.5% in the first half of the year, and the overall trading activities of the capital market remained stable as compared to last year. The securities industry is ushering in a new development pattern. On the one hand, under the comprehensive registration system, serving the real economy has become an important strategic direction for securities companies. Investment banks are leading the synergistic development of investment, research, asset management and other businesses, providing comprehensive financial services covering the entire industry chain for real enterprises. On the other hand, facing the challenges of market fluctuations and the opportunities arising from the increasing demand for individual wealth management, securities companies are committed to enhancing the professionalism and effectiveness of their comprehensive wealth management services and contributing to individual wealth management through extensive investor education initiatives. Moreover, the development of the industry is shifting from the previous emphasis on licenses and channel businesses to a competitive model centered on professional expertise and comprehensive financial service capabilities. Securities firms are enhancing their core competitiveness through more diversified business layouts and proactive efforts in building a high-quality workforce, marking the beginning of a new stage of high-quality development for the securities industry.

During the Reporting Period, the Company implemented its strategic development plan and achieved a significant year-on-year increase in operating results, with its overall strength and industry position improving steadily. In particular, the investment management business maintained its industry leading position, the wealth management business continued to undergo in-depth transformation, the FICC business created a sales and trading platform covering all assets for domestic and overseas institutions, the investment banking business actively served the financing needs of real enterprises, and financial technology continued to empower business development.

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II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

Since the establishment of the Company, the Shareholders of the Company, in particular Shenergy Group, the largest Shareholder, have been giving strong and unwavering support to the Company's innovative development, business development and operation and system reform. Upon the listing of A Shares and H Shares, the Company continuously improves its corporate governance structure, compliance and risk control system and internal control management system in accordance with the requirements of the governance codes for A Shares and H Shares listed companies. As a securities firm under the Shanghai SASAC, the Company attaches great importance and gives full play to the functions of the Company's party committee as leading core and political core to ensure that the general meeting, the Board, the Supervisory Committee and the management team perform their respective duties diligently.

During the Reporting Period, the Company continuously improved and amended the management measures for information disclosure and investor relationship management and other rules in accordance with the regulatory requirements, and organized the Directors and Supervisors to participate in relevant trainings and studies, which effectively enhanced the ability of the Directors and Supervisors to perform their duties as well as the corporate governance performance.

2. United, Enterprising, Pragmatic and Efficient Senior Management Team and Business Team

The senior management members of the Company are united, enterprising, pragmatic, professional, stable, inclusive, and willing to take on responsibilities. They have in-depth insight and extensive management experience in the capital market and securities industry, providing strong support for the long-term sustainable development of the Company. The Company owns professional, high-quality and relatively stable business teams which have gathered rich market experience and outstanding professional abilities through years of operation. It also has a pool of steadily growing future leaders and talents to lay a solid foundation of talents for the Company's innovative development.

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During the Reporting Period, the Company focused strengthened the management of its cadre team, revised the cadre management policies, implemented democratic evaluations of cadres, and effectively managed cadre appointment and removal. It also continuously iterated and innovated its approach to recruit outstanding talents, leading to successful efforts in rejuvenating the cadre team with a younger workforce. Additionally, significant efforts were made to promote the digital transformation of human resource management, ensuring comprehensive advancement in talent pool development.

3. Strengthened and enhanced business advantages and brand recognition

After years of intensive cultivation, the Company has established competitive advantages and brand recognition in various fields such as asset management, fund management, fixed income, securities investment, futures brokerage, etc. Our asset management and securities investment businesses uphold the philosophy of value investment and deliver excellent long-term performance, the “Dong Fang Hong (東方紅)” brand enjoys a sound reputation in the market, and China Universal has developed stable and top-class overall capabilities and ranked among the top in the industry in terms of size of active equity business. The investment income from fixed income business remained stable with progress in sales and trading transformation. By strengthening mechanism reform and the application of information technology, Orient Futures has established and maintained a relative competitive edge.

During the Reporting Period, Orient Securities Asset Management delivered outstanding long-term performance, maintained a leading position among securities firms in terms of revenue from asset management business, continued to develop an integrated investment and research platform, and further strengthened its brand influence. China Universal maintained steady growth in the total size of assets under management, focused on development of index products and fixed income products, and diversified its active equity product portfolio. For fixed income business, the Company maintained stable investment income, and recorded year-on-year growth in trading volume of inter-bank bond market making, treasury bond future market making and the Bond Connect, which ranked among the top in the industry. It also continued to improve the all-asset domestic and international institutional trading platform, and obtained the qualification for trading of carbon emission rights. Orient Futures actively expanded its institutional trading, internet and international businesses, and continued to lead the industry in terms of size of customer equity and market share by trading volume.

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4. Diligent and Effective Efforts in Compliance and Risk Control

The Company adheres to the concept of “overall compliance based on risk control”, and has formed a closed-loop compliance and risk management system of “culture – people – system – tool” with stable risk culture as the core, sound system as the basis and professional management tools as the support. The Company continuously strengthens the awareness of compliance and risk control among its staff, optimizes the comprehensive risk management system and enhances the effectiveness of compliance and risk management.

During the Reporting Period, the Company facilitated the effective and in-depth implementation of the plan for vertical management of compliance and risk control, further improved the content of responsibility statement for top leaders, strengthened the linkage between compliance management and performance assessment, optimized stress testing and the application of its results, continuously developed a digital public opinion early warning system, and enhanced risk measurement and analysis capabilities. The Company also optimized risk management mechanism and applied the same to the front line of business operations, thereby enhancing the capability in full integration of risk management and business operation. During the Reporting Period, the Company did not experience any major non-compliance or risk-related events, and continued to meet the regulatory requirements of various risk control indicators.

5. Persisting in Organic Integration of Party Building, Corporate Culture and Market-Oriented Mechanism

The Company attaches great importance to the construction of party building and corporate culture, persistently cultivates the industry culture and concept of “compliance, integrity, professionalism and stability”, continuously carries out the construction of corporate culture, promotes the “family culture” that values people and encourages collective efforts, facilitates the transformation of cultural soft power into concrete support for development, and systematically coordinates and advances ESG and sustainable development initiatives. In addition, the Company always focuses on facilitating the construction of market-oriented mechanisms with continuous optimization and innovation, thereby continuously strengthening the cohesion, competitiveness and creativity of the Company.

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During the Reporting Period, the Company fully implemented the action plan based on the spirit of the 20th National Congress of the Communist Party of China, transformed the outcomes of its learning into practical measures, actively integrated into the overall development of the capital market, and meticulously organized and implemented its initiatives based on the principle of high standards, strict requirements and a focus on achieving tangible results. The Company formulated an implementation plan for thematic education investigation and research, conducted research in key areas such as the integration of party building and business development, improving ROE, green finance, internationalization, and financial services for people's livelihoods, compiled the findings into a report, and made solid efforts to promote the implementation of the research outcomes. The Company also optimized the "Discussion on High-Quality Development" employee suggestion platform, held the 2023 Staff Cultural Festival, and organized the special event of "Oriental Culture Afternoon Tea (東方文化下午茶)" to celebrate the Company's 25th anniversary. It also produced a special documentary film titled "Twenty Five" under the theme of "Oriental Family", innovatively designed the "Special Service Award" for the 25th anniversary, and formulated the "Action Plan for Enhancing MSCI ESG Rating".

III. DISCUSSION AND ANALYSIS OF OPERATION

In the first half of 2023, the domestic and international macroeconomic environment was complicated, with inflation and interest rate hikes becoming the main theme of overseas monetary policies. In response, China strengthened the regulation on domestic macroeconomy by continuously implementing active fiscal policy and prudent monetary policy, leading to continuous recovery of the national economy despite pressure and challenges. During the Reporting Period, China's GDP reached RMB59.30 trillion, representing a year-on-year growth of 5.5%. A share market delivered mixed performance with the SSE Composite Index gaining 3.65%, the SZSE Component Index gaining 0.10%, and the GEM Index dropping 5.61%. Trading activities slightly decreased where the average daily trading volume of the SSE and SZSE stocks reached RMB942.67 billion during the Reporting Period, representing a year-on-year decrease of 3.42%. Meanwhile, bond market yields declined with a decrease of 20bp in the yield of 10-year treasury bonds to approximately 2.64% and a decrease of 22bp in the 10-year CDB yields to approximately 2.77%.

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During the Reporting Period, the Company maintained stable overall operations and continued to achieve strong business performance, with significant year-on-year growth in revenue and profits. For investment banking business, the Company actively served the financing needs of real economy enterprises, completed equity financing for five companies and underwrote bonds with a total size of RMB182.7 billion, ranking eighth in the industry. For wealth management business, the Company continuously deepened its transformation efforts. It initiated the “Wealth Management Journey” campaign, persistently facilitated clients’ growth with professional services. It also promoted its brand in institutional wealth management and enhanced the comprehensive service capabilities of its platform. The Company enriched its pool of outstanding managers, improved its asset allocation and investment research capabilities, and achieved solid performance in fund advisory services. It was recognized as a national-level investor education base with an “excellent” rating from the CSRC and received a “Grade A” rating from the Securities Association of China for its investor education work. For fixed income business, the Company made initial progress in establishing an all-asset sales trading platform for institutional investors in domestic and overseas markets, and promoted the expansion from proprietary business to sales trading, domestic to foreign customers, and interest rate products to all FICC products. The trading volumes of interbank spot securities, exchange-traded bonds, and interest rate swaps recorded year-on-year increase of 29%, 82%, and 72%, respectively, placing the Company among the top securities firms in terms of trading volume. The trading volumes of interbank bond market making, the Bond Connect, and treasury bond future market making recorded year-on-year increase of 17%, 10%, and 208%, respectively, maintaining the Company’s position among the top five in the industry. The Company launched the Swap Connect business, became a comprehensive clearing member for products of Shanghai Clearing House, obtained the qualification for trading of carbon emission rights and became the first among the same batch of securities firms to execute transactions. For financial derivatives business, the Company maintained stable fundamental quantification performance, and expanded the scale of multi-factor strategies. For market making business, the Company seized market opportunities by adding new market making products, and continuously explored profit models and expanded the scope of its capabilities. For over-the-counter business, the Company continued to expand its trading volume, increased the number of trading counterparts, and diversified its product portfolio. For asset management business of the Company, Orient Securities Asset Management continuously strengthened its investment research team, established an all-in-one investment research platform, improved product performance, and persistently promoted platform-based, diversified and market-oriented transformation by “starting a new undertaking”. China Universal adhered to long-term development, continuously strengthened its investment management capabilities, improved forward-looking and effective research, continuously diversified its multi-strategy product lineup, further deepened the transformation towards advisory-based services, and accelerated the digitization of customer services both online and offline. The subsidiary in the United States has officially commenced operation, and the subsidiary in Singapore has obtained approval from the CSRC, taking the development of international business to a new level. Orient Futures vigorously expanded its business scale, further increased its market share, and achieved steady growth in operating results. It also persisted in utilizing financial technology to build two core competitiveness of research and technology. During the Reporting Period, Orient Futures registered a trading volume of 0.965 billion lots, maintaining its position as the top-ranked firm nationwide.

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During the Reporting Period, the Company continued to strengthen its compliance and risk management, actively promoted the business development driven by financial technology, and formed an in-depth understanding of the concept that party building culture is an important productive force. For compliance risk control and management, the Company implemented concrete measures to ensure effective vertical management, and consistently strived to enhance the effectiveness of management and control. It closely monitored unconventional matters such as regulatory inspections and actively strengthened communication with regulatory authorities to prepare for timely responses. The Company also closely followed the latest regulatory requirements, conducted in-depth analysis and research, and promptly incorporated them into specific internal management measures of the Company. It focused on key special management tasks such as anti-money laundering, compliance inspection and compliance education and training, and took multiple measures to continuously implement compliance management requirements. In the first half of 2023, the Company had no major violations of laws or regulations and continued to comply with regulatory requirements for all risk control indicators. In terms of financial technology, the Company continued to promote the integrated development of technology and business, made steady progress in the construction of a new generation core business system, completed multiple system upgrades and testing in response to the registration system, and continuously improved its super investment management platform. For operational management, the Company strengthened the top-level design for cadre work, improved incentive and constraint mechanisms, and optimized the utilization of performance assessment results. In terms of party building and cultural development, the Company solidly carried out thematic education and deeply studied and implemented the spirit of the 20th National Congress of the Communist Party of China. It issued the “Ten Action Plans for the Comprehensive Implementation of the Spirit of the 20th National Congress of the Communist Party of China by the Party Committee of DFZQ” and held various activities such as a warning education seminar on comprehensively strengthening Party discipline, a commendation ceremony to celebrate the 102nd anniversary of the Party, and a staff cultural festival.

As at the end of June 2023, the Company’s total assets were RMB360.118 billion, representing a decrease of 2.16% as compared with the end of last year, and the equity attributable to the shareholders of the Company was RMB77.986 billion, representing an increase of 0.77% as compared with the end of last year. The net capital of the Parent Company was RMB45.566 billion, representing a decrease of 3.82% as compared with the end of last year. During the Reporting Period, the Company recorded profit for the period attributable to shareholders of the Company of RMB1.901 billion, representing a year-on-year increase of 193.72%.

During the Reporting Period, the Company achieved total revenue, gains and other income of RMB10.993 billion, representing a year-on-year increase of 12.61%, of which investment management business realized RMB1.419 billion, taking up 10.67% of the total; brokerage and securities financing business realized RMB5.227 billion, taking up 39.32% of the total; securities sales and trading business realized RMB3.050 billion, taking up 22.94% of the total; investment banking business realized RMB0.801 billion, taking up 6.02% of the total and headquarters and others realized RMB2.798 billion, taking up 21.05% of the total. (Consolidation and offsetting factors were not considered when calculating segment revenue, gains and other income, segment expenses and their proportions. The same approach is adopted below.)

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Table of Principal Businesses of the Group

Unit: '000 Currency: RMB

| Business segment | Principal businesses by segments | | | | | |
|------------------------------------|-----------------------------------------|------------------|-------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------|
| | Segment revenue, gains and other income | Segment expenses | Profit margin (%) | Change in segment revenue, gains and other income over the same period of last year (%) | Change in segment expenses over the same period of last year (%) | Change in profit margin over the same period of last year |
| Investment management | 1,418,500 | 841,372 | 65.29 | (16.16) | (15.01) | Increased by 7.83 percentage points |
| Brokerage and securities financing | 5,226,892 | 5,436,106 | (4.03) | 11.51 | (0.44) | Increased by 12.53 percentage points |
| Securities sales and trading | 3,049,824 | 2,089,499 | 31.97 | 32.62 | 8.06 | Increased by 15.05 percentage points |
| Investment banking | 801,242 | 442,291 | 44.8 | (22.16) | (36.00) | Increased by 11.94 percentage points |
| Headquarters and other | 2,798,111 | 1,988,522 | 28.61 | (10.92) | 2.09 | Decreased by 7.18 percentage points |

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(1) *Investment Management*

The Company provided clients with asset management schemes, securities firms' publicly offered fund products for equity investment and private equity investment business. During the Reporting Period, the investment management business realized operating income of RMB1.419 billion, accounting for 10.67% of the total income.

Asset management

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

Market environment

During the Reporting Period, the development environment of the asset management industry experienced an initial improvement followed by a decline. After a brief recovery in the first quarter, the industry faced comprehensive market challenges and operational pressures in the second quarter. The number of asset management subsidiaries of securities firms continued to expand, and the transformation of publicly offered fund business continued to accelerate. Various asset management subsidiaries securities firms lined up to apply for publicly offered fund licenses, further intensifying industry competition. Meanwhile, against the backdrop of a weak economic recovery, investors lacked confidence, and the capital market experienced continuous volatility. Newly issued funds were primarily focused on fixed-income products, while equity products faced a less favourable reception.

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Operation initiatives and business development

Since its establishment in 2005, Orient Securities Asset Management has been adhering to the business principle of “putting clients’ interests first” with focus on active management and insisting on value investment and long-term investment.

During the Reporting Period, Orient Securities Asset Management closely adhered to the main strategy of “high-quality development”, consistently benchmarked itself against top domestic and international asset management institutions, and promoted platform-based, diversified and market-oriented corporate transformation by “starting a new undertaking”. In particular, Orient Securities Asset Management continued to upgrade and improve its investment research system and improved the Dongfanghong value investment framework; enriched the strength of its investment research team and created a diversified and multi-level talent pool; continuously expanded its product portfolio and continued to develop industry-focused equity product line, introduced Class C shares for multiple equity funds, expanded retail-oriented short-term debt products, introduced pure bond products to meet the demand from institutional investors, further diversified the investment strategy of “fixed income + products”, and facilitated the implementation of the customer strategy of capital diversification. For pension business, Orient Securities Asset Management promoted the development of the entire product line, successfully launched the Yi’an Stable One-year Term FOF Pension Fund and actively promoted the establishment of target-date pension funds. It also accelerated the adjustment of positioning of its sales business line to “professional services” to enhance customer experience through professional services and support while diversifying funding sources. To actively respond to the calls from regulatory authorities and industry associations, Orient Securities Asset Management promoted investor education in universities and communities, carried out activities such as the “Pension Management from the Perspective of Fund Industry” and the “I Am a Little Financial Planner” Children’s Day financial education activities organized by the Asset Management Association of China, as well as the pension investment education activity organized by the School of Management of Fudan University, and collaborated with Ant Investor Education to carry out distinctive investor education activities such as the Blue Vest Campaign on Preventing Illegal Activities and Assisting the Elderly in the Community, gaining broad market recognition, which were widely recognized and appreciated by the market.

As at the end of the Reporting Period, the total size of assets under management of Orient Securities Asset Management amounted to RMB263.292 billion, in which the size of publicly offered funds under management was RMB195.855 billion. During the Reporting Period, Orient Securities Asset Management ranked first in the industry in terms of net income from asset management business (source: Securities Association of China). As at the end of the Reporting Period, the return of equity investment actively managed by Orient Securities Asset Management was 100.12% for the last seven years, ranking sixth in the industry (source: Galaxy Securities Fund Research Center – Long-term Assessment Ranking of Fund Managers’ Capability in Active Management of Equity Investment). The absolute rate of return of fixed income fund under the management of Orient Securities Asset Management for the last five years was 26.69%, ranking among the top 20% in the industry (source: Financial Products Research Center of Haitong Securities Research Institute – Performance Rankings of Equity and Fixed Income Assets of Fund Managers).

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

| (in RMB million) | As at June 30, 2023 | As at December 31, 2022 |
|----------------------------------------------------|---------------------------|-------------------------------|
| Collective asset management scheme | 39,445.80 | 48,478.64 |
| Single asset management scheme | 18,111.23 | 18,456.48 |
| Specialized asset management scheme | 9,880.49 | 10,684.65 |
| Publicly offered funds issued by securities dealer | 195,854.83 | 207,132.22 |
| Total | 263,292.35 | 284,751.99 |

During the Reporting Period, Orient Securities Asset Management and its products won various industry awards, including the “2023 Chinese Securities Industry Junding Award All-round Wealth Management Broker Junding Award” by Securities Times, the “Five-Year Consistent Returns Ordinary Bond Star Fund” under the 18th Chinese Fund Industry Star Fund Awards by Securities Times and the “Pure Bond Fund Management Award” under the 4th Jian Financial Information Publicly Offered Fund Awards.

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Development plan and outlook

Looking ahead to the second half of 2023, both domestic and international economic conditions remain complex and ever-changing, posing new opportunities and challenges to the industry's growth. Orient Securities Asset Management will continue to promote platform-based, diversified and market-oriented corporate transformation by "starting a new undertaking" and leverage its brand strength to facilitate high-quality development. Firstly, it will continue to strengthen investment research capabilities and enhance the client's investment experience; secondly, it will develop its business based on active investment management capabilities, expand its product portfolio, and tap into active equity funds, fixed income products with different risk-return characteristics, pension target funds and public REITs; thirdly, it will continue to promote diversification of funds and clients by establishing a sales system that covers various funding sources such as channels, institutions, e-commerce and direct sales, actively develop institutional clients and enhance internet operation capabilities; and fourthly, it will strengthen the support for development of the Group driven by asset management services, effectively leverage the synergy within the Group, and deepen the collaboration with retail, corporate and institutional business clusters.

Fund management through China Universal

The Company mainly engages in fund management business through China Universal, an associate in which the Company is the largest shareholder with 35.412% equity interest.

Market environment

During the Reporting Period, the macroeconomic environment became increasingly complex and challenging where major stock indices delivered mixed performance and sector rotation intensified. Fund investors' risk appetite continued to decline, resulting in reduced investment activity and a steady inflow of funds into low-risk products. Meanwhile, capital market reforms continued to deepen, accelerating the high-quality development of industry and posing both challenges and opportunities to the publicly offered fund industry.

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Operation initiatives and business development

During the Reporting Period, by adhering to the requirements of its 2023 business plan and the guiding principle of “unity of knowledge and action”, China Universal efficiently advanced the implementation of its corporate strategies, and comprehensively strengthened core capabilities in investment management, risk management, customer services and business innovation. As of the end of the Reporting Period, the total assets under management of China Universal exceeded RMB1.1 trillion, in which the management scale of publicly offered funds exceeded RMB870.0 billion, and the management scale of non-monetary publicly offered funds amounted to RMB490.0 billion, ranking among the top in the industry. China Universal persisted in long-term development, continuously strengthened its investment management capabilities, adhered to its investment principles and philosophies, and improved the forward-looking and effective research. It consistently enriched its multi-strategy product lineup, and issued a total of 27 publicly offered fund products in the first half of the year. It also further implemented the “HTF index” strategy, introduced multiple strategic solutions and expanded its range of index products. In particular, the China Universal CSI Guoxin Central SOE Shareholders’ Return ETF achieved an issuance size of RMB2 billion, providing investors with an investment tool to share the growth benefits of central state-owned enterprises. It also further deepened the transformation towards advisory-based services, and accelerated the digitization of customer services both online and offline. Its subsidiary in the United States has officially commenced operation, and the subsidiary in Singapore has obtained approval from the CSRC, taking the development of international business to a new level. It actively expanded the public REITs business, placed continuous emphasis on team building and cultural development, and actively fulfilled its corporate social responsibility

During the Reporting Period, China Universal and its products were highly recognized by the market, consistently maintaining a leading position in the industry in terms of comprehensive strength. China Universal Consumption ETF was recognized as the “2022 Most Popular ETF Among Investors” by the SZSE; China Universal Shanghai SOE ETF was recognized as the “2022 Flagship Thematic ETF” by the SSE; China Universal Shanghai SOE ETF and China Universal Zhangjiang ETF were recognized as the “2022 ETF Supporting National Strategies” by the SSE; China Universal MSCI China A50ETF won the “Index Quantitative Product Innovation Award” by China Fund; and China Universal Pension Target Date 2040 Five-Year FOF won the “Pension FOF Product Innovation Award” by China Fund. China Universal won the “Innovative Company Award” by China Fund, the Top 10 ETF Manager of SSE and the 2022 Outstanding ETF Fund Manager of SZSE. The investment advisory business of China Universal won the “Business Innovation Award” by China Fund; and the fixed income business of China Universal won the third prize of the Treasury Bond Awards by London Stock Exchange Group.

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Development plan and outlook

With the implementation of inclusive measures such as the reduction of fees of publicly offered funds, competition in the fund industry will return to comprehensive strength of institutions and the essence of industry development. In the future, China Universal will actively capture historic development opportunities, including the rapid release of Chinese residents' wealth management needs, continuously deepening reform of capital market, ongoing improvement of the pension system, and the high-quality development of the publicly offered fund industry. It will implement the Company's new five-year strategic plan, adhere to the business philosophy of "all for the long term" and the value of "customer first", continue to refine and improve its four core capabilities of investment management, compliance risk control, customer service and product innovation, keep improving the distribution of underlying assets, enrich the development of solution system, effectively improve customer experience, and devote itself to building China's most recognized asset management brand. In addition, China Universal will persistently advance its internationalization strategy, and cater to the investment needs of global clients in the Chinese market and the needs of global asset allocation of Chinese investors, thereby contributing to the high-level opening-up of the publicly offered fund industry and the financial sector in China.

Private equity investment

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

Market environment

During the Reporting Period, both fundraising and investment activities slowed down in the equity investment market in China. According to data of Zero2IPO, in the first half of 2023, the total size of newly raised funds decreased by 23.5% year-on-year, and the investment size also recorded a year-on-year decrease of 42%. In terms of industry distribution, investments were predominantly focused on the hard technology sector, with nearly 80% of investment cases concentrated in the top five industries of semiconductors and electronic equipment, biotechnology/healthcare, IT, machinery manufacturing, and chemical raw materials and processing.

Operation initiatives and business development

With its deep engagement in the field of private equity investment funds, Orient Securities Capital Investment deepens the cooperation with industrial capital and government investment platforms, actively seeks high-quality investment opportunities in counter-cyclical industries and "bottleneck" areas, places emphasis on investment opportunities in sectors aligned with social and national development trends such as biopharmaceuticals, advanced manufacturing, artificial intelligence, cloud computing and new energy, and has developed its own industry position and brand strength.

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During the Reporting Period, Orient Securities Capital Investment raised and registered seven new funds with a total fundraising amount of approximately RMB1.405 billion. As at the end of the Reporting Period, Orient Securities Capital Investment managed 54 funds with a scale of RMB16.386 billion. A total of 150 projects were under investment involving an investment amount of approximately RMB9.686 billion, and it has investment in 15 listed projects. During the Reporting Period, among the investment targets of private equity funds under management of Orient Securities Capital Investment, one target company passed the review by the main board listing committee, one target company completed listing and issuance, and four target companies made IPO applications in the first half of the year.

Development plan and outlook

In the future, Orient Securities Capital Investment will further optimize its investment portfolio, master the timing of investment, refrain from blindly following the trend, strengthen its analysis of internal and external environments, deepen its understanding and research of industry trends and technological iteration, and actively seek high-quality investment opportunities in counter-cyclical industries.

(2) Brokerage and Securities Financing

The Company's brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business, bulk commodity trading and securities financing business including margin financing and securities lending and collateralized stock repurchase. During the Reporting Period, the brokerage and securities financing business achieved operating income of RMB5.227 billion, accounting for 39.32% of the total income.

Securities brokerage

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

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Market environment

In the first half of 2023, the A-share market exhibited typical structural differentiation. The market's trading activity remained relatively stable with a trading volume of RMB124.70 trillion in stocks and funds, representing a slight year-on-year increase of 0.11%. During the Reporting Period, the overall yield of market products was generally poor, leading to weakened investor confidence. Wealth management institutions further strengthened their investor support services to address these challenges. Meanwhile, various institutions intensified their efforts in wealth management, resulting in increased industry competition. Under the strong support, steady implementation and continuous guidance of relevant policies, the industry continued its transformation towards "buy-side investment adviser", which expanded the market space for fund investment advisory services. Institutional wealth management business experienced rapid development, which facilitated the steady and high-quality development of wealth management business.

Operation initiatives and business development

During the Reporting Period, the Company continued to promote the transformation of wealth management business towards "buy-side investment adviser", fully utilised its own strengths and experience, constructed business models and business scenarios that align with the interests of investors, and formed business synergy among securities agency trading, margin financing and securities lending, publicly offered products distribution, publicly offered fund investment advisory, personal pension, institutional wealth management and private wealth management. It also comprehensively upgraded its service system, and provided customers with comprehensive professional solutions for financial asset investment covering the front, middle and back office, thereby driving the high-quality development of its wealth management business.

As of the end of the Reporting Period, the Company had 179 securities branches, covering 89 cities in all provinces in China. In the first half of 2023, the market share in terms of income of the securities brokerage business was 1.66%, ranking 20th in the industry, which remained the same as compared to last year (data from monthly report of the Securities Association of China). During the Reporting Period, the cumulative number of newly opened accounts amounted to 150 thousand. As of the end of the Reporting Period, the Company had 2.58 million customers, and total assets under custody amounted to RMB789.0 billion. In particular, the Company had 6,415 institutional customers with an asset size of RMB440.8 billion.

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The Company maintained its leading position in product sales. During the Reporting Period, the market showed a lackluster performance, especially with significant declines in the net value of equity funds, which dampened investor confidence and posed significant challenges for fund sales. In response, the Company strengthened its investor service and support initiatives. Led by the Company's senior management, the Company arranged its chief economist, fund managers of cooperating institutions, the Company's headquarters and business outlets to hold more than 50 offline activities of "Wealth Management Journey" in over 40 regions, covering nearly 10,000 investors and allowing for close interaction to support the customers with professional expertise, guide investors in adopting a long-term investment perspective and boost their confidence. In addition, the Company rigorously selected high-quality products from the entire market, actively organized and mobilized various sales efforts, and achieved excellent sales performance in various initial public offering and existing products. During the Reporting Period, the Company's total revenue related to agency sale of products amounted to RMB288 million, representing a year-on-year decrease of 4.95%. As at the end of the Reporting Period, the size of equity products of the Company amounted to RMB47.3 billion, representing a decrease of 1.50% from the beginning of the period. According to the data of Asset Management Association, as of the end of the first half of 2023, the Company ranked 11th among securities dealers in terms of the size of equity+mixed publicly offered funds held.

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

| (in RMB million) | January – June 2023 | January – June 2022 |
|---------------------------------------------------|------------------------|------------------------|
| Publicly offered funds (including monetary funds) | 63,605 | 56,550 |
| Collective asset management products | 1 | 0 |
| Trust schemes | 1,018 | 279 |
| Private equity investment fund products | 539 | 161 |
| Other financial products | 1,687 | 2,632 |
| Total | 66,849 | 59,622 |

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The Company set the benchmark for the whole market of fund investment advisory services, guided investors to invest rationally, and achieved sustainable growth in its fund investment advisory business. As of the end of the Reporting Period, the fund investment advisory business launched two product series, namely the “Yue” series and the “Ding” series, with a total of 14 investment portfolio strategies and a size of approximately RMB15.26 billion, serving 147,000 existing clients and 196,000 clients in total, with a client retention rate of 75% and a re-investment rate of 73%. The Company’s fund investment advisory business has gradually developed a mature buy-side service model with good customer service experience, and the percentage of profitable clients of the Company’s investment advisory strategies is higher than the percentage of profitable clients of publicly offered funds on average.

The Company focused on developing the “Orient Vision” institutional wealth management brand and enhanced its comprehensive service capabilities. During the Reporting Period, the Company addressed customer pain points by exploring institutional customer solutions such as appointment-based account opening, material distribution and uploading, and mobile door-to-door services. Additionally, it established a comprehensive financial product portfolio, selected a wide range of high-quality financial products from the entire market, including publicly offered funds, insurance asset management, trusts, and asset management products of securities dealers, provided a full range of products to institutional clients such as asset management institutions and listed companies, and achieved comprehensive cooperation with strategic clients such as Pacific Insurance Group and Huaxia Wealth Management. As of the end of the Reporting Period, the size of the Company’s institutional wealth management business reached RMB9.27 billion, representing an increase of 22% from the beginning of the Reporting Period.

The Company promoted its private wealth management business with full-process asset allocation services. During the Reporting Period, the Company adopted a customer-centric approach, continued to diversify the service system of private fund products, and promoted the asset allocation of high-net-worth customers in a suggestive manner. Based on the “Oriental Beauty – Fortune 100” business, the Company facilitated the development of the one-stop entrusted asset allocation service model with significant increase in scale. It also prioritized post-investment services by providing investment reports, holding monthly allocation exchange meetings, and conducting due diligence on outstanding fund managers with an aim to meet the comprehensive needs of core clients. As of the end of the Reporting Period, the number of high net worth retail customers of the Company amounted to 7,034, an increase of 6.7% from the beginning of the year, and the total size of assets was RMB155.5 billion, an increase of 7.8% from the beginning of the year.

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For Internet finance, during the Reporting Period, the Company continued to enrich the “Winner’s Toolbox” digital decision-making service system, keep expanding the product portfolio of Internet value-added services, and facilitated the sales of digital value-added tools. The Company comprehensively enhanced the user experience of the Oriental Winners APP by continuously iterating and updating features related to account opening, market information and transaction processing, including the introduction of appointment-based account opening for margin financing and securities lending, comprehensive transformation of the APP to support the new registration system, and enabling support for smart trading. It also made steady progress in the financial technology innovation pilot project of digital RMB in the capital market, and conducted a trial run and launched the digital RMB third-party custody service, setting a new milestone in the industry. As of the end of the Reporting Period, the Company had 533,200 active brokerage customers on the Internet and mobile phone platforms with stock and fund trading volume of RMB2.23 trillion. The number of customers trading through the Internet and mobile terminals accounts for 99.08% of the total number of customers, the online transaction amount accounts for 81.70% of the total, and the number of newly opened online accounts takes up for 99.15% of all accounts opened in the same period.

During the Reporting Period, the Company won the “Fund Investment Advisory Institution Golden Bull Award” in the first China Fund Investment Advisory Golden Bull Awards by China Securities Journal and the 2023 “Chinese Securities Industry All-round Wealth Management Broker Junding Award” and “Chinese Securities Industry Fund Investment Advisory Junding Award” by Securities Times, the bank “screw” team won the “2023 Chinese Securities Industry Investment Advisory Team Junding Award”, and the Shanghai Pudong New Area Yuanshen Road Securities Branch won the “2023 Chinese Securities Industry Top 20 Securities Branch Junding Award” and the “Sales Innovation Award” and “Business Innovation Award” in the second Innovation Excellence Awards by China Fund. The Company received an “excellent” rating from the CSRC for its national-level investor education base and received a “Grade A” rating from the Securities Association of China for its investor education work.

Development plan and outlook

In the future, the Company will adhere to the incremental mindset, and prioritize the development of new business lines such as fund investment advisory, institutional wealth management and individual pension to capture market shares of incremental businesses. The Company will continuously strengthen its customer base and expanding customer acquisition channels by solidifying partnerships with institutions, expanding online platforms, and exploring innovative businesses. It will diversify its product offerings and stimulate sales enthusiasm in areas such as ETFs, index enhancement, fixed income, and quantitative strategies. The Company will develop a fund portfolio strategy that better aligns with customer needs and expand its fund advisory business from online to offline channels. The Company will improve its private fund product system, establish a professional service team, and continue to promote the “Oriental Beauty – Fortune 100” asset allocation solutions. The Company will promote the integrated service plan for institutional wealth management platforms, and improve financial asset allocation services for institutional and corporate clients. Furthermore, it will strengthen the development of a professional workforce, and continuously optimize the market-oriented long-term incentive and performance assessment mechanism.

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Futures brokerage

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

Market environment

During the Reporting Period, amidst a complex and rapidly changing external macroeconomic environment, the futures market witnessed heightened trading activity and a notable increase in trading volume driven by domestic financial market transactions, risk management efforts by real enterprises and an enhanced willingness among investors to engage in trading activities. In the first half of 2023, China's futures market achieved a total trading volume of 3.951 billion lots and a turnover of RMB262.13 trillion, representing a year-on-year increase of 29.71% and 1.8%, respectively.

Operation initiatives and business development

During the Reporting Period, Orient Futures capitalized on market opportunities by prioritizing customer needs, and built a customer behavior database to accurately record and analyze customer demand. Based on customer profiles, it launched customized service packages and continuously iterated and upgraded its service capabilities. By vigorously expanding the size of its business lines and further increasing market share, Orient Futures achieved steady growth in operating performance. According to the latest data of China Futures Association, the key operating indicators of Orient Futures remained among the top five in China. In particular, as of the end of June 2023, its net capital ranked second and customer equity ranked third in the industry. From January to June 2023, its operating income and net profit ranked third. During the Reporting Period, Orient Futures had a trading volume of 0.965 billion lots, which continued to rank first in China.

Orient Futures always places great importance on developing and servicing institutional clients, and remains committed to utilizing financial technology to build its two core competitiveness in research and technology. To this end, Orient Futures collaborated with its research institute to establish the Orient Securities Derivatives Research Institute and the Orient Securities Quantitative Finance Innovation Laboratory to provide clients with specialized, cutting-edge and innovative services and products. It officially launched the "Finoview" intelligent investment research platform in 2019, which has been iterated and upgraded several times. The platform integrates two major systems of data compilation and quantitative analysis, provides comprehensive data at the macro, industrial and enterprise levels, and incorporates advanced artificial intelligence technology to create an intelligent investment research strategy analysis platform. During the Reporting Period, Orient Futures provided the clients with a customized FPGA market information acceleration card version of the OST speed trading platform, maintaining a technological advantage in the market and successfully showcasing its brand influence in the industry.

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During the Reporting Period, Orient Futures won various awards including the “Outstanding Member” award by Zhengzhou Commodity Exchange, the “Outstanding Member Gold Award” by Dalian Commodity Exchange, the “Outstanding Member Gold Award” by Shanghai Futures Exchange, the “Outstanding Member Award” by Shanghai International Energy Exchange, the “Outstanding Member Platinum Award” by China Financial Futures Exchange, the “2023 Junding Award for Leading Futures Company in China” and the “2023 Junding Award for Futures Company with Outstanding IT Services in China” by Securities Times.

Development plan and outlook

In the future, with the goal of becoming a first-class derivative service provider, Orient Futures will take compliance as its top priority, focus on customers’ demand, build a high-quality talent pool, persistently strengthen its two core competitiveness in research and technology driven by financial technology, seize new opportunities in the industry diversify its business models, and keep iterating and upgrading its customer service capabilities to secure its leading position in the industry.

Securities financing

Market environment

During the Reporting Period, with the volatility of the A-share market, the scale of margin financing and securities lending fluctuated significantly. As of the end of the Reporting Period, the balance of margin financing and securities lending of the whole market totaled RMB1,588.498 billion, representing an increase of 3.12% from the end of last year. In particular, the balance of margin financing amounted to RMB1,495.500 billion, representing an increase of 3.53% from the end of last year; and the balance of securities lending amounted to RMB92.997 billion, representing a decrease of 3.01% from the end of last year.

During the Reporting Period, the scale of collateralized stock business in the whole market continued to decline. According to the statistics of Securities Association of China, as of the end of the Reporting Period, the scale of collateralized stock with proprietary funds in the whole market amounted to RMB203.536 billion, a decrease of 4.18% from the end of last year.

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Operation initiatives and business development

In terms of the margin financing and securities lending business, the Company actively expanded its customer and business resources, conducted special incentive activities, and steadily increased the number of credit accounts and the scale of margin financing and securities lending business. In addition, it continuously improved risk control and management measures, mitigated and resolved various risks, maintained the guarantee ratio above the market average, and realized the organic integration of business development and risk control. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company amounted to RMB19.72 billion, representing an increase of 1.83% from the beginning of the Reporting Period and a market share of 1.24%.

In terms of the collateralized stock business, the Company continued to adhere to the keynote of “risk control and scale reduction” and continuously reduced the scale of collateralized stock business. As of the end of the Reporting Period, the outstanding balance of the Company’s collateralized stock business amounted to RMB7.636 billion, all of which were contributed with proprietary funds, representing a decrease of 16.39% from the beginning of the year, effectively reducing the business scale.

Development plan and outlook

For margin financing and securities lending business, the company will capture opportunities from the reform of margin refinancing system and the optimization of margin financing and securities lending rules, consolidate its existing business advantages, strengthen collaboration and cooperation within and outside of the Group, and fully promote the development of margin financing and securities lending business by innovating business models, optimizing business processes, refining business management and enhancing risk management capabilities. For collateralized stock business, the Company will continue to put great efforts in clearance and risk mitigation of collateralized stock business to steadily reduce the scale of collateralized stock business.

Other business

OTC business

During the Reporting Period, the capital market showed signs of stabilization, and various businesses in the OTC market also saw certain recovery. However, due to uncertainties in domestic and international markets, the net values of various public and private fund products fluctuated greatly, and the issuance size of equity products decreased. Moreover, the new regulations on OTC derivative management and the consultation draft of new regulations on issuance of income certificates suggested that strict supervision remained the primary focus of policies, posing higher requirements for compliant development of related businesses.

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The Company focused on building the “product center”, “trading center” and “innovation incubation center” to establish an OTC service brand. During the Reporting Period, the Company’s total business volume in OTC market amounted to RMB77.446 billion, representing a year-on-year increase of 24.92%. The Company launched 1,216 new OTC products, representing a year-on-year increase of 74.71%; and issued variable income certificates of RMB10.749 billion, representing a year-on-year increase of 286.10%. As of the end of the Reporting Period, the total number of individual pension investment accounts exceeded 53,000, ranking among the top in the industry. To better support the development of wealth management and other front-end businesses, the Company carried out various upgrades and transformations, including the successful launch of a new generation OTC trading system, which has improved the continuous service capability of the Company’s core business system and enabled the Company to respond more quickly to the personalized OTC trading needs of high-net-worth clients. Furthermore, the Company supported its business branches in solving practical problems and expanding OTC business through a combination of online and offline methods. The introduction of a product manager responsibility system also improved the effectiveness of middle office services. As a result, the daily capacity of product operation increased by 164% year-on-year in the first half of the year.

In the future, the Company will continue to focus on the core task of building the “three centers” of the OTC, closely follow the introduction of new regulations and make preparations in advance, accelerate the switch of registration and settlement systems, product management system migration and other system modifications, optimize the trading functions of the personal pension business, expand the cooperation with banks, improve the services of business branches, and provide stronger support for frontline staff.

Custody business

During the reporting period, the asset management industry experienced a slowdown in growth compared to the previous two years, primarily due to the continued adjustment in stock and bond markets and the stricter regulations on private fund registration. As a result, securities custody products faced dual pressures of declining net product values and potential liquidation.

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The Company strived to implement the concept of optimizing customer service in the whole chain of front, middle and back office, actively utilized the key connection and amplification effects in the wealth management and institutional business, further increased its marketing and expansion efforts while optimizing the process to improve service efficiency, strengthened communication to enhance the customer experience, and accelerated the transformation towards the front-office business sector. As of the end of the Reporting Period, the size of existing products under custody amounted to RMB100 billion, serving over 1,000 fund managers and nearly 3,000 products. In particular, the Company had six publicly offered fund products under custody with a size of approximately RMB11.4 billion, ranking eighth in the industry. During the Reporting Period, the Company recorded a year-on-year increase of 15% in total revenue from custody business and a year-on-year increase of 22% in the size of securities products under custody.

In the future, the Company will create a better and more optimal business development model, continuously upgrade and iterate the core operation system and digital and intelligent middle platform system, optimize the manager service platform, boost business development with efficient middle and back office operation capability, enhance service capacity with a focus on meeting clients' needs, and form a comprehensive service value chain integrating front, middle and back office and "custody+", so as to further strengthen the comprehensive expansion capability in the asset management market, and continuously enlarge the size of products under custody.

(3) *Securities Sales and Trading*

The Company conducts securities sales and trading business with its own funds, including proprietary trading and institutional sales trading (equity investment and trading, fixed income investment and trading, financial derivatives trading business), innovative investment and securities research services. During the Reporting Period, the securities sales and trading business realized operating income of RMB3.050 billion, accounting for 22.94% of the total income.

Proprietary trading and institutional sales trading

Market environment

During the Reporting Period, the stock market was volatile with mixed performance among individual stocks. The SSE Composite Index rose by 3.65%, the SZSE Component Index rose by 0.10%, and the ChiNext Index fell by 5.61%. These unfavorable market conditions posed challenges to equity investments. The yields of bond market oscillated downwards. In particular, the yields of 10-year treasury bonds decreased by 20bp to approximately 2.63%, the 10-year CDB yields decreased by 22bp to approximately 2.77%, the total price index of ChinaBond increased by 0.87%, and the comprehensive price index of ChinaBond increased by 1.22%.

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Operation initiatives and business development

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

| (in RMB million) | As at June 30, 2023 | As at December 31, 2022 |
|--------------------------|---------------------------|-------------------------------|
| Stocks | 5,046.41 | 4,239.30 |
| Funds | 6,142.41 | 8,031.65 |
| Bonds | 122,312.10 | 110,585.62 |
| Others ^(Note) | 8,552.06 | 5,664.35 |
| Total | 142,052.98 | 128,520.93 |

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

In terms of proprietary equity investment business, during the Reporting Period, the Company strictly controlled risks, maintained a low position in stock investments, mainly adopted a bottom-up approach for stock selection, and concentrated its resources on research of leading companies with sound and solid financial position and high-quality management in different industries, and maintained a balanced trading position. Adhering to the idea of risk control and steady development, the Company achieved solid performance in high dividend strategy and actively expanded to the fields of FOF and quantitative trading. Meanwhile, the Company expanded its market-making business on the Science and Technology Innovation Board in an orderly manner, obtained the qualification for market making on the Beijing Stock Exchange, and conducted market making for four stocks on the Science and Technology Innovation Board, all of which received Grade A ratings in the assessment by stock exchange. It was also recognized as the “2022 Pioneering Market Maker of Stocks on the Science and Technology Innovation Board” by the SSE.

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In terms of FICC business, the Company's proprietary investment business remained stable, market activity significantly increased, and the all-asset sales trading platform for domestic and overseas markets has taken shape. The Company continuously innovated and promoted the transformation of proprietary investment trading towards sales trading, expanded from traditional proprietary trading to agency business, and continued to develop the all-asset sales trading platform for institutional investors in domestic and overseas markets.

- The Company steadily increased the size of fixed income proprietary investment business and continued to optimize its position structure. During the Reporting Period, the Company's spot securities trading volume in the interbank market increased by 28.7% year-on-year, the exchange-traded bonds trading volume increased by 81.9% year-on-year, and the interest rate swap trading volume increased by 71.8% year-on-year. The Company ranked among the top securities dealers in terms of spot securities trading volume in the interbank market, total trading volume of bonds and interest rate swap trading volume. In addition, the Company selected high-quality investment targets based on a top-down analytical framework and continued to maintain effective credit risk management, thereby keeping its investment performance at the forefront of the industry.
- The Company continued to make breakthroughs in market making business. In February, the Company was admitted as one of the first primary market makers of bonds on the SSE and the SZSE; in May, the Company was approved to become one of the first northbound Swap Connect quoting dealers, and was one of the first four securities dealers selected for this program. During the Reporting Period, the trading volume of the Company's market-making business in the inter-bank bond market increased by 17.1% year-on-year, and the trading volume through the Bond Connect increased by 10.0% year-on-year, ranking among the top four in the industry. In addition, the Company ranked first in the market in terms of market making of bonds of Agricultural Development Bank of China, and ranked among the top two in the market in terms of market making of bonds of the Export-Import Bank of China. The trading volume of market making of treasury bond futures increased by 208.4% year-on-year, securing a top five position in the industry. Market making business was carried out smoothly on stock exchanges. The Company ranked among the top two in terms of market making of interest rate bonds on the SSE, and both interest rate bonds and credit bonds on the SZSE received Grade A ratings.

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- Steady progress was made in the innovative transformation of the FICC business. During the Reporting Period, the Company obtained the qualification for trading of carbon emission rights, became the first among the same batch of securities firms to execute trading of carbon emission rights, and completed the carbon quota forward trading in Shanghai. For bulk commodity trading, the Company completed its first structured deposit linked with non-gold underlying assets, OTC option trading for the purpose of hedging by industrial clients, agency trading of gold quoting option on the Shanghai Gold Exchange and commodity income swap trading. During the Reporting Period, the Company became a comprehensive clearing member for products of Shanghai Clearing House to carry out agency clearing of standard bond forwards. The Company also made steady progress in foreign exchange proprietary and agency business, and launched the two-side centralized clearing and foreign currency centralized clearing functions on the CFETS platform. The FICC OTC derivative business experienced rapid expansion with significant increase in OTC options related to interest rates, commodity and foreign exchange.
- During the Reporting Period, the Company was recognized as the “Outstanding Market Maker for Northbound Trading” by Bond Connect Company Limited and the “Best Participant of Leasing Business” by the Shanghai Gold Exchange, and received various awards including the “Best Financial Service Organization of the Year in the Financial Leasing Industry” by the Shanghai Financial Leasing Industry Association.

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In terms of financial derivatives business, during the Reporting Period, the Company strengthened collaboration in the Group and established the Orient Derivatives business brand. In particular, for market-making business, the Company seized the opportunity from rapid development of the scale of derivatives market, increased the number of option market making varieties to 14, and possessed the qualification of primary market maker for all 12 equity options in the market, and increased the number of fund market making varieties by more than 100% to over 80. It also continued to develop profit models and expand the boundaries of its capabilities, thus securing a leading position in market making trading volume, achieving favourable returns with low withdrawal and establishing a positive and professional reputation and market influence in the industry. For quantitative business, the Company continued to reduce the proportion of restricted shares and increase the investment in low-volatility market-neutral strategies with an aim to mitigate fluctuations in yields facing an ever-changing market. In terms of OTC derivative business, the scale of OTC option business grew steadily, and the Company strictly controlled the Greeks exposure, maintained quotation stability and optimized option structure to improve the stability of returns. The interest rate swap business was carried out in a progressive and steady manner with a focus on stock index futures-based interest rate swap transactions. Leveraging the benefits of well-established business models, including rapid implementation, robust system functionality, and standardized trading processes, the Company consistently expanded the trading volume and catered to a broader range of clients. During the Reporting Period, the trading volume of OTC options reached RMB73.758 billion, representing a year-on-year increase of 72.28%, and the trading volume of income swaps amounted to RMB19.419 billion, representing a year-on-year increase of 100.32%. During the Reporting Period, the Company won various awards including the first prize of the “Outstanding Option Market Maker Award” and the “New Options Market Making Contribution Award” by the SZSE, the “Market Making Business Golden Award” by Shanghai Futures Exchange and the “Bronze Award for Outstanding Market Maker of Stock Index Options” by China Financial Futures Exchange.

Development plan and outlook

For equity proprietary investments, the Company will conduct thorough investment research and make flexible adjustments to investment scale and positions. Additionally, in the field of quantitative strategies and FOF, the Company will increase investments in talent development and hardware equipment to enhance the depth and coverage of research, aiming to achieve higher yields by Sharpe ratio. It will also strengthen the construction of the market making system for the Science and Technology Innovation Board to generate stable returns through non-directional investments. Furthermore, it will expand the business scope in an orderly manner by initiating market making operations on the Beijing Stock Exchange.

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In terms of FICC business, the Company will adjust asset allocation in line with market conditions to increase the proportion of trading income; expand the customer base and innovate and implement various business models. In the future, guided by the strategic direction of collective, international and digital development, the Company will further promote the development of the all-asset sales trading platform for domestic and overseas markets, and ensure continuous improvement of the FICC industry chain while facilitating the transformation of FICC business towards sales trading and client-oriented services.

For financial derivative business, the Company will further strengthen the construction of market making system and create technological barriers to maintain a leading position in the industry. In quantitative business, the Company will increase investment in multi-factor quantitative stock selection strategies, continue to develop various low-volatility quantitative strategies, and gradually improve the efficiency of trading terminal. The Company will also innovate trading strategies for OTC options, make dynamic and strategic hedging adjustments, explore new trading models, increase income, and continue to expand the scale of income swap business.

Innovative investment

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

Market environment

During the Reporting Period, the government placed further emphasis on the development of equity investment industry, and strengthened support and regulation through macroeconomic policies. The equity investment sector responded by engaging in industrial upgrading efforts and actively promoting “smart manufacturing” while strengthening investments in relevant industries. Meanwhile, the demand for exits from private equity funds has been increasing year by year, leading to a rapid expansion of China’s secondary market for private equity investments, with the secondary fund market experiencing sustained popularity. For special asset acquisition and disposal, real estate, as one of the most common underlying assets, has been continuously declining in recent years due to factors such as the pandemic and policy restrictions.

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Operation initiatives and business development

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

The Company steadily developed its equity investment business. During the Reporting Period, focusing on supporting “hard-core technology and domestic substitution” and other national self-control sectors and adhering to the investment idea of “growth-oriented and reasonable valuation”, Orient Securities Innovation took high-quality projects as the core, actively expanded the market cooperation channels, and established strategic relationship with universities to facilitate further development in chip, computer software and hardware, enterprise-level Internet applications and new energy sectors. Meanwhile, it developed the secondary fund business with a trading volume of nearly RMB0.5 billion, giving it a first-mover advantage among the peers. As of the end of the Reporting Period, Orient Securities Innovation had 96 existing equity investment projects with an investment scale of over RMB4.564 billion. In addition, Orient Securities Innovation proactively participated in co-investment on the Science and Technology Innovation Board and made co-investment in 9 projects under registration system with an investment scale of RMB489 million as of the end of the Reporting Period.

The Company steadily promoted special asset acquisition and disposal business, put more efforts in liquidating its existing projects and making project reserves, and built up its comprehensive operation capability in the areas of mergers and acquisitions, restructuring and full chain integration to consolidate its core competitiveness. As of the end of the Reporting Period, Orient Securities Innovation Investment had 19 existing special asset disposal projects with an investment scale of RMB1,453 million.

Development plan and outlook

In the future, Orient Securities Innovation will further strengthen cooperation with advantageous industry capital, establish strategic relationships with universities, and comprehensively facilitate project integration to expand its presence in various investment fields. Additionally, it will emphasize on exploring new opportunities for further investment in high-quality invested projects, and actively expand to secondary fund and other new sectors. For special asset business, Orient Securities Innovation will proactively enhance the comprehensive operational and marketing capabilities of its business team, ensure the safety of underlying assets, continue to explore mergers and acquisitions of listed companies, and implement a more in-depth stock and bond-linked special assets business model.

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Securities research

Market environment

As the trend of reducing commissions for publicly offered funds takes hold and competition in the securities research business intensifies, the industry is facing a challenging external environment. In response, the Company adheres to the overall strategic direction of “extensive research”, utilizes the overall advantages of its investment research business, and improves the quality of its research services, thereby providing services to various segments internally to bring incremental value, and obtaining external recognition from institutional clients to achieve performance contribution.

Operation initiatives and business development

During the Reporting Period, the Company carried out thorough research on fundamentals, focused on building a systematic framework for each research area, followed rigorous research methodology and research logic, and strived to improve the capability of researchers and the quality of research reports. In addition, it strengthened research collaboration between corporate and industry teams and between upstream and downstream industries, continued to create in-depth and high-quality research products, and enhanced research and management efficiency through information technology and other means. As at the end of the Reporting Period, the Company’s securities research business had a total of 105 researchers, including 77 with analyst qualifications and 28 with investment consultancy qualifications, and published a total of 1,446 research reports during the Reporting Period.

With respect to external commissions, the Company cultivated the public offering market and strived to improve the market share leveraging institutional customers. Besides, it expanded customer coverage and actively explored non-public offering customers. During the Reporting Period, the Research Institute realized commission income of RMB287 million, of which the public offering commissions (including special accounts, social security and annuity seats) accounted for RMB265 million, with a market share of 2.55% in terms of trading volume of publicly offered funds. According to the data of Wind, DFZQ received public offering commissions of RMB643 million in 2022, and the number of commission earning seats accounted for 3.41% of the total and ranked 9th in the market, a rise of two places from the same period of last year. During the Reporting Period, 1 public offering customer and 15 customers of private placement, insurance and proprietary business of securities firms were newly secured, comprehensively covering the new bank wealth management subsidiaries.

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

Development plan and outlook

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

(4) *Investment Banking*

The Company mainly engages in investment banking business through Orient Investment Banking, a wholly-owned subsidiary of the Company, and the Fixed Income Business Department and the Investment Banking Business Department (planned). In particular, the principal businesses of Orient Investment Banking are stocks underwriting and sponsoring, underwriting of corporate bonds, enterprise bonds, financial bonds and other bonds, and financial advisory services relating to M&A and restructuring and enterprise reform. The Fixed Income Business Department is principally engaged in underwriting of government bonds, policy-driven financial bonds and debt financing instruments of non-financial institutions. The business of recommendation of listing on NEEQ has been transferred from Orient Investment Banking to the Investment Banking Business Department (planned) of the Company in August 2022.

During the Reporting Period, investment banking business realized operating income of RMB0.801 billion, accounting for 6.02% of the total income.

Stock underwriting

Market environment

During the Reporting Period, with the comprehensive implementation of the share issuance registration system reform, the main board of the SSE and the SZSE welcomed the first batch of listed companies under the registration system, and the amount of IPO financing on the SSE and the SZSE continued to maintain a globally leading position. According to the data of Wind, in the first half of 2023, 173 enterprises completed IPO and listed, which remained basically the same as the same period of last year, the overall size of IPO financing amounted to RMB209.677 billion, representing a year-on-year decrease of 32.78%, 163 issuers completed issuance of additional shares (including asset portion), representing a year-on-year increase of 21.64%, the size of financing amounted to RMB351.941 billion, representing a significant year-on-year increase of 82.42%.

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Operation initiatives and business development

Orient Investment Banking actively implemented national strategies, persistently promoted the development of real economy driven by financial services, guided financial resources to support key areas and vulnerable sectors of economic and social development, supported the development of micro, small and medium-sized enterprises, strategic emerging industries and major projects through listing and financing, mergers and acquisitions and other resource allocation methods, and made significant progress in biopharmaceutical, new energy, information technology and other sectors. During the Reporting Period, Orient Investment Banking completed various high-quality projects, including the IPO of Xishan Science & Technology on the Science and Technology Innovation Board, issuance of additional shares by Tianyuan Group and the IPO of Bromake.

During the Reporting Period, Orient Investment Banking participated in five equity financing projects as the lead underwriter with total underwriting amount of RMB5.725 billion. In particular, it participated in two IPO projects as the lead underwriter with underwriting amount of RMB2.907 billion; and participated in three secondary offering projects as the lead underwriter with underwriting amount of RMB2.818 billion. During the Reporting Period, with strict control of project quality, Orient Investment Banking assisted six enterprises in passing the review by the listing review committee with a passing rate of 100%, including three IPO projects and three projects of issuance of convertible bonds. During the Reporting Period, Orient Investment Banking won the award of “Best Investment Banking Business Elite Team – IPO Projects” by New Fortune.

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

| (in RMB million) | January – June 2023 | January – June 2022 |
|---------------------------------------------|------------------------|------------------------|
| IPO: | | |
| Number of issuance | 2 | 3 |
| Amount underwritten as the lead underwriter | 2,907.48 | 4,509.16 |
| Secondary offering: | | |
| Number of issuance | 3 | 5 |
| Amount underwritten as the lead underwriter | 2,817.75 | 7,617.29 |
| Total: | | |
| Number of issuance | 5 | 8 |
| Amount underwritten as the lead underwriter | 5,725.23 | 12,126.44 |

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Development plan and outlook

In the second half of 2023, Orient Investment Banking will seize the opportunities brought by comprehensive registration system reform and the connection of domestic and international markets, and utilize the resources and platform advantages of the Group to expand its business layout and enhance the breadth and depth of customer coverage. The Company will strengthen quality control over projects, optimize research and pricing capabilities, diversify project reserves, improve the service quality across the entire business chain, and put efforts in establishing the brand of “Energy Investment Bank”.

Bond underwriting

Market environment

During the Reporting Period, the monetary policy remained focused on putting precise efforts in ensuring stability. The overall liquidity in the financial system remained reasonably abundant, and the issuance costs in the bond market showed an overall downward trend. Regulatory authorities continued to strengthen supervision over the control of implicit debt growth and reduction of existing debt, and maintained a strict control on the approval of bond issuance by urban investment companies. During the Reporting Period, the size of bonds issued amounted to RMB34.58 trillion, of which the size of credit bonds issued amounted to RMB9.36 trillion, both saw an increase from the corresponding period in 2022.

Operation initiatives and business development

During the Reporting Period, the Company conducted 304 lead underwriting projects, with a total underwritten amount of RMB109.271 billion. According to Wind, the total underwriting size of the Company’s bond underwriting business amounted to RMB182.7 billion, ranking eighth in the market.

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Orient Investment Banking continuously innovated its corporate bond offerings, expanded its client base in various industries, and enhanced its customer service capabilities. During the Reporting Period, it issued multiple innovative bonds including green corporate bonds, corporate bonds for science and technology innovation, corporate bonds for innovation and entrepreneurship, green financial bonds and affordable housing ABS, in order to support financing and construction of green projects and technological innovation, serve the real economy and implement national strategies. In addition, various bonds underwritten by the Company as the lead underwriter were issued at record-low interest rates, demonstrating outstanding sales capabilities of the Company. In the first half of 2023, despite the frequent default in the bond market, the bond business of Orient Investment Banking maintained stable and compliant operation through strict and effective risk control, leading to “zero default” in its bond projects and demonstrating solid risk control capability. During the Reporting Period, Orient Investment Banking was recognized as the “Best Investment Bank for Debt Underwriting” in the 16th New Fortune Best Investment Bank Awards.

During the Reporting Period, the Company continued to maintain an industry leading position for its interest rate bond business. In particular, the Company recorded a year-on-year increase of 109.89% in the size of treasury bond underwriting, ranked first among securities dealers in terms of underwriting of CDB financial bonds, and ranked among the top three securities dealers in terms of book-entry treasury bond underwriting and underwriting of financial bonds of Agricultural Development Bank of China. The size of debt financing instruments underwritten by the Company as the lead underwriter amounted to RMB17.252 billion, ranking ninth among securities dealers. The Company actively responded to the national strategy, leveraged its business advantages to serve key tasks such as scientific and technological innovation, green development and rural revitalization, continued to facilitate the underwriting of thematic bonds of policy banks, ESG bonds and technological innovation notes, participated in the underwriting of six thematic bonds such as the bonds of “Green Development”, “National Student Loan” and “Urban Infrastructure” issued by China Development Bank, and completed the underwriting of 20 ESG bonds and 12 technological innovation notes with underwriting size of RMB3.792 billion. During the Reporting Period, the Company won the “Cross-border Subscription Innovation Award (Underwriter)” by Bond Connect Company Limited, and the 22 Jinqiao Bond underwritten by the Company won the “2022 Chinese Securities Industry Junding Award for Supporting Projects of Central SOEs and SOEs” by Securities Times.

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

| (in RMB million) | January – June 2023 | January – June 2022 |
|----------------------------------------------------------|------------------------|------------------------|
| Corporate debentures: | | |
| Number of underwriting as lead underwriter | 162 | 100 |
| Amount underwritten as lead underwriter | 60,884 | 57,530 |
| Corporate bonds: | | |
| Number of underwriting as lead underwriter | 3 | 12 |
| Amount underwritten as lead underwriter | 1,177 | 6,227 |
| Financial bonds: | | |
| Number of underwriting as lead underwriter | 16 | 19 |
| Amount underwritten as lead underwriter | 20,650 | 20,193 |
| Asset-backed securities: | | |
| Number of underwriting as lead underwriter | 40 | 17 |
| Amount underwritten as lead underwriter | 4,619 | 3,380 |
| Debt financing instruments of non-financial enterprises: | | |
| Number of underwriting as lead underwriter | 53 | 26 |
| Amount underwritten as lead underwriter | 17,252 | 7,078 |
| Local government bonds: | | |
| Number of underwriting as lead underwriter | 30 | 18 |
| Amount underwritten as lead underwriter | 4,690 | 3,260 |
| Total: | | |
| Number of underwriting as lead underwriter | 304 | 192 |
| Amount underwritten as lead underwriter | 109,271 | 97,668 |

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Development plan and outlook

In the future, the Company will continue to strictly control the quality of bond projects, prioritize diverse, high-quality and international projects, actively serve high-quality clients, and fulfill social responsibilities and the requirements of national policies. Orient Investment Banking will enhance the Group's comprehensive income through regional development, collaboration within the Group, cross-sector coordination and other methods, and focus on improving the comprehensive financial service capabilities for major customers, thus strengthening sustainable profitability.

Financial advisory services

Market environment

During the Reporting Period, the domestic M&A market remained relatively subdued, the number of approved projects subject to administrative review/registration has been on a downward trend in the past seven years, and the number of projects under review also recorded year-on-year decrease. In terms of cross-border M&A, as international transportation and communication gradually recovered, cross-border M&A transactions saw a significant year-on-year growth in scale. According to the statistics of iFind, in the first half of 2023, there were 93 cross-border M&A transactions, representing a year-on-year increase in 34.78%, with a transaction size of RMB51.0 billion, representing a year-on-year increase in 289.31%.

Operation initiatives and business development

Despite the relatively sluggish domestic M&A market, the Company continued to advance its expansion in M&A business and achieved certain results. In the first half 2023, the Company assisted two listed companies in launching share issuance plans for asset acquisitions, both of which were focused on the energy industry. This aligned with the Company's strategic plan to build a brand of "energy investment bank" and reflected the Company's extensive expertise and resource advantages in the energy sector, particularly in the field of renewable energy.

Development plan and outlook

In the future, Orient Investment Banking will focus on advantageous industries, and put efforts in enterprises with leading advantages in energy, chemical, advanced manufacturing, automobile, medical and consumer products sectors. In addition, Orient Investment Banking will actively develop innovative businesses such as bankruptcy restructuring, focus on the internationalization needs of high-quality listed company customers and meet their needs for overseas market financing and business development through domestic and overseas coordination.

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(5) *Headquarters and Others*

Headquarters and others business of the Company mainly include the headquarters' treasury business, overseas business and financial technology business. During the Reporting Period, the headquarters and others business realized operating income of RMB2.798 billion, accounting for 21.05% of total.

Treasury business

Market environment

During the Reporting Period, the global economic downturn showed signs of slowing down, and domestic macroeconomic policies focused on maintaining stability while seeking progress with loose liquidity environment, contributing to an overall improvement in economic performance. In the second quarter, as the momentum of economic recovery slowed down, coupled with reduced credit extension by major banks, the liquidity environment became even more accommodating. This was further amplified by the lowered deposit interest rates and the implementation of interest rate cuts, leading to gradual decline in the yield of 10-year treasury bonds.

Operation initiatives and business development

The Company focused on liquidity risk management, adopted multiple measures to ensure liquidity safety, and systematically coordinated fund allocation and liability management. During the Reporting Period, the Company implemented a pilot liquidity indicator allocation plan for the first time, aiming to achieve forward-looking management and control of liquidity indicators. As of the end of the Reporting Period, the liquidity coverage ratio and net stable capital ratio of the Parent Company were 219.78% and 134.37%, respectively, which remained consistently above regulatory standards and corporate-level limits from the beginning of the year. The Company continued to strengthen its capital intake and outflow capacity to meet the funding needs of its business operations while optimizing the structure of reserve assets to ensure the “liquidity, safety and profitability” of reserves. It also solidly advanced bond issuance efforts by coordinating the sales resources of bonds within the Group to achieve cost reduction and efficiency improvement with concerted efforts. Adhering to the prudence principle, the Company actively engaged in foreign debt exchange rate risk management to effectively mitigate unfavorable exchange rate fluctuations.; and focused on three main aspects of product line design, product pricing, and cash flow management in order to comprehensively balance the interests of the Company, departments and customers.

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Development plan and outlook

The Company will adhere to the management philosophy of “focusing on liquidity regulatory indicators, prioritizing daily cash flow management, guiding actions based on interest rate pricing and ensuring liquidity reserves”, and strive to continuously enhance the comprehensive liquidity management capabilities of the Company. Additionally, it will further strengthen centralized fund management to maintain the stability of liquidity reserve assets at a balanced level. The Company will closely monitor changes in domestic and international markets and effectively manage foreign currency debt interest and exchange rate risks to reasonably control comprehensive financing costs. It will also continue to expand financing channels, scientifically coordinate credit limit management and strengthen proactive financing management.

Overseas business

Market environment

During the reporting period, the Hong Kong market experienced notable fluctuations affected by various factors including overseas interest rate hikes, geopolitical tensions and risk events in European and US banks. In particular, the Hang Seng Index fell by 4.37% in the first half of the year, the total amount of funds raised from initial public offerings in the Hong Kong stock market dropped by 9.91% year-on-year, the average daily trading volume dropped by 16.44% year-on-year, and the index of Chinese-issued US dollar bonds and high-yield index recorded an increase of 1.62% and a decrease of 8.16%, respectively.

Operation initiatives and business development

The Company engages in overseas business through Orient Finance Holdings and Orient Securities International and their subsidiaries. In particular, as the Group’s international business platform, Orient Securities International conducts securities brokerage, futures brokerage, asset management, investment banking, margin financing and securities lending and other businesses through wholly-owned subsidiaries licensed by the SFC. During the Reporting Period, the Company actively responded to the complex and ever-changing market environment, strengthened the implementation of regulatory requirements, deepened research on international development, improved the governance of overseas subsidiaries, adhered to the principles of downsizing, adjusting structure, reducing risks, and controlling costs, continuously enhanced the stability of investment business, strengthened the foundation of intermediary business, deepened collaboration within the Group, reduced asset size, enhanced asset quality, optimized the asset-liability structure, and promoted the balanced adjustment of business structure, thus making steady progress in sustainable international development.

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The Company adjusted the structure of proprietary business and facilitated development and transformation of financial market business. For fixed-income proprietary investment business, the Company strictly controlled the quality of investment projects, improved the overall credit of investment targets and portfolios, improved asset quality, and promoted the transformation of our investment approach from a transactional focus to a more strategic allocation-oriented model. For financial market sales trading business, the Company enhanced its capabilities in non-leveraged note transactions with a matured model, enriched risk-neutral trading strategies, continuously optimized Alpha trading in Hong Kong stock market, and executed innovative spread arbitrage trading.

The Company adjusted the structure and emphasis of its brokerage business. On the retail front, the Company accelerated the expansion of development focus to local market coverage, explored fee-based advisory services and facilitated the development of fund B2B business. By continuously improving its overseas product sales platform, the Company achieved a year-on-year increase of 140% in incremental scale of product sales, and won the “Best Wealth Management Award” in the 4th Golden Central Awards. For institutional sector, the Company continued to diversify its customer base, while improving the quality of research services for overseas markets. During the Reporting Period, a total of 294 events were organized to provide customer services.

The Company expanded the scale and optimized the layout of its asset management business. As of the end of the Reporting Period, the size of the asset management business amounted to approximately HKD10.7 billion, representing an increase of approximately 29% from the beginning of the period. The Company expanded its cooperation with industry peers, focused on meeting customer needs, effectively utilized professional qualifications, and provided solutions such as QFII dedicated accounts for cross-border asset allocation and dedicated accounts for equity market investments. It also improved its product portfolio, and officially launched its second publicly offered fund, Dongfanghong Dynamic Strategy Fund. During the Reporting Period, the Company won the I&M 2023 Professional Investment Awards – China Bonds, Onshore (5 Years).

For investment banking business, the Company focused on project development and enhanced its capabilities to ensure effective project execution and pipeline development. As of the end of the Reporting Period, the Company participated in two sponsoring projects and two underwriting projects. During the Reporting Period, the Company completed 20 bond underwriting projects with a total underwriting amount of approximately HKD4.2 billion, ranked eighth among China-based securities dealers in Hong Kong in terms of the underwriting amount of overseas bonds issued by Chinese issuers, and won the “Primary Market Innovation Award (Underwriter)” in the 2023 Bond Connect Awards.

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Development plan and outlook

In the future, the Hong Kong business will continue to align with the annual objectives of risk reduction, strengthening foundations, and cost control. The Company will keep improving capabilities in intermediary fee-based businesses, strengthen the foundations of brokerage, asset management, investment banking and other businesses, optimize the business structure, effectively manage costs throughout the year, ensure coordinated development and compliant and stable operation, integrate into the Group's efforts of building a "Unified Orient", and strive to maintain stable growth and promote development, thereby facilitating the internationalization of the Group.

Financial technology

Market environment

As the digital economy continues to evolve, the development and transformation of financial technology and emerging technologies present new opportunities for transformation and upgrade of the securities industry, leading to the emergence of various new business models. During the reporting period, the Securities Association of China issued the "Three-Year Plan for Enhancement of Network and Information Security of Securities Companies (2023-2025)", which encourages securities dealers to continuously strengthen their investment in information technology and increase the proportion of information technology professionals, thereby facilitating the upgrade of securities business driven by financial technology.

Operation initiatives and business development

The Company promoted high-quality corporate development with the strategic driver of digital transformation. Through unified planning, the Company strengthened independent research and development, continued to promote the integrated development of financial technology, and continued to develop in the areas of business scenario empowerment, management model innovation and transformation of technical architecture, so as to comprehensively promote digital transformation.

The Company facilitated business development driven by financial technology. For proprietary investment business, the Company continued to optimize and improve the super investment management platform to meet the investment needs of all assets, businesses, and processes, launched the business of bond ETF market making on the SSE and the SZSE, and set up the Orient Securities flagship store of the Foreign Exchange Trading Center. For wealth management, the new generation core business system solidified the foundation of wealth management business and enhanced the continuous service capacity of the Company's core business systems, and the new generation OTC trading system completed comprehensive transformation for all clients in all businesses. The Company also successfully completed the system modification related to the comprehensive registration system to ensure the smooth operation of its business. For quantitative ecosystem, the universe quantitative algorithm bus platform was launched, the Octopus Internet APP enabled unified login and fund transfer between securities and futures businesses, and the Finoview intelligent investment research platform continuously strengthened its underlying database, building a new ecosystem for quantitative trading. Through digital connection of different businesses within the Group, the Company provided diversified quantitative services for professional investors.

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The Company transformed its management models. The Company continued to upgrade and optimize its compliance risk control system, facilitated the construction of an intelligent anti-money laundering management and control platform, and iterated the reporting function of risk database. For data governance, the Company continued to carry out data review, classification and security assessment; fully converted the integrated office platform and set up the project of comprehensive budget management system.

The Company facilitated the transformation of technical architecture. The Company established the “Orient Brain” artificial intelligence platform to integrate AI computing power and algorithm resources, facilitate platform-based development and middle platform operation, and build a platform architecture integrating a fundamental platform layer, a middle platform layer and an application layer. During the Reporting Period, the Company officially released two industry standards for account management and information data. The project of development and operation integration platform was successfully submitted for approval. The IT innovation data middle platform passed the acceptance test. The Company continued to advance the construction of middle platforms for artificial intelligence, blockchain and other innovative technologies, and systematically promoted the development of a capability sharing center according to the plan.

Development plan and outlook

In the future, the Company will uphold the concept of digital transformation and integrated development driven by both technology and business, and carried out relevant tasks with focus on integration mechanism, business empowerment, innovative management and implementation of middle platform. In particular, It will innovate the integration mechanism, promote cross-functional flexible collaboration and internal and external integration; empower business development driven by both technology and business and develop core competitiveness; promote management transformation and strengthen the construction of digital management system; and promote the middle platform strategy, strengthen the capacity of AI middle platform and implement the application of shared middle platform. The Company will develop its technological competitiveness based on its technological strength to support business development and achieve new growth.

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IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

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

1. Revenue, gains and other income

During the Reporting Period, the Company realized revenue, gains and other income of RMB10.993 billion, representing an increase of RMB1.231 billion or 12.61% over the same period of last year. The increase in revenue, gains and other income was mainly due to the year-on-year increase in revenue from securities sales and trading, overseas business, private equity fund management and other business segments. Details were as follows:

Commission and fee income amounted to RMB4.052 billion, accounting for 36.86% of the total and representing a year-on-year decrease of 9.99%, which was primarily attributable to the decrease in income from asset and fund management fees, fee from securities brokerage business and underwriting, sponsoring and consulting fees.

Interest income amounted to RMB3.081 billion, accounting for 28.03% of the total and representing a year-on-year increase of 12.82%, which was primarily attributable to the increase in interest income from financial assets held under resale agreements and debt instruments at fair value through other comprehensive income.

Net investment gains amounted to RMB1.519 billion, accounting for 13.81% of the total and representing a year-on-year increase of 270.19%, which was primarily attributable to the increase in net income from investment in financial assets at fair value through profit or loss and gains on changes in fair value and the decrease in net loss from investment in derivative financial instruments.

Other income and gains amounted to RMB2.341 billion, accounting for 21.30% of the total and representing a year-on-year increase of 10.50%, which was primarily attributable to the increase in income from bulk commodity trading.

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

Unit: '000 Currency: RMB

| Item | From January to June 2023 | | From January to June 2022 | | Changes | |
|-------------------------------------------------------------|---------------------------|----------------|---------------------------|------------|-----------|------------|
| | Amount | Proportion | Amount | Proportion | Amount | Proportion |
| Commission and fee income | 4,051,782 | 36.86% | 4,501,399 | 46.11% | (449,617) | (9.99%) |
| Interest income | 3,081,386 | 28.03% | 2,731,336 | 27.98% | 350,050 | 12.82% |
| Net investment gains | 1,518,630 | 13.81% | 410,229 | 4.20% | 1,108,401 | 270.19% |
| Other income, gains and losses, net | 2,341,056 | 21.30% | 2,118,604 | 21.71% | 222,452 | 10.50% |
| Total revenue, other income and net gains and losses | 10,992,854 | 100.00% | 9,761,568 | 100.00% | 1,231,286 | 12.61% |

2. Total expenses

During the Reporting Period, total expenses of the Company amounted to RMB9.193 billion, representing a year-on-year decrease of RMB0.158 billion or 1.69%, which was mainly attributable to the decrease in staff costs and the impairment allowance on investment in associates made during the same period of last year, which was not incurred during the current period. Details were as follows:

Staff costs amounted to RMB2.036 billion, representing a year-on-year decrease of 16.41%, which was primarily attributable to the decrease in staff costs that fluctuate with business revenue.

Interest expenses amounted to RMB2.087 billion, representing a year-on-year increase of 1.68%, which was primarily attributable to the increase in interest expenses from placements from banks and financial institutions and borrowings.

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Commission and fee expenses amounted to RMB0.416 billion, representing a year-on-year decrease of 4.41%, which was mainly attributable to the decrease in fee expenses from securities brokerage business.

Depreciation and amortization expenses amounted to RMB0.404 billion, representing a year-on-year increase of 4.40%, which was primarily attributable to the increase in depreciation of right-of-use assets.

Other expenses, including operation expenses, tax and surcharges, donation and bulk commodity trading expenses, were totally RMB3.297 billion, representing a year-on-year increase of 10.02%, which was primarily attributable to the increase in bulk commodity trading expenses.

Impairment losses amounted to RMB0.954 billion, representing a year-on-year increase of 9.71%, which was primarily attributable to the decrease in impairment loss of stock pledge repurchase assets during the period.

The components of total expenses of the Group during the first half of 2023 are set out as follows:

Unit: '000 Currency: RMB

| Item | From | From | Changes | |
|---------------------------------------------------------------------------|-------------------------|-------------------------|-----------|------------|
| | January to June 2023 | January to June 2022 | Amount | Proportion |
| Staff costs | 2,036,149 | 2,435,763 | (399,614) | (16.41%) |
| Interest expenses | 2,086,513 | 2,052,102 | 34,411 | 1.68% |
| Commission and fee expenses | 415,677 | 434,851 | (19,174) | (4.41%) |
| Depreciation and amortization | 403,776 | 386,776 | 17,000 | 4.40% |
| Other operating expenses | 3,296,775 | 2,996,543 | 300,232 | 10.02% |
| Impairment losses under expected credit loss model, net of reversal | 953,890 | 869,454 | 84,436 | 9.71% |
| Other impairment losses | - | 174,951 | (174,951) | (100.00%) |
| Total | 9,192,780 | 9,350,440 | (157,660) | (1.69%) |

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3. Cash flows

During the Reporting Period, the Company recorded RMB0.536 billion net increase in cash and cash equivalents. Details were as follows:

- (1) Net cash used in operating activities amounted to RMB5.989 billion, which was mainly attributable to:
 - i. RMB22.442 billion of net cash outflow was attributable to decrease in account payables to brokerage clients;
 - ii. RMB14.969 billion of net cash outflow was attributable to increase in financial assets at fair value through profit or loss and derivative financial assets;
 - iii. RMB4.306 billion of net cash outflow was attributable to decrease in financial liabilities at fair value through profit or loss and derivative financial liabilities;
 - iv. RMB22.221 billion of net cash inflow was attributable to decrease in bank balances and clearing settlement funds restricted or held on behalf of customers;
 - v. RMB12.815 billion of net cash inflow was attributable to increase in financial assets sold under repurchase agreements and placements from banks and other financial institutions.
- (2) Net cash from investment activities was RMB4.552 billion, which was primarily attributable to:
 - i. RMB4.129 billion of net cash inflow as a result of investment and disposal of financial investment;
 - ii. RMB1.124 billion of net cash inflow as a result of receipt of investment dividend and interest.
- (3) Net cash from financing activities amounted to RMB1.973 billion, which was mainly attributable to: net cash inflow of RMB4.463 billion as a result of issuance, borrowing and repayment of bonds, short-term financing bills payables and borrowings.

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(ii) Analysis on principal components of consolidated statement of financial position

1. Analysis on principal components of consolidated statement of financial position

As at the end of the Reporting Period, the Group achieved total assets of RMB360.118 billion, representing a decrease of RMB7.949 billion or 2.16% from the end of last year; total liabilities of RMB282.121 billion, representing a decrease of RMB8.548 billion or 2.94% from the end of last year; and total equity of RMB77.998 billion, representing an increase of RMB0.599 billion or 0.77% from the end of last year.

Analysis on items of consolidated statement of financial position of the Group is set out below:

Unit: '000 Currency: RMB

| Items | As at the end of June 2023 | | As of the end of 2022 | | Changes | |
|---------------------------------------------------------------------|----------------------------|------------|-----------------------|------------|--------------|------------|
| | Amount | Proportion | Amount | Proportion | Amount | Proportion |
| Total assets | 360,118,151 | | 368,066,959 | | (7,948,808) | (2.16%) |
| Cash and bank balances | 97,156,149 | 26.98% | 121,862,060 | 33.11% | (24,705,911) | (20.27%) |
| Clearing settlement funds | 34,594,032 | 9.61% | 29,106,272 | 7.91% | 5,487,760 | 18.85% |
| Deposits with exchanges and financial institutions | 3,657,292 | 1.02% | 4,343,234 | 1.18% | (685,942) | (15.79%) |
| Derivative financial assets | 1,342,806 | 0.37% | 1,017,334 | 0.28% | 325,472 | 31.99% |
| Advances to customers | 19,948,426 | 5.54% | 19,498,899 | 5.30% | 449,527 | 2.31% |
| Account receivables | 753,548 | 0.21% | 908,399 | 0.24% | (154,851) | (17.05%) |
| Reverse repurchase agreements | 6,373,247 | 1.77% | 8,610,881 | 2.34% | (2,237,634) | (25.99%) |
| Financial assets at fair value through profit or loss | 100,688,446 | 27.96% | 83,763,730 | 22.76% | 16,924,716 | 20.21% |
| Debt instruments at fair value through other comprehensive income | 74,054,777 | 20.56% | 76,862,096 | 20.88% | (2,807,319) | (3.65%) |
| Equity instruments at fair value through other comprehensive income | 3,465,803 | 0.96% | 3,721,658 | 1.01% | (255,855) | (6.87%) |
| Debt instruments measured at amortised cost | 2,458,957 | 0.68% | 3,164,972 | 0.86% | (706,015) | (22.31%) |
| Deferred tax assets | 2,015,941 | 0.56% | 1,908,541 | 0.52% | 107,400 | 5.63% |
| Investments in associates | 6,658,728 | 1.85% | 6,241,920 | 1.70% | 416,808 | 6.68% |
| Right-of-use assets | 643,371 | 0.18% | 639,915 | 0.17% | 3,456 | 0.54% |
| Investment properties | 209,281 | 0.06% | 265,583 | 0.07% | (56,302) | (21.20%) |
| Property and equipment | 2,780,660 | 0.77% | 2,130,467 | 0.58% | 650,193 | 30.52% |
| Other intangible assets | 227,775 | 0.06% | 246,043 | 0.07% | (18,268) | (7.42%) |

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Unit: '000 Currency: RMB

| Items | As at the end of June 2023 | | As of the end of 2022 | | Changes | |
|------------------------------------------------------------|----------------------------|------------|-----------------------|------------|--------------------|----------------|
| | Amount | Proportion | Amount | Proportion | Amount | Proportion |
| Goodwill | 32,135 | 0.01% | 32,135 | 0.01% | 0 | 0.00% |
| Other assets | 3,056,777 | 0.85% | 3,742,820 | 1.01% | (686,043) | (18.33%) |
| Total liabilities | 282,120,546 | | 290,668,670 | | (8,548,124) | (2.94%) |
| Placements from banks and financial institutions | 18,025,479 | 6.39% | 8,352,456 | 2.87% | 9,673,023 | 115.81% |
| Short-term financing bills payable | 2,930,807 | 1.04% | 8,300,603 | 2.86% | (5,369,796) | (64.69%) |
| Account payables to brokerage clients | 100,599,431 | 35.66% | 123,041,420 | 42.33% | (22,441,989) | (18.24%) |
| Repurchase agreements | 65,389,821 | 23.18% | 62,299,523 | 21.43% | 3,090,298 | 4.96% |
| Financial liabilities at fair value through profit or loss | 17,097,066 | 6.06% | 18,539,311 | 6.38% | (1,442,245) | (7.78%) |
| Derivative financial liabilities | 601,786 | 0.21% | 308,446 | 0.11% | 293,340 | 95.10% |
| Contract liabilities | 150,789 | 0.05% | 64,505 | 0.02% | 86,284 | 133.76% |
| Current tax liabilities | 151,504 | 0.05% | 233,603 | 0.08% | (82,099) | (35.14%) |
| Accrued staff costs | 1,636,038 | 0.58% | 2,129,721 | 0.73% | (493,683) | (23.18%) |
| Borrowings | 1,723,437 | 0.61% | 2,008,823 | 0.69% | (285,386) | (14.21%) |
| Lease liabilities | 638,296 | 0.23% | 645,777 | 0.22% | (7,481) | (1.16%) |
| Debt securities issued | 63,999,555 | 22.69% | 55,802,403 | 19.20% | 8,197,152 | 14.69% |
| Deferred tax liabilities | 124,924 | 0.04% | 77,936 | 0.03% | 46,988 | 60.29% |
| Other liabilities | 9,051,613 | 3.21% | 8,864,143 | 3.05% | 187,470 | 2.11% |
| Total equity | 77,997,605 | | 77,398,289 | | 599,316 | 0.77% |

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

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2. *Assets*

As at the end of the Reporting Period, the Group's total assets reached RMB360.118 billion, a decrease of RMB7.949 billion or 2.16% from the end of last year, which was mainly attributable to the decrease in currencies. In the Group's assets, currencies, clearing settlement funds and deposits with exchanges and non-bank financial institutions amounted to RMB135.407 billion, a decrease of RMB19.904 billion from the end of last year, accounting for 37.60% of total assets. Financial investment and derivative financial assets amounted to RMB182.011 billion, an increase of RMB13.481 billion from the end of last year, accounting for 50.54% of total assets. Advance to financing customers, financial assets held under resale agreements and account receivables amounted to RMB27.075 billion, a decrease of RMB1.943 billion from the end of last year, accounting for 7.52% of total assets. Long-term equity investment, fixed assets and others amounted to RMB15.625 billion, an increase of RMB0.417 billion from the end of last year, accounting for 4.34% of total assets. During the Reporting Period, the Company maintained stable asset scale with rational structure and sufficient liquidity.

3. *Overseas assets*

The size of overseas assets amounted to RMB11.493 billion, accounting for 3.19% of the total asset.

4. *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities reached RMB282.121 billion, a decrease of RMB8.548 billion or 2.94% from the end of last year. The gearing ratio, net of account payables to brokerage clients and funds payable to securities issuers, was 69.93%, a decrease of 1.52 percentage points from the end of last year. In the Group's liabilities, borrowings, short-term financing bills payables, placements from banks and financial institutions, bond payables and financial assets sold under repurchase agreements amounted to RMB152.069 billion, an increase of RMB15.305 billion from the end of last year, accounting for 53.90% of total liabilities. Financial liabilities held for trading and derivative financial liabilities amounted to RMB17.699 billion, a decrease of RMB1.149 billion from the end of last year, accounting for 6.27% of total liabilities. Account payables to brokerage clients amounted to RMB100.599 billion, a decrease of RMB22.442 billion from the end of last year, accounting for 35.66% of total liabilities. Accrued staff cost, current tax liabilities, contractual liabilities and others amounted to RMB11.753 billion, a decrease of RMB0.263 billion from the end of last year, accounting for 4.17% of total liabilities.

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5. Borrowings and financing

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB86.679 billion. Set out below is the breakdown of borrowings and bond financing of the Company as at the end of the Reporting Period:

Unit: '000 Currency: RMB

| | June 30, 2023 | December 31, 2022 |
|--------------------------------------------------|-------------------|----------------------|
| Debt securities issued | 63,999,555 | 55,802,403 |
| Borrowings | 1,723,437 | 2,008,823 |
| Short-term financing bills payable | 2,930,807 | 8,300,603 |
| Placements from banks and financial institutions | 18,025,479 | 8,352,456 |
| Total | 86,679,278 | 74,464,285 |

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 34, 35, 39 and 40 to the attached condensed consolidated financial statements.

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

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(iii) Analysis on investments

1. Overall analysis on external equity investments

As at the end of the Reporting Period, investment in associates of the Group amounted to RMB6.659 billion, representing an increase of RMB0.417 billion or 6.68% from the end of last year. The reason for the change was mainly due to the net increase in investment in associates of RMB0.345 billion. Please refer to Note 28 to the attached condensed consolidated financial statements for the details of the Group's external equity investment.

- (1) During the Reporting Period, the Company had no material equity investments
- (2) During the Reporting Period, the Company had no material non-equity investments
- (3) During the Reporting Period, there was no material investment held by the Group or future plans for material investments or acquisition of capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at the end of the Reporting Period
- (4) Financial assets at fair value

Unit: '000 Currency: RMB

| Items | Investment cost as at the end of the Reporting Period | Book value as at the end of the Reporting Period | Net amount purchased or sold during the Reporting Period | Changes in fair value during the Reporting Period | Net investment income during the Reporting Period |
|------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| 1. Financial assets at fair value through profit or loss | 98,833,587 | 100,688,446 | 16,335,615 | 418,392 | 1,854,616 |
| 2. Debt instruments at fair value through other comprehensive income | 73,405,132 | 74,054,777 | (2,857,696) | 251,080 | 418,533 |
| 3. Equity instruments at fair value through other comprehensive income | 2,978,498 | 3,465,803 | (182,784) | (73,071) | 82,274 |
| 4. Derivative financial instruments | 49,762 | 741,020 | 25,292 | 130,668 | (52,841) |

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(iv) Material assets and equity acquisition and disposal

During the Reporting Period, the Group had no material disposal of assets and equity. Save as disclosed in this report, the Company did not make any material acquisition or disposal of subsidiaries, associates or joint ventures during the Reporting Period.

(v) Analysis on major subsidiaries and associates

1. Orient Futures Co., Ltd, with a registered capital of RMB4.3 billion, is 100% owned by the Company. As at June 30, 2023, total assets of Orient Futures amounted to RMB83.198 billion, and its net assets amounted to RMB6.276 billion. In the first half of 2023, its operating income (income from principal business) amounted to RMB2.942 billion, the profit from principal business amounted to RMB0.369 billion, and the net profit amounted to RMB0.309 billion.

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

2. Orient Securities Capital Investment Co., Ltd., with a registered capital of RMB4.0 billion, is 100% owned by the Company. As at June 30, 2023, total assets of Orient Securities Capital Investment amounted to RMB5.122 billion, and its net assets amounted to RMB5.039 billion. In the first half of 2023, its operating income amounted to RMB0.218 billion, and the net profit amounted to RMB0.105 billion.

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

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3. Shanghai Orient Securities Asset Management Co., Ltd., with a registered capital of RMB0.3 billion, is 100% owned by the Company. As at June 30, 2023, total assets of Orient Securities Asset Management amounted to RMB4.768 billion, and its net assets amounted to RMB3.667 billion. In the first half of 2023, its operating income (income from principal business) amounted to RMB1.184 billion, the profit from principal business amounted to RMB0.435 billion, and the net profit amounted to RMB0.389 billion.

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

4. Orient Securities Investment Banking Co., Ltd., with a registered capital of RMB0.8 billion, is 100% owned by the Company. As at June 30, 2023, total assets of Orient Investment Banking amounted to RMB2.455 billion, and its net assets amounted to RMB1.897 billion. In the first half of 2023, its operating income amounted to RMB0.475 billion, and the net profit amounted to RMB0.072 billion.

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

5. Shanghai Orient Securities Innovation Investment Co., Ltd. has a registered capital of RMB7.2 billion and is 100% owned by the Company. As at June 30, 2023, total assets of Orient Securities Innovation amounted to RMB9.043 billion, and its net assets amounted to RMB8.619 billion. In the first half of 2023, its operating income (income from principal business) amounted to RMB0.456 billion, the profit from principal business amounted to RMB0.369 billion, and the net profit amounted to RMB0.286 billion.

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

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6. Orient Finance Holdings (Hong Kong) Limited has a registered capital of HKD2.754 billion and is 100% owned by the Company. As at June 30, 2023, total assets of Orient Finance Holdings amounted to HKD10.229 billion, and its net assets amounted to HKD1.250 billion. In the first half of 2023, its operating income and net loss amounted to HKD0.046 billion and HKD0.069 billion, respectively.

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

7. China Universal Asset Management Company Limited has a registered capital of RMB0.133 billion and its 35.412% equity interests is held by the Company. As at June 30, 2023, total assets of China Universal amounted to RMB13.956 billion, and its net assets amounted to RMB9.664 billion. In the first half of 2023, its operating income (income from principal business) amounted to RMB2.769 billion, the profit from principal business amounted to RMB1.058 billion, and the net profit amounted to RMB0.797 billion.

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

Note: The above data are all based on financial information prepared in accordance with CASBE.

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(vi) Structured Entities Controlled by the Company

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

As at the end of the Reporting Period, the Company had a total of 32 structured entities included in the consolidated statement scope, with a total net asset value of RMB4.380 billion. During the Reporting Period, the Company incorporated 6 new structured entities into the consolidation scope, and 2 structured entities were excluded due to reasons such as due liquidation and loss of control caused by changes in shareholding.

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

Unit: '000 Currency: RMB

| Structured entities consolidated | As at June 30, 2023 or from January to June 2023 |
|-----------------------------------------|-------------------------------------------------------------------------|
| Total assets | 4,723,130 |
| Total liabilities | 343,295 |
| Total net assets | 4,379,835 |
| Operating income | 248,949 |
| Net profit | 161,366 |

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

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(vii) Capital raising

1. *Rights Issue of A Shares and H Shares*

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

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

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

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

As at the end of the Reporting Period, the details relating to utilization of the proceeds from the Rights Issue of A Shares the Company are set out below: RMB3.0 billion was used for investment banking business, RMB4.0 billion was used for wealth management and securities financing businesses, RMB3.6 billion was used for sales transactions business, and RMB0.967 billion was used for replenishment of working capital, and a total of RMB11.567 billion of the proceeds from the Rights Issue of A Shares was used by the Company. Save for the above use of proceeds, approximately RMB1.063 billion (including the interests of proceeds) of the proceeds raised by the Company remains unused. For details of the utilization of proceeds from the Rights Issue of the Company, please refer to the Special Report of 東方證券股份有限公司 on the Deposit and Actual Use of Proceeds for the First Half of 2023 disclosed by the Company on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.dfzq.com.cn>) on August 30, 2023.

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2. *IPO of H Shares*

As approved by the CSRC, the Company issued the overseas listed foreign shares (H Shares) in the Hong Kong Stock Exchange on July 8, 2016, and exercised the over-allotment option on August 3, 2016. Deloitte Touche Tohmatsu Certified Public Accountants LLP has verified the proceeds from this offering of H Shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (16) No. 1082). Based on this capital verification report, it was noted that the Company made a public offering of 933,709,090 overseas listed foreign shares (H Shares) and the selling shareholders sold 93,370,910 H Shares, representing a total listing of 1,027,080,000 H Shares. Since the issue price of H Shares was HKD8.15 per share with a nominal value of RMB1 each, the total proceeds from this offering amounted to HKD8,370,702,000.00 which shall be paid in cash in Hong Kong dollars. After deduction of the transaction expense and other related expenses of HKD145,045,025.30 in aggregate, the remaining HKD8,225,656,974.70 has been deposited with the H Share proceeds account and converted into RMB7,083,154,510.65 (including the interest income received) based on the median exchange rate for conversion from HKD into RMB as published by the People's Bank of China on the date when the proceeds were actually remitted into the aforesaid account. The net proceeds from this offering of H Shares by the Company were HKD7,417,133,357.56 after deduction of such proceeds as transferred to the National Council for Social Security Fund and other expenses related to the issuance.

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

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

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As at the end of the Reporting Period, the details relating to utilization of the proceeds from the offering of H Shares by the Company are set out below: HKD2.560 billion was used to further develop the Company's brokerage and securities financing business, HKD2.225 billion for developing the Company's overseas business, HKD1.097 billion for expansion of the Company's investment management business, HKD0.732 billion for developing our securities sales and trading business, HKD0.377 billion for capital expenditure, and HKD0.416 billion for working capital and others. The Company utilized a cumulative of HKD7.407 billion of proceeds raised through H shares. Save for the above use of funds, approximately HKD0.019 billion (including the interests and exchange gains or losses thereof) of the proceeds remains unused. The Company will use the remaining proceeds for capital expenditure in line with the Company's development strategy and actual requirements during the year. (The exchange rate of utilized proceeds through issuance of H shares denominated in Renminbi has been calculated according to the actual exchange settlement rate, while the exchange rate of unutilized proceeds through issuance of H shares denominated in Renminbi has been calculated according to the final exchange rate.)

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

(viii) Scope of Consolidation of the Statements

1. As compared with the beginning of the year, the Group added six entities into its scope of consolidation during the Reporting Period, which include four, one and one structured entities newly consolidated by Orient Futures, Orient Securities Innovation and Orient Finance Holdings (all being subsidiaries), respectively.
2. Three consolidated entities were reduced for the Reporting Period as compared with the beginning of the year, being one subsidiary reduced by Orient Securities Capital Investment, our subsidiary, and two structured entities reduced by Orient Finance Holdings.

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V. OTHER DISCLOSURES

(i) Potential Risks

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

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

1. Market risk

Market risk mainly refers to the risk of unanticipated potential loss in value due to changes in stock prices, interest rates, exchange rates, etc. in the securities market, and can be categorized into stock price risk, interest rate risk, exchange rate risk and commodity price risk, which refers to risks which the Company is exposed to due to the fluctuation in securities assets price, interest rate, exchange rate and commodity price respectively.

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

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

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

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

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

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During the Reporting Period, the Company kept track of the price changes through market research, monitored the exchange rate risk exposure, adjusted the size of proprietary positions in a timely manner based on changes in market conditions, and utilized various derivatives for hedging management to effectively control market risks. As of the end of the Reporting Period, the overall VaR (95%, one day) of the Company's market risk was RMB136 million.

2. *Credit risk*

Credit risk mainly refers to the risk of loss due to default by the debtor, counterparty or issuer, etc. The Company's credit risks mainly include the following three types: the first is direct credit risk, i.e. the risk arising from failure of issuer to perform contractual obligations; the second is counterparty risk, i.e. the risk arising from a breach of contract by the counterparty and financier in a derivatives transaction or securities financing transaction; the third is settlement risk, i.e. the risk arising from a breach of contract during the settlement and delivery of a transaction, which means that the Company performs its delivery obligation, however the counterparty breaches the contract. Settlement risk may arise from counterparty defaults, liquidity constraints or operational problems. It generally occurs in the settlement of foreign exchange and securities without guarantee of delivery.

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

Relevant business departments and subsidiaries of the Company that conduct business involving credit risk must operate and perform their duties within the framework of credit risk management. The Company implements credit risk limit management according to regulatory requirements and risk management needs, and sets credit risk limits based on the Company's risk tolerance and net capital to control the quality of credit assets and credit risk concentration, in order to realize refined management of credit risk exposure. It also strictly implements credit risk limits adopted by the Company in the course of business development and establishes a daily monitoring mechanism for limit indicators to effectively control credit risks.

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

3. *Liquidity risk*

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

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According to the regulatory requirements including the Guideline on Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) and for the purpose of its own risk management, the Company continuously refines the liquidity risk management system and internal management system and has dedicated personnel responsible for dynamic monitoring, pre-warning, analysis and reporting of the Company's liquidity risk. During the Reporting Period, the Company further improved the liquidity risk management system and realized the effective identification, measurement, monitoring and control of liquidity risk through information system. The Company carefully determines the qualitative principles and quantitative indicators of liquidity risk appetite at the beginning of each year, and has established limit assessment and adjustment mechanism to implement limit management of liquidity risk and conduct monitoring and reporting of compliance with limits, so as to ensure that the Company's liquidity coverage ratio and net stable funding ratio meet regulatory requirements on an ongoing basis. The Company has good credit standing and stable financing channels. In terms of daily liquidity position management, the Company has sufficient reserves of high-quality liquid assets and conducts daily cash flow gap monitoring to ensure smooth operation of the Company's business and timely repayment of its liabilities as they fall due. The Company conducts regular liquidity stress testing and emergency exercise, identifies risk factors and vulnerable areas through analysis of stress test results, and applies the stress test results in relevant decision-making process of the Company. During the Reporting Period, the Company continued to strengthen the coordination of liquidity risk management of its subsidiaries to enhance the liquidity risk management capability of its subsidiaries and improve the overall liquidity risk prevention and control of the Group.

4. *Operational risk*

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

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

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5. *Money laundering and terrorism financing risk*

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

In the first half of 2023, the Company comprehensively enhanced the effectiveness of its anti-money laundering work and the quality of its money laundering risk management through a combination of measures, including continuously improving the internal control system for anti-money laundering, continuously optimizing its anti-money laundering organizational structure and coordination mechanism, and focusing on strengthening the technological support for its anti-money laundering information system. Firstly, the Company completed the preliminary revision of its anti-money laundering internal control rules and consolidated the foundation of its anti-money laundering work. The Company completed the revision of all nine company-level anti-money laundering rules, including the Anti-Money Laundering Management Measures, and completed the optimization of relevant processes and the compilation of operation manuals. Secondly, the Company continued to implement data governance of customer identification information to enhance the effectiveness of customer due diligence. The Company initiated verification and rectification of incomplete, inaccurate or doubtful customer identification information, and took restrictive measures on accounts based on the rectification situation. In addition, the Company further strengthened the enhanced due diligence and risk control of high-risk customers by including customers with higher risks in the scope of enhanced due diligence and improving relevant enhanced control measures. Thirdly, the Company focused on optimizing and improving the functions of its anti-money laundering system to enhance its technical support. The Company has developed the institutional customer information matching function to further enhance the timeliness and effectiveness of customer due diligence for the Company's institutional customers. In addition, the Company has completed the annual assessment of the effectiveness of its suspicious transaction monitoring system and continued to optimize its suspicious transaction monitoring indicator model and money laundering risk assessment indicator model based on industry characteristics and business practices. Fourthly, the Company continuously strengthened anti-money laundering performance assessment, education and training to enhance the effectiveness of anti-money laundering work. The Company continued to comprehensively enhance the effectiveness of money laundering risk assessment through multiple measures such as case study, skills training, compliance inspection and internal audit. In addition, the Company incorporated the timeliness and effectiveness of regular anti-money laundering work into the scope of anti-money laundering performance assessment, formulated a refined anti-money laundering performance assessment indicator system, and consolidated the responsibilities of frontline staff.

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6. *Technology risk*

Technology risks refer to the risk of abnormal operation of the Company due to failure of the information technology system; the risk of business disruption of the Company or exposure to information security risk due to insufficient protection and backup measures for the information technology system and key data; the risk of abnormal operation of the Company due to the failure to adopt data interactions prevailing in regulatory authorities or the market for key information technology system; the risk of incapability of providing continuous support and service by key information technology system suppliers throughout the life cycle of technology system.

The Company attaches great importance to technology risk management. The IT Strategic Development and Governance Committee proposes and audits the IT management goals and development plans, formulates the IT annual budget, reviews the initiation, input and priorities of major IT projects, and estimates major IT projects and provides opinions. The system research and development department is responsible for leading the management and control of construction work including development and testing of the information system, and management of the approval and evaluation for outsourcing suppliers in accordance with relevant requirements. The internet finance department plans and develops the company's official APP, online business hall and other internet platforms in a unified manner, and ensures the accessibility and consistency of the internet platforms. The system operation department takes a variety of measures to ensure the stable operation of the system, and has completed the main and side stands for major positions as for the staffing. In respect of process control, the Company, in accordance with ISO20000 rules, regulates main operation and maintenance procedures, such as implementation of graded examination and approval for procedures including events and modification, recheck for modifications, preparation of monthly reports on management and operation on a month basis, regulating the systematic operation at the technical and management level. In respect of emergency handling, the Company strictly obeys the regulatory requirements, conducts disaster drills and emergency plan drills, with all operation and maintenance teams and branches regularly carrying out the emergency drills for specific systems. As for the data backup, restore and verification, the Company conducts implementation, review and supervision on a monthly basis as per the annual plan, and sets system permissions according to the established process which includes approval, recording and filing. The compliance and legal management department, together with the risk management department, reviews IT compliance and risk management matters and relevant systems, organizes regular compliance inspection, and issues monthly compliance and risk management reports. However, with the rapid development of information technology nowadays, technical risks cannot be completely avoided as equipment failures, software design defects, network connection problems, technical means being not up-to-date, and other problems cannot be completely eliminated in theory.

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7. Reputational risk

Reputation risk mainly refers to the risk that due to the Company's operation or external events, and the violation of honest practice requirements, professional ethics, business norms, industry rules and regulations and other related behaviours by the staff, resulting in negative reviews of the Company by investors, issuers, regulatory authorities, self-regulatory organisations, the general public and the media, thereby damaging the brand value, adversely affecting the normal operation of the Company, and even affecting market stability and social stability.

During the Reporting Period, the Company did not encounter any material public sentiment events that had an impact on the reputation of the Company, certain sensitive events had been addressed efficiently and appropriately. The Company's reputation risk management is mainly reflected in the following aspects:

- (1) Further strengthen supervision on public sentiment, enable the whole process management of monitoring, early warning and tracking of reputational risk events, including early warning in advance, timely handling during the event, and tracking of response effectiveness afterwards; and quantify and visualise the reputational risk management capability.
- (2) Establishing a comprehensive system for reporting public sentiment. Monthly briefings on public sentiment are sent to key management of the Company and relevant situations are reported to the Board of the Company and higher-level entities through relevant departments to ensure that the Board and the management are aware of the level of reputational risk of the Company in a timely manner. For unexpected sensitive public sentiment, a special report on the analysis of public sentiment (usually in the form of a daily report) will be prepared and sent to the leaders and relevant departments of the Company in a timely manner.
- (3) The reputation of staff members is incorporated into the human resources management system, and in the process of staff recruitment and subsequent staff management, appraisal and promotion, the human resources management department, together with the department responsible for reputational risk management, will examine and assess the historical reputation of staff members and use it as an important basis for judgement.
- (4) In order to effectively establish a reputation control and evaluation mechanism for staff, the Company has linked its reputation risk management system with performance and set up independent appraisal indicators to assess and evaluate each department and staff for the current period to strengthen reputation control.

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

The Company has formulated corresponding risk management policies and measures to identify and evaluate the above risks, sets appropriate risk limits and internal control processes, continuously monitors the above risks through reliable management and information systems, and strives to maintain such risks to be measurable, controllable and tolerable.

(ii) Other Disclosures

Except for those disclosed in this report, the Company had no other significant events subsequent to the end of last year and up to the date of this report.

Section IV Corporate Governance

I. GENERAL MEETINGS OVERVIEW

| Session of the meeting | Date of convening | Reference of the website specified for information disclosure | Publication date of resolutions | Meeting resolutions |
|--------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|
| 2022 annual general meeting of the Company | 2023-05-10 | http://www.sse.com.cn http://www.hkexnews.hk | 2023-05-11 2023-05-10 | All resolutions were passed |

Explanation on general meetings

During the Reporting Period, the Company convened the 2022 annual general meeting at Meeting Room, 15/F, Orient Securities Building, No. 119 South Zhongshan Road, Shanghai, the PRC on May 10, 2023, at which 1 special resolution, namely the “Proposal Regarding the General Mandate to Issue Onshore Debt Financing Instruments of the Company”; and 11 ordinary resolutions, namely the “Report of the Board of the Company for the Year 2022”, the “Report of the Supervisory Committee of the Company for the Year 2022”, the “Work Report of the Independent Directors of the Company for the Year 2022”, the “Final Accounts Report of the Company for the Year 2022”, the “Profit Distribution Proposal of the Company for the Year 2022”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2023”, the “Annual Report of the Company for the Year 2022”, the “Proposal Regarding the Projected Routine Related Party Transactions of the Company in 2023”, the “Proposal Regarding the Expected Provision of Guarantees by the Company in 2023”, the “Proposal Regarding the Engagement of Auditing Firms for the Year 2023” and the “Proposal in relation to the Shareholders’ Returns of DFZQ in the Next Three Years (2023-2025)” were considered and approved. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on May 11, 2023.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name | Position | Particulars of changes |
|------------|--------------------------|------------------------|
| Li Yun | Non-executive Director | Election |
| Cheng Feng | Non-executive Director | Cessation |
| Chen Gang | Chief research officer | Appointment |
| Wu Zezhi | Chief investment officer | Appointment |

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

At the 27th meeting of the fifth session of the Board of the Company held on July 31, 2023 and the 2023 first extraordinary general meeting of the Company held on August 18, 2023, the resolutions in relation to the change of non-executive Director were considered and approved, which agreed to remove Mr. Cheng Feng from the position of non-executive Director of the fifth session of the Board of the Company, and elect Ms. Li Yun as a non-executive Director of the fifth session of the Board of the Company, who shall assume office from the date of being considered and approved at the general meeting and serve a term ending on the expiry of the term of office of the current session of the Board. Please refer to the relevant announcement of the Company dated July 31, 2023 for the biographical details of the newly appointed non-executive Director.

At the 26th meeting of the fifth session of the Board of the Company held on July 10, 2023, it was considered and agreed to appoint Mr. Chen Gang as the chief research officer of the Company and Mr. Wu Zezhi as the chief investment officer of the Company for a term ending on the date of expiry of the current session of the Board. Please refer to the relevant announcement of the Company dated July 10, 2023 for the biographical details of the newly appointed senior management.

III. DIRECTORS, SUPERVISORS AND OTHER INFORMATION

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

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

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(ii) Changes in Material Information of Directors and Supervisors

1. Mr. Zhang Jian, a shareholder representative Supervisor of the Company, has served as a senior manager of China Post Group Corporation Limited, Jiangsu Branch since May 2023, and has ceased to serve as a deputy general manager and a member of the CPC party committee of China Post Group Corporation Limited, Shanghai Branch since May 2023.
2. Mr. Xia Lijun, an independent Supervisor of the Company, has served as an independent director of Shanghai Zhenhua Heavy Industries (Group) Co., Ltd. since June 2023 and has ceased to serve as the head of Department of Accountancy of Antai College of Economics and Management of Shanghai Jiao Tong University since March 2023.

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

(iii) Service Contracts of Directors and Supervisors

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

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(iv) Employees and Remuneration Policy

As of 30 June 2023, the Company had a total of 8,325 employees (including brokers), including 5,598 in the Parent Company and 2,727 in its wholly-owned and controlling subsidiaries.

The Company implements a market-oriented and performance-based remuneration system. Under the framework of unified management and hierarchical classification, the Company ensures that remuneration reflects the value of positions, performance contributions and market rates. The Company uses remuneration and incentives to enhance the enthusiasm, initiative and creativity of its employees, further stimulate the Company's endogenous development momentum, strengthen the competitiveness of its talents and facilitate the Company's high-quality development. The Company always adheres to the concept of stable operation and closely integrates remuneration management with risk management to ensure effective implementation of comprehensive risk management. The Company ensures the effective implementation of the remuneration system by improving corporate governance, clarifying the responsibilities of all parties and strengthening the supervision mechanism to ensure the effective coordination between the remuneration restraint mechanism and compliance management, and prevent compliance risks arising from excessive and short-term incentives. The Company incorporates professional conduct, honest practice, effectiveness of compliance risk control, performance of social responsibility, quality of customer services and long-term interests of shareholders into its remuneration management, and practices the industry culture of "compliance, honesty, professionalism and stability".

Pursuant to the applicable laws and regulations, the Company enters into a labour contract with each of its employees to establish an employment relationship. The labour contract contains the provisions relating to a contract term, working hours, rest and vacation, labour remuneration and insurance benefits, labour protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing provident fund for its employees. It made contributions to the above social insurance and housing provident fund on time and in full. Meanwhile, the Company, in accordance with the applicable PRC regulations, also established a corporate annuity system and supplementary medical insurance system, which provided supplementary pension and medical protection to employees.

(v) Training Programs

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

Section IV Corporate Governance

IV. OTHER INFORMATION ON CORPORATE GOVERNANCE

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

During the Reporting Period, the operation and management of the Company were standardized and orderly, enabling the Company to continuously optimize its rules and procedures in strict compliance with the relevant requirements under laws and regulations and regulatory documents. During the Reporting Period, the Company timely amended and improved the Investor Relations Management Measures of the Company and the Administrative Measures on Information Disclosure of the Company in accordance with the Guidelines on Investor Relations Management for 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, the Guidelines No. 2 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange – Information Disclosure Management and other regulations. During the Reporting Period, the Company convened 1 general meeting, 4 Board meetings, 3 meetings of the Supervisory Committee, and 7 meetings of special committees under the Board in total, including 1 meeting of the Strategic Development Committee, 3 meetings of the Compliance and Risk Management Committee, 2 meetings of the Audit Committee, and 1 meeting of the Remuneration and Nomination Committee. The convening procedures and voting procedures of the general meetings, Board meetings and meetings of the Supervisory Committee of the Company were legal and valid. During the Reporting Period, the Company continuously strengthened the investor relationship management and information disclosure, hence the investor relationship management was regulated and professional, and the information disclosed was true, accurate, complete, timely and fair, which enhanced the transparency of the Company continuously. By the formulation, continuous improvement and effective implementation of systems, the corporate governance structure of the Company became more standardized and the level of corporate governance kept on improving. There was no discrepancy between the actual corporate governance of the Company and the requirements of the PRC Company Law and relevant regulations of the CSRC. In addition, the Company strictly complied with all code provisions set out in Part 2 of the Corporate Governance Code and met most of the requirements for the recommended best practices set out in Part 2 of the Corporate Governance Code.

Section IV Corporate Governance

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

(i) Shareholders and general meetings

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

(ii) Directors and the Board

The Company appointed and changed its Directors in strict compliance with the provisions of the Articles of Association. The composition and qualification of the Directors were in compliance with the applicable laws and regulations. As at the end of the Reporting Period, the Board comprised 13 Directors, among whom three were executive Directors, namely Mr. Song Xuefeng, Mr. Jin Wenzhong and Mr. Lu Weiming, four were non-executive Directors, namely Mr. Yu Xuechun, Mr. Zhou Donghui, Mr. Cheng Feng and Mr. Ren Zhixiang, five were independent non-executive Directors, namely Mr. Jin Qinglu, Mr. Wu Hong, Mr. Feng Xingdong, Mr. Luo Xinyu and Mr. Chan Hon, and one was employee representative Director, namely Ms. Zhu Jing. At the 27th meeting of the fifth session of the Board of the Company held on July 31, 2023 and the 2023 first extraordinary general meeting of the Company held on August 18, 2023, the resolutions in relation to the change of non-executive Director were considered and approved, which agreed to remove Mr. Cheng Feng from the position of non-executive Director of the fifth session of the Board of the Company, and elect Ms. Li Yun as a non-executive Director of the fifth session of the Board of the Company, who shall assume office from the date of being considered and approved at the general meeting and serve a term ending on the expiry of the term of office of the current session of the Board. All Directors are able to perform their duties in due diligence and protect the interests of the Company and the shareholders as a whole.

The Strategic Development Committee, Audit Committee, Compliance and Risk Management Committee, Remuneration and Nomination Committee of the Board were assigned specific duties, clear authorization and responsibilities, and operated in high efficiency. The Audit Committee and the Remuneration and Nomination Committee were chaired by an independent non-executive Director, and comprised exclusively non-executive Directors with over half of the members being independent non-executive Directors.

The Audit Committee was established under the Board, which is in compliance with the relevant requirements of the CSRC, SSE and Hong Kong Listing Rules. As at the end of the Reporting Period, the Audit Committee comprised five members, namely, Mr. Jin Qinglu, Mr. Yu Xuechun, Mr. Zhou Donghui, Mr. Feng Xingdong and Mr. Luo Xinyu. The Audit Committee is mainly responsible for facilitating communication between the internal and external auditors of the Company, supervision and review of the audit process, and provision of professional advice to the Board. The Audit Committee has reviewed and confirmed the 2023 interim financial report of the Company.

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(iii) Supervisors and Supervisory Committee

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

(iv) Senior management

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

(v) Investors' relationship management work carried out

The Company attaches great importance to investor relations management and regards the maintenance and management of investor relations as one of the most important deployments of the Company's future capital strategy. By upholding the work philosophy of "Sincerity, Professionalism and Compliance", the Company has formed an investor relations team led by the secretary of the Board to build a two-way communication channel with investors. The Company has established an Investor Relationship work system, mechanism and procedures. Through the dedicated investor hotline, e-mail, "Investor Relations" column of the company website, WeChat official account of "Orient Securities Investor Relation Platform", teleconferences, on-site reception, online interaction, investor meeting, results release press conference, performance roadshow and the E-interactive platform launched by the SSE, the Company strengthens communication with investors. In addition, the Company carefully considers the opinions and suggestions of investors and makes every effort to promote high-quality development.

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In the first half of 2023, the Company amended the Investor Relations Management Measures in accordance with the Guidelines on Investor Relations Management for Listed Companies of the CSRC and other laws and regulations. For investor communication, in order to fully safeguard the rights and interests of different kinds of investors, and effectively convey the Company's information and corporate value in a timely manner, the Company successfully held the results presentations for the year of 2022 and the first quarter of 2023. In particular, the annual results presentation was successfully held by way of "physical venue + online live broadcasting + bilingual dual platforms". Led by the chairman of the Board, the senior management team attended the meeting. Institutional investors, analysts, media reporters and other relevant parties from different sectors were invited to attend the meeting and ask questions, and a channel was opened up for minority investors to ask questions before and during the meeting, with over 56,000 visits to the live broadcast page. Through professional, sincere and thorough communication, the meeting helped investors quickly and accurately understand the key points of the Company's information disclosure and gain a full picture of the Company's development status and prospects. In addition, during the Reporting Period, the Company maintained communication with analysts and investors by attending securities dealers' strategy meetings and hosting research visits and other roadshow activities, arranged designated personnel to answer the investor hotline and addressed questions from investors, patiently answered 48 questions from various investors through "SSE E-Information" platform, and published 12 articles with graphics and photos related to the Company's operation on the WeChat official account of "Orient Securities Investor Relation Platform", thereby increasing recognition by investors and facilitating synergies between investors and the Company through multiple channels. Meanwhile, market concerns were regularly reported by the Company to the senior management team, thus building a two-way communication channel between investors and the management of the Company. During the Reporting Period, the Company won various awards including the "Best IR Hong Kong Listed Company (A+H Shares)" and the "Best ESG Information Disclosure Award" by New Fortune, which effectively enhanced the Company's market reputation and influence.

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During the Reporting Period, the Company held results presentations and was invited to participate in securities dealers' strategy meetings and other exchange activities as follows:

| Date of event | Venue of event | Communication methods | Communication targets | Communication content |
|-------------------|-------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| February 9, 2023 | Online | Teleconference | Investors invited to the spring strategy meeting of Guolian Securities | The Company's operation, business characteristics and highlights, long-term development strategy, etc. |
| February 15, 2023 | Online | Teleconference | Investors invited to the spring strategy meeting of Changjiang Securities | |
| February 24, 2023 | Shenzhen | On-site communication | Investors invited to the spring capital market summit of CSC Financial | |
| March 3, 2023 | Chengdu | On-site communication | Investors invited to the spring capital forum of GF Securities | |
| March 31, 2023 | Shanghai + Online | On-site meeting + Live broadcasting | 2022 annual results presentation of the Company | |
| May 4, 2023 | Online | Teleconference | Results presentation of the first quarter of 2023 | |
| May 10, 2023 | Shanghai | On-site communication | Investors invited to the 2023 interim investment strategy meeting of Northeast Securities | |
| May 10, 2023 | Online | Text interaction | 2023 Group Results Briefing of Annual Report of Listed Companies in Shanghai and Briefing on the First Quarterly Results of 2023 of DFZQ | |
| May 11, 2023 | Beijing | On-site communication | Investors invited to the 2023 interim strategy meeting of Kaiyuan Securities | |
| May 12, 2023 | Shanghai | On-site communication | Investors invited to the 2023 interim capital market summit of CSC Financial | |
| May 19, 2023 | Online | Teleconference | 2023 interim strategy meeting of Tianfeng Securities | |
| May 25, 2023 | Hangzhou | On-site communication | Investors invited to the "Talking with Company Leaders" Forum of GF Securities | |
| May 31, 2023 | Hefei | On-site communication | Investors invited to the 2023 interim strategy meeting of CITIC Securities | |

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| Date of event | Venue of event | Communication methods | Communication targets | Communication content |
|---------------|----------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| June 2, 2023 | Shanghai | On-site communication | Investors invited to the 2023 interim investment summit of Huatai Securities | The Company's operation, business characteristics and highlights, long-term development strategy, etc. |
| June 8, 2023 | Shanghai | On-site communication | Investors invited to the 2023 interim investment strategy meeting of Essence Securities | |
| June 13, 2023 | Shanghai | On-site communication | Investors invited to the 2023 interim strategy meeting of CICC | |
| June 28, 2023 | Shanghai | On-site communication | Investors invited to the 2023 interim strategy meeting of Hua Chuang Securities | |
| June 29, 2023 | Shanghai | On-site communication | Investors invited to the "2023 China Capital Market High-end Forum and Interim Strategy Meeting" of Industrial Securities | |
| June 30, 2023 | Hefei | On-site communication | Investors invited to the "2023 Yangtze River Delta Innovative Technology and Finance Conference and Haitong Securities Interim Strategy Meeting" of Haitong Securities | |

During the Reporting Period, the Company maintained communication with securities dealer analysts, institutional investors and individual investors as follows:

| Date of event | Method of communication | Communication targets | Content of communication |
|--------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| First half of 2023 | Phone calls, text messages, on-site communication, etc. | Guotai Junan, Huatai Securities, GF Securities, Shenwan Hongyuan, China Galaxy, China Merchants Securities, Industrial Securities, Founder Securities, Dongwu Securities, Tianfeng Securities, Zheshang Securities, Ping An Securities, Great Wall Securities, Pacific Securities, Goldman Sachs Group, E Fund, China Southern Asset Management, Hwabao WP Fund, Fidelity, etc. as well as small and medium-sized investors who communicated with the Company through channels such as the investment relations hotline and the investment relations e-mail. | The Company's operation, business characteristics and highlights, long-term development strategy, etc. |

Section IV Corporate Governance

(vi) Information disclosure

The Company properly carried out information disclosure and was able to disclose relevant information in a manner that was true, accurate, complete, timely and fair and in strict accordance with the applicable laws, regulations and regulatory documents in the PRC and Hong Kong where its shares are listed. According to relevant information disclosure rules such as the Regulatory Guidelines for Listed Companies No. 5 – Insider Registration and Management System of Listed Companies and the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies issued by the CSRC and the Listing Rules of the Shanghai Stock Exchange, the Self-regulatory Guidelines for Companies Listed on the Shanghai Stock Exchange No. 2 – Management of Information Disclosure and the Self-regulatory Guidelines for Companies Listed on the Shanghai Stock Exchange No. 5 – Transactions and Related Transactions issued by the SSE, the Company reviewed its management system and adjusted relevant regulations and rules of the Company accordingly.

V. PROFIT DISTRIBUTION PROPOSAL OR PROPOSAL ON TRANSFER OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve fund into share capital during the first half of 2023.

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

Employee Stock Ownership Plan

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

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

Section IV Corporate Governance

At the 20th meeting of the 4th session of the Board, the 15th meeting of the 4th session of the Supervisory Committee and the 2020 first extraordinary general meeting, the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 and the Proposal in relation to the Authorization to the Board to Fully Handle Matters Related to the Employee Stock Ownership Plan were considered and approved. On July 7, 2020, the 4th plenary meeting of the third session of the employee congress of the Company was convened, at which the Proposal in relation to the Employee Stock Ownership Plan (Draft) and Abstracts of 東方證券股份有限公司 was considered and approved. The actual number of participants in the employee stock ownership plan of the Company is 3,588, including directors, supervisors, senior management and other employees who have entered into formal labor contracts with the Company or its controlling subsidiaries as of April 30, 2020 (not subject to restriction as set out in the Employee Stock Ownership Plan (Draft)). The total number of H Shares to be purchased under the Employee Stock Ownership Plan is not expected to exceed 2% of the total share capital of the Company and the total number of Shares entitled under each unit of the Employee Stock Ownership Plan held by an individual employee shall not exceed 0.1% of the total share capital of the Company, and the total amount of funds raised is RMB316,657,000, of which the subscription amount of Directors, Supervisors and senior management personnel of the Company accounts for 8.27% of the total amount of the employee stock ownership plan. The funds of the employee stock ownership plan shall be paid by the employees with their lawful remunerations, self-raised funds and other sources as permitted under the laws and regulations. China Universal was entrusted to manage the employee stock ownership plan as the asset management agency, the H Shares involved are proposed to be directly purchased in the secondary market at market prices by the entrusted management agency as instructed by the management committee through SH-HK Stock Connect and/or SZ-HK Stock Connect and other methods as permitted under the laws and regulations.

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

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

Section IV Corporate Governance

According to the Employee Stock Ownership Plan of 東方證券股份有限公司, the lock-up period of the subject shares purchased under the H share employee stock ownership plan of the Company shall be 12 months, which was expired on December 24, 2021. The asset management agency of the employee stock ownership plan may decide whether to sell the shares at the discretion of the holders of the employee stock ownership plan.

The Company's H Share Employee Stock Ownership Plan shall have a term of 5 years commencing from the date of consideration and approval of this Employee Stock Ownership Plan at the general meeting of the Company (July 13, 2020), and the remaining term of the Employee Stock Ownership Plan is approximately two years. The term of the Employee Stock Ownership Plan may be extended upon consideration at a meeting of the holders of the Employee Stock Ownership Plan and submission to the Board of the Company for approval. If the term of the Employee Stock Ownership Plan is not validly extended upon expiry, the Employee Stock Ownership Plan shall be terminated automatically.

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

The lock-up period of the subject shares purchased under the H share employee stock ownership plan of the Company was expired on December 24, 2021, and certain holders withdrew from the employee stock ownership plan at their own discretion, resulting in changes in the number of holders, the number of shares held and the percentage of shares held under the employee share ownership plan. The scope of the employee stock ownership plan covers the Company and its holding subsidiaries. As at the end of the Reporting Period, the employee stock ownership plan had a total of 2,802 holders holding a total of 34,336,800 shares, representing 0.4041% of the total share capital of the Company.

The Company will continue to pay attention to the implementation progress of the Employee Stock Ownership Plan and perform its information disclosure obligations in a timely manner in accordance with the requirements of relevant laws and regulations.

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

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

4. Change of asset management agency during the Reporting Period

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

Section IV Corporate Governance

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

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

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

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

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

The Company had no other incentive measures during the Reporting Period.

- (i) There were no equity incentives granted to Directors or senior management during the Reporting Period.
- (ii) Establishment and implementation of performance appraisal and incentive mechanisms for senior management during the Reporting Period.

During the Reporting Period, the Company set clear performance targets for senior management based on the division of responsibilities of senior management, and conducted annual performance assessment of senior management after the end of the financial year. The Company formulated its annual remuneration allocation plan in accordance with the “Assessment, Incentive and Restraint Mechanism Plan for Senior Management of DFZQ”, which was implemented after review by the Remuneration and Nomination Committee.

Section V Environmental and Social Responsibilities

I. INFORMATION ON ENVIRONMENTAL PROTECTION

The Company operates in financial securities industry and is a non-key emission company. The Company has always advocated and carried out the concept of “green office, low-carbon life”, explored energy-saving, environmental protection and efficient management mode, and implemented the concept of green environmental protection in the Company’s management process. During the Reporting Period, the Company did not identify any violations related to environmental protection in its operations that had a significant impact on the Company.

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

The Company attaches extra importance in protecting the ecosystem, preventing pollution and performing its environmental responsibility, fully integrates sustainable development into its daily corporate management and operations, and promotes the concept of green development in multiple ways internally and externally by strengthening refined management, carrying out employee environmental protection activities and spreading sustainable development ideas.

To strengthen refined management, the Company actively adopted various forms of key actions to save energy and reduce emissions, accelerated the transition from high-energy-consumption server rooms to green server rooms, continuously adopted technologies for energy-saving and emission reduction to improve the efficiency of energy and resource utilization, facilitated the informatization of files, promoted the use of electronic documents and processes to reduce the use of paper, renovated office areas with green and environmental-friendly materials, and proactively promoted the “zero-waste” building and “zero-waste” meetings to reduce greenhouse gas emissions and avoid environmental pollution.

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

Section V Environmental and Social Responsibilities

To spread sustainable development ideas, the Company actively carried out multi-channel promotion to spread the concept of green development to customers, partners and other stakeholders. The Company's official WeChat account tried to adopt comic format and published the "Whale and Carbon" series of long comic strips for the first time. Currently, six issues have been released, covering topics such as glaciers, carbon sequestration and air quality. By enhancing the readability and appeal of the content through images and text, the Company demonstrated its sense of responsibility and conveyed sustainable development concepts and lifestyles to the public. It also created a "Sustainable Development" section on its official website to continuously showcase the Company's actions and achievements in energy saving, emission reduction, addressing climate change and performing corporate social responsibilities.

The Company has been listed as a key energy-consuming entity in Huangpu District, and the enterprises under the National Development and Reform Commission will provide feedback on the Company's energy consumption from time to time, with a view to maintaining the annual energy consumption in a reasonable range and not exceeding the target.

(ii) Measures taken to reduce its carbon emissions during the Reporting Period and their effects

Based on the national strategic goal of "carbon peaking and carbon neutrality", the Company practiced green and low-carbon operation, actively promoted the innovation of green financial products, services and models, implemented "green finance" to safeguard natural resources and the environment, carried out public welfare activities for environmental protection, and strived to build a green culture brand with the characteristics of DFZQ, thereby mobilizing our employees, clients, investors, the public and other stakeholders to implement the concept of green development from the inside out.

To practice low-carbon operation, the Company insisted on starting from its own business and operation to continuously support the goal of "carbon peaking and carbon neutrality", thereby contributing to sustainable economic and social development. As a financial institution, the Company did not have a significant impact on the environment and natural resources. In addition, it actively advocated low-carbon and environmentally friendly operation and work methods, promoted the implementation of energy-saving and environmental protection systems, and conserved the social resources with its best efforts to protect the environment and reduce pollution.

Section V Environmental and Social Responsibilities

For development of green finance, the Company was approved to participate in proprietary trading of carbon emission rights, compiled the Xinhua Carbon Technology Index, launched the second “Double Carbon Planet Species” Sustainable Innovation Competition, and proactively assisted the green transformation of the real economy and supported the goal of “carbon peaking and carbon neutrality” by providing financial services for green investment and financing. The Company issued a sustainable investment fund, completed several first-of-its-kind innovative green bond projects, took the lead in completing the first carbon emission rights trading, and completed the first carbon quota trading through listing for trading, thereby continuously promoting the positive cycle of “technology-industry-finance”. The Company strived to build a top-class modern investment bank with “energy investment bank and green securities dealer” as its distinctive advantages to provide customers with comprehensive green financial services covering the whole cycle and industry chain.

To promote environmental protection and public welfare, the Company facilitated the implementation of the “green office and low-carbon lifestyle” concept by launching the “Plastic Reduction Plan” and advocating green concepts through the “Trust and Reliance” column of its official WeChat account. At the first “Shanghai International Carbon Neutrality Expo in Technologies, Products and Achievements”, the Company was featured in Shenergy’s “Zero Carbon Home” at the Carbon Expo, showcasing its active exploration and actions in fulfilling its green responsibilities, promoting a green and low-carbon transformation, and contributing to the realization of the “carbon peaking and carbon neutrality” goal in recent years.

In recognition of the Company’s exemplary role in ESG, particularly in providing professional green financing services to the leasing industry, the Company was added as a member of the Green Leasing Professional Committee of the Shanghai Association of Financial Leasing Industry.

Section V Environmental and Social Responsibilities

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

During the Reporting Period, the Company actively responded to the national call and the initiative of the Securities Association of China of “consolidating and expanding the achievements in pair-up assistance and taking up the new task of promoting rural revitalization”, thoroughly implemented the spirit of relevant documents, consolidated the achievements in poverty alleviation and promotes rural revitalization in various aspects such as industry assistance, public welfare assistance and consumption-driven support.

As of the end of the Reporting Period, the Company and its subsidiaries had signed twinning assistance agreements with 32 areas, including Morin Banner in Inner Mongolia, Tongyu County in Jilin Province, Jingle County in Shanxi Province, Muchuan County in Sichuan Province, Wufeng County in Hubei Province, Yanchi County in Ningxia Province, Yanchang County in Shaanxi Province, Qin’an County in Gansu Province, Jinggu County in Yunnan Province, Lancang County in Yunnan Province, Menglian County in Yunnan Province, Nankang City in Jiangxi Province, Funing County in Yunnan Province, Suibin County in Heilongjiang Province, Maigaiti in Xinjiang, Tongbai County in Henan Province, Lindian County in Heilongjiang Province, Xichou County in Yunnan Province, Li County in Gansu Province, Neixiang County in Henan Province, Lankao County in Henan Province, Jinggangshan City in Jiangxi Province, Ruijin City in Jiangxi Province, Chenxi County in Hunan Province, Shimen County in Hunan Province, Anhua County in Hunan Province, Rucheng County in Hunan Province, Xupu County in Hunan Province, Quanzhou County in Guangxi Province, Anlong County in Guizhou Province, Shule County in Xinjiang and Qiongzong County in Hainan Province, to carry out relevant tasks of rural revitalization.

During the Reporting Period, the Company and its subsidiaries invested a total of RMB4.03 million in consolidating the achievements in poverty alleviation and promoting rural revitalization, and carried out a total of nine projects, including one industrial assistance project, one financial assistance project, three public welfare assistance projects, two consumption-driven support project and two cultural assistance projects.

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

Section VI Significant Events

I. PERFORMANCE OF UNDERTAKINGS

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

| Background of undertaking | Type of undertaking | Covenantor | Content of undertaking | Time and validity period of undertaking | Subject to expiry | Timely and strictly performed | Reasons for failure if failed to perform timely | Follow up plan for failure to perform timely |
|-----------------------------------------------------|----------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|-------------------|-------------------------------|-------------------------------------------------|----------------------------------------------|
| Undertakings in relation to initial public offering | To solve the problem of business competition | Shenergy Group | Shenergy Group has issued the Commitment Letter of Avoiding horizontal competition to the Company and undertook that it and the companies and enterprises under its direct or indirect control would not participate in any form of business or operation that compete or might compete with the Company and its subsidiaries. | After the public offering and listing of A Shares of the Company | No | Yes | / | / |

Section VI Significant Events

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

Section VI Significant Events

| Background of undertaking | Type of undertaking | Covenantor | Content of undertaking | Time and validity period of undertaking | Subject to expiry | Timely and strictly performed | Reasons for failure to perform timely | Follow up plan for failure to perform timely |
|-----------------------------------------|---------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------|-------------------------------|---------------------------------------|----------------------------------------------|
| Undertakings in relation to refinancing | Other | Shenergy Group | The undertaking regarding the effective implementation of the immediate return remedial measures for the Company's Rights Issue. Shenergy Group has undertaken not to interfere with the Company's operation and management activities beyond its authority and not to embezzle the interests of the Company. | During the period when Shenergy Group remains as the largest shareholder | Yes | Yes | / | / |

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

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

Section VI Significant Events

IV. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration that involved claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's net assets as audited in the latest financial statements, which shall be disclosed in accordance with the requirements under the SSE Listing Rules. The Company did not have matters commonly questioned by media during the Reporting Period.

1. Existing litigations and arbitrations

As of the end of the Reporting Period, the existing major litigations and arbitrations (representing 90% of the total litigation and arbitration of the Company) in which the Company is involved are as follows:

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Shanghai Yutai Dengshuo Investment Center (Limited Partnership) (上海郁泰登碩投資中心(有限合夥)) and the guarantors, being Shanghai Fuxing Industrial Group Co., Ltd. (上海阜興實業集團有限公司) and Shanghai Yutai Investment Management Co., Ltd. (上海郁泰投資管理有限公司) | Litigation | Shanghai Yutai Dengshuo Investment Center (Limited Partnership) conducted the share collateralized repurchase transaction with the Company by the restricted shares of "Blivex (保力新)" ("Jianrui Woneng (堅瑞沃能)", 300116) held by it in September 2016 and Shanghai Fuxing Industrial Group Co., Ltd. and Shanghai Yutai Investment Management Co., Ltd. provided the unconditional, irrevocable and joint guarantee. The above-mentioned transaction has been in default. | Principal of RMB170 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | According to the enforcement certificates issued by the notary public's office to Yutai Dengshuo and Fuxing Industrial, the case was filed with enforcement procedure in Shanghai No.2 Intermediate People's Court in August 2018. By early 2020, partial repayment was enforced through the courts. A separate lawsuit was filed by the Company against Yutai Investment for the shortfall in the guarantee contract, which was accepted by the Shanghai Financial Court in March 2020. Due to the involvement of the principal debtors, Yutai Dengshuo and Fuxing Industrial, in other cases, the Shanghai Financial Court has adjourned the hearing of the Yutai Investment guarantee contract litigation. In June 2023, the guarantee contract litigation was assigned to the Jing'an District Court. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Beijing Dongfang Junsheng Investment Co., Ltd. (北京東方君盛投資有限公司) and its guarantors Feng Biao, Gao Zhonglin and their spouses | Litigation | Beijing Dongfang Junsheng Investment Co., Ltd. (“Dongfang Junsheng”) conducted the share collateralized repurchase transaction with the Company by the circulating shares of “Hainan Yedao (海南椰島) (600238) held by it in September 2017 and Feng Biao and Gao Zhonglin provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default. | Principal of RMB425 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid. | In November 2019, the lawsuit was filed in the Shanghai Financial Court and in February 2021, a judgment of first instance was rendered in favour of our claim against the debtor, Dongfang Junsheng, and the guarantors, Feng Biao and Gao Zhonglin, and the entire amount of the debt. Dongfang Junsheng appealed and the Shanghai High Court issued a second instance judgment in July 2021, upholding the original judgment. The Company applied for enforcement in October 2021. As the pledged shares have been subject to a realization measure by the Guiyang Intermediate Court, which has obtained the right of disposal, the Company applied through the Shanghai Financial Court to the Guiyang Intermediate Court for participation in the distribution. From September 2021 to June 2023, after the enforcement by the Guiyang Intermediate Court, the Company applied for preferential compensation in respect of the proceeds from share disposal and participated in the distribution. During the period, the case was still in progress due to the filing of an enforcement objection by an outsider to the Shanghai Financial Court. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Zhuhai Zhongzhu Group Co., Ltd. (珠海中珠集团股份有限公司) and Zhuhai S.E.Z. Dezheng Group Co., Ltd. (珠海經濟特區德正集團有限公司), the guarantor | Litigation | Zhuhai Zhongzhu Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "ST Zhongzhu (ST 中珠)" ("Zhongzhu Medical (中珠醫療)", 600568) held by it since November 2017, which was guaranteed by Zhuhai S.E.Z. Dezheng Group Co., Ltd. with its immovable assets. The above-mentioned transaction has been in default. | Principal of RMB461 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | In April 2021, the lawsuit was filed in the Shanghai Financial Court. In February 2022, a first instance judgment was received upholding all claims of the Company. In May 2022, the defendant applied for an appeal. In September 2022, the Shanghai High Court delivered the second instance judgment, which upheld the original verdict. In November 2022, the enforcement case was accepted by the Shanghai Financial Court. In December 2022, the Shanghai Financial Court negotiated with the Beijing No. 3 Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal. In January 2023, the Shanghai High Court ruled to reject the guarantor's application for retrial. In April 2023, the disposal of all the pledged shares on the new bulk trading platform was completed, and in June 2023, the Company received the enforcement payment. Other properties are currently in the process of disposal by the court. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|---------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Xu Wei and Teng Yingqi, the guarantor | Litigation | Xu Wei conducted the share collateralized repurchase transaction with the Company by the shares of "ST Tensyn (ST 腾信)" ("Tensyn (腾信股份)", 300392) held by him since September 2017 and Teng Yingqi provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default. | Principal of RMB483 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | In May 2021, the lawsuit was filed in the Shanghai Financial Court. In June 2022, a first instance judgment was received, upholding all claims of the Company except for notary fees. In July 2022, Teng Yingqi, the guarantor, appealed and in August 2022, the Shanghai High Court accepted the guarantor's appeal, after which the Company signed a letter of intent for settlement with the counterparties and the Shanghai High Court subsequently ruled to allow the withdrawal of the appeal and the first instance judgment came into effect. In September 2022, the enforcement case was accepted by the Shanghai Financial Court. In November 2022, the Company signed an enforcement settlement agreement with the counterparties under the auspices of the Shanghai Financial Court. In December 2022, the counterparties confirmed that they were unable to perform the agreement and the Company subsequently filed an application with the Shanghai Financial Court for resumption of enforcement and judicial auction, together with an application for restriction on large spending, inclusion in list of defaulted executes and other measures against Xu Wei and Teng Yingqi. In May 2023, the Shanghai Financial Court published an auction announcement and scheduled an auction of the shares on June 26, 2023. In June 2023, the first auction failed. However, due to delisting of shares, the case will continue after completing the board transfer. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|--------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Yunnan Jiutian Investment Holding Group Co., Ltd. (雲南九天投資控股集團有限公司) | Litigation | Through the “Dongwu-Pingan-Dongfang No. 5 Targeted Asset Management Plan”, Yunnan Jiutian Investment Holding Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of “Yijian 3 (易見3)” (formerly known as “Hejia Share (禾嘉股份)”, “Yijian Share (易見股份)” and “Delisted Yijian (退市易見)”, 600093) held by it since October 2016. The above-mentioned transaction has been in default. | Principal of RMB428 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid. | In September 2021, the lawsuit was filed in the Shanghai Financial Court. In March 2022, a first instance judgment was received, upholding all claims of the Company except for notary fees. The case was filed with enforcement procedure in Shanghai Financial Court in May 2022. In August 2022, the Shanghai Financial Court obtained the right of disposal of pledged shares. In addition, the court disposed of other properties in the name of the party subject to enforcement in the second half of 2022. For the pledged shares, the court proposed to re-assess for auction due to the delisting of Yijian Share. The case is still in the process of enforcement. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|-----------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Zeng Zhuo | Litigation | Zeng Zhuo conducted the share collateralized repurchase transaction with the Company by the shares of "Xinning Logistics (新宁物流)" (300013) held by him since July 2016. The above-mentioned transaction has been in default. | Principal of RMB165.75 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | <p>According to the enforcement certificates issued by the notary public's office to Zeng Zhuo, the case was filed with enforcement procedure in Suzhou Kunshan District Court in November 2021. In May 2022, the Kunshan Court negotiated with the Guangdong Jiangmen Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal. In September 2022, the Kunshan Court obtained the right of disposal of the pledged shares. In November 2022, the Kunshan Court ruled to sell the pledged shares by auction. In December 2022, the auction was completed. In June 2023, the court released a portion of the enforcement payment to the Company.</p> <p>In November 2021, an application was filed with the Shenzhen Futian District Court to realise the security interest in respect of the unnotarised transactions. In January 2022, the court ruled that the pledged shares be sold by auction and the Company has priority in repayment with the auction proceeds. In May 2022, the application for enforcement against Zeng Zhuo for realisation of security interest was filed with the Kunshan Court, and shall be handled together with the above case of enforcing the notarized debt instruments.</p> |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|---------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Shanghai Zhonglu (Group) Co., Ltd. (上海中路(集团)有限公司) | Litigation | Shanghai Zhonglu (Group) Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Zhonglu Share (中路股份)" (600818) held by it since November 2014. The above-mentioned transaction has been in default. | Principal of RMB599 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | <p>Two cases were filed due to different versions of the master transaction agreement:</p> <p>The lawsuit of the transaction under the old version of the master agreement was filed in the Shanghai Financial Court in November 2021 and is scheduled to be heard in July 2022. In August 2022, the court ruled in favour of the Company in the first instance judgment. The counterparty appealed in September 2022. In October 2022, a second instance case was accepted by the Shanghai High Court, which was heard in November 2022. In January 2023, the Shanghai High Court delivered the second instance judgement, which upheld the original judgement and dismissed the appeal. In February 2023, the case was filed with the Shanghai Financial Court for enforcement. In May 2023, the Shanghai Financial Court obtained the right of disposal of the pledged shares. In June 2023, the Shanghai Financial Court issued an announcement on the disposal of shares on the new bulk trading platform, which was scheduled to take place in July 2023. The case is currently pending for the result of disposal.</p> |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|-------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | <p>The lawsuit of the transaction under the new version of the master agreement was filed in the Shanghai Huangpu District Court in November 2021. The case was formally filed in March 2022 and was heard in August 2022. In November 2022, the court ruled in favour of the Company in the first instance judgment, the counterparty appealed subsequently, which was originally scheduled to be heard in February 2023. As the debtor failed to pay the appeal fee and filed an application for withdrawal of the appeal, in March 2023, the Shanghai Financial Court issued a ruling to allow the withdrawal of the appeal and the judgement of the first instance became effective. In April 2023, a case was filed with the Huangpu Court for enforcement. The case is still in the process of enforcement.</p> |
| DFZQ | Dunhua Kangping Investment Co., Ltd. (敦化市康平投資有限公司) | Litigation | Dunhua Kangping Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Zixin Pharmaceutical (紫鑫藥業)" (002118) held by it since September 2016. The above-mentioned transaction has been in default. | Principal of RMB239 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | The lawsuit was filed in the Shanghai Financial Court in March 2022 and was heard in September 2022. In January 2023, a judgement in favor of the Company was received. In March 2023, the Shanghai Financial Court accepted the filing for execution. The case is still in the process of enforcement. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Guo Xiansheng | Litigation | Guo Xiansheng conducted the share collateralized repurchase transaction with the Company by the shares of "ST Linzhong (ST林重)" ("Linzhou Heavy Machinery (林州重機)", 002535) held by it since May 2015. The above-mentioned transaction has been in default. | Principal of RMB358 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | In August 2022, two cases were filed for transactions under different versions of the agreement, and the lawsuits were filed in the Shanghai Financial Court, and were heard together in November 2022. In February 2023, the court organized mediation and signed a mediation statement. As of June 2023, Guo Xiansheng has gradually made repayments in accordance with the mediation agreement. The case is currently pending continuous repayment by Guo Xiansheng. |
| DFZQ | Xinjiang Maiquer Group Co., Ltd. (新疆麥趣爾集團有限責任公司) and Xinjiang Hengjia Property Co., Ltd. (新疆恒佳房地產開發有限公司), the guarantor | Litigation | Xinjiang Maiquer Group Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Maiquer (麥趣爾)" (002719) held by it since March 2015. The above-mentioned transaction has been in default. | Principal of RMB303 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | The lawsuit was filed in the Shanghai Financial Court in August 2022 and was originally scheduled to be heard by the court in December 2022 but was subsequently cancelled due to the jurisdictional objection filed by both defendants. In February 2023, the Company received a ruling from the Shanghai Financial Court dismissing the jurisdictional objection. Subsequently, the second defendant filed an appeal regarding the jurisdictional objection. In April 2023, the Shanghai High Court ruled to dismiss the jurisdictional objection appeal. In May 2023, the trial of the first instance was heard, which is pending judgement. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Qingdao Yaxing Industry Co., Ltd. (青島亞星實業有限公司) | Litigation | Qingdao Yaxing Industry Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of “ST Capstone (ST大通)” (“Shenzhen Capstone (深大通)”, 000038) held by it since March 2016. The above-mentioned transaction has been in default. | Principal of RMB653 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid. | According to the enforcement certificates issued by the notary public’s office to Qingdao Yaxing, an enforcement case was filed in the Shenzhen Intermediate Court in August 2022. In October 2022, the Shenzhen Intermediate Court issued a disposal ruling. In January 2023, the pledged shares were listed for auction. In February 2023, the first auction of the pledged shares failed. In June 2023, the court ordered a second auction of the pledged shares. Subsequently, the second auction of the pledged shares failed. |
| DFZQ | Jiang Jian | Litigation | Jiang Jian conducted the share collateralized repurchase transaction with the Company by the shares of “ST Capstone (ST大通)” (“Shenzhen Capstone (深大通)”, 000038) held by it since June 2016. The above-mentioned transaction has been in default. | Principal of RMB261 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid. | According to the enforcement certificates issued by the notary public’s office to Jiang Jian, an enforcement case was filed in the Shenzhen Intermediate Court in September 2022. In November 2022, the court negotiated with the Qingdao Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal. In January 2023, the Shenzhen Intermediate Court obtained the right of disposal of the pledged shares. The case is still in the process of enforcement. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|--------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Zhu Lanying | Litigation | Zhu Lanying conducted the share collateralized repurchase transaction with the Company by the shares of “*ST Capstone (ST大通)” (“Shenzhen Capstone (深大通)”, 000038) held by it since March 2016. The above-mentioned transaction has been in default. | Principal of RMB346 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid. | According to the enforcement certificates issued by the notary public’s office to Zhu Lanying, an enforcement case was filed in the Shenzhen Intermediate Court in September 2022. In January 2023, the transfer of shares first seized by the Qingdao Shinan Court was completed, and the transfer of shares first seized by the Pudong Court is still in communication. The case is still in the process of enforcement. |
| DFZQ | Wang Baixing | Litigation | Wang Baixing conducted the share collateralized repurchase transaction with the Company by the shares of “*ST Zhongli (ST中利)” (“Zhongli Technology (中利科技)” and “Zhongli Group (中利集团)”, 002309) held by it since September 2013. The above-mentioned transaction has been in default. | Principal of RMB517 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors’ rights are payable but unpaid. | According to the enforcement certificates issued by the notary public’s office to Wang Baixing, an enforcement case was filed in the Suzhou Intermediate Court in September 2022. In November 2022, the Suzhou Intermediate Court issued a letter to Nanchang Intermediate Court requesting the transfer of right of disposal of the pledged shares, and in December 2022, Nanchang Intermediate Court responded with a letter agreeing to the transfer. In February 2023, the Suzhou Intermediate Court formally accepted the pre-reorganization of Zhongli Group. The court is currently in the process of realizing the pledged shares and other properties under the name of Wang Baixing. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|-------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Shanxi Shengnong Investment Co., Ltd. (山西盛農投資有限公司) | Litigation | Shanxi Shengnong Investment Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the shares of "Goody Sci-Tech (顧地科技)" (002694) held by it since September 2016. The above-mentioned transaction has been in default. | Principal of RMB215 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | The lawsuit was filed in the Shanghai Financial Court in November 2022. In February 2023, the trial of the first instance was heard. In May 2023, the judgement of the first instance in favour of the Company was received. The defendant subsequently filed an appeal with the Shanghai High Court. The case is currently pending a second trial. |
| DFZQ | Li Zongsong | Litigation (against the guarantor) | Xinyi Bikang New Pharmaceutical Industry Complex Investment Co., Ltd., the debtor, conducted the share collateralized repurchase transaction with the Company by the shares of "Bikang Delisted (必康退)" (002411) held by it since March 2016. The above-mentioned transaction has been in default. | Principal of RMB199 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | The lawsuit was filed in the Xi'an Intermediate Court in June 2023 and is currently pending a court date. |
| | | | Shanxi Beidu New Material Technology Co., Ltd., the debtor, conducted the share collateralized repurchase transaction with the Company by the shares of "Bikang Delisted (必康退)" (002411) held by it since April 2016. The above-mentioned transaction has been in default. | Principal of RMB86 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | The lawsuit was filed in the Shanghai Financial Court in June 2023 and is currently pending a court date. |

Section VI Significant Events

2. Closed litigations and arbitrations

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

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|----------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Shenzhen Laohuhui Asset Management Co., Ltd. (深圳市老虎匯資產管理有限公司) and the guarantor Feng Biao and his spouse | Litigation | Shenzhen Laohuhui Asset Management Co., Ltd. ("Laohuhui") conducted the share collateralized repurchase transaction with the Company by the circulating shares of "Jiaying Pharmacy (嘉應製藥)" (002198) held by it in February 2017 and Feng Biao, the de facto controller, provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default. | Principal of RMB470 million and interest, delayed interest, penalty interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | In November 2019, the lawsuit was filed in the Shanghai Financial Court and in March 2021, a judgment of first instance was rendered in favour of the Company's claim against the debtor, Laohuhui, and the guarantor, Feng Biao, and the entire amount of the debt. Laohuhui appealed and the Shanghai High Court issued a second instance judgment in September 2021, upholding the original judgment. In December 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In February 2022, the Shanghai Financial Court negotiated with the Lanzhou Intermediate Court (the first sealing court for the pledged shares) for the transfer of the right of disposal, and obtained the right of disposal of the pledged shares in July 2022. In August 2022, the court ruled to auction off the pledged shares. In December 2022, the auction of pledged shares failed, and the Company applied with the Shanghai Financial Court to settle the debt with shares. In January 2023, the court ruled that the pledged shares be set off against the debt owed to the Company. In February 2023, the transfer of the shares was completed. In March 2023, the court ruled to end this enforcement. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Shantou Chenghai Humei Storage Battery Co., Ltd. (汕头市澄海区滬美蓄電池有限公司) and its guarantors Chen Zaixi, Chen Yinqing, etc. | Litigation | Shantou Chenghai Humei Storage Battery Co., Ltd. conducted the share collateralized repurchase transaction with the Company by the circulating shares of “Dynavolt 3 (猛獅3)” (“Dynavolt Technology (猛獅科技)”, 002684) held by it since May 2016 and Chen Zaixi, Chen Yinqing, Chen Lewu, Lin Shaojun and Guangdong Mengshi Industrial Group Co., Ltd. (廣東猛獅工業集團有限公司) provided the unconditional, irrevocable and joint guarantee for the transaction. The above-mentioned transaction has been in default. | Principal of RMB569 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | In August 2020, the lawsuit was filed in the Shanghai Financial Court and the first instance judgment was rendered in July 2021 in favour of the Company's claim, which was not appealed by the other party. In November 2021, the case was filed with enforcement procedure in the Shanghai Financial Court. In February 2022, the Shanghai Financial Court ruled on the sale of shares through auction, which was subsequently withdrawn due to the delisting of the listed company in June. “Dynavolt Delisted (猛獅退)” resumed trading on the market for STAQ, NET and delisted companies in August 2022. In December 2022, the court ruled to auction off the pledged shares. In January 2023, the first auction of the pledged shares failed. In February 2023, the court ruled that the pledged shares involved in the case be set off against the debt owed to the Company. In March 2023, the court ruled to end this enforcement. |

Section VI Significant Events

| Plaintiff | Defendant | Category of the litigation and arbitration | Reason | Amount involved | Progress |
|-----------|--------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFZQ | Guo Shusheng | Litigation | Guo Shusheng conducted the share collateralized repurchase transaction with the Company by the shares of "Linzhou Heavy Machinery (林州重機)" (002535) held by it since February 2015. The above-mentioned transaction has been in default. | Principal of RMB11 million and interest, delayed interest, default penalty, and other expenses for the realization of creditors' rights are payable but unpaid. | In October 2022, the lawsuit was filed in the Shanghai Huangpu Court. Subsequently, Guo Shusheng gradually made repayments. In January 2023, a settlement agreement was signed with Guo Shusheng. In February 2023, a civil mediation letter was issued by the court. In March 2023, as Guo Shusheng had fully complied with the settlement agreement, the Company assisted the court in lifting the judicial freeze and pledge on Guo Shusheng's shares and accounts, and the case was closed. |

Section VI Significant Events

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

The Company has no controlling shareholders or de factor controllers. During the Reporting Period, save as disclosed below, the Company and its Directors, Supervisors and senior management personnel were not investigated by competent authorities, taken compulsory measures by judicial organs or discipline inspection departments, transferred to judicial authorities or investigated for criminal responsibilities, filed for investigation or administrative punishment by CSRC, banned from the market, recognized as inappropriate candidates, given major administrative punishment by other administrative departments such as environmental protection, safety supervision and taxation departments, or publicly condemned by stock exchanges.

During the Reporting Period, the Company was subject to administrative and regulatory measures taken by the CSRC as follows:

On February 6, 2023, the Jiangsu Bureau of the CSRC issued the Decision on the Issuance of Warning Letter for Administrative and Regulatory Measures to the Changzhou Business Outlet of Orient Futures Co., Ltd to the Changzhou Business Outlet of Orient Futures, a wholly-owned subsidiary of the Company. The above regulatory letter determined that Zhu Zhimin, the person in charge of the Changzhou Business Outlet of Orient Futures, had breached the regulations regarding concurrent employment during his term of office, which reflected deficiencies in the internal control of the business outlet and violated the provisions of Article 56 of the Administrative Measures for Supervision of Futures Companies (CSRC Order No. 155).

The leaders of the Company attached great importance to the above non-compliance matters. Changzhou Business Outlet immediately confirmed the relevant issues and took rectification measures, and the person in charge of Changzhou Business Outlet has ceased to concurrently work for relevant company. Moreover, in order to improve the accuracy of internal self-inspection, Orient Futures engaged a background investigation company to conduct an accurate search on the external employment of the persons in charge of the branches based on their information, so as to avoid the recurrence of similar situations. Changzhou Business Outlet will also implement the daily management of person in charge of branch in accordance with the Administrative Measures for the Employment of Directors, Supervisors and Senior Management of Futures Companies and the Administrative Measures for the Employment of Persons in Charge of Branches of Orient Futures Co., Ltd. On February 21, 2023, Changzhou Business Outlet of Orient Futures submitted a written rectification report to the Jiangsu Bureau of the CSRC and the rectification was accepted by Jiangsu Bureau of the CSRC. Changzhou Business Outlet of Orient Futures will further strengthen the awareness of compliant operation, enhance internal control management, and effectively improve business compliance and risk management.

Section VI Significant Events

In addition, the Company noticed on July 13, 2023 through the website of the Shanghai Municipal Supervision Committee of the Shanghai Municipal Disciplinary Inspection Commission of the Communist Party of China (中共上海市紀律檢查委員會上海市監察委員會) that Mr. Cheng Feng, a non-executive Director of the Company, is alleged to have seriously violated disciplines and laws, and is subject to disciplinary inspection and supervisory investigation by the Shanghai Municipal Supervision Committee of the Disciplinary Inspection Commission (上海市紀委監委). Other than serving as a non-executive Director of the Company, a member of the Strategic Development Committee and a member of the Compliance and Risk Management Committee of the Board of the Company, Mr. Cheng Feng does not hold any other position in the Company and is not involved in the day-to-day operation and management of the Company. According to the Resolutions in Relation to the Change of Non-executive Director considered and approved at the 27th meeting of the fifth session of the Board of the Company and the 2023 first extraordinary general meeting, it was approved to remove Mr. Cheng Feng from the position of non-executive Director of the fifth session of the Board and elect Ms. Li Yun as a non-executive Director of the fifth session of the Board of the Company. Mr. Cheng Feng ceased to serve as a non-executive Director, a member of the Strategic Development Committee of the Board and a member of the Compliance and Risk Management Committee of the Board of the Company with effect from the date of approval at the 2023 first extraordinary general meeting, and Ms. Li Yun has been appointed as a non-executive Director of the fifth session of the Board of the Company with effect from the same date. Such matter will not have any impact on the business development, financial position and solvency of the Company.

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

The Company's largest shareholder is Shenergy Group. During the Reporting Period, the Company maintained excellent creditworthiness and there were no cases such as non-performance of an effective court judgment or any large obligation or liability remaining unpaid passed their maturity date.

VII. MATERIAL RELATED PARTY/CONNECTED TRANSACTIONS

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

Section VI Significant Events

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

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

Reference is made to the announcement of the Company dated March 30, 2021 in relation to the continuing connected transactions. The Company entered into the continuing connected transaction framework agreement with Shenergy Group on March 30, 2021 in relation to the Company and its subsidiaries and Shenergy Group and its associates for a term commencing on January 1, 2021 and ending on December 31, 2023. As at the date of this report, Shenergy Group holds approximately 26.63% of the issued share capital of the Company. According to Rule 14A.07 (1) of the Hong Kong Listing Rules, Shenergy Group and its related companies are connected persons of the Company. During the Reporting Period, the Company carried out related/connected transactions in strict compliance with the “Proposal regarding the projected routine related-party transactions of the Company in 2023” considered and approved at the 2022 annual general meeting and the “Resolution on the Signing of the 2021-2023 Connected Transaction Framework Agreement with Shenergy (Group) Company Limited” considered and approved at the second meeting of the fifth session of the Board, and relevant terms are fair and reasonable and in the interest of the listed issuer and its shareholders as a whole. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party/connected person | Projected amount | Actual amount |
|---------------------------------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------|---------------|
| Securities and financial services | Fee and commission income | The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf, securities underwriting, financial advisory and other services. | | 15,000.00 | 158.05 |
| | Interest expense | The Company pays interest on the deposits from clients for providing services such as trading of securities and futures on their behalf and other services. | Shenergy Group and its related companies | 1,500.00 | 1.15 |
| Purchase of goods and receiving of services | Business and management fee | The Company receives its services such as property management and gas supply. | | 5,000.00 | 979.70 |

Note: In the first half of 2023, the related-party/connected transactions between the Company and Shenergy Group and its related companies accounted for a small proportion of the Company's similar transactions.

Section VI Significant Events

2. *Related party transactions between the Group and other related parties*

During the Reporting Period, the Company carried out connected transactions in strict compliance with the annual transaction amount caps stipulated in the “Proposal on Estimation for the Company’s 2023 Daily Related Transactions” reviewed and approved at the 2022 annual general meeting. The relevant implementation is set out in the following table:

Unit: '0000 Currency: RMB

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party | Projected amount | Actual amount | |
|--------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------|--------|
| Securities and financial products services | Fee and commission income | The Company charges fees and commissions for providing services such as trading of securities and futures on their behalf, securities underwriting, financial advisory and other services. | China Universal Asset Management Company Limited | | 7,011.00 | |
| | | | Haitong Securities Co., Ltd. | | 468.37 | |
| | Great Wall Fund Management Co., Ltd. | | | 306.50 | | |
| | Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | | Subject to the actual amount due to unpredictable transaction volume. | 33.33 | | |
| | Luoyang Guohong Investment Holdings Group Co., Ltd. | | | 15.43 | | |
| | Huatai Baoxing Fund Management Co., Ltd. | | | 6.08 | | |
| | China Pacific Property Insurance Co., Ltd. | | | 3.32 | | |
| | Related natural person | | | 0.80 | | |
| | Interest income | | | China Pacific Property Insurance Co., Ltd. | | 108.07 |
| | | | | Haitong Securities Co., Ltd. | Subject to the actual amount due to unpredictability of size and term of bonds. | 63.27 |

Section VI Significant Events

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party | Projected amount | Actual amount | | |
|------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------|------|
| Investment income | The Company obtained income from purchasing securities, funds, insurance and other products issued by the related parties. | | Great Wall Fund Management Co., Ltd. | | 1,270.58 | | |
| | | | China Zheshang Bank Co., Ltd. | | 100.79 | | |
| | | | China Securities Credit Investment Co., Ltd. | Subject to the actual amount due to | 54.72 | | |
| | | | East Money Information Co., Ltd. | unpredictability of size | 4.22 | | |
| | | | Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | and yields of securities and other products. | 0.32 | | |
| | | | Shenzhen Huitai Medical Equipment Co., Ltd. | | 0.01 | | |
| | | | Haitong Securities Co., Ltd. | | (2.45) | | |
| | | | Interest expense | The Company pays interest on the deposits from clients for brokerage business or pays interest on borrowings. | Luoyang Guohong Investment Holdings Group Co., Ltd. | Subject to the actual amount due to | 0.54 |
| | | | Shanghai Shangbao Asset Management Co., Ltd. | | unpredictability of size | 0.27 | |
| | | | China Universal Asset Management Company Limited | | of borrowings and deposits from clients. | 0.25 | |
| Related natural person | | 0.31 | | | | | |

Section VI Significant Events

| Type of transaction | Items of transaction | Brief description of related business or matters | Related party | Projected amount | Actual amount | |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------|
| Trading in securities and financial products | Financial assets at fair value through profit or loss, equity instruments at fair value through other comprehensive income, debt instruments at fair value through other comprehensive income | The Company's investment cost of holding financial assets such as stocks, bonds, funds and products issued by the related parties at the end of the period. | China Universal Asset Management Company Limited Great Wall Fund Management Co., Ltd. China Securities Credit Investment Co., Ltd. China Zheshang Bank Co., Ltd. Shanghai Qizhong Golf Club Co., Ltd. Haitong Securities Co., Ltd. East Money Information Co., Ltd. Huatai Baoxing Fund Management Co., Ltd. China Pacific Insurance (Group) Co., Ltd. Shanghai Jinqiao Export Processing Zone Development Co., Ltd. Shenzhen Huitai Medical Equipment Co., Ltd. | | | 42,697.22 34,846.78 26,990.19 9,621.84 5,196.91 5,000.67 2,904.11 687.62 63.29 22.66 1.48 |
| | | | | Subject to the actual amount due to unpredictability of transaction and the volume. | | |

Notes:

- (1) The inter-group transactions and the transactions with their parent companies of the subsidiaries who have a control relationship and are incorporated in the Company's consolidated financial statements were offset.
- (2) In the first half of 2023, the related transactions between the Company and other related parties accounted for a small proportion of the Company's similar transactions.
- (3) The related/connected natural persons include: natural persons who directly or indirectly hold more than 5% of the shares of the listed company; Directors, Supervisors and senior management of the Company; close family members of the above-mentioned persons. All the applicable percentage ratios for aforesaid transactions calculated fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions therefore will be fully exempted from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Section VI Significant Events

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

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

3.1 *Securities and Financial Services*

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

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

- Securities and futures brokerage services – As the commission rate for brokerage services is generally transparent and standardized in the market, such rate shall be determined after arm's length negotiations between the parties with reference to the requirements of relevant laws and regulations, the commission rate applicable to independent third party customers and the estimated size of broker transaction;
- Lease of trading seats – The service fee of lease of trading seats shall be determined after arm's length negotiations between the parties with reference to the fees applicable to independent third party customers;
- Sales of securities and financial products services – Factors determining service fees include market prices, industry practices and total sales of financial products with reference to the level of fees charged by the Group for sales of products of similar types and nature;

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- Underwriting and sponsoring services – The underwriting and sponsoring services market is highly competitive and the service rates and related fees are highly transparent and standardized. The service fees shall be determined after arm’s length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account various factors, including prevailing market conditions, the size of the proposed issue, general market rates for recent issues of similar nature and size, and the fees applicable to independent third parties for similar services;
- Financial advisory services – The fees for financial advisory services are highly transparent and standardized in the market, and shall be determined after arm’s length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account factors such as prevailing market conditions, the nature and scale of the transaction and the fees applicable to independent third parties for similar services;
- Custodian asset management services – The rates for asset management services are highly transparent and standardized in the market, and the service fees will be determined after arm’s length negotiations between the parties with reference to the requirements of relevant laws and regulations, taking into account factors such as the size of the assets entrusted, the complexity of providing specific services and the fees applicable to independent third parties for similar services;
- Settlement and sale of foreign exchange – The transaction exchange rate for the settlement and sale of foreign exchange services shall be determined after arm’s length negotiations between the parties, taking into account factors such as the prevailing exchange rates in interbank foreign exchange market, the scale of the transaction and the exchange rate standards applicable to independent third parties for similar services;
- Securities financing services – The fees for securities financing services shall be determined after arm’s length negotiations between the parties with reference to the fees applicable to independent third parties;

Section VI Significant Events

- Asset custody services – The fees for asset custody services shall be determined by fair negotiations with reference to the prevailing market rates for transactions of similar type and size; and
- Other securities and financial services such as securities and financial advisory and consulting – The fees for such services shall be determined after arm’s length negotiations between the parties in accordance with relevant applicable laws and regulations, with reference to the prevailing market price, the nature of the transaction, the cost of services to each party and the fees applicable to independent third parties for similar services.
- Insurance services – The fees for such services are highly transparent and standardized in the market, and are determined after arm’s length negotiation between the parties with reference to the prevailing market rates of comparable insurance plans, and subject to different procurement and bidding processes based on different subject amounts to ensure reasonable pricing.

3.2 *Securities and Financial Products Transactions*

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

Section VI Significant Events

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

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

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

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

Section VI Significant Events

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

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

In the ordinary course of business, the Group may also enter into OTC transactions of securities and financial products with related/connected parties.

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

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

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

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

Section VI Significant Events

3.3 *Purchase of Goods and Acceptance of Services*

The purchase of goods and acceptance of services include but are not limited to: receiving goods and services such as electricity, town gas, natural gas, gas stoves, gas appliances and gas kitchen equipment; and receiving property management, gas transmission and distribution, gas project planning, design and construction and other services, receipt of services, research and consultation, training, house rental and other services.

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

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

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

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

Section VI Significant Events

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

The independent non-executive Directors and auditors of the Company will review the continuing connected/related party transactions of the Company on an annual basis, and the Board (including the independent non-executive Directors) shall confirm that the terms of the transactions are fair and reasonable and on normal commercial terms or better terms in the ordinary course of business of the Group and in the interests of the Company and the shareholders as a whole. The Company's auditors shall confirm that the continuing connected transactions (1) have been approved by the board of directors of the listed issuer; (2) have been conducted in accordance with the pricing policy of the listed issuer group in all material respects; (3) have been conducted in accordance with the agreements of relevant transactions in all material respects; and (4) have not exceeded the caps.

- (ii) **During the Reporting Period, the Company had no related-party/connected transactions incurred as a result of acquisition or disposal of assets or equity interests**
- (iii) **During the Reporting Period, the Company had no material related-party/connected transactions in relation to joint external investment**
- (iv) **During the Reporting Period, the Company had no credits and debts with related/connected parties**
- (v) **During the Reporting Period, there was no financial business between the Company and related/connected financial companies, the Company's controlling financial companies and related/connected parties**

Section VI Significant Events

VIII. MATERIAL CONTRACTS AND PERFORMANCE

1. Custody, contracting and leasing matters

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

2. Material guarantees performed and outstanding during the Reporting Period

Unit: 100 million Currency: RMB

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

Total amount of guarantees provided during the Reporting Period
(excluding guarantees for subsidiaries)

Total balance of guarantees provided at the end of the Reporting
Period (A) (excluding guarantees for subsidiaries)

Guarantees provided by the Company for subsidiaries

Total amount of guarantees provided for subsidiaries during the
Reporting Period

Total balance of guarantees provided for subsidiaries at the end of
the Reporting Period (B)

145.79

Total amount of guarantees provided by the Company (including those provided for subsidiaries)

Total amount of guarantees (A+B)

145.79

Percentage of total guarantees over net assets of the Company (%)

18.84

Including:

Amount of guarantees provided for shareholders, de facto controllers
and their related parties (C)

Amount of debt guarantees directly or indirectly provided for parties
with gearing ratio exceeding 70% (D)

145.79

Amount of total guarantees exceeding 50% of net assets (E)

Total amount of above three types of guarantees (C+D+E)

145.79

Explanations on outstanding guarantees subject to joint liabilities

Section VI Significant Events

Unit: 100 million Currency: RMB

Total amount of guarantees provided by the Company (including those provided for subsidiaries)

| | |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Explanations on guarantees | <p>As of the end of the Reporting Period, the Company and its wholly-owned subsidiary provided guarantee on financing activities of its wholly-owned subsidiaries of RMB4,969 million and non-financing guarantee of RMB9,610 million. In particular,</p> <ol style="list-style-type: none"> 1. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided full guarantee for the principal and interest of USD160 million bonds issued by Orient HongSheng Limited, its wholly-owned subsidiary. 2. The Company provided full guarantee for the principal and interest of USD300 million bonds issued by Orient Zhisheng Limited, a wholly-owned subsidiary of Orient Finance Holdings, a wholly-owned subsidiary of the Company. 3. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided guarantee for the credit facility of USD50 million entered into between Orient Securities International, a wholly-owned subsidiary of Orient Finance Holdings, and Ping An Bank. 4. The Company provided guarantee for the credit facility of USD120 million entered into between Orient Finance Holdings, a wholly-owned subsidiary of the Company, and Nanyang Commercial Bank, Limited. |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Section VI Significant Events

Unit: 100 million Currency: RMB

Total amount of guarantees provided by the Company (including those provided for subsidiaries)

5. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of up to USD180 million for the transactions conducted by Orient Securities International, its wholly-owned subsidiary, under the Global Master Repurchase Agreement (GMRA)/International Swaps and Derivatives Association (ISDA) Agreement.
6. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of up to USD150 million for the transactions conducted by Orient International Investment Products Limited, its wholly-owned subsidiary, under the Global Master Repurchase Agreement (GMRA)/International Swaps and Derivatives Association (ISDA) Agreement.
7. Orient Finance Holdings, a wholly-owned subsidiary of the Company, provided a non-financing guarantee of up to USD1 billion for Orient International Investment Products Limited, its wholly-owned subsidiary, to issue structured notes.

Note: The amount of guarantees denominated in USD was converted at the spot exchange rate of USD1 to RMB7.2258 as at the end of June 2023.

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

Section VI Significant Events

IX. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

1. The establishment and disposal of the Company's divisions, branches and subsidiaries during the Reporting Period

1) *Newly established securities branches*

During the Reporting Period, the Company did not establish any new securities branches. As of the end of the Reporting Period, the Company had a total of 179 securities branches.

2) *Relocation of securities branches*

DFZQ Shenyang Changjiang South Street Securities Branch was relocated within the same city. The branch was relocated from No. 169 Changjiang South Street, Huanggu District, Shenyang, Liaoning Province, the PRC to 1-3/F, No. 211 Changbai Third Street, Heping District, Shenyang, Liaoning Province, the PRC. The name of the branch was changed to DFZQ Shenyang Changbai Third Street Securities Branch.

3) *Newly established futures branches*

During the Reporting Period, Orient Futures, a wholly-owned subsidiary of the Company, established one subsidiary and three futures branches, and has 43 securities branches as of the end of the Reporting Period. The table below sets out the details of newly established branches:

| Name of branch | Address of branch (in China) | Date of establishment |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Shenzhen Branch of Orient Futures Co., Ltd | 4D, Nuode Financial Center, No. 1006 Fuzhong Third Road, Fuzhong Community, Lianhua Subdistrict, Futian District, Shenzhen, the PRC | January 18, 2023 |
| Shenzhen Yitian Road Outlet of Orient Futures Co., Ltd | 1006B, New World Commercial Center, No. 6009 Yitian Road, Fuxin Community, Lianhua Subdistrict, Futian District, Shenzhen, the PRC | February 23, 2023 |

Section VI Significant Events

| Name of branch | Address of branch (in China) | Date of establishment |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Suzhou Industrial Park Outlet of Orient Futures Co., Ltd | Room 1801, Building No. 1, Nisheng Plaza, No. 205 Suzhou Avenue West, Suzhou Industrial Park of China (Jiangsu) Pilot Free Trade Zone (in Suzhou) | March 1, 2023 |
| Beijing First Branch of Orient Futures Co., Ltd | Room 09-10A, 37/F, Building No. 1, Jing Guang Centre, Hujialou, Chaoyang District, Beijing, the PRC | April 27, 2023 |

4) **Capital increase in subsidiaries**

During the Reporting Period, the Company increased capital contribution of RMB0.5 billion to Orient Futures Co., Ltd, a wholly-owned subsidiary. Upon completion of the capital contribution, the registered capital of Orient Futures Co., Ltd changed from RMB3.8 billion to RMB4.3 billion. Such matter was considered and approved at the president office meeting of the Company. The purpose of capital injection is to further enhance the scale of business, capture market share, consolidate the capital strength of Orient Futures, replenish net capital and support the sustainable and steady development of Orient Futures.

2. **Implementation of profit distribution**

The implementation of the Company's profit distribution plan for the year 2022 was accomplished on June 28, 2023. Based on the total share capital of 8,496,645,292 Shares of the Company as of the end of 2022, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares had been distributed to A shareholders and H shareholders whose names appear on the register of members of the Company on the record date, with total cash dividend of RMB1,274,496,793.80, representing 42.33% of the net profit attributable to the owners of the Parent Company in 2022 consolidated statements.

3. **Descriptions, reasons and effects of changes in accounting policies, accounting estimates and accounting methods as compared with previous accounting period**

During the Reporting Period, the Group has applied, for the first time, the new and amendments to IFRSs issued by the IASB, which are mandatorily effective from January 1, 2023, for the preparation of the Group's condensed consolidated financial statements, as detailed in note 2 to the accompanying condensed consolidated financial statements. The Group's application of the new and amendments to IFRSs had no material impact on the Group's financial position, results of operations and cash flows for the current and prior periods.

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

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

Section VII Changes in Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

During the Reporting Period, there was no change in the total number of Shares and share capital structure of the Company.

(ii) Changes in restricted Shares

During the Reporting Period, there was no change in the restricted Shares of the Company.

II. INFORMATION ON SHAREHOLDERS

(i) Total number of shareholders:

| | |
|---------------------------------------------------------------------------------------------|---------|
| Total number of holders of ordinary shares as at the end of the Reporting Period (accounts) | 228,266 |
|---------------------------------------------------------------------------------------------|---------|

Section VII Changes in Shares and Information on Shareholders

- (ii) The table below sets out the shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders not subject to restriction on sales) as at the end of the Reporting Period

Unit: share

| Name of shareholder (Full name) | Shareholdings of the top ten shareholders | | | | Number of restricted shares held | Pledged, flagged or frozen | | Nature of shareholders |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------|----------------|------------------|----------------------------------|----------------------------|--------------------------|------------------------|
| | Changes in number of shares during the Reporting Period | Number of shares held as at the end of the Reporting Period | Percentage (%) | Status of shares | | Number of shares | | |
| Shenergy (Group) Company Limited | 0 | 2,262,428,700 | 26.63 | 0 | Nil | - | State-owned legal person | |
| HKSCC Nominees Limited | 0 | 1,027,064,934 | 12.09 | 0 | Unknown | - | Off-shore legal person | |
| Shanghai Haiyan Investment Management Company Limited | 0 | 423,186,126 | 4.98 | 0 | Nil | - | State-owned legal person | |
| Shanghai United Media Group | 498,700 | 309,561,060 | 3.64 | 0 | Nil | - | State-owned legal person | |
| China Post Group Corporation Limited | (40,000) | 228,751,342 | 2.69 | 0 | Nil | - | State-owned legal person | |
| China Securities Finance Corporation Limited | 0 | 227,872,800 | 2.68 | 0 | Nil | - | Unknown | |
| Zhejiang Energy Capital Holdings Co., Ltd. | 0 | 177,625,600 | 2.09 | 0 | Nil | - | State-owned legal person | |
| Hong Kong Securities Clearing Company Limited | 49,297,941 | 158,999,976 | 1.87 | 0 | Nil | - | Off-shore legal person | |
| Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司) | (35,520,989) | 124,328,872 | 1.46 | 0 | Nil | - | State-owned legal person | |
| China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | 8,439,174 | 117,156,752 | 1.38 | 0 | Nil | - | Other | |

Section VII Changes in Shares and Information on Shareholders

Unit: share

Shareholdings of the top ten shareholders of non-restricted shares

| Name of shareholder | Number of circulating non-restricted shares held | Type and number of shares | |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------|---------------|
| | | Type | Number |
| Shenergy (Group) Company Limited | 2,262,428,700 | RMB ordinary shares | 2,262,428,700 |
| HKSCC Nominees Limited | 1,027,064,934 | Overseas listed foreign shares | 1,027,064,934 |
| Shanghai Haiyan Investment Management Company Limited | 423,186,126 | RMB ordinary shares | 423,186,126 |
| Shanghai United Media Group | 309,561,060 | RMB ordinary shares | 309,561,060 |
| China Post Group Corporation Limited | 228,751,342 | RMB ordinary shares | 228,751,342 |
| China Securities Finance Corporation Limited | 227,872,800 | RMB ordinary shares | 227,872,800 |
| Zhejiang Energy Capital Holdings Co., Ltd | 177,625,600 | RMB ordinary shares | 177,625,600 |
| Hong Kong Securities Clearing Company Limited | 158,999,976 | RMB ordinary shares | 158,999,976 |
| Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司) | 124,328,872 | RMB ordinary shares | 124,328,872 |
| China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | 117,156,752 | RMB ordinary shares | 117,156,752 |
| Special repurchase account of the top ten shareholders | N/A | | |
| Voting by proxy, as proxy or abstention of voting rights by the above shareholders | N/A | | |
| Related party relationship or parties acting in concert among above shareholders | N/A | | |

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

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

Section VII Changes in Shares and Information on Shareholders

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

IV. CHANGES OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

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

Section VII Changes in Shares and Information on Shareholders

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

As at June 30, 2023, to the best knowledge of the Company and its Directors, having made all reasonable enquiries, the following substantial shareholders and other parties (excluding the Directors, Supervisors and chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

| Name of shareholders | Type of share | Nature of interests | Number of shares ^(Note 1) | Approximate percentage of total share capital of relevant class in issue of the Company (%) ^(Note 2) | Approximate percentage of total share capital in issue of the Company (%) ^(Note 2) |
|---------------------------------------------------------------------------|---------------|-------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Shenergy (Group) Company Limited | A Share | Beneficial owner | 2,262,428,700 (L) | 30.29 | 26.63 |
| China National Tobacco Corporation ^(Note 3) | A Share | Interests in controlled corporation | 423,186,126 (L) | 5.67 | 4.98 |
| Shanghai Tobacco (Group) Company ^(Note 3) | A Share | Interests in controlled corporation | 423,186,126 (L) | 5.67 | 4.98 |
| Shanghai Haiyan Investment Management Company Limited ^(Note 3) | A Share | Beneficial owner | 423,186,126 (L) | 5.67 | 4.98 |
| Shanghai Wealspring Asset Management Co., Ltd. (上海寧泉資產管理有限公司) | H Share | Investment manager | 152,544,400 (L) | 14.85 | 1.80 |
| Zhu Lijia ^(Note 4) | H Share | Interests in controlled corporation | 94,940,800(L) | 9.24 | 1.12 |
| Sun Hongyan ^(Note 4) | H Share | Interests in controlled corporation | 94,940,800(L) | 9.24 | 1.12 |
| Hung Jia Finance Limited ^(Note 4) | H Share | Interests in controlled corporation | 94,940,800(L) | 9.24 | 1.12 |

Section VII Changes in Shares and Information on Shareholders

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

Section VII Changes in Shares and Information on Shareholders

Notes:

1. (L) represents the long position.
2. As at June 30, 2023, the Company has issued 8,496,645,292 shares in total, including 7,469,482,864 A Shares and 1,027,162,428 H Shares.
3. Shanghai Haiyan Investment Management Company Limited is wholly owned by Shanghai Tobacco (Group) Co., Ltd., which in turn is wholly owned by China National Tobacco Corporation. Therefore, each of China National Tobacco Corporation and Shanghai Tobacco (Group) Co., Ltd. is deemed to be interested in the shares of the Company held by Shanghai Haiyan Investment Management Company Limited under the SFO.
4. Kaiser Century Investments Limited is owned as to 100% by Hung Jia Finance Limited. Hung Jia Finance Limited is owned as to 50% by each of Mr. Zhu Lijia and his spouse Ms. Sun Hongyan. Therefore, each of Mr. Zhu Lijia, Ms. Sun Hongyan and Hung Jia Finance Limited is deemed to be interested in the shares of the Company held by Kaiser Century Investments Limited under the SFO.
5. BOCOM International Global Investment Limited is wholly owned by BOCOM International Asset Management Limited. BOCOM International Asset Management Limited is wholly owned by BOCOM International Holdings Company Limited, which in turn is wholly owned by Bank of Communications (Nominee) Company Limited. Bank of Communications (Nominee) Company Limited is wholly owned by Bank of Communications Co., Ltd. Therefore, each of Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited, BOCOM International Holdings Company Limited and BOCOM International Asset Management Limited is deemed to be interested in the shares of the Company held by BOCOM International Global Investment Limited under the SFO.

Save as disclosed above, as at June 30, 2023, none of the other substantial shareholders or other parties has any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

Section VII Changes in Shares and Information on Shareholders

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

As at June 30, 2023, according to the information available to the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

VII. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company and its subsidiaries did not repurchase, sell or redeem any of the listed securities of the Company.

Section VIII Preference Shares

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

Section IX Information on Bonds

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

(i) Corporate bonds

1. Basic information of corporate bonds

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Dated date | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism | Risk of termination of listing and trading |
|--------------------------------------------------------------------------------------------|-------------------------|--------|--------------------|--------------------|--------------------|---------------|-------------------|-------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------|--------------------------------------------|
| 2017 Corporate Bonds publicly issued by DFZQ | 17 Orient Bonds | 143233 | August 2, 2017 | August 3, 2017 | August 3, 2027 | 40 | 4.98 | Simple interest payable annually | SSE | For qualified investors | Auction, quotation, price asking and transaction under agreement | No |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) | 20 Orient Bonds 01 | 163927 | August 17, 2020 | August 19, 2020 | August 19, 2023 | 40 | 3.5 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2020 Perpetual Subordinated Bonds publicly issued by DFZQ (first tranche) | 20 Orient Securities Y1 | 175032 | August 24, 2020 | August 26, 2020 | — | 50 | 4.75 | Simple interest payable annually | SSE | For institutional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 20 Orient Bonds 02 | 175182 | September 24, 2020 | September 28, 2020 | September 28, 2023 | 35 | 3.75 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |

Section IX Information on Bonds

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Dated date | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism | Risk of termination of listing and trading |
|-------------------------------------------------------------------------------------------|-------------------------|--------|------------------|------------------|------------------|---------------|-------------------|-------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------|--------------------------------------------|
| 2020 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche) | 20 Orient Bonds 03 | 175350 | November 2, 2020 | November 4, 2020 | November 4, 2023 | 35 | 3.65 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) | 21 Orient Bonds 01 | 175690 | January 25, 2021 | January 27, 2021 | January 27, 2024 | 40 | 3.6 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2021 Subordinated Bonds publicly issued by DFZQ (first tranche) | 21 Orient Securities C1 | 175779 | March 4, 2021 | March 8, 2021 | March 8, 2024 | 25 | 3.95 | Simple interest payable annually | SSE | For institutional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 1) | 21 Orient Securities C2 | 175993 | April 14, 2021 | April 16, 2021 | April 16, 2024 | 30 | 3.7 | Simple interest payable annually | SSE | For institutional investors | Auction, quotation, price asking and transaction under agreement | No |

Section IX Information on Bonds

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Dated date | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism | Risk of termination of listing and trading |
|----------------------------------------------------------------------------------------------------|-------------------------|--------|-------------------|-------------------|-------------------|---------------|-------------------|-------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------|--------------------------------------------|
| 2021 Subordinated Bonds publicly issued by DFZQ (second tranche) (Type 2) | 21 Orient Securities C3 | 175994 | April 14, 2021 | April 16, 2021 | April 16, 2026 | 15 | 4.2 | Simple interest payable annually | SSE | For institutional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2021 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 21 Orient Bonds 02 | 185035 | November 22, 2021 | November 24, 2021 | November 24, 2024 | 40 | 3.08 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (first tranche) | 22 Orient Securities C1 | 185233 | January 11, 2022 | January 13, 2022 | January 13, 2025 | 25 | 3.16 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 2) | 22 Orient Securities 02 | 137548 | July 19, 2022 | July 21, 2022 | July 21, 2027 | 15 | 3.18 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |

Section IX Information on Bonds

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Dated date | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism | Risk of termination of listing and trading |
|----------------------------------------------------------------------------------------------------|-------------------------|--------|-------------------|-------------------|-------------------|---------------|-------------------|-------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------|--------------------------------------------|
| 2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 1) | 22 Orient Securities 01 | 137547 | July 19, 2022 | July 21, 2022 | July 21, 2025 | 20 | 2.79 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 22 Orient Securities 03 | 137725 | August 23, 2022 | August 25, 2022 | August 25, 2027 | 20 | 3 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2022 Subordinated Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 22 Orient Securities C2 | 137959 | October 19, 2022 | October 21, 2022 | October 21, 2024 | 35 | 2.53 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2022 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche) | 22 Orient Securities 04 | 138727 | December 12, 2022 | December 14, 2022 | December 14, 2025 | 35 | 3.40 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |

Section IX Information on Bonds

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Dated date | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism | Risk of termination of listing and trading |
|----------------------------------------------------------------------------------------------------|-------------------------|--------|-------------------|-------------------|-------------------|---------------|-------------------|-------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------|--------------------------------------------|
| 2023 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 1) | 23 Orient Securities 01 | 138917 | February 17, 2023 | February 21, 2023 | February 21, 2025 | 15 | 2.92 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2023 Corporate Bonds publicly issued by DFZQ (for professional investors) (first tranche) (Type 2) | 23 Orient Securities 02 | 138918 | February 17, 2023 | February 21, 2023 | February 21, 2026 | 25 | 3.13 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2023 Corporate Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 23 Orient Securities 03 | 115092 | March 17, 2023 | March 21, 2023 | March 21, 2028 | 16 | 3.32 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |

Section IX Information on Bonds

Unit: 100 million Currency: RMB

| Name of bonds | Abbreviation | Code | Date of issuance | Dated date | Maturity date | Bonds balance | Interest rate (%) | Repayment of principal and interest | Trading venue | Investor suitability arrangements (if any) | Trading mechanism | Risk of termination of listing and trading |
|-----------------------------------------------------------------------------------------------|-------------------------|--------|------------------|-----------------|-----------------|---------------|-------------------|-------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------|--------------------------------------------|
| 2023 Subordinated Bonds publicly issued by DFZQ (for professional investors) (first tranche) | 23 Orient Securities C1 | 115292 | April 20, 2023 | April 24, 2023 | April 24, 2026 | 30 | 3.30 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2023 Corporate Bonds publicly issued by DFZQ (for professional investors) (third tranche) | 23 Orient Securities 04 | 115403 | May 22, 2023 | May 24, 2023 | May 24, 2026 | 30 | 2.9 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |
| 2023 Subordinated Bonds publicly issued by DFZQ (for professional investors) (second tranche) | 23 Orient Securities C2 | 115763 | August 8, 2023 | August 10, 2023 | August 10, 2026 | 30 | 3.08 | Simple interest payable annually | SSE | For professional investors | Auction, quotation, price asking and transaction under agreement | No |

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

The Company's "20 Orient Securities Y1" is issued with an issuer option of renewal and without an investor option of resale. As of the date of disclosure of this report, the issuer option of renewal has yet to become exercisable. For the issuer right of deferral of interest payment, as the "2022 Profit Distribution Proposal of the Company" was considered and approved at the 2022 annual general meeting of the Company held on May 10, 2023, which was a mandatory interest payment event as stipulated in the prospectus of "20 Orient Securities Y1", the Company will make full and timely payment of the current interest on the bonds. The issuer option of redemption upon satisfaction of certain conditions has not been triggered as at the date of disclosure of this report.

3. Change in credit rating

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

Section IX Information on Bonds

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

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

5. *Other information on Company's bonds*

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

(ii) Key accounting data and financial indicators

Unit: Yuan Currency: RMB

| Major indicators | As at the end of the Reporting Period | As at the end of last year | Increase or decrease in the Reporting Period as compared with the end of last year (%) | Reason for change |
|-------------------|---------------------------------------|----------------------------|----------------------------------------------------------------------------------------|----------------------------|
| Current ratio | 1.41 | 1.32 | 6.82 | Increase in current assets |
| Quick ratio | 1.41 | 1.32 | 6.82 | Increase in liquid assets |
| Gearing ratio (%) | 69.93 | 68.41 | Increased by 1.52 percentage points | Increase in liabilities |



Section IX Information on Bonds

| | Reporting Period (January to June) | Corresponding period of last year | Increase or decrease in the Reporting Period as compared with the corresponding period of last year (%) | Reason for change |
|-------------------------------------------------------------------|---------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Net profit after deducting non-recurring gains or losses | 1,758,896 | 483,279 | 263.95 | Increase in net profit |
| EBITDA to total debts ratio | 0.03 | 0.02 | 50.00 | Increase in earnings before interest, taxes, depreciation, and amortization |
| Interest coverage ratio | 2.05 | 1.32 | 55.30 | Increase in total profit |
| Cash interest coverage ratio | (5.68) | 2.49 | (328.11) | Decrease in net operating cash inflows |
| EBITDA interest coverage ratio | 2.25 | 1.52 | 48.03 | Increase in earnings before interest, taxes, depreciation, and amortization |
| Loan repayment rate (%) | 100.00 | 100.00 | — | |
| Interest repayment ratio (%) | 100.00 | 100.00 | — | |

II. DURING THE REPORTING PERIOD, THE COMPANY HAD NO CONVERTIBLE CORPORATE BONDS

Section X Information Disclosures of Securities Company

I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

| No. | Issued by | Title of document | Number of document | Issuing date |
|-----|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------|
| 1 | CSRC | Reply on Approving the Proposed Absorption of and Merger with Orient Securities Investment Banking Co., Ltd. by 東方證券股份有限公司 and Change of Business Scope of 東方證券股份有限公司 | CSRC Approval [2023] No. 425 | February 28, 2023 |

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF 東方證券股份有限公司

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 東方證券股份有限公司 (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 165 to 244, which comprise the condensed consolidated statement of financial position as at June 30, 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 30, 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2023

| | NOTES | Six months ended June 30, | |
|-----------------------------------------------------------------------------------------------------|-------|--------------------------------|--------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Revenue | | | |
| Commission and fee income | 5 | 4,051,782 | 4,501,399 |
| Interest income | 6 | 3,081,386 | 2,731,336 |
| | | 7,133,168 | 7,232,735 |
| Net investment gains | 7 | 1,518,630 | 410,229 |
| Other income, gains and losses, net | 8 | 2,341,056 | 2,118,604 |
| Total revenue, other income and net gains and losses | | 10,992,854 | 9,761,568 |
| Depreciation and amortisation | 9 | (403,776) | (386,776) |
| Staff costs | 10 | (2,036,149) | (2,435,763) |
| Commission and fee expenses | | (415,677) | (434,851) |
| Interest expenses | 11 | (2,086,513) | (2,052,102) |
| Other operating expenses | 12 | (3,296,775) | (2,996,543) |
| Impairment losses under expected credit loss model, net of reversal | 13 | (953,890) | (869,454) |
| Other impairment losses | | — | (174,951) |
| Total expenses | | (9,192,780) | (9,350,440) |
| Share of results of associates | | 346,695 | 231,407 |
| Profit before income tax | | 2,146,769 | 642,535 |
| Income tax expense | 14 | (245,385) | 4,640 |
| Profit for the period | | 1,901,384 | 647,175 |
| Attributable to: | | | |
| Equity holders of the Company | | 1,901,450 | 647,365 |
| Non-controlling interests | | (66) | (190) |
| | | 1,901,384 | 647,175 |
| Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share) | | | |
| – Basic | 15 | 0.21 | 0.07 |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023

| | Six months ended June 30, | |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Profit for the period | 1,901,384 | 647,175 |
| Other comprehensive income, net of income tax: | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income | (43,080) | 1,068,968 |
| Income tax relating to items that will not be reclassified to profit or loss | 10,770 | (267,242) |
| Subtotal | (32,310) | 801,726 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Fair value gain on debt instruments measured at fair value through other comprehensive income | | |
| – net fair value changes during the period | 669,613 | 218,842 |
| – reclassification adjustment to profit or loss on disposal | (418,533) | (424,074) |
| Charge for impairment losses for debt instruments measured at fair value through other comprehensive income | 3,132 | 11,659 |
| Income tax relating to items that may be reclassified subsequently to profit or loss | (55,365) | 49,513 |
| Share of other comprehensive income of associates, net of related income tax | 7,813 | 5,306 |
| Exchange differences arising on translation | 35,579 | 66,553 |
| Subtotal | 242,239 | (72,201) |
| Other comprehensive income for the period, net of income tax | 209,929 | 729,525 |
| Total comprehensive income for the period | 2,111,313 | 1,376,700 |
| Attributable to: | | |
| Equity holders of the Company | 2,111,379 | 1,376,890 |
| Non-controlling interests | (66) | (190) |
| | 2,111,313 | 1,376,700 |

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at June 30, 2023

| | NOTES | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|------------------------------------------------------------------------|-------|-----------------------------------------------------|-------------------------------------------------------|
| Cash and bank balances | 16 | 97,156,149 | 121,862,060 |
| Clearing settlement funds | 18 | 34,594,032 | 29,106,272 |
| Deposits with exchanges and financial institutions | 19 | 3,657,292 | 4,343,234 |
| Derivative financial assets | 20 | 1,342,806 | 1,017,334 |
| Advances to customers | 21 | 19,948,426 | 19,498,899 |
| Account receivables | 22 | 753,548 | 908,399 |
| Reverse repurchase agreements | 23 | 6,373,247 | 8,610,881 |
| Financial assets at fair value through profit or loss | 24 | 100,688,446 | 83,763,730 |
| Debt instruments at fair value through other comprehensive income | 25 | 74,054,777 | 76,862,096 |
| Equity instruments at fair value through other comprehensive income | 26 | 3,465,803 | 3,721,658 |
| Debt instruments measured at amortised cost | 27 | 2,458,957 | 3,164,972 |
| Investments in associates | 28 | 6,658,728 | 6,241,920 |
| Right-of-use assets | | 643,371 | 639,915 |
| Investment properties | | 209,281 | 265,583 |
| Property and equipment | 30 | 2,780,660 | 2,130,467 |
| Other intangible assets | | 227,775 | 246,043 |
| Goodwill | | 32,135 | 32,135 |
| Deferred tax assets | 32 | 2,015,941 | 1,908,541 |
| Other assets | 33 | 3,056,777 | 3,742,820 |
| Total assets | | 360,118,151 | 368,066,959 |

Condensed Consolidated Statement of Financial Position

As at June 30, 2023

| | NOTES | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------------------------------|-------|-----------------------------------------------------|-------------------------------------------------------|
| Placements from banks and financial institutions | 34 | 18,025,479 | 8,352,456 |
| Short-term financing bills payable | 35 | 2,930,807 | 8,300,603 |
| Account payables to brokerage clients | 36 | 100,599,431 | 123,041,420 |
| Repurchase agreements | 37 | 65,389,821 | 62,299,523 |
| Financial liabilities at fair value through profit or loss | 38 | 17,097,066 | 18,539,311 |
| Derivative financial liabilities | 20 | 601,786 | 308,446 |
| Contract liabilities | | 150,789 | 64,505 |
| Current tax liabilities | | 151,504 | 233,603 |
| Accrued staff costs | | 1,636,038 | 2,129,721 |
| Borrowings | 39 | 1,723,437 | 2,008,823 |
| Lease liabilities | | 638,296 | 645,777 |
| Debt securities issued | 40 | 63,999,555 | 55,802,403 |
| Deferred tax liabilities | 32 | 124,924 | 77,936 |
| Other liabilities | 41 | 9,051,613 | 8,864,143 |
| Total liabilities | | 282,120,546 | 290,668,670 |
| Share capital | 42 | 8,496,645 | 8,496,645 |
| Other equity instrument | 44 | 5,000,000 | 5,000,000 |
| Reserves | 45 | 55,337,632 | 55,051,415 |
| Retained earnings | | 9,151,577 | 8,838,412 |
| Equity attributable to equity holders of the Company | | 77,985,854 | 77,386,472 |
| Non-controlling interests | | 11,751 | 11,817 |
| Total equity | | 77,997,605 | 77,398,289 |
| Total equity and liabilities | | 360,118,151 | 368,066,959 |

The accompanying notes form part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 165 to 244 were approved and authorised for issue by the Board of Directors on August 30, 2023 and signed on its behalf by:

Jin Wenzhong
Chairman of the Board

Lu Weiming
Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

| | Equity attributable to equity holders of the Company | | | | | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------|-------------------------|-----------------|-----------------|-----------------|---------------------|---------------------|-------------------|-------------|---------------------------|--------------|
| | NOTE | Reserves | | | | | | | | | Non-controlling interests | Total equity |
| | | Share capital | Other equity instrument | Capital reserve | Surplus reserve | Investment | | | Retained earnings | Subtotal | | |
| | | | | | | General reserve | revaluation reserve | Translation reserve | | | | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | |
| As at January 1, 2023 | | 8,496,645 | 5,000,000 | 39,534,520 | 4,293,542 | 11,135,082 | 100,899 | (12,628) | 8,838,412 | 77,386,472 | 11,817 | 77,398,289 |
| Profit/(loss) for the period | | - | - | - | - | - | - | - | 1,901,450 | 1,901,450 | (66) | 1,901,384 |
| Other comprehensive income for the period | | - | - | - | - | - | 174,350 | 35,579 | - | 209,929 | - | 209,929 |
| Total comprehensive income/(expense) for the period | | - | - | - | - | - | 174,350 | 35,579 | 1,901,450 | 2,111,379 | (66) | 2,111,313 |
| Appropriation to general reserve | | - | - | - | - | 98,781 | - | - | (98,781) | - | - | - |
| Distribution to holders of other equity instrument | 43 | - | - | - | - | - | - | - | (237,500) | (237,500) | - | (237,500) |
| Dividends recognised as distribution | 43 | - | - | - | - | - | - | - | (1,274,497) | (1,274,497) | - | (1,274,497) |
| Transfer to retained earnings for cumulative fair value change of equity instruments at fair value through other comprehensive income upon disposal | | - | - | - | - | - | (22,493) | - | 22,493 | - | - | - |
| As at June 30, 2023 (Unaudited) | | 8,496,645 | 5,000,000 | 39,534,520 | 4,293,542 | 11,233,863 | 252,756 | 22,951 | 9,151,577 | 77,985,854 | 11,751 | 77,997,605 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

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

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

| | Six months ended June 30, | |
|--------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| OPERATING ACTIVITIES | | |
| Profit before income tax | 2,146,769 | 642,535 |
| Adjustments for: | | |
| Interest expenses | 2,086,513 | 2,052,102 |
| Share of results of associates | (346,695) | (231,407) |
| Depreciation and amortisation | 403,776 | 386,776 |
| Impairment losses under expected credit loss model, net of reversal | 953,890 | 869,454 |
| Other impairment losses | — | 174,951 |
| (Gains)/losses on disposal of property and equipment, right-of-use assets and investment properties | (88,992) | 271 |
| Foreign exchange losses, net | 125,937 | 83,137 |
| Net realised gains and income arising from financial assets at fair value through profit or loss | (731,814) | (151,899) |
| Net realised gains and income arising from debt instruments at fair value through other comprehensive income | (1,786,033) | (1,585,923) |
| Dividend income arising from equity instruments at fair value through other comprehensive income | (82,274) | (124,564) |
| Net realised losses/(gains) arising from financial liabilities at fair value through profit or loss | 54,274 | (15,788) |
| Net realised gains and interest income from debt instruments measured at amortised cost | (52,447) | (58,255) |
| Unrealised fair value change of financial assets at fair value through profit or loss | (431,732) | 659,049 |
| Unrealised fair value change of financial liabilities at fair value through profit or loss | 554,914 | 177,479 |
| Unrealised fair value change of derivative financial instruments | (117,329) | (1,182,127) |
| Other net investment gains | — | (2,810) |

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

| | Six months ended June 30, | |
|--------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Operating cash flows before movements in working capital | 2,688,757 | 1,692,981 |
| (Increase)/decrease in advances to customers | (451,525) | 4,252,139 |
| Increase in placements to banks and other financial institutions | – | (155,415) |
| Decrease/(increase) in reverse repurchase agreements | 889,903 | (2,406,519) |
| (Increase)/decrease in financial assets at fair value through profit or loss and derivative financial assets | (14,968,917) | 5,221,593 |
| Increase in restricted deposits and deposits with exchanges and financial institutions | (1,649,388) | (1,966,721) |
| Decrease/(increase) in bank balances and clearing settlement funds held on behalf of customers | 22,220,644 | (12,205,118) |
| Decrease/(increase) in account receivables and other assets | 1,066,093 | (2,087,909) |
| (Decrease)/increase in other liabilities and contract liabilities | (457,429) | 4,609,242 |
| (Decrease)/increase in account payables to brokerage clients | (22,441,989) | 11,940,798 |
| Decrease in financial liabilities at fair value through profit or loss and derivatives financial liabilities | (4,306,488) | (503,745) |
| Increase in repurchase agreements | 3,192,720 | 11,127,547 |
| Increase/(decrease) in placements from banks and other financial institutions | 9,622,037 | (5,704,772) |
| Cash (used in)/generated from operations | (4,595,582) | 13,814,101 |
| Income taxes paid | (432,491) | (850,917) |
| Interest paid | (961,066) | (668,643) |
| NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES | (5,989,139) | 12,294,541 |

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

| | Six months ended June 30, | |
|--------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| INVESTING ACTIVITIES | | |
| Dividends and interest received from investments | 1,123,933 | 1,400,057 |
| Proceeds on disposal of property and equipment and investment properties | 147,224 | 19,763 |
| Proceeds on disposal or redemption of: | | |
| financial assets at fair value through profit or loss | 16,382,526 | 6,018,077 |
| equity instruments at fair value through other comprehensive income | 602,643 | 287,423 |
| debt instruments at fair value through other comprehensive income | 81,707,952 | 32,814,217 |
| debt instruments measured at amortised cost | 658,844 | 135,000 |
| Capital injection in associates | (52,453) | (96,050) |
| Purchases of: | | |
| financial assets at fair value through profit or loss | (17,207,767) | (7,700,120) |
| equity instruments at fair value through other comprehensive income | (389,868) | — |
| debt instruments at fair value through other comprehensive income | (77,625,143) | (43,647,677) |
| Purchases of property and equipment and other intangible assets | (855,349) | (67,623) |
| Payments for right-of-use assets | (1,017) | (2,561) |
| Proceeds from disposal of or capital reduction from associates | 60,578 | 84,181 |
| NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES | 4,552,103 | (10,755,313) |

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

| | NOTE | Six months ended June 30, | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|------|--------------------------------|--------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| FINANCING ACTIVITIES | | | |
| Proceeds from H and A shares issued | | – | 12,715,329 |
| Proceeds from issuance of debt securities, short-term financing bills payable and income certificates designated at fair value through profit and loss | | 22,786,986 | 14,368,351 |
| Repayments on debt securities issued, short-term financing bill payables and income certificates designated at fair value through profit and loss | | (17,998,770) | (20,044,779) |
| Proceeds from borrowings | | 806,956 | 835,240 |
| Repayments of borrowings | | (1,132,497) | (887,031) |
| Repayments of lease liabilities | | (191,297) | (172,871) |
| Dividends paid to shareholders | | (1,274,497) | (3,370) |
| Transaction costs paid on issue of H and A shares | | – | (94,547) |
| Interest paid on debt securities issued, short-term financing bills payable and income certificates designated at fair value through profit and loss | | (958,258) | (1,175,576) |
| Interest paid on borrowings | | (54,812) | (10,527) |
| Interest paid on lease liabilities | | (10,814) | (13,311) |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | | 1,972,997 | 5,516,908 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 535,961 | 7,056,136 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 17 | 26,154,534 | 21,937,713 |
| Effect of foreign exchange rate changes | | 131,203 | (81,407) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 17 | 26,821,698 | 28,912,442 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

1. GENERAL INFORMATION

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

The registered office of the Company is located at Orient Securities Building, No. 119, South Zhongshan Road, Shanghai, the People’s Republic of China (“PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities and futures brokerage, margin financing and securities lending, securities investment advisory, securities proprietary trading, asset management, agency sale of financial products, security underwriting and sponsorship, and other business activities approved by the CSRC.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This condensed consolidated financial statements do not include all of the information required for full set of financial statement prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2022.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

Other than additional accounting policies resulting from application of new IFRS or amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2022.

Application of new and amendments to International Financial Reporting Standards

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform-Pillar Two model Rules |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |

The directors of the Company consider that the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The significant accounting estimates and judgements applied in preparing the condensed consolidated financial statements for the six months ended June 30, 2023 are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

4. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the “CODM”) of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organisations, whereby the businesses are organised and managed separately as individual strategic business units that offer different products and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the CODM, which are consistent with the accounting and measurement criteria in the preparation of the condensed consolidated financial statements. The inter-segment revenue and expenses arising from internal use of funds are determined by internal transfer price. The Group enhanced the disclosure of segment information by extending the internal transfer pricing mechanism to cover the headquarter segment for the period ended June 30, 2023. Comparative figures are re-presented accordingly.

Specifically, the Group’s reportable and operating segments are as follows:

- (a) Investment management, which primarily includes management and advisory fees earned from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from private equity investments;
- (b) Brokerage and securities financing, which primarily includes fees and commissions earned from providing brokerage and investment advisory services for the trading of stocks, bonds, funds, and warrants, as well as futures on behalf of the customers, bulk commodity trading, and also interest earned from providing margin financing and securities lending services;
- (c) Securities sales and trading, which primarily includes investment gains, commission and fee income earned from trading of stocks, bonds, funds, derivatives, alternative investments and other financial products and fees earned from providing related investment research activities;
- (d) Investment banking, which primarily includes commissions and fees earned from equity underwriting and sponsorship, debt underwriting and financial advisory services;
- (e) Headquarters and other, covering head office operations and the overseas business in Hong Kong, which primarily includes interest income earned and expense incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change to the basis during the six months ended June 30, 2023 and 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

4. SEGMENT REPORTING (Continued)

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment. Inter-segment balances eliminations mainly include amount due from/to another segment arising from activities carried out by one segment for another segment.

The segment information provided to the CODM for the six months ended June 30, 2023 and 2022 are as follows:

Operating segment

| | Investment management RMB'000 | Brokerage and securities financing RMB'000 | Securities sales and trading RMB'000 | Investment banking RMB'000 | Headquarters and other RMB'000 | Segment total RMB'000 | Eliminations RMB'000 | Consolidated total RMB'000 |
|------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------|-----------------------------------------|-------------------------------|-----------------------------------|--------------------------|-------------------------|-------------------------------|
| For the six months ended June 30, 2023 | | | | | | | | |
| Unaudited | | | | | | | | |
| <i>Segment revenue and results</i> | | | | | | | | |
| Segment revenue and net investment gains | 1,327,749 | 3,012,605 | 2,928,224 | 776,739 | 2,908,196 | 10,953,513 | (2,301,715) | 8,651,798 |
| Segment other income, gains and losses, net | 90,751 | 2,214,287 | 121,600 | 24,503 | (110,085) | 2,341,056 | - | 2,341,056 |
| Segment revenue, other income and net gains and losses | 1,418,500 | 5,226,892 | 3,049,824 | 801,242 | 2,798,111 | 13,294,569 | (2,301,715) | 10,992,854 |
| Segment expenses | (841,372) | (5,436,106) | (2,089,499) | (442,291) | (1,988,522) | (10,797,790) | 1,605,010 | (9,192,780) |
| Segment results | 577,128 | (209,214) | 960,325 | 358,951 | 809,589 | 2,496,779 | (696,705) | 1,800,074 |
| Share of results of associates | 349,045 | (1,474) | 14,645 | - | (9,168) | 353,048 | (6,353) | 346,695 |
| Profit/(loss) before income tax | 926,173 | (210,688) | 974,970 | 358,951 | 800,421 | 2,849,827 | (703,058) | 2,146,769 |
| As at June 30, 2023 | | | | | | | | |
| Unaudited | | | | | | | | |
| <i>Segment assets and liabilities</i> | | | | | | | | |
| Segment assets | 13,810,091 | 151,905,957 | 163,136,342 | 2,455,128 | 54,268,868 | 385,576,386 | (25,458,235) | 360,118,151 |
| Segment liabilities | 1,688,944 | 112,206,427 | 98,336,477 | 558,443 | 75,608,388 | 288,398,679 | (6,278,133) | 282,120,546 |
| For the six months ended June 30, 2023 | | | | | | | | |
| Unaudited | | | | | | | | |
| <i>Other segment information</i> | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 47,168 | 167,192 | 24,911 | 24,987 | 139,518 | 403,776 | - | 403,776 |
| (Reversal of)/charge for impairment losses | (135) | 947,467 | 5,393 | 60 | 1,105 | 953,890 | - | 953,890 |
| Capital expenditure | 749,567 | 163,566 | 138 | 2,500 | 128,935 | 1,044,706 | - | 1,044,706 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

4. SEGMENT REPORTING (Continued)

Operating segment (Continued)

| | Investment management RMB'000 | Brokerage and securities financing RMB'000 | Securities sales and trading RMB'000 | Investment banking RMB'000 | Headquarters and other RMB'000 | Segment total RMB'000 | Eliminations RMB'000 | Consolidated total RMB'000 |
|---------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------|-----------------------------------------------|----------------------------------|--------------------------------------|-----------------------------|-------------------------|----------------------------------|
| For the six months ended June 30, 2022 | | | | | | | | |
| <i>(Restated)</i> | | | | | | | | |
| Unaudited | | | | | | | | |
| <i>Segment revenue and results</i> | | | | | | | | |
| Segment revenue and net investment gains | 1,563,236 | 2,746,282 | 2,210,513 | 1,006,271 | 3,204,696 | 10,730,998 | (3,088,034) | 7,642,964 |
| Segment other income, gains and losses, net | 128,695 | 1,941,135 | 89,194 | 23,028 | (63,448) | 2,118,604 | - | 2,118,604 |
| Segment revenue, other income and net gains and losses | 1,691,931 | 4,687,417 | 2,299,707 | 1,029,299 | 3,141,248 | 12,849,602 | (3,088,034) | 9,761,568 |
| Segment expenses | (990,003) | (5,460,135) | (1,933,705) | (691,088) | (1,947,718) | (11,022,649) | 1,672,209 | (9,350,440) |
| Segment results | 701,928 | (772,718) | 366,002 | 338,211 | 1,193,530 | 1,826,953 | (1,415,825) | 411,128 |
| Share of results of associates | 270,329 | (3,492) | 23,000 | - | (69,327) | 220,510 | 10,897 | 231,407 |
| Profit/(loss) before income tax | 972,257 | (776,210) | 389,002 | 338,211 | 1,124,203 | 2,047,463 | (1,404,928) | 642,535 |
| As at June 30, 2022 | | | | | | | | |
| Unaudited | | | | | | | | |
| <i>Segment assets and liabilities</i> | | | | | | | | |
| Segment assets | 13,330,772 | 150,030,094 | 145,206,294 | 2,567,725 | 67,886,105 | 379,020,990 | (23,504,430) | 355,516,560 |
| Segment liabilities | 1,941,110 | 111,607,837 | 84,134,723 | 843,269 | 86,992,887 | 285,519,826 | (5,818,284) | 279,701,542 |
| For the six months ended June 30, 2022 | | | | | | | | |
| Unaudited | | | | | | | | |
| <i>Other segment information</i> | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 42,256 | 151,189 | 24,232 | 24,422 | 144,677 | 386,776 | - | 386,776 |
| Charge for/(reversal of) impairment losses | 255 | 1,032,333 | 11,851 | 207 | (241) | 1,044,405 | - | 1,044,405 |
| Capital expenditure | 13,587 | 137,200 | 28 | 3,949 | 53,521 | 208,285 | - | 208,285 |

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operations in the PRC.

The Group has no single customer which contributes to 10 percent or more of the Group's revenue for the six months ended June 30, 2023 and 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

5. COMMISSION AND FEE INCOME

| | Six months ended June 30, | |
|--------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Commission on securities dealing, broking and handling fee income | 1,277,805 | 1,395,477 |
| Asset and fund management fee income | 1,285,804 | 1,456,810 |
| Underwriting, sponsors and financial advisory fee income | 765,301 | 875,729 |
| Commission on futures and options contracts dealing, broking and handling fee income | 486,911 | 493,423 |
| Consultancy fee income | 27,982 | 135,568 |
| Other | 207,979 | 144,392 |
| | 4,051,782 | 4,501,399 |

6. INTEREST INCOME

| | Six months ended June 30, | |
|---------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Advances to customers | 582,032 | 642,496 |
| Financial assets held under resale agreements | 296,933 | 48,663 |
| Deposits with exchanges and financial institutions and bank balances | 786,629 | 818,316 |
| Interest income from debt instruments measured at amortised cost | 46,603 | 58,255 |
| Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI") | 1,367,500 | 1,161,849 |
| Other | 1,689 | 1,757 |
| | 3,081,386 | 2,731,336 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

7. NET INVESTMENT GAINS

| | Six months ended June 30, | |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Net realised gains from disposal of debt instruments at FVTOCI | 418,533 | 424,074 |
| Net realised gains/(losses) from disposal of financial assets at fair value through profit or loss ("FVTPL") | 527,346 | (743,858) |
| Net realised (losses)/gains arising from financial liabilities at FVTPL | (234,882) | 162,339 |
| Net realised gains arising from debt instrument measured at amortised cost | 5,844 | — |
| Net realised losses arising from derivative financial instruments | (170,170) | (810,278) |
| Dividend income from equity instruments at FVTOCI | 82,274 | 124,564 |
| – relating to investments derecognised during the period | 1,592 | 11,004 |
| – relating to investments held at the end of the period | 80,682 | 113,560 |
| Dividend income and interest income from financial assets at FVTPL | 895,538 | 904,979 |
| Unrealised fair value change of financial assets at FVTPL | 431,732 | (659,049) |
| Unrealised fair value change of financial liabilities at FVTPL | (554,914) | (177,479) |
| Unrealised fair value change of derivative financial instruments | 117,329 | 1,182,127 |
| Other | — | 2,810 |
| | 1,518,630 | 410,229 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

8. OTHER INCOME, GAINS AND LOSSES, NET

| | Six months ended June 30, | |
|-------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Foreign exchange losses, net | (125,937) | (83,137) |
| Rental income | 2,238 | 1,682 |
| Government grants | 197,578 | 215,796 |
| Bulk commodity trading income | 2,156,848 | 1,906,063 |
| Other | 110,329 | 78,200 |
| | 2,341,056 | 2,118,604 |

9. DEPRECIATION AND AMORTISATION

| | Six months ended June 30, | |
|-----------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Depreciation of property and equipment | 148,346 | 141,607 |
| Depreciation of right-of-use assets | 182,369 | 173,409 |
| Depreciation of investment properties | 2,155 | 5,847 |
| Amortisation of other intangible assets | 70,906 | 65,913 |
| | 403,776 | 386,776 |

10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB1,618 million and RMB2,080 million for the period ended June 30, 2023 and 2022 respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

11. INTEREST EXPENSES

| | Six months ended June 30, | |
|---------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Account payables to brokerage clients | 51,666 | 59,899 |
| Financial assets sold under repurchase agreements | 678,079 | 654,785 |
| Borrowings | 54,928 | 10,288 |
| Placements from banks and financial institutions | 139,209 | 46,229 |
| Short-term financing bills payable | 79,923 | 108,088 |
| Debt securities issued | 1,072,386 | 1,159,415 |
| Lease liabilities | 10,322 | 13,398 |
| | 2,086,513 | 2,052,102 |

12. OTHER OPERATING EXPENSES

| | Six months ended June 30, | |
|--------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Advisory expenses | 75,177 | 38,651 |
| Auditor's remuneration | 5,533 | 4,640 |
| Business travel expenses | 60,747 | 25,668 |
| Communication expenses | 78,563 | 62,748 |
| Electronic equipment operating expenses | 157,221 | 97,188 |
| Entertainment expenses | 48,781 | 35,050 |
| Administrative expenses | 138,363 | 152,967 |
| Short-term leases and low value assets rental expenses | 3,685 | 6,174 |
| Products distribution expenses | 376,630 | 448,572 |
| Securities and futures investor protection funds | 31,525 | 31,274 |
| Stock exchanges management fees | 53,758 | 48,614 |
| Sundry expenses | 91,013 | 69,058 |
| Tax and surcharges | 46,197 | 46,726 |
| Donation | 4,975 | 3,310 |
| Bulk commodity trading expenses | 2,119,692 | 1,908,113 |
| Other | 4,915 | 17,790 |
| | 3,296,775 | 2,996,543 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

| | Six months ended June 30, | |
|-----------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Expected credit losses (“ECL”) in respect of | | |
| – Reverse repurchase agreements | 936,294 | 860,513 |
| – Advances to customers | 499 | (392) |
| – Account receivables and other receivables | 13,999 | (2,306) |
| – Debt instruments at FVTOCI | 3,132 | 11,659 |
| – Debt instruments measured at amortised cost | (34) | (20) |
| | 953,890 | 869,454 |

14. INCOME TAX EXPENSE

| | Six months ended June 30, | |
|--------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Current tax: | | |
| – PRC Enterprise Income Tax | 322,041 | 402,583 |
| – Hong Kong Profits Tax | 849 | 5,518 |
| | 322,890 | 408,101 |
| Adjustments in respect of current income tax in relation to prior years: | | |
| – PRC Enterprise Income Tax | 20,004 | (20,755) |
| Deferred tax | (97,509) | (391,986) |
| | 245,385 | (4,640) |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

15. EARNINGS PER SHARE

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

| | Six months ended June 30, | |
|---------------------------------------------------------------------|---------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Earnings for the purpose of basic earnings per share (RMB'000): | | |
| Profit for the period attributable to equity holders of the Company | 1,901,450 | 647,365 |
| Less: profit attributable to holders of perpetual subordinated bond | (118,750) | (118,750) |
| Subtotal | 1,782,700 | 528,615 |
| Number of shares (in thousand): | | |
| Number of issued shares on January 1 | 8,496,645 | 6,993,656 |
| Effect of A share and H share rights issue (<i>Note a</i>) | – | 588,731 |
| Weighted average number of ordinary shares in issue | 8,496,645 | 7,582,387 |
| Basic earnings per share (RMB Yuan) | 0.21 | 0.07 |

For the six months ended June 30, 2023 and 2022, there were no potential ordinary shares in issue.

Note a: During the first half of the Year 2022, the Company offered rights issue to its existing A share and H share shareholders, respectively. As the price for A rights share was below the market price at the time of rights issue, the bonus elements for A share rights issue were considered for the calculation of the weighted average number of ordinary shares.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

16. CASH AND BANK BALANCES

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| House accounts | 25,744,290 | 24,840,675 |
| including: restricted bank deposits (<i>Note a</i>) | 201,907 | 136,837 |
| Cash held on behalf of clients (<i>Note b</i>) | 71,411,859 | 97,021,385 |
| | 97,156,149 | 121,862,060 |

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

Note a: The restricted bank deposits as of June 30, 2023 and December 31, 2022 included pledged bank deposits and other restricted bank deposits.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|----------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Cash and bank balances | 25,739,626 | 24,817,952 |
| Clearing settlement funds | 5,300,712 | 3,201,834 |
| Less: clearing settlement funds of | | |
| Shanghai Orient Securities Futures Co., Ltd. | (8,000) | (8,000) |
| bank deposits with original maturity of more than three months | (4,008,733) | (1,720,415) |
| restricted bank deposits | (201,907) | (136,837) |
| | 26,821,698 | 26,154,534 |

18. CLEARING SETTLEMENT FUNDS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|----------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Clearing settlement funds held with clearing houses for: | | |
| House accounts | 5,300,712 | 3,201,834 |
| Clients | 29,293,320 | 25,904,438 |
| | 34,594,032 | 29,106,272 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

19. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------|-----------------------------------------------------|-------------------------------------------------------|
| Trading deposits | 407,036 | 793,571 |
| Credit deposits | 41,756 | 41,497 |
| Performance bonds | 3,208,500 | 3,508,166 |
| | 3,657,292 | 4,343,234 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

20. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at June 30, 2023 (Unaudited) | | |
|-------------------------------|------------------------------------|-------------------|------------------------|
| | Notional amounts RMB'000 | Fair Value | |
| | | Assets RMB'000 | Liabilities RMB'000 |
| Interest rate derivatives | | | |
| Interest rate swaps | 612,765,000 | 21,959 | 14,586 |
| Treasury bond futures | 46,350,663 | — | 646 |
| Collar options | 7,673,900 | 2,444 | 55,216 |
| Equity derivatives | | | |
| Stock index futures | 9,006,521 | 1,063 | — |
| Equity linked derivatives | 30,733,413 | 486,077 | 153,832 |
| Stock index options | 12,749,721 | 111,763 | 61,710 |
| Currency derivatives | | | |
| Foreign exchange option | 22,334,677 | 20,150 | 73,258 |
| Foreign exchange swap | 52,033,917 | 20,861 | 31,618 |
| Foreign exchange risk forward | 2,891,649 | 112,427 | 91,844 |
| Credit derivatives | | | |
| Credit default swap | 1,535,000 | 31,916 | 356 |
| Other derivative instruments | | | |
| Total return swaps | 6,031,339 | 43,261 | 95,532 |
| Commodity futures | 48,237,264 | — | — |
| Gold swaps | 1,261,090 | 160,519 | — |
| Gold forwards | 4,110,774 | 308,903 | 72 |
| Gold deferred contracts | 448 | — | — |
| Commodity options | 3,758,693 | 21,463 | 23,116 |
| Standard bond forward | 10,175 | — | — |
| | 861,484,244 | 1,342,806 | 601,786 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

20. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

| | As at December 31, 2022 | | |
|------------------------------|--------------------------------|---------------------------------|------------------------|
| | (Audited) | | |
| | Notional amounts RMB'000 | Fair Value Assets RMB'000 | Liabilities RMB'000 |
| Interest rate derivatives | | | |
| Interest rate swaps | 674,940,000 | 8,328 | 4,931 |
| Treasury bond futures | 21,914,525 | – | – |
| Collar options | 204,220 | – | 7,233 |
| Equity derivatives | | | |
| Stock index futures | 9,805,390 | – | 672 |
| Equity linked derivatives | 24,753,845 | 551,075 | 124,570 |
| Stock index options | 12,433,694 | 109,451 | 46,263 |
| Currency derivatives | | | |
| Foreign exchange options | 2,094,581 | 1,667 | 25,332 |
| Foreign exchange swaps | 27,069,842 | 1,657 | 1,449 |
| Foreign exchange forward | 5,410,290 | 45,831 | – |
| Credit derivatives | | | |
| Credit default swap | 100,000 | 21,379 | – |
| Other derivative instruments | | | |
| Total return swaps | 4,257,833 | 58,446 | 68,099 |
| Commodity futures | 57,951,047 | – | – |
| Gold swaps | 3,016,037 | 136,628 | – |
| Gold forwards | 2,125,140 | 76,935 | – |
| Gold deferred contracts | 410 | – | – |
| Commodity options | 6,293,995 | 5,937 | 29,897 |
| Standard bond forward | 150,000 | – | – |
| | 852,520,849 | 1,017,334 | 308,446 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

21. ADVANCES TO CUSTOMERS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|----------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Loans to margin clients | 20,003,182 | 19,551,657 |
| Less: impairment allowance | (54,756) | (52,758) |
| | 19,948,426 | 19,498,899 |

The movements of the impairment allowance are set out below:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/year | 52,758 | 48,162 |
| Charge for the period/year, net | 499 | 733 |
| Exchange differences | 1,499 | 3,863 |
| At the end of the period/year | 54,756 | 52,758 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

21. ADVANCES TO CUSTOMERS (Continued)

As at June 30, 2023 (unaudited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 1,027 | 53,729 | 54,756 |

As at December 31, 2022 (audited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 1,121 | 51,637 | 52,758 |

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

The loans to margin clients which are secured by the underlying cash collateral (Note 36) and pledged securities are interest bearing. The Group maintains a list of approved securities for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call when the customers have to make up the difference.

Loan to margin clients were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of pledged securities amounted to approximately RMB72,542 million and RMB64,597 million as at June 30, 2023 and December 31, 2022, respectively.

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the securities margin financing business. As a result, no aging analysis is disclosed.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

22. ACCOUNT RECEIVABLES

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Account receivables from/related to: | | |
| – Clearing house | 97,620 | 66,046 |
| – Brokers | 72,938 | 255,539 |
| – Asset management fee and trading seats commission | 553,853 | 548,595 |
| – Advisory and investment banking commission | 37,489 | 48,490 |
| Subtotal | 761,900 | 918,670 |
| Less: impairment allowance | (8,352) | (10,271) |
| | 753,548 | 908,399 |

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

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------|-----------------------------------------------------|-------------------------------------------------------|
| Within 1 year | 695,709 | 856,390 |
| Between 1 and 2 years | 29,964 | 45,089 |
| Between 2 and 3 years | 22,506 | 2,515 |
| Over 3 years | 5,369 | 4,405 |
| | 753,548 | 908,399 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

22. ACCOUNT RECEIVABLES (Continued)

The movements of the impairment allowance are set out below:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/year | 10,271 | 11,258 |
| Reversal of the period/year, net | (2,044) | (1,050) |
| Write off for the period/year | – | (100) |
| Exchange differences | 125 | 163 |
| At the end of the period/year | 8,352 | 10,271 |

23. REVERSE REPURCHASE AGREEMENTS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Analysed by collateral type: | | |
| – Stocks | 8,265,932 | 9,965,133 |
| – Bonds | 3,421,116 | 3,575,907 |
| Subtotal | 11,687,048 | 13,541,040 |
| Less: impairment allowance | (5,313,801) | (4,930,159) |
| | 6,373,247 | 8,610,881 |
| Analysed by market: | | |
| – Stock exchanges | 8,867,241 | 10,749,892 |
| – Inter-bank market | 2,819,807 | 2,791,148 |
| | 11,687,048 | 13,541,040 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

23. REVERSE REPURCHASE AGREEMENTS (Continued)

The movements of the impairment allowance are set out below:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/year | 4,930,159 | 5,382,806 |
| Charge for the period/year, net | 936,294 | 767,458 |
| Transfer out for the period/year | (552,652) | (1,196,286) |
| Write off for the period/year | – | (23,819) |
| At the end of the period/year | 5,313,801 | 4,930,159 |

As at June 30, 2023 (unaudited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | – | 5,313,801 | 5,313,801 |

As at December 31, 2022 (audited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | – | 4,930,159 | 4,930,159 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|---------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Analysed by type: | | |
| – Debt securities (<i>Note a</i>) | 44,072,807 | 36,616,115 |
| – Equity securities | 6,971,121 | 6,205,297 |
| – Funds | 11,430,806 | 11,707,357 |
| – Associates (<i>Note b</i>) | 2,082,680 | 1,933,905 |
| – Other investments (<i>Note c</i>) | 36,131,032 | 27,301,056 |
| | 100,688,446 | 83,763,730 |
| Analysed as: | | |
| – Listed | 21,969,541 | 18,742,963 |
| – Unlisted | 78,718,905 | 65,020,767 |
| | 100,688,446 | 83,763,730 |

Note a: Debt securities include convertible bonds with contractual terms giving rise to cash flows that are not solely payments of principal and interest on the principal outstanding. Accordingly, they are measured at FVTPL.

Note b: This consists of 62 associates measured at fair value as at June 30, 2023 (December 31, 2022: 55) and none of these associates is individually material.

Note c: Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, perpetual instruments, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|---------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Analysed by type: | | |
| – Government bonds | 20,992,334 | 24,202,295 |
| – Bonds issued by policy banks | 1,356,872 | 1,686,510 |
| – Bonds issued by commercial banks and other financial institutions | 1,524,930 | 3,648,763 |
| – Other debt securities (<i>Note</i>) | 50,180,641 | 47,324,528 |
| | 74,054,777 | 76,862,096 |
| Analysed as: | | |
| – Listed | 43,835,606 | 43,715,110 |
| – Unlisted | 30,219,171 | 33,146,986 |
| | 74,054,777 | 76,862,096 |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

The movements of the impairment allowance are set out below:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/year | 253,618 | 233,471 |
| Charge for the period/year, net | 3,132 | 60,098 |
| Write off for the period/year | - | (39,960) |
| Exchange difference | 44 | 9 |
| At the end of the period/year | 256,794 | 253,618 |

As at June 30, 2023 (unaudited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 20,897 | 235,897 | 256,794 |

As at December 31, 2022 (audited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 18,187 | 235,431 | 253,618 |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Analysed by type: | | |
| – Equity securities (<i>Note a</i>) | 3,418,789 | 3,390,348 |
| – Perpetual instruments (<i>Note b</i>) | 47,014 | 331,310 |
| | 3,465,803 | 3,721,658 |
| Analysed as: | | |
| – Listed | 3,276,288 | 3,498,354 |
| – Unlisted | 189,515 | 223,304 |
| | 3,465,803 | 3,721,658 |

Note a: The above equity investments include those ordinary shares of the entities listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and those equity securities traded on National Equities Exchange and Quotations (the “NEEQ”). These investments are not held for trading, instead, they are held for long-term strategic purposes. The Group has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Besides, some of the above equity investments represent the Group’s equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI for the strategy of holding these investments for long-term purposes.

During the current interim period, the Group disposed of certain investments in equity securities traded on the NEEQ, equity investments listed on stock exchanges and private equity investments as they no longer meet the investment objective of the Group. The cumulative losses, net of income tax, on disposal of RMB1 thousand on equity securities traded on the NEEQ, and the cumulative gains, net of income tax, on disposal of RMB12,794 thousand on equity securities listed on stock exchanges and RMB2,694 thousand on private equity investments have been transferred from other comprehensive income to retained earnings respectively.

Note b: Those perpetual instruments are equity instruments which are not held for trading. Instead, they are held for long-term strategic purposes. The Group has elected to designate these perpetual instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their dividend income in the long run. During the current interim period, the Group disposed of certain perpetual instruments as these investments no longer meet the investment objective of the Group. The cumulative gains, net of income tax, on disposal of RMB7,006 thousand on perpetual instruments have been transferred to retained profits.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

27. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|---------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Analysed by type: | | |
| – Government bonds | 957,470 | 957,585 |
| – Bonds issued by commercial banks and other financial institutions | 1,268,436 | 1,862,751 |
| – Other debt securities (<i>Note a</i>) | 233,128 | 344,747 |
| Less: impairment allowance | (77) | (111) |
| | 2,458,957 | 3,164,972 |
| Analysed as: | | |
| – Listed | 323,940 | 435,544 |
| – Unlisted (<i>Note b</i>) | 2,135,017 | 2,729,428 |
| | 2,458,957 | 3,164,972 |

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

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

The movements of the impairment allowance are set out below:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/year | 111 | 228 |
| Reversal of the period/year, net | (34) | (117) |
| At the end of the period/year | 77 | 111 |

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For the six months ended June 30, 2023

27. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (Continued)

As at June 30, 2023 (unaudited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 77 | – | 77 |

As at December 31, 2022 (audited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 111 | – | 111 |

28. INVESTMENTS IN ASSOCIATES

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Cost of investments in associates | 3,093,995 | 2,748,867 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | 3,783,459 | 3,711,779 |
| Less: impairment allowance (Note a) | (218,726) | (218,726) |
| | 6,658,728 | 6,241,920 |

Note a: The impairment allowance of investments in associates as at June 30, 2023 and December 31, 2022 related to 2 associates invested by the Group.

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For the six months ended June 30, 2023

28. INVESTMENTS IN ASSOCIATES (Continued)

At the end of each reporting period, the Group had the following significant associates accounted for using the equity method:

| Name of associates | Place and date of establishment | Equity interest held by the Group | | Principal activities |
|------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------|--------------------------------------|--------------------------|
| | | As at June 30, 2023 (Unaudited) | As at December 31, 2022 (Audited) | |
| 匯添富基金管理股份有限公司 China Universal Asset Management Company Limited (“China Universal”) | PRC 3 February 2005 | 35.41% | 35.41% | Fund management |
| 上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Investment Co., Ltd. * | PRC 12 July 2011 | 27.73% | 27.73% | Investment management |
| 東證睿波(上海)投資中心(有限合夥) Dongzheng Ruiibo (Shanghai) Investment Center LLP. ^{(1)*} | PRC 25 June 2015 | 55.63% | 55.63% | Investment management |
| 誠泰融資租賃(上海)有限公司 Chengtay Financial Leasing (Shanghai) Co., Ltd. | PRC 11 September 2015 | 20.19% | 20.19% | Leasing |
| 宜興東證睿元股權投資合夥企業 (有限合夥) Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. ^{(2)*} | PRC 11 March 2020 | 19.18% | 19.18% | Investment management |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

28. INVESTMENTS IN ASSOCIATES (Continued)

| Name of associates | Place and date of establishment | Equity interest held by the Group | | Principal activities |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------|--------------------------------------|-----------------------|
| | | As at June 30, 2023 (Unaudited) | As at December 31, 2022 (Audited) | |
| 寧波梅山保稅港區東證夏德投資合夥企業 (有限合夥) Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP. ^{(2)*} | PRC 11 February 2018 | 18.89% | 18.89% | Investment management |
| 南通東證富象股權投資中心(有限合夥) Nantong Dongzheng Fuxiang Equity Investment Center LLP. ^{(2)*} | PRC 7 November 2017 | 19.93% | 19.93% | Investment management |

* English translated names are for identification purpose only.

- (1) Although the Group's percentages of shareholdings in these investees are no less than 50%, they are accounted for as associates as the Group only has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

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28. INVESTMENTS IN ASSOCIATES *(Continued)*

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

China Universal

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------|-----------------------------------------------------|-------------------------------------------------------|
| Total assets | 13,955,706 | 13,547,905 |
| Total liabilities | 4,291,755 | 4,158,872 |
| Net assets | 9,663,951 | 9,389,033 |

| | Six months ended June 30 | |
|----------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Total revenue | 2,769,329 | 3,200,471 |
| Profit for the period | 796,991 | 1,008,617 |
| Other comprehensive income | 20,447 | 23,778 |
| Total comprehensive income | 817,438 | 1,032,395 |

Notes to the Condensed Consolidated Financial Statements

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28. INVESTMENTS IN ASSOCIATES (Continued)

China Universal (Continued)

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

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Equity attributable to equity holders of the associate | 9,663,951 | 9,389,033 |
| Proportion of equity interests held by the Group | 35.41% | 35.41% |
| Carrying amount | 3,421,881 | 3,324,542 |

Aggregate information of other associates that are not individually material:

| | Six months ended June 30 | |
|------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| The Group's share of profits/(losses) | 64,481 | (125,744) |
| The Group's share of other comprehensive income/(expenses) | 572 | (3,114) |
| The Group's share of total comprehensive income/(expenses) | 65,053 | (128,858) |

Notes to the Condensed Consolidated Financial Statements

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28. INVESTMENTS IN ASSOCIATES (Continued)

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Aggregate carrying amount of the Group's interests in these associates | 3,236,847 | 2,917,378 |

29. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

29.1 Structured entities set up and managed by the Group

The Group served as the investment manager of structured entities (including funds, asset management schemes and limited partnerships), therefore had power over them during the periods. Except for the structured entities the Group has consolidated as disclosed in Note 31, based on the assessment, these structured entities are not controlled by the Group. The Group therefore did not consolidate these structured entities.

The total net assets of unconsolidated funds, asset management schemes and limited partnerships managed by the Group amounted to RMB281,525 million and RMB310,285 million as at June 30, 2023 and December 31, 2022, respectively. The Group classified the investments in unconsolidated funds, asset management schemes and limited partnership managed by the Group as financial assets at FVTPL and investments in associates as at June 30, 2023 and December 31, 2022. As at June 30, 2023 and December 31, 2022, the carrying amounts of the Group's interests in unconsolidated funds, asset management schemes and limited partnerships were RMB3,649 million and RMB3,563 million, respectively, which approximates the maximum risk exposure to the Group. The fund management fee income from the unconsolidated funds, asset management schemes and limited partnerships managed by the Group for the six months ended June 30, 2023 and 2022, were RMB1,286 million and RMB1,457 million, respectively.

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

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

The table below shows the carrying amount of unconsolidated funds, asset management schemes and limited partnership in which the Group acted as investment manager and held interests and its maximum exposure to loss in relation to those interests as at June 30, 2023 and December 31, 2022.

As at June 30, 2023 (unaudited)

| | Carrying amount RMB'000 | Maximum exposure RMB'000 |
|-------------------------------------------------------|-------------------------------|--------------------------------|
| Financial assets at fair value through profit or loss | 2,519,516 | 2,519,516 |
| Investments in associates | 1,129,106 | 1,129,106 |
| Total | 3,648,622 | 3,648,622 |

As at December 31, 2022 (audited)

| | Carrying amount RMB'000 | Maximum exposure RMB'000 |
|-------------------------------------------------------|-------------------------------|--------------------------------|
| Financial assets at fair value through profit or loss | 2,412,242 | 2,412,242 |
| Investments in associates | 1,151,231 | 1,151,231 |
| Total | 3,563,473 | 3,563,473 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

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

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

The table below shows the carrying amount of unconsolidated funds, asset management schemes, trust schemes, wealth management products and limited partnership in which the third party acted as investment manager and the Group held interests and its maximum exposure to loss in relation to those interests as at June 30, 2023 and December 31, 2022.

As at June 30, 2023 (unaudited)

| | Carrying amount RMB'000 | Maximum exposure RMB'000 |
|-------------------------------------------------------|-------------------------------|--------------------------------|
| Financial assets at fair value through profit or loss | 30,453,962 | 30,453,962 |
| Investments in associates | 166,877 | 166,877 |
| Total | 30,620,839 | 30,620,839 |

As at December 31, 2022 (audited)

| | Carrying amount RMB'000 | Maximum exposure RMB'000 |
|-------------------------------------------------------|-------------------------------|--------------------------------|
| Financial assets at fair value through profit or loss | 30,710,810 | 30,710,810 |
| Investments in associates | 176,241 | 176,241 |
| Total | 30,887,051 | 30,887,051 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

30. PROPERTY AND EQUIPMENT

| | Land and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---------------------------------|----------------------------------|---------------------------------------------------------|------------------------------|--------------------------------|--------------------------------------|----------------------------------------|------------------|
| Unaudited | | | | | | | |
| COST | | | | | | | |
| As at January 1, 2023 | 1,885,041 | 1,096,348 | 43,720 | 146,581 | 661,868 | 36,304 | 3,869,862 |
| Additions | - | 19,630 | 529 | 4,451 | 13,725 | 764,378 | 802,713 |
| Disposals | - | (17,988) | (1,308) | (2,209) | - | - | (21,505) |
| Transfer during the period | - | 25,071 | - | 681 | - | (25,752) | - |
| Exchange difference | - | 482 | 20 | 43 | 692 | 73 | 1,310 |
| As at June 30, 2023 | 1,885,041 | 1,123,543 | 42,961 | 149,547 | 676,285 | 775,003 | 4,652,380 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| As at January 1, 2023 | 321,392 | 770,940 | 35,404 | 90,545 | 521,114 | - | 1,739,395 |
| Charge for the period | 30,221 | 77,676 | 1,483 | 8,071 | 30,895 | - | 148,346 |
| Eliminated on disposals | - | (13,661) | (1,269) | (1,979) | - | - | (16,909) |
| Exchange difference | - | 340 | 20 | 14 | 514 | - | 888 |
| As at June 30, 2023 | 351,613 | 835,295 | 35,638 | 96,651 | 552,523 | - | 1,871,720 |
| CARRYING VALUES | | | | | | | |
| As at June 30, 2023 | 1,533,428 | 288,248 | 7,323 | 52,896 | 123,762 | 775,003 | 2,780,660 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

30. PROPERTY AND EQUIPMENT (Continued)

| | Land and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---------------------------------|----------------------------------|---------------------------------------------------------|------------------------------|--------------------------------|--------------------------------------|----------------------------------------|------------------|
| Unaudited | | | | | | | |
| COST | | | | | | | |
| As at January 1, 2022 | 1,879,840 | 1,071,380 | 43,841 | 145,556 | 629,057 | 26,712 | 3,796,386 |
| Additions | - | 57,213 | 260 | 8,346 | 30,979 | 80,737 | 177,535 |
| Disposals | (1,014) | (103,385) | (434) | (9,156) | - | - | (113,989) |
| Transfer during the year | 6,215 | 69,814 | - | 1,599 | - | (71,413) | 6,215 |
| Exchange difference | - | 1,326 | 53 | 236 | 1,832 | 268 | 3,715 |
| As at December 31, 2022 | 1,885,041 | 1,096,348 | 43,720 | 146,581 | 661,868 | 36,304 | 3,869,862 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| As at January 1, 2022 | 259,621 | 725,189 | 32,276 | 83,227 | 461,207 | - | 1,561,520 |
| Charge for the year | 60,436 | 143,388 | 3,492 | 15,984 | 58,844 | - | 282,144 |
| Eliminated on disposals | (658) | (98,626) | (412) | (8,804) | - | - | (108,500) |
| Transfer during the year | 1,993 | - | - | - | - | - | 1,993 |
| Exchange difference | - | 989 | 48 | 138 | 1,063 | - | 2,238 |
| As at December 31, 2022 | 321,392 | 770,940 | 35,404 | 90,545 | 521,114 | - | 1,739,395 |
| CARRYING VALUES | | | | | | | |
| As at December 31, 2022 | 1,563,649 | 325,408 | 8,316 | 56,036 | 140,754 | 36,304 | 2,130,467 |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

31. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities including asset management schemes, funds and limited partnerships. For the structured entities where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the structured entities that is of such significance that it indicates that the Group is a principal.

Interests in all consolidated asset management schemes, funds and limited partnerships held by the Group amounted to fair value of RMB3,709 million and RMB4,021 million as at June 30, 2023 and December 31, 2022, respectively.

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

32. DEFERRED TAXATION

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

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|--------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Deferred tax assets | 2,015,941 | 1,908,541 |
| Deferred tax liabilities | (124,924) | (77,936) |
| | 1,891,017 | 1,830,605 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

32. DEFERRED TAXATION (Continued)

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

| | Financial instruments at FVTPL and derivatives RMB'000 | Accrued staff cost RMB'000 | Financial instruments at FVTOCI RMB'000 | Allowance for impairment losses RMB'000 | Other RMB'000 | Total RMB'000 |
|------------------------------------------------------------|-----------------------------------------------------------|-------------------------------|--------------------------------------------|--------------------------------------------|------------------|------------------|
| As at January 1, 2023 | (482,530) | 342,494 | 45,957 | 1,805,742 | 118,942 | 1,830,605 |
| Credit/(charge) to profit or loss | 5,405 | (81,932) | 583 | 224,130 | (50,677) | 97,509 |
| Charge to other comprehensive income | - | - | (44,595) | - | - | (44,595) |
| Transfer out upon disposal of equity instruments at FVTOCI | - | - | 7,498 | - | - | 7,498 |
| As at June 30, 2023 | (477,125) | 260,562 | 9,443 | 2,029,872 | 68,265 | 1,891,017 |
| At January 1, 2022 | (474,599) | 316,795 | (186,398) | 1,772,688 | (8,850) | 1,419,636 |
| (Charge)/credit to profit or loss | (7,931) | 25,699 | 4,970 | 33,054 | 282,618 | 338,410 |
| Credit to other comprehensive income | - | - | 72,559 | - | - | 72,559 |
| Transfer out upon disposal of equity instruments at FVTOCI | - | - | 154,826 | - | (154,826) | - |
| As at December 31, 2022 | (482,530) | 342,494 | 45,957 | 1,805,742 | 118,942 | 1,830,605 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

33. OTHER ASSETS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|----------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Other receivables | 4,367,101 | 4,475,557 |
| Prepayments | 268,417 | 233,795 |
| Other | 745,158 | 788,669 |
| Less: impairment allowance | (2,323,899) | (1,755,201) |
| | 3,056,777 | 3,742,820 |

The movements of the impairment allowance are set out below:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/year | 1,755,201 | 1,565,452 |
| Charge for the period/year, net | 16,043 | 5,808 |
| Transfer in | 552,652 | 1,196,286 |
| Write off for the period/year | - | (1,012,361) |
| Recoveries of other receivables previously written off | - | 9 |
| Exchange differences | 3 | 7 |
| At the end of the period/year | 2,323,899 | 1,755,201 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

33. OTHER ASSETS (Continued)

As at June 30, 2023 (unaudited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 2,658 | 2,321,241 | 2,323,899 |

As at December 31, 2022 (audited)

| | 12-month ECL RMB'000 | Lifetime ECL RMB'000 | Total RMB'000 |
|----------------------|-------------------------|-------------------------|------------------|
| Impairment allowance | 3,529 | 1,751,672 | 1,755,201 |

34. PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Placements from banks (Note a) | 8,676,515 | 6,341,448 |
| Placements from China Securities Finance Corporation Limited (Note b) | 2,209,541 | 2,011,008 |
| Placements from Shanghai Gold Exchange (Note c) | 7,139,423 | — |
| | 18,025,479 | 8,352,456 |

Note a: As at June 30, 2023, the effective interest rates bearing on the outstanding amount of placements from banks varied from 1.48% to 2.60% (December 31, 2022: 1.00% to 2.60%) per annum. The amount of placements from banks were repayable within seven days (December 31, 2022: six days) from the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

34. PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS (Continued)

Note b: As at June 30, 2023, the effective interest rate of placements from China Securities Finance Corporation Limited varied from 2.10% to 2.56% (December 31, 2022: 2.10% to 2.50%) per annum. The amount of placements from China Securities Finance Corporation Limited will be repayable within six months (December 31, 2022: within six months) from the end of the reporting period.

Note c: As at June 30, 2023, the effective interest rates of placements from Shanghai Gold Exchange varied from 2.17% to 2.90% per annum. The amount of placements from Shanghai Gold Exchange were repayable within one year from the end of the reporting period.

35. SHORT-TERM FINANCING BILLS PAYABLE

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Short-term commercial paper and corporate bonds (<i>Note a</i>) | 2,544,911 | 8,095,027 |
| Income certificates (<i>Note b</i>) | 385,896 | 205,576 |
| | 2,930,807 | 8,300,603 |

Note a: As at June 30, 2023, the yield of the outstanding short-term commercial paper and corporate bond was 2.03% (December 31, 2022: 2.03% to 2.38%) per annum.

Note b: As at June 30, 2023, the yields of all the outstanding income certificates issued by the Group ranged from 2.35% to 2.95% (December 31, 2022: 2.25% to 2.95%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

36. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the account payables balances are repayable on demand except for certain balances representing margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

Account payables to brokerage clients mainly include money held on behalf of clients in the banks and clearing houses by the Group and are interest-bearing at the prevailing market interest rate.

As at June 30, 2023 and December 31, 2022, included in the Group's account payable to brokerage clients were approximately RMB4,310 million and RMB3,149 million, respectively, of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

37. REPURCHASE AGREEMENTS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Analysed by collateral type | | |
| – Bonds | 60,373,751 | 53,749,547 |
| – Funds | 1,289,759 | 1,437,900 |
| – Advances to customers | 300,296 | 200,159 |
| – Gold | 3,426,015 | 6,911,917 |
| | 65,389,821 | 62,299,523 |
| Analysed by market | | |
| – Stock exchanges | 21,328,671 | 21,183,237 |
| – Inter-bank market | 38,710,309 | 31,852,424 |
| – Over the counter | 5,350,841 | 9,263,862 |
| | 65,389,821 | 62,299,523 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Debt securities | 6,595,592 | 8,956,988 |
| Gold borrowings | 1,444,074 | 3,210,032 |
| Designated at fair value through profit or loss | | |
| – Interests attributable to other holders of consolidated structured entities (<i>Note a</i>) | 670,925 | 670,653 |
| – Income certificates (<i>Note b</i>) | 7,598,932 | 4,749,492 |
| – Other (<i>Note c</i>) | 787,543 | 952,146 |
| | 17,097,066 | 18,539,311 |

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

39. BORROWINGS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Unsecured short-term borrowings repayable within one year | 855,026 | 1,171,563 |
| Unsecured long-term borrowings repayable after one year | 868,411 | 837,260 |
| | 1,723,437 | 2,008,823 |

As at June 30, 2023, the annual interest rates on the borrowings were in the range of 3.45% to 6.16% (December 31, 2022: 3.95% to 6.02%).

During the current interim period, the Group obtained new short-term borrowings amounting to RMB801 million (six months ended June 30, 2022: RMB835 million) and repaid short-term borrowings amounting to RMB1,146 million (six months ended June 30, 2022: RMB924 million). There's no new long-term borrowing obtained or repaid for the six months ended June 30, 2023 and 2022.

40. DEBT SECURITIES ISSUED

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|---------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Corporate bonds | 41,473,513 | 36,463,074 |
| Subordinated bonds | 16,179,266 | 13,292,467 |
| Offshore bonds | 6,292,285 | 6,045,793 |
| Income certificates (<i>Note a</i>) | 54,491 | 1,069 |
| | 63,999,555 | 55,802,403 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

40. DEBT SECURITIES ISSUED (Continued)

| Issues | Currency | Issue amount (Original currency in million) | Issue amount (RMB in million) | Issue date | Maturity date | Coupon rate |
|-------------------------------|----------|------------------------------------------------------|-------------------------------------|------------|---------------|-------------|
| 17-3 Corporate Bond | RMB | 4,000 | 4,000 | 03/08/2017 | 03/08/2027 | 4.98% |
| 20-3 Corporate Bond | RMB | 4,000 | 4,000 | 19/08/2020 | 19/08/2023 | 3.50% |
| 20-4 Corporate Bond | RMB | 3,500 | 3,500 | 28/09/2020 | 28/09/2023 | 3.75% |
| 20-5 Corporate Bond | RMB | 3,500 | 3,500 | 04/11/2020 | 04/11/2023 | 3.65% |
| 21-1 Corporate Bond | RMB | 4,000 | 4,000 | 27/01/2021 | 27/01/2024 | 3.60% |
| 21-2 Corporate Bond | RMB | 4,000 | 4,000 | 24/11/2021 | 24/11/2024 | 3.08% |
| 22-1 Corporate Bond | RMB | 2,000 | 2,000 | 21/07/2022 | 21/07/2025 | 2.79% |
| 22-2 Corporate Bond | RMB | 1,500 | 1,500 | 21/07/2022 | 21/07/2027 | 3.18% |
| 22-3 Corporate Bond | RMB | 2,000 | 2,000 | 25/08/2022 | 25/08/2027 | 3.00% |
| 22-4 Corporate Bond | RMB | 3,500 | 3,500 | 14/12/2022 | 14/12/2025 | 3.40% |
| 23-1 Corporate Bond | RMB | 1,500 | 1,500 | 21/02/2023 | 21/02/2025 | 2.92% |
| 23-2 Corporate Bond | RMB | 2,500 | 2,500 | 21/02/2023 | 21/02/2026 | 3.13% |
| 23-3 Corporate Bond | RMB | 1,600 | 1,600 | 21/03/2023 | 21/03/2028 | 3.32% |
| 23-4 Corporate Bond | RMB | 3,000 | 3,000 | 24/05/2023 | 24/05/2026 | 2.90% |
| Subtotal | | | 40,600 | | | |
| 21-1 Orient Subordinated Bond | RMB | 2,500 | 2,500 | 08/03/2021 | 08/03/2024 | 3.95% |
| 21-2 Orient Subordinated Bond | RMB | 3,000 | 3,000 | 16/04/2021 | 16/04/2024 | 3.70% |
| 21-3 Orient Subordinated Bond | RMB | 1,500 | 1,500 | 16/04/2021 | 16/04/2026 | 4.20% |
| 22-1 Orient Subordinated Bond | RMB | 2,500 | 2,500 | 13/01/2022 | 13/01/2025 | 3.16% |
| 22-2 Orient Subordinated Bond | RMB | 3,500 | 3,500 | 21/10/2022 | 21/10/2024 | 2.53% |
| 23-1 Orient Subordinated Bond | RMB | 3,000 | 3,000 | 24/04/2023 | 24/04/2026 | 3.30% |
| Subtotal | | | 16,000 | | | |
| 20 Offshore USD Bond | USD | 160 | 1,156 | 13/10/2020 | 13/10/2023 | 2.40% |
| 22 Offshore EUR Bond | EUR | 100 | 788 | 05/05/2022 | 05/05/2025 | 1.75% |
| 22-1 Offshore USD Bond | USD | 300 | 2,168 | 17/05/2022 | 17/05/2025 | 3.50% |
| 22-2 Offshore USD Bond | USD | 300 | 2,168 | 26/10/2022 | 26/10/2025 | 5.125% |
| Subtotal | | | 6,280 | | | |
| Total | | | 62,880 | | | |

Note a: The amount represents income certificates issued by the Company with maturities of more than one year. As at June 30, 2023, the outstanding income certificates carried yield from 2.55% to 2.95% (December 31, 2022: 2.55% to 2.85%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

41. OTHER LIABILITIES

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|----------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Other account payables | | |
| – Payables for underwriting and products distribution fees | 376,775 | 391,397 |
| – Settlement payables | 134,664 | 546,091 |
| – Notes payable | 395,900 | 248,000 |
| Other payables and accruals | | |
| – Value-added taxes and other taxes | 162,630 | 119,239 |
| – Payables for securities and futures investor protection fund | 38,334 | 39,162 |
| – Funds received for securities underwriting transactions | 136,070 | – |
| – Futures risk reserve | 226,482 | 202,589 |
| – Derivatives deposit received from customers | 6,723,212 | 6,751,508 |
| – Other | 857,546 | 566,157 |
| | 9,051,613 | 8,864,143 |

42. SHARE CAPITAL

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

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|--------------------------------------------------------------------|--------------------|---------------------|--------------------|
| Registered, issued and fully paid ordinary shares of RMB1 each: | | | |
| Period ended June 30, 2023 (Unaudited) | 8,496,645 | – | 8,496,645 |
| Year ended December 31, 2022 (Audited) | 6,993,656 | 1,502,989 | 8,496,645 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

42. SHARE CAPITAL (Continued)

In 2022, pursuant to the CSRC's Approval in respect of the Rights Issue of 東方證券股份有限公司 (Zheng Jian Xu Ke [2022] No. 540) (《關於核准東方證券股份有限公司配股的批覆》(證監許可[2022] 540號)), new A rights shares were allotted to all A Share holders on the basis of two point eight A rights shares for every ten existing A Shares ("A Share Rights Issue"). As of 29 April 2022, 1,502,907,061 new A rights shares were issued at a price of RMB8.46 per share, raising approximately RMB12,715 million in total. The Company completed the registration at China Securities Depository and Clearing Corporation Limited Shanghai Branch on 9 May 2022, and the new A Shares were listed on the Shanghai Stock Exchange on 13 May 2022.

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

43. DIVIDENDS

| | Six months ended June 30, | |
|----------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Dividends recognised as distribution | 1,274,497 | 2,124,160 |
| Distribution to holders of other equity instrument | 237,500 | 237,500 |
| | 1,511,997 | 2,361,660 |

During the current interim period, a final dividend of RMB1.50 (tax inclusive) per 10 shares in respect of the year ended December 31, 2022 (Period ended June 30, 2022: RMB2.50 tax inclusive) per 10 shares in respect of the year ended December 31, 2021) was proposed by the Board of Directors and approved by the shareholders at the Annual General Meeting of the Company held on May 10, 2023. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB1,274,497 thousand (2022: RMB2,124,160 thousand).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

43. DIVIDENDS (Continued)

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended June 30, 2023 and 2022.

44. OTHER EQUITY INSTRUMENT

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Perpetual subordinated bond | 5,000,000 | 5,000,000 |
| | 5,000,000 | 5,000,000 |

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

45. RESERVES

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|---------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Capital reserve | 39,534,520 | 39,534,520 |
| Debt investment revaluation reserve | (145,926) | (352,586) |
| Equity investment revaluation reserve | 365,479 | 420,282 |
| Translation reserve | 22,951 | (12,628) |
| Surplus reserve | 4,293,542 | 4,293,542 |
| General reserve | 11,233,863 | 11,135,082 |
| Other investment revaluation reserve | 33,203 | 33,203 |
| | 55,337,632 | 55,051,415 |

46. CAPITAL COMMITMENTS

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Capital expenditure in respect of acquisition of property and equipment: Contracted but not provided for | 29,945 | 27,269 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationships of related party

The Company's major shareholders

Following major shareholder holding more than 10% shares of the Company is considered as a related party of the Group:

| | Percentage of shares held | |
|------------------------------------------------|------------------------------------------|--------------------------------------------|
| | As at June 30, 2023 (Unaudited) | As at December 31, 2022 (Audited) |
| 申能(集團)有限公司 Shenergy (Group) Company Limited | 26.63 | 26.63 |

The Group and associates

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

Other related parties

Other related parties include members of the Board of Directors, members of the Board of Supervisors and senior management, close family members of such individuals, and entities controlled or significantly influenced by these individuals.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances

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

As at June 30, 2023 and December 31, 2022, the Group had the following material balances with the Company's major shareholder and entities under its control:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|----------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Account payables to brokerage clients | | |
| – Shanghai Gas (Group) Co., Ltd. * | – | 7,705 |
| – Shanghai Jiu Lian Group Co., Ltd. * | 5,940 | 1,856 |
| – Shanghai Dazhong Gas Co., Ltd. * | 3,492 | 1,749 |
| – Shenergy (Group) Company Limited | 571 | 506 |
| – Shanghai Shenergy Property Management Co., Ltd. * | 14 | 14 |
| – Shenergy Company Limited | – | 12 |
| – Shanghai Shenergy Innovation & Development Co., Ltd. * | 5 | 5 |
| – Shanghai ICY Capital Management Ltd. | 1 | 1 |
| – Shanghai Shibeig Gas Co., Ltd. | 5 | 5 |
| – Shanghai Pudong Gas Co., Ltd. | 3 | 3 |
| Other account payables | | |
| – Shanghai Gas Co., Ltd.* | 1,472 | 1,472 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the six months ended June 30, 2023 and 2022, the Group had the following material transactions with the Company's major shareholder and entities under its control:

| | Six months ended June 30, | |
|----------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Commission and fee income | | |
| – Shenergy (Group) Company Limited | – | 383 |
| – Shanghai Jiu Lian Group Co., Ltd. * | 1 | 24 |
| – Shenergy Company Limited | – | 191 |
| – Shenergy Group Finance Company Limited * | 8 | 3 |
| – Shanghai Shenergy Financial Leasing Co., Ltd. * | – | 537 |
| – Shanghai Liquefied Natural Gas Co., Ltd.* | 1,571 | 1,138 |
| Interest expenses | | |
| – Shenergy (Group) Company Limited | 1 | 299 |
| – Shanghai Gas (Group) Co., Ltd. * | – | 1 |
| – Shanghai Jiu Lian Group Co., Ltd. * | 4 | 36 |
| – Shanghai Dazhong Gas Co., Ltd. * | 2 | – |
| – Shenergy Group Finance Company Limited * | 5 | 2 |
| – Shanghai Shenergy Innovation & Development Co., Ltd. * | – | 2 |
| Other operating expenses | | |
| – Shanghai Shenergy Property Management Co., Ltd. * | 9,566 | 9,271 |
| – Shanghai Dazhong Gas Co., Ltd. * | 231 | 160 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

As at June 30, 2023 and December 31, 2022, the Group had the following material balances with its associates:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|--------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Account payables to brokerage clients | | |
| – China Universal | 2,004 | 2,002 |
| – Haining Dongzheng Lanhai Merge Investment Partnership LLP. * | 4 | 4 |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.* | 5 | 13,003 |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | 600 | 599 |
| – Chengdu Jiaozhi Oriental Investment Development Partnership LLP.* | 114,899 | 73 |
| Other receivables | | |
| – Shanghai Dongzheng Chunyi Investment Center LLP. * | 9,872 | 9,849 |
| – China Universal | 4,845 | 2,336 |
| Other account payables | | |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.* | 1,814 | 1,814 |
| – Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. * | – | 308 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

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

As at June 30, 2023 and December 31, 2022, the Group had the following material balances with its associates: *(Continued)*

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Financial assets at FVTPL managed by its associates | | |
| – China Universal | 430,444 | 529,456 |
| – Shanghai Dongkai Capital Co., Ltd.* | 120,112 | 129,447 |
| Financial assets at FVTPL issued by its associates | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | 20,111 | 40,240 |
| Debt instruments at FVTOCI issued by its associates | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | 102,644 | 100,462 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the six months ended June 30, 2023 and 2022, the Group had the following material transactions with its associates:

| | Six months ended June 30, | |
|-----------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Commission and fee income | | |
| – China Universal | 70,110 | 81,359 |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP. * | 9,824 | 1,815 |
| – Chengdu Jiaozi Oriental Investment Development Partnership LLP. * | 747 | 17 |
| – Yixing Dongzheng Ruiyuan Equity Investment Partnership LLP. * | 4,544 | 5,849 |
| – Zhuhai Hengqin Dongzheng Yunqi Technology Innovation Investment Partnership LLP. * | 308 | 308 |
| – Nantong Dongzheng Fuxiang Equity Investment Center LLP.* | 72,144 | – |
| – Shanghai Dongkai Capital Co., Ltd.* | 1 | – |
| Interest expenses | | |
| – China Universal | 3 | 4 |
| – Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership LLP.* | 5 | 6 |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | 1 | 1 |
| – Nantong Dongzheng Fuxiang Equity Investment Center LLP. * | – | 2 |
| – Shanghai Dongkai Capital Co., Ltd.* | 1 | – |
| Interest income | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | 2,058 | – |
| Net investment gains | | |
| – Chengtay Financial Leasing (Shanghai) Co., Ltd. | 543 | 2,599 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

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

As at June 30, 2023 and December 31, 2022, the Group had the following material balances with other related parties**:

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|---------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Account payables to brokerage clients | | |
| – Shanghai Shangbao Asset Management Co., Ltd. | 6 | 3 |
| – Shanghai Orient Securities Xindeyizhang Charity Foundation* | 1 | 1 |
| – Zhejiang Energy Capital Holdings Co., Ltd.* | – | 1 |
| Other receivables | | |
| – Great Wall Fund Management Co., Ltd. | 32 | 28 |
| – Haitong Securities Co., Ltd. | 4,965 | – |
| – China Pacific Property Insurance Co., Ltd. | 35 | – |
| Other account payables | | |
| – Haitong Securities Co., Ltd. | 15 | 3 |
| – China Zheshang Bank Co., Ltd. | 126 | 1,045 |
| Financial assets at FVTPL managed by other related parties** | | |
| – Great Wall Fund Management Co., Ltd. | 313,899 | 100,444 |
| – Huatai Baoxing Fund Management Co., Ltd. | 6,595 | 7,181 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

As at June 30, 2023 and December 31, 2022, the Group had the following material balances with other related parties**: (Continued)

| | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) |
|-----------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Financial assets at FVTPL issued by other related parties** | | |
| – China Securities Credit Investment Co., Ltd. | 443,590 | 410,000 |
| – Great Wall Fund Management Co., Ltd. | 232,929 | 228,466 |
| – Shanghai Qizhong Garden Golf Club. | 41,914 | 42,000 |
| – East Money Information Co., Ltd. | 24,848 | 9,096 |
| – China Zheshang Bank Co., Ltd. | 96,923 | 128 |
| – Haitong Securities Co., Ltd. | 5 | 5 |
| – China Pacific Insurance (Group) Co., Ltd. | 520 | – |
| – Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | 218 | – |
| Debt investments at FVTOCI issued by other related parties** | | |
| – China Pacific Property Insurance Co., Ltd. | – | 104,434 |
| – Haitong Securities Co., Ltd. | 50,633 | – |
| Equity instruments at FVTOCI issued by other related parties** | | |
| – China Securities Credit Investment Co., Ltd. | – | 41,055 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the six months ended June 30, 2023 and 2022, the Group had the following material transactions with other related parties**:

| | Six months ended June 30, | |
|-----------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Commission and fee income | | |
| – Great Wall Fund Management Co., Ltd. | 3,065 | 3,176 |
| – Huatai Baoxing Fund Management Co., Ltd. | 61 | – |
| – Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | 333 | – |
| – China Pacific Property Insurance Co., Ltd. | 33 | – |
| – Haitong Securities Co., Ltd. | 4,684 | – |
| Interest expenses | | |
| – China Zheshang Bank Co., Ltd. | – | 100 |
| – Shanghai Shangbao Asset Management Co., Ltd. | 3 | – |
| Interest income | | |
| – China Pacific Property Insurance Co., Ltd. | 1,081 | 2,373 |
| – Haitong Securities Co., Ltd. | 633 | – |
| Net investment gains/(losses) | | |
| – Great Wall Fund Management Co., Ltd. | 12,706 | 12,070 |
| – East Money Information Co., Ltd. | 42 | (1,460) |
| – Shanghai Jinqiao Export Processing Zone Development Co., Ltd. | 3 | – |
| – Haitong Securities Co., Ltd. | (24) | (1,211) |
| – China Zheshang Bank Co., Ltd. | 1,008 | – |
| – China Securities Credit Investment Co., Ltd. | 547 | – |
| – China Pacific Insurance (Group) Co., Ltd. | (1,056) | – |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

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

For the six months ended June 30, 2023 and 2022, the Group had the following material transactions with other related parties^{**}: *(Continued)*

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

** The directors and supervisors of the Company have been appointed as directors or senior management of these related parties as at June 30, 2023.

(3) Key management personnel

Remuneration for key management personnel of the Group are as follows:

| | Six months ended June 30, | |
|-----------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Short-term benefits: | | |
| – Salaries, allowance and bonuses | 8,197 | 9,284 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is determined by the active market quotation or in accordance with discounted cash flow method.

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

The table below summaries the carrying amounts and expected fair values of those financial assets and liabilities not presented on the Group's condensed consolidated statement of financial position at their fair values.

| | As at June 30, 2023 | | As at December 31, 2022 | |
|------------------------------------------------|----------------------------------------------|-----------------------------------------|--------------------------------------------|---------------------------------------|
| | Carrying amount RMB'000 (Unaudited) | Fair value RMB'000 (Unaudited) | Carrying amount RMB'000 (Audited) | Fair value RMB'000 (Audited) |
| Financial asset | | | | |
| Debt instruments measured at amortised cost | 2,458,957 | 2,488,764 | 3,164,972 | 3,192,105 |
| Financial liability | | | | |
| Debt securities issued | | | | |
| – Corporate bonds | 41,473,513 | 42,372,894 | 36,463,074 | 36,855,594 |
| – Subordinated bonds | 16,179,266 | 16,215,443 | 13,292,467 | 13,329,203 |
| – Offshore bonds | 6,292,285 | 6,125,019 | 6,045,793 | 5,878,148 |
| – Income certificates | 54,491 | 54,481 | 1,069 | 1,068 |
| Total | 63,999,555 | 64,767,837 | 55,802,403 | 56,064,013 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at June 30, 2023 (unaudited)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---------------------------------------------|--------------------|--------------------|--------------------|------------------|
| Financial asset | | | | |
| Debt instruments measured at amortised cost | 321,399 | 2,167,365 | – | 2,488,764 |
| Financial liability | | | | |
| Debt securities issued | 58,588,337 | 6,179,500 | – | 64,767,837 |

As at December 31, 2022 (audited)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---------------------------------------------|--------------------|--------------------|--------------------|------------------|
| Financial asset | | | | |
| Debt instruments measured at amortised cost | 436,008 | 2,756,097 | – | 3,192,105 |
| Financial liability | | | | |
| Debt securities issued | 50,184,797 | 5,879,216 | – | 56,064,013 |

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at June 30, 2023 (unaudited)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Financial assets: | | | | |
| Debt instruments at FVTOCI | | | | |
| – Debt securities | 43,737,563 | 30,317,214 | – | 74,054,777 |
| Equity instruments at FVTOCI | | | | |
| – Equity securities | 3,223,925 | 5,814 | 189,050 | 3,418,789 |
| – Perpetual instruments | 47,014 | – | – | 47,014 |
| Financial assets at FVTPL | | | | |
| – Debt securities | 9,587,609 | 34,274,155 | 211,043 | 44,072,807 |
| – Equity securities | 2,560,865 | 21,864 | 4,388,392 | 6,971,121 |
| – Associates | – | – | 2,082,680 | 2,082,680 |
| – Funds | 1,963,606 | 9,467,200 | – | 11,430,806 |
| – Other investments | 6,625,040 | 28,064,809 | 1,441,183 | 36,131,032 |
| Derivative financial assets | – | 854,285 | 488,521 | 1,342,806 |
| Total | 67,745,622 | 103,005,341 | 8,800,869 | 179,551,832 |
| Financial liabilities: | | | | |
| Financial liabilities at FVTPL | 1,444,074 | 7,433,336 | 8,219,656 | 17,097,066 |
| Derivative financial liabilities | – | 392,738 | 209,048 | 601,786 |
| Total | 1,444,074 | 7,826,074 | 8,428,704 | 17,698,852 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at December 31, 2022 (audited)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Financial assets: | | | | |
| Debt instruments at FVTOCI | | | | |
| – Debt securities | 43,709,766 | 33,152,330 | – | 76,862,096 |
| Equity instruments at FVTOCI | | | | |
| – Equity securities | 3,165,489 | 7,151 | 217,708 | 3,390,348 |
| – Perpetual instruments | 310,203 | 21,107 | – | 331,310 |
| Financial assets at FVTPL | | | | |
| – Debt securities | 9,558,952 | 26,766,786 | 290,377 | 36,616,115 |
| – Equity securities | 1,763,049 | 48,711 | 4,393,537 | 6,205,297 |
| – Associates | – | – | 1,933,905 | 1,933,905 |
| – Funds | 2,219,324 | 9,488,033 | – | 11,707,357 |
| – Other investments | 3,876,238 | 21,912,892 | 1,511,926 | 27,301,056 |
| Derivative financial assets | – | 466,259 | 551,075 | 1,017,334 |
| Total | 64,603,021 | 91,863,269 | 8,898,528 | 165,364,818 |
| Financial liabilities: | | | | |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | 672 | 183,204 | 124,570 | 308,446 |
| Total | 3,210,704 | 10,152,216 | 5,484,837 | 18,847,757 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The following table presents the valuation techniques and inputs used for the major financial instruments in Level 3.

| Financial instruments | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Equity securities/ Associates | 5,207,701 (asset) | 4,207,295 (asset) | Calculated based on pricing/yield such as price-to-earnings (P/E), price-to-book (P/B) and price-to-sales (P/S) ratio of comparable companies with an adjustment of discount for lack of marketability. | P/E multiples P/B multiples P/S multiples Discount for lack of marketability | The higher the multiples, the higher the fair value. The higher the discount, the lower the fair value. |
| Equity securities | 1,237,770 (asset) | 1,348,062 (asset) | The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities. | Discount for lack of marketability | The higher the discount, the lower the fair value. |
| Equity securities/ Associates | 214,651 (asset) | 989,793 (asset) | Recent transaction price with an adjustment of discount for lack of marketability. | Discount for lack of marketability | The higher the discount, the lower the fair value. |
| Debt securities | 211,043 (asset) | 290,377 (asset) | Future cash flows are discounted by the risk adjusted discount rate of the bonds. | Discount rate | The higher the discount rate, the lower the fair value. |
| Equity linked derivatives/Collar options | 488,521 (asset) 209,048 (liability) | 551,075 (asset) 124,570 (liability) | The option pricing model is used which applies the option exercise price, the price and volatility of the underlying asset, the option exercise time, and the risk-free interest rate. | The volatility of the underlying asset for option | The higher the volatility, the greater the impact on the fair value. |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

| Financial instruments | As at June 30, 2023 RMB'000 (Unaudited) | As at December 31, 2022 RMB'000 (Audited) | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|-----------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Income certificates designated at FVTPL | 7,598,932 (liability) | 4,749,492 (liability) | The option pricing model is used which applies the option exercise price, the price and volatility of the underlying asset, the option exercise time, and the risk-free interest rate. | The volatility of the underlying asset for option | The higher the volatility, the greater the impact on the fair value. |
| Other investments | 1,441,183 (asset) 48,730 (liability) | 1,511,926 (asset) 46,090 (liability) | The fair value is determined with reference to the net asset value of the underlying investments with an adjustment of discount for the credit risk of various counterparties. | Discount rate | The higher the discount rate, the lower the fair value. |
| Interests attributable to other holders of consolidated structured entities | 571,994 (liability) | 564,685 (liability) | Shares of the net value of the structured entities, determined with reference to the net asset value of the structured entities, calculated based on pricing/yield of comparable companies with an adjustment of discount for lack of marketability of underlying investment portfolio and adjustments of related expenses. | P/E multiples Discount for lack of marketability | The higher the multiples, the higher the fair value. The higher the discount, the lower the fair value. |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

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

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

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

As at June 30, 2023 (unaudited)

| | Equity instruments at FVTOCI RMB'000 | Financial assets at FVTPL RMB'000 | Financial liabilities at FVTPL RMB'000 |
|---------------------------------------------------------------------------|-----------------------------------------|--------------------------------------|-------------------------------------------|
| At the beginning of the period | 217,708 | 8,129,745 | (5,360,267) |
| Changes in fair value recognised in other comprehensive income | (19,785) | – | – |
| Changes in fair value recognised in profit or loss | – | 157,210 | (401,271) |
| Additions <i>(Note a)</i> | – | 995,926 | (4,644,730) |
| Transfer out of Level 3 <i>(Note b)</i> | – | (549,235) | – |
| Disposals | (8,873) | (610,348) | 2,186,612 |
| At the end of the period | 189,050 | 8,123,298 | (8,219,656) |
| Total (losses)/gains for assets/liabilities held at the end of the period | | | |
| – unrealised losses recognised in other comprehensive income | (23,446) | – | – |
| – unrealised gains/(losses) recognised in profit or loss | – | 210,924 | (391,322) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at June 30, 2022 (unaudited)

| | Equity instruments at FVTOCI RMB'000 | Financial assets at FVTPL RMB'000 | Financial liabilities at FVTPL RMB'000 |
|---------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------------------|
| At the beginning of the period | 431,914 | 5,508,041 | (3,182,059) |
| Changes in fair value recognised in other comprehensive income | 3,226 | — | — |
| Changes in fair value recognised in profit or loss | — | 290,618 | 40,357 |
| Additions (Note a) | — | 1,769,232 | (1,552,065) |
| Transfer out of Level 3 (Note b) | — | (259,753) | — |
| Disposals | (74,186) | (340,480) | 811,569 |
| At the end of the period | 360,954 | 6,967,658 | (3,882,198) |
| Total gains for assets/liabilities held at the end of the period | | | |
| – unrealised gains recognised in other comprehensive income | 3,226 | — | — |
| – unrealised gains recognised in profit or loss | — | 198,571 | 72,335 |

Note a: These mainly included the issuance of new income certificates containing embedded derivatives, the equity securities traded on the NEEQ with decreased turnover rates and other investments with significant unobservable inputs applied in valuing these investments. The equity securities traded on the NEEQ with decreased turnover rates were transferred from Level 2 to Level 3 in the fair value hierarchy.

Note b: These mainly included equity securities traded on stock exchanges with lock-up periods. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

49. SUBSEQUENT EVENT

On August 10, 2023, the Company issued a corporate bond with par value of RMB3 billion. This bond bears an interest rate of 3.08% with a maturity period of 3 years.

50. COMPARATIVE FIGURES

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



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