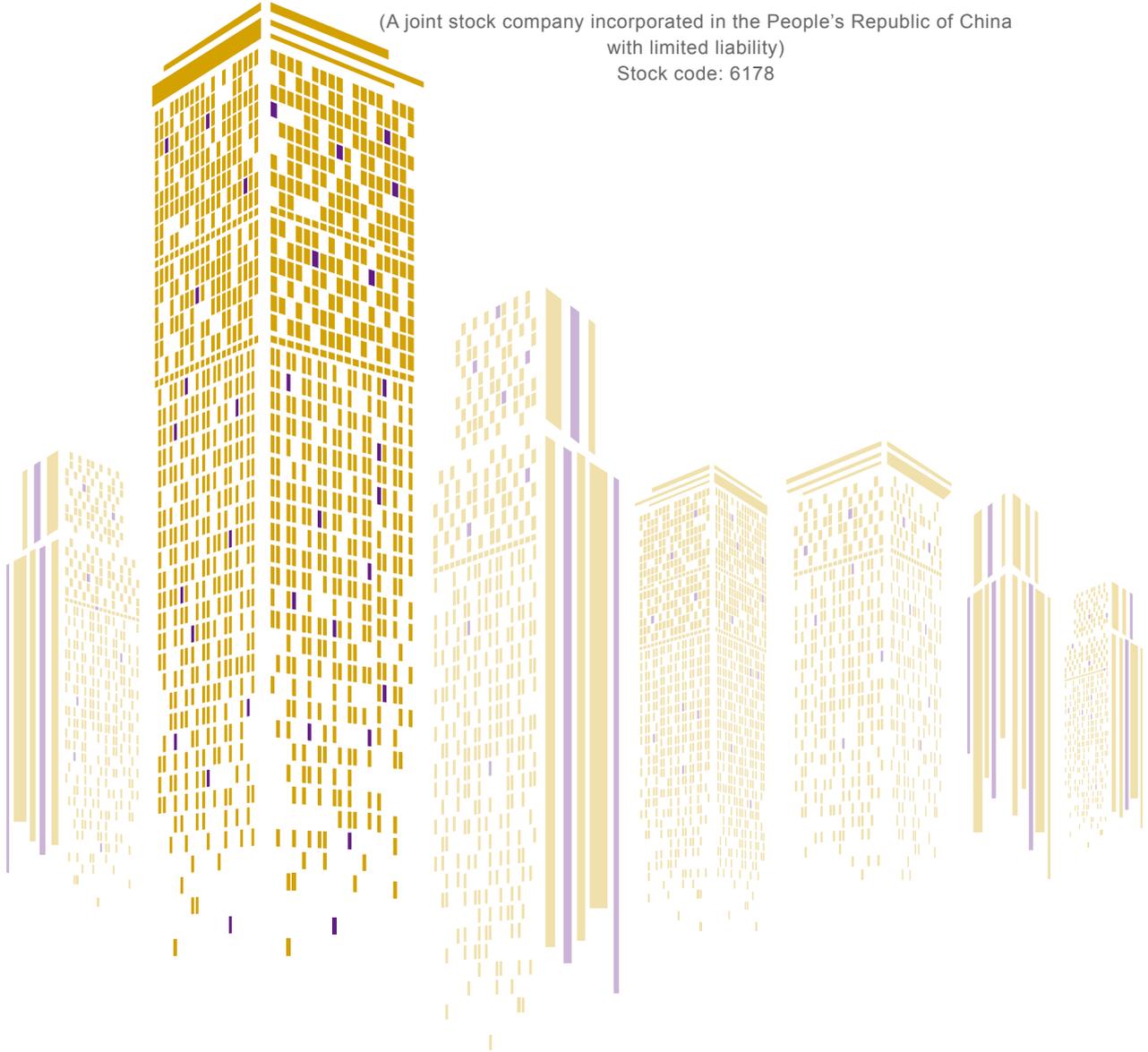




光大證券股份有限公司 Everbright Securities Company Limited

(A joint stock company incorporated in the People's Republic of China
with limited liability)

Stock code: 6178



2016 INTERIM REPORT

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IMPORTANT NOTICE

- I. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the contents in this interim report and there is no misrepresentation, misleading statement or material omission from this interim report and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.
- II. The report has been considered and approved at the 22nd Meeting of the Fourth Session of the Board of Directors of the Company. The Directors who were unable to attend the meeting are set out below:

Position	Name	Reasons	Name of proxy
Non-executive Director	Tang Shuangning	Work commitment	Gao Yunlong
Non-executive Director	Yang Guoping	Work commitment	Xue Feng
Independent non-executive Director	Xiong Yan	Work commitment	Xu Jingchang

- III. The interim financial statements of the Company prepared in accordance with the International Accounting Standards are unaudited and have been reviewed by KPMG. Unless otherwise stated, financial data set out in this report is denominated in RMB.
- IV. Mr. Xue Feng, the person-in-charge of the Company, Mr. Wang Yong, the person-in-charge of accounting affairs, and Mr. He Mannian, the head of accounting department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.

V. RISK DECLARATION OF FORWARD-LOOKING STATEMENTS

Forward-looking statements included in this interim report, including future plans and development strategies, do not constitute actual commitment of the Company to investors. Investors should be reminded of the risks of investment.

- VI. There was no appropriation of funds on a non-recurring basis by the Company's controlling shareholders or their related parties.
- VII. The Company has not provided any external guarantees which were in violation of stipulated decision-making procedures.
- VIII. The Company had no cash dividend distribution and bonus share proposals or proposal on transfer of capital reserve fund into capital for the first half of 2016.
- IX. The Company prepared this interim report in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.



SECTION I DEFINITIONS

In this report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

Company, our Company or Everbright Securities	Everbright Securities Company Limited (光大證券股份有限公司)
Everbright Group	China Everbright Group Corporation Limited (中國光大集團股份公司), the largest shareholder of the Company
Everbright Limited	China Everbright Limited (中國光大控股有限公司), the second-largest shareholder of the Company
Everbright Capital	Everbright Capital Investment Co., Ltd. (光大資本投資有限公司), a wholly-owned subsidiary of the Company
Everbright Fortune	Everbright Fortune Investment Co., Ltd. (光大富尊投資有限公司), a wholly-owned subsidiary of the Company
Everbright Futures	Everbright Futures Co., Ltd. (光大期貨有限公司), a wholly-owned subsidiary of the Company
Everbright Asset Management	Shanghai Everbright Securities Asset Management Co., Ltd. (上海光大證券資產管理有限公司), a wholly-owned subsidiary of the Company
Everbright Leasing	Everbright Fortune International Leasing Co., Ltd. (光大幸福國際租賃有限公司), a subsidiary of the Company
Everbright Yichuang	Everbright Yichuang Network Technology Co., Ltd. (光大易創網絡科技股份有限公司)
Everbright Cloud Pay	Everbright Cloud Pay Internet Co., Ltd. (光大雲付互聯網股份有限公司)
EBSHK	Everbright Securities Financial Holdings Limited (光大證券金融控股有限公司), a wholly-owned subsidiary of the Company

SECTION I DEFINITIONS



ESIL	Everbright Securities (International) Limited (光大證券(國際)有限公司), a wholly-owned subsidiary of EBSHK
SHKFGL	Sun Hung Kai Financial Group Limited (新鴻基金集團有限公司), whose equity interest is held 70% by EBSHK and 30% by Sun Hung Kai & Co. Limited
Everbright Pramerica	Everbright Pramerica Fund Management Co., Ltd. (光大保德信基金管理有限公司), a controlling subsidiary of the Company
Dacheng Fund	Dacheng Fund Management Co., Ltd. (大成基金管理有限公司), a joint venture of the Company
Reporting Period	the first half of 2016 (January 1, 2016 to June 30, 2016)
Board	The board of Directors of the Company
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
Huijin	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
PPP	Public-private Partnership
FICC	Fixed Income, Currencies & Commodities
securitization, ABS	financing through issuance of tradable securities backed by specific asset portfolios or cash flows
margin financing and securities lending	provision of collateral by investors to securities firms to borrow funds for securities purchases (margin financing) or to borrow and sell securities (securities lending)



SECTION I DEFINITIONS

maintenance margin ratio	the ratio of all the collateral from the clients of margin financing and securities lending business (including the amount of cash and the market value of securities held in margin securities account) to the margin balance of clients (the sum of the amount of margin loans purchased, the latest market value of securities lent and any accrued interest and fees)
collateralized stock repurchase	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
security transactions with repurchase agreement	a transaction in which a qualified customer sells the subject securities at an agreed price to the securities firm which is the custodian of such securities, and agrees to purchase the subject securities from the securities firm at another agreed price on a future date, and the securities firm will return the relevant yields generated by the subject securities during the period pending for repurchase to the customer pursuant to the agreement signed with the customer
stock index futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Group	the Company and its subsidiaries
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

SECTION I DEFINITIONS



SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
A Shares	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
H Shares	foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
Renminbi or RMB	RMB, the lawful currency of the PRC. Amounts are in RMB unless otherwise indicated in this report
HK\$ or Hong Kong dollars or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
AUM	asset under management
IFRS	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board, and interpretation issued by the International Accounting Standards Committee (IASC)
PRC GAAP	the PRC Accounting Standards for Business Enterprises

In this interim report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.



SECTION II COMPANY PROFILE

I. COMPANY INFORMATION

Chinese name of the Company	光大證券股份有限公司
Short name of the Company in Chinese	光大證券
English name of the Company	Everbright Securities Company Limited
Abbreviated name of the Company in English	EBSCN
Legal representative of the Company	Mr. Xue Feng
President of the Company	Mr. Xue Feng
Company Secretary	Mr. Ngai Wai Fung
Authorized representatives	Mr. Xue Feng and Mr. Ngai Wai Fung

Registered Capital and Net Capital

Unit: RMB Yuan

	As at June 30, 2016	As at December 31, 2015
Registered capital	3,906,698,839.00	3,906,698,839.00
Net capital	33,047,503,732.15	36,574,371,144.01

Qualification of each of the business of the Company

Business Scope	Securities brokerage, securities investment consulting, financial consulting relating to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading of securities, intermediary introduction business for futures companies, proxy sale of securities investment funds, margin financing and securities lending business, proxy sale of financial products, market making of stocks and options and other businesses approved by the CSRC.
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Business Qualification Securities brokerage, securities investment consulting, financial consulting relating to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading of securities, intermediary introduction business for futures companies, proxy sale of securities investment fund, margin financing and securities lending business, proxy sale of financial products, market making of stocks and funds, interbank market interest rate swap, securities repurchase transactions, pilot business of stock return swap, pilot business qualification of customers' securities funds consumption payment services, custodial of private funds, securities transactions of collateralized stock repurchase, agency as precious metal spot contract (such as gold) and proprietary trading for gold spot contract, stock exchange fixed income platform market maker, quoted transfer, stock transfer agency, underwriting business of SME private placement bonds, qualification of outsourcing services for private funds, pilot scheme of financing-oriented option exercise with respect to share incentive schemes, participant of option transactions, transaction qualification of southbound business in A share trading unit, qualifications for listing, brokerage and market maker, member of the national interbank lending market, underwriting of short-term financing bonds, proprietary trading and leasing of gold, member of book-entry government bond underwriting syndicates, Class A clearing participant of China Central Depository Clearing Co., Ltd., licence for operating foreign exchange business in securities business (foreign currency negotiable securities brokerage, foreign-currency negotiable securities underwriting and entrusted foreign-exchange asset management); qualified underwriter team of policy bank, qualifications for stock index futures trading in proprietary trading business, qualifications for treasury bond futures trading in proprietary trading business, pilot scheme of lending funds and securities borrowed from China Securities Finance Corporation Limited to margin financing and securities lending clients, qualifications for account opening agency institutions, participation of multilateral net amount guarantee settlement; qualifications for digital certificate service agency, qualifications for agency business of securities pledge registration, settlement of options, qualifications for principal underwriter of non-financial institutions debt financing instrument.



SECTION II COMPANY PROFILE

Qualifications of Everbright Futures (a wholly-owned subsidiary of the Company): futures brokerage license, qualifications for financial futures brokerage business, qualification as a general clearing member of the China Financial Future Exchange, qualification for IB business of stock index futures, qualification for asset management business and others;

Qualifications of Everbright Asset Management (a wholly-owned subsidiary of the Company): qualification for asset management business by a securities firm, qualification for entrusted management of insurance funds and others;

Qualification of Everbright Capital (a wholly-owned subsidiary of the Company): qualification for direct investment business and others;

Qualification of EBSHK (a wholly-owned subsidiary of the Company): qualification for Renminbi Qualified Foreign Institutional Investor and others;

Qualification of Everbright Pramerica (a controlling subsidiary of the Company): qualification for fund management and others.

II. CONTACT PERSON AND INFORMATION

	Secretary to the Board	Representative of Securities Affairs
Name	Xue Feng (in an acting capacity)	Zhu Qin
Contact address	No. 1508, Xinzha Road Jing'an District, Shanghai	No. 1508, Xinzha Road Jing'an District, Shanghai
Telephone	021-22169914	021-22169914
Facsimile	021-22169964	021-22169964
E-mail address	ebs@ebscn.com	ebs@ebscn.com



III. OTHER INFORMATION

Registered address of the Company	No. 1508, Xinzha Road Jing'an District, Shanghai 200040
Postal code of the registered address of the Company	
Office address of the Company	No. 1508, Xinzha Road Jing'an District, Shanghai 200040
Postal code of office address of the Company	
Principal place of business in Hong Kong	24th Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Company website	http://www.ebscn.com
E-mail address	ebs@ebscn.com

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Media designated by the Company for A Share information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of interim report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of interim report	http://www.hkexnews.hk
Place where the interim report of the Company is available for inspection	No. 1508, Xinzha Road Jing'an District, Shanghai

V. INFORMATION ON THE COMPANY'S SHARES

Type of shares	Places of listing	Stock name	Stock code
A Share	Shanghai Stock Exchange	Everbright Securities	601788
H Share	Hong Kong Stock Exchange	Everbright Securities	6178

VI. CHANGES IN REGISTRATION DURING THE REPORTING PERIOD

On June 23, 2016, the Company renewed the business licence for three-in-one licence with the united social credibility code of 91310000100019382F.



SECTION III SUMMARY OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

I. KEY ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

(Accounting information and financial indicators set out in this report have been prepared in accordance with International Accounting Standards)

(I) Key accounting information and financial indicators

Item	January to June 2016 (RMB'000)	January to June 2015 (RMB'000)	Variance as compared to the last corresponding period
Operating results			
Total revenue and other income	6,735,679	12,828,154	(47.49)%
Profit before income tax	1,913,020	6,302,376	(69.65)%
Net profit attributable to shareholders of the Company	1,514,708	4,878,026	(68.95)%
Net cash generated from/(used in) operating activities	13,986,533	(23,634,761)	(159.18)%
	(RMB/share)	(RMB/share)	
Earnings per share			
Basic earnings per share	0.39	1.43	(72.83)%
Diluted earnings per share	0.39	1.43	(72.83)%
Index of profitability			
Weighted average returns on net assets (%)	3.80	17.20	Decreased by 13.4 percentage points

SECTION III SUMMARY OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS



Item	As at June 30, 2016 (RMB'000)	As at December 31, 2015 (RMB'000)	Variance as compared to the end of the last corresponding period
Scale indices			
Total assets	173,733,566	197,072,821	(11.84)%
Total liabilities	133,971,253	154,649,205	(13.37)%
Accounts payable to brokerage clients	66,945,084	71,102,044	(5.85)%
Equity attributable to shareholders of the Company	38,412,487	40,482,599	(5.11)%
Total equity of owners	39,762,313	42,423,616	(6.27)%
Total share capital ('000 shares)	3,906,699	3,906,699	–
Net assets per share attributable to shareholders of the Company (RMB/share)	9.83	10.36	(5.11)%
Gearing ratio (%) ^(Note)	62.79	66.34	Decreased by 3.55 percentage points

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)



SECTION III SUMMARY OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

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

Item	As at June 30, 2016 (RMB'000)	As at December 31, 2015 (RMB'000)
Net capital	33,047,504	36,574,371
Net assets	37,783,009	39,327,888
Net capital/total risk capital reserves	1,027%	1,119%
Net capital/net assets	87%	93%
Net capital/liabilities	67%	56%
Net assets/liabilities	77%	60%
Value of proprietary equity securities and securities derivatives/net capital	52%	54%
Value of proprietary fixed income securities/net capital	38%	33%

Note: the above data were prepared on the parent Company basis in accordance with the Administrative Measures on the Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC and the PRC GAAP.

II. DIFFERENCES IN FINANCIAL DATA PREPARED IN ACCORDANCE WITH DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profit from January to June 2016 and January to June 2015 and the net assets as of June 30, 2016 and December 31, 2015 as stated in the consolidated financial statements of the Company prepared in accordance with International Accounting Standards are consistent with those in accordance with PRC GAAP.

SECTION IV REPORT OF THE BOARD



I. DISCUSSION AND ANALYSIS BY THE BOARD ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

(I) Overall Operation Results

In the first half of 2016, the adjustments to domestic macro-economic were continuing. With the synchronization between the progress of the “removal of obsolete production capacity, inventory and leverage, cost reduction and weak spot bolstering” and reform of state-owned enterprises, and benefiting from a series of policies, the GDP growth rate landed at a relatively high level of 6.7%. Under this context, the overall capital markets were still recovering in the wake of fluctuations and the major business indicators of the industry showed both upward and downward trends. By the end of June, CSI 300 Index dropped by a total of 15% as compared with the beginning of the year, while the China Bond Composite Index moved upward by a total of 0.4% as compared with the beginning of the year. In the first half of 2016, the daily average trading volume of stock and fund amounted to RMB574.4 billion, representing a substantial decrease as compared to the significant amount recorded in the corresponding period of last year while still being the second highest level so far. As at the end of the period, the total balance of margin financing and securities lending of the market amounted to RMB853.6 billion, representing a decrease of 27% as compared with the beginning of 2016. The total size of financing raised from equity and debt offerings amounted to RMB2.9 trillion, representing a 2.3-fold as compared with the same period of last year.

2016 marks the year of reform and breakthrough in the “second venture” of the Company. Amidst the complex and ever-changing market environment, the Company has acted in line with the planned strategic deployment and devoted proactive endeavors to assessing the market trend. Adhering to the core principle and philosophy of “removal of the marketized layout, conversion cycle management and full-value chain development”, the Company has made vigorous endeavors to promote the market-oriented reform in various business segments in terms of the management system, operational mechanism and business model. On the one hand, the Company has devoted great efforts to tapping into the cutting edges of certain business segments and improving their market position; on the other hand, the Company has maintained calmness in responding to the changes in the market in order to bolster weak spots and narrow the gap. In the first half of 2016, the Company took the lead to establish a series of PPP funds and formed a set of well-developed PPP financial services models under the “new normal” economy, turning these models into an important method to brace itself against industry fluctuation risks and implement the measure of “removal of marketized layout”. The Company has completed the acquisition of the 49% equity interests in ESIL, with the aim to establish an integrated domestic and overseas platform.



SECTION IV REPORT OF THE BOARD

In the process of accelerating the transition and reform, the Company has safeguarded the bottom line of compliance and risk control and established a sound risk compliance management system. No regulatory penalties were imposed on the Company in the first half of 2016 and the Company was rated “Class A Grade AA” in the 2016 regulatory rating. In the first half of 2016, the Company recorded total revenue and other income of RMB6.74 billion, net profit attributable to the parent Company of RMB1.51 billion and return on net assets of 3.8%.

(II) Analysis of the principal businesses

1. Performance of the principal businesses of the Company

Table of the principal businesses of the Group

Unit: RMB'000

Item	Segment income	Segment expenses	Profit margin	Change of income as compared to the same period of last year	Change of expense as compared to the same period of last year	Change of profit margin as compared to the same period of last year
Brokerage and wealth management business	2,102,046	1,250,437	40.51%	(62)%	(47)%	Decreased by 17.05 percentage points
Credit business	1,482,520	813,483	45.13%	(44)%	(57)%	Increased by 17.48 percentage points
Institutional securities services business	906,560	494,598	45.44%	(63)%	(5)%	Decreased by 33.10 percentage points
Investment management business	1,120,113	671,400	40.06%	(12)%	61%	Decreased by 27.08 percentage points
Overseas business	496,791	593,249	(19.42)%	50%	120%	Decreased by 38.15 percentage points



(1) Brokerage and wealth management business

The brokerage and wealth management business includes the securities brokerage business, wealth management business and futures brokerage business. In the first half of 2016, the brokerage and wealth management segment recorded income of RMB2.1 billion, representing a year-on-year decrease of 62%.

Facing with the pressure of both the withering trading volumes and decreased market share, the securities brokerage business embarked on the transition and reform of the retail business, gradually promoting the in-depth approach to management, resources, tasks and responsibilities. Eight branch companies of the Company have adapted to the new management system in a relatively shorter time and have taken an intensive approach in the areas where their operations are located to innovatively carrying out various tasks. In the meantime, since the second quarter of 2016, taking high-net-worth clients as the key breakthrough and adopting competition among different business lines as the momentum, the Company has vigorously optimized the client structure of the brokerage business.

In respect of the wealth management business, a product system that comprises four major categories, namely the currency wealth management, fixed income, equity and alternative investments, has been formulated based on the demand of the clients. A closed-cycle service system for the wealth management for high-net worth clients has been crystallized with integration of value-added services such as insurance and trust services.

The futures brokerage business recorded growth even against the industry-wide drop in profit. In the face of the daunting challenge posed by the market-wide trading restrictions on stock index futures and the sharp decrease in the market trading volumes, Everbright Futures has striven to maintain the margin scale. Everbright Futures has successfully maintained its AA rating and taken the leading position in the industry although the regulatory rating of futures companies has dropped in general.



SECTION IV REPORT OF THE BOARD

(2) Credit business

The credit business segment includes margin financing and securities lending, collateralized stock repurchase transactions and financial leasing. In the first half of 2016, the credit business segment recorded income of RMB1.48 billion, representing a year-on-year decrease of 44%.

Vigorous endeavors have been made to promote conversion cycle management for the credit business to strive for a better market position. As of the end of June 2016, the balance of the margin financing and securities lending of the Company amounted to RMB26.5 billion, representing a market share of 3.1%. The balance of collateralized stock repurchase transactions amounted to RMB22.3 billion, representing a sharp increase of 74% as compared with the beginning of the year and a market share of 2.5%, and the Company's ranking jumped to No. 14 among the PRC securities firms.

The aggregate investments in the financial leasing business amounted to RMB500 million in the first half of 2016 and the balance of investments to be recovered as at the end of the Reporting Period amounted to RMB3.5 billion.

(3) Institutional securities services business

The institutional securities services segment includes investment banking, sales and trading, investment research and proprietary trading businesses. In the first half of 2016, the institutional securities service business recorded income of RMB907 million, representing a year-on-year decrease of 63%.

The Company has steadily promoted macroscopic reform in investment banking in order to optimize the quality control system. In the first half of 2016, the Company underwrote six equity offerings with an aggregate underwritten amount of RMB11.9 billion, ranking the Company No. 13 among the PRC securities firms. During the same period, the Company underwrote debt offerings with an aggregate underwritten amount of RMB78.9 billion, which was close to the aggregate underwritten amount of debt offerings in last year, ranking the Company No. 8 among the PRC securities firms. In particular, the Company underwrote corporate bonds with an aggregate underwritten amount of RMB57.4 billion, representing a market share of 3.7% and ranking the Company No. 5 among the PRC securities firms.



In order to implement its strategic requirement of “conversion cycle management, removal of marketized layout and development of the full business chain” in an in-depth manner, and to promote the integration of industry and finance (a business development model to better serve the real economy), PPP finance has become a cutting edge for the Company’s transition. With the proactive implementation by the Company, three models of PPP financial services have been well established, and are expected to become an important approach of bracing against industrial fluctuation risks and implementation of the strategy of removing marketized layout.

The “core customer” strategy has been implemented for the sales and trading business to seek breakthroughs in mutual funds customers on the basis of the enhanced synergy and interaction with different departments (including the research institute). Meanwhile, proactive efforts have been made to increase the weight of income generated from non-mutual funds customers and to foster its international business. As of the end of June 2016, our market share in mutual fund trading (trading volume of our mutual funds clients among the domestic mutual funds industry) amounted to 3.4%, representing a year-on-year decrease of 12%, and the overall market share (trading volume of our mutual funds clients in the whole A-share market) amounted to 0.13%, representing a year-on-year growth of 8%.

With respect to the proprietary investment, the Company has endeavored to develop the FICC business and expanded channels of derivatives trading. The Company completed the first “gold finance leasing + swaps” transaction, and the applications for business qualifications such as silver leasing, proprietary trading of silver, sale and settlement of foreign exchanges, foreign-currency interbank lending and foreign exchange transactions are in the approval process.

(4) Investment management business

The investment management segment includes asset management, funds management, private equity investment and alternative investment. During the first half of 2016, the investment management business recorded income of RMB1.12 billion, representing a year-on-year decrease of 12%.

The structural optimization strategy of assets management business has achieved initial success. As of the end of June 2016, the asset management subsidiaries’ total AUM amounted to RMB277.8 billion, representing an increase of 18% as compared with the beginning of the year. With the trend of returning to the essence of asset management business of securities firms and proactively developing active asset management, the AUM of active asset management products managed by Everbright Asset Management amounted to RMB98.9 billion, representing an increase of 76% as compared with the end of 2015, accounting for 36% of the total AUM, which was above the average level in the industry. Everbright Asset



SECTION IV REPORT OF THE BOARD

Management has proactively expanded its categories of assets (available to invest) and strengthened product innovation. The innovative business model of Everbright Asset Management represented by ABS business was gradually maturing during exploration. In the first half of 2016, Everbright Asset Management completed four ABS projects with an aggregate issuance amount of over RMB1 billion.

The scale of fund management business continuously expanded. The total AUM of the mutual fund management business at the end of the period amounted to RMB97 billion, representing an increase of 8% as compared with the beginning of the year. In particular, the AUM of Everbright Pramerica Asset Management Co., Ltd., a subsidiary of the Company, amounted to RMB51.4 billion, exceeding 1.5 times of the AUM of its parent company (Everbright Pramerica). The performance of the equity products managed by Everbright Pramerica was outstanding, five products of which obtained the top five star rating among the industry.

Private equity business achieved substantial improvement in respect of fund establishment, project investments and exits. The total amount of the funds managed by the Company exceeded RMB10 billion, and the Company has participated in 32 equity investment projects.

Alternative investments business were actively seeking investment opportunities in convertible bonds, commodity futures, exchange-traded options and over-the-counter options, expanding the scale of fund management and vigorously promoting equity investment and project investment.

(5) Overseas business

During the first half of 2016, the Company successfully acquired 49% equity interests of ESIL, after which ESIL became the wholly-owned subsidiary of the Company. The acquisition has further accelerated the internationalized layout of the Company. The Company has speeded up the development of the Internet financial platform in its overseas business, spared no efforts to integrate the domestic and overseas business, and expanded the markets in North America, Europe and Middle East. During the first half of 2016, ESIL completed two IPO projects and was awarded the IPO Deals Excellence (IPO項目卓越大獎) of “Financial Institutions Awards” in Hong Kong. The market share of brokerage business of SHKFGL in the first half of 2016 reached 0.26%, and the scale of its margin business amounted to HK\$1.9 billion.



(6) Other business

Regarding the Internet finance business, the Company actively expanded the external resources for cooperation, enhanced the capability of Internet service, constantly improved the deepening of service for existing customers and widened the range of customer pool. Everbright Yichuang continuously optimized the application, innovated standardized financial products, explored new financial business offered via the Internet and new model of inclusive financial service to strengthen the customers' loyalty. Everbright Cloud Pay adhered to the strategic position of "Online Everbright Group", commenced the construction of big data platform and internal interaction platform, and steadily advanced the synergic development of online and offline business.

2. Major items of the consolidated statement of profit or loss

(1) Revenue and other income

Unit: RMB'000

Item	January to June 2016		January to June 2015		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee income	3,523,640	52.31%	6,689,576	52.15%	(3,165,936)	(47.33)%
Interest income	2,570,972	38.17%	3,490,288	27.21%	(919,316)	(26.34)%
Net investment gains	379,419	5.63%	2,529,940	19.72%	(2,150,521)	(85.00)%
Other revenue and income	261,648	3.88%	118,350	0.92%	143,298	121.08%
Total revenue and other income	6,735,679	100.00%	12,828,154	100.00%	(6,092,475)	(47.49)%

Total revenue and other income for the first half of 2016 amounted to RMB6.74 billion, representing a year-on-year decrease of 47%. Commission and fee income amounted to RMB3.52 billion, representing a year-on-year decrease of 47%, which was mainly due to a significant drop in stock and fund trading volume in brokerage business, resulting in a decrease in commission income. Interest income amounted to RMB2.57 billion, representing a year-on-year decrease of 26%, which was mainly due to a decrease in interest income generated from margin financing and securities lending. Net investment gains amounted to RMB379 million, representing a year-on-year decrease of 85%, which was mainly due to a decrease in gains from the financial assets the Company has invested.



SECTION IV REPORT OF THE BOARD

(2) Total expenses

Unit: RMB'000

Item	January	January	Increase/decrease	
	to June 2016	to June 2015	Amount	Percentage
Fee and Commission expenses	596,647	1,144,303	(547,656)	(47.86)%
Interest expenses	1,889,295	2,126,493	(237,198)	(11.15)%
Staff costs	1,335,560	1,994,443	(658,883)	(33.04)%
Depreciation and amortization expenses	194,058	218,654	(24,596)	(11.25)%
Operating rental and surcharges	182,631	520,253	(337,622)	(64.90)%
Reversal of/(provision for) impairment losses	19,169	(16,228)	35,397	N/A
Other expenses	625,558	589,985	35,573	6.03%
Total	4,842,918	6,577,903	(1,734,985)	(26.38)%

Total expenses for the first half of 2016 amounted to RMB4.84 billion, representing a year-on-year decrease of 26%. Commission and fee expenses amounted to RMB597 million, representing a year-on-year decrease of 48%, which was mainly due to a decrease in stock and fund trading volume in brokerage business, leading to a decrease in commission and fee income. Interest expenses amounted to RMB1.9 billion, representing a year-on-year decrease of 11%, which was mainly due to a decrease in interest expenses in relation to the repurchase transactions. Staff costs amounted to RMB1.34 billion, representing a year-on-year decrease of 33%, which was mainly due to a decrease in staff costs linked with income and profit.



3. Cash Flows

Operating activities

As of the six months ended June 30, 2016, net cash flows generated from operating activities amounted to RMB13.987 billion while net cash outflow in the same period of last year amounted to RMB23.635 billion. This was mainly due to decrease in margin accounts receivable arising from the decrease in trading activity by the clients.

Investing activities

As of the six months ended June 30, 2016, net cash flows generated from investing activities amounted to RMB86 million while net outflow in the same period of last year amounted to RMB2.775 billion. This was mainly due to the disposal of investments classified as receivables and other investments.

Financing activities

As of the six months ended June 30, 2016, net cash flows generated from financing activities amounted to RMB12.831 billion while net cash flows used by financing activities in the same period of last year amounted to RMB37.492 billion. This was mainly due to the repayment of debt instruments due.

4. Others

(1) Details of material changes in the composition or sources of the Company's profits

During the Reporting Period, there were no material changes in the composition and sources of the Company's profits.



SECTION IV REPORT OF THE BOARD

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

Analysis on principal components of consolidated statement of financial position

Major items of the consolidated statement of financial position of the Group are as follows:

Unit: RMB'000

	June 30, 2016		December 31, 2015		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Non-current assets	22,898,116		20,186,145		2,711,971	13.43%
Property and equipment	866,424	0.50%	879,372	0.45%	(12,948)	(1.47)%
Goodwill	1,440,056	0.83%	1,411,783	0.72%	28,273	2.00%
Other intangible assets	806,124	0.46%	885,817	0.45%	(79,693)	(9.00)%
Interest in associates and joint ventures	1,426,890	0.82%	874,763	0.44%	552,127	63.12%
Held-to-maturity investments	132,328	0.08%	129,531	0.07%	2,797	2.16%
Available-for-sale financial assets	7,865,643	4.53%	7,864,984	3.99%	659	0.01%
Financial assets held under resale agreements	1,357,342	0.78%	1,344,690	0.68%	12,652	0.94%
Refundable deposits	5,203,189	2.99%	3,995,018	2.03%	1,208,171	30.24%
Deferred income tax assets	392,568	0.23%	79,969	0.04%	312,599	390.90%
Finance lease receivables	2,377,805	1.37%	2,450,900	1.24%	(73,095)	(2.98)%
Other non-current assets	1,029,747	0.59%	269,318	0.14%	760,429	282.35%
Current assets	150,835,450		176,886,676		(26,051,226)	(14.73)%
Accounts receivable	2,875,727	1.66%	2,069,298	1.05%	806,429	38.97%
Finance lease receivables	1,018,623	0.59%	1,450,942	0.74%	(432,319)	(29.80)%
Other receivables and prepayments	4,022,282	2.32%	3,692,973	1.87%	329,309	8.92%
Margin accounts receivable	31,476,687	18.12%	43,404,467	22.02%	(11,927,780)	(27.48)%
Available-for-sale financial assets	7,393,830	4.26%	9,777,815	4.96%	(2,383,985)	(24.38)%
Financial assets held under resale agreements	3,690,672	2.12%	5,003,931	2.54%	(1,313,259)	(26.24)%
Financial assets at fair value through profit or loss	21,720,127	12.50%	25,539,897	12.96%	(3,819,770)	(14.96)%
Derivative financial assets	136,401	0.08%	168,519	0.09%	(32,118)	(19.06)%
Clearing settlement funds	1,361,140	0.78%	360,034	0.18%	1,001,106	278.06%
Cash held on behalf of brokerage clients	63,316,567	36.44%	70,327,108	35.69%	(7,010,541)	(9.97)%
Cash and bank balances	13,823,394	7.96%	15,091,692	7.66%	(1,268,298)	(8.40)%
Total assets	173,733,566	100.00%	197,072,821	100.00%	(23,339,255)	(11.84)%

SECTION IV REPORT OF THE BOARD



	June 30, 2016		December 31, 2015		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Current liabilities	111,029,223		130,898,344		(19,869,121)	(15.18)%
Loans and borrowings	4,421,190	3.30%	3,014,161	1.95%	1,407,029	46.68%
Short-term debt instruments issued	871,193	0.65%	2,100,000	1.36%	(1,228,807)	(58.51)%
Placements from other financial institutions	4,632,400	3.46%	500,000	0.32%	4,132,400	826.48%
Financial liabilities at fair value through profit or loss	205,238	0.15%			205,238	NA
Accounts payable to brokerage clients	66,945,084	49.97%	71,102,044	45.98%	(4,156,960)	(5.85)%
Employee benefits payable	1,658,925	1.24%	2,642,761	1.71%	(983,836)	(37.23)%
Other payables and accruals	7,403,687	5.53%	9,347,420	6.04%	(1,943,733)	(20.79)%
Current tax liabilities	468,283	0.35%	1,627,768	1.05%	(1,159,485)	(71.23)%
Financial assets sold under repurchase agreements	13,586,732	10.14%	20,555,441	13.29%	(6,968,709)	(33.90)%
Derivative financial liabilities	349,870	0.26%	1,022,572	0.66%	(672,702)	(65.79)%
Long-term bonds due within one year	10,486,621	7.83%	18,986,177	12.28%	(8,499,556)	(44.77)%
Total assets less current liabilities	62,704,343		66,174,477		(3,470,134)	(5.24)%
Non-current liabilities	22,942,030		23,750,861		(808,831)	(3.41)%
Loans and borrowings	2,140,068	1.60%	2,262,341	1.46%	(122,273)	(5.40)%
Long-term bonds	18,439,816	13.76%	18,853,355	12.19%	(413,539)	(2.19)%
Deferred income tax liabilities	373,361	0.28%	551,184	0.36%	(177,823)	(32.26)%
Financial assets sold under repurchase agreements			230,000	0.15%	(230,000)	(100.00)%
Other non-current liabilities	1,988,785	1.48%	1,853,981	1.20%	134,804	7.27%
Total liabilities	133,971,253	100.00%	154,649,205	100.00%	(20,677,952)	(13.37)%
Total equity	39,762,313		42,423,616		(2,661,303)	(6.27)%

Note: percentage of assets represents the percentage of assets in total assets and percentage of liabilities represents the percentage of liabilities in total liabilities.



SECTION IV REPORT OF THE BOARD

Non-current assets

As of June 30, 2016, the non-current assets of the Company amounted to RMB22.898 billion, representing an increase of 13.43% as compared with that of the beginning of the year, which was mainly due to the increase in the equity interests in associates and joint companies as well as the increase in refundable deposits of the futures business.

Current assets

As of June 30, 2016, the current assets of the Company amounted to RMB150.835 billion, representing a decrease of 14.73% as compared with that of the beginning of the year, which was mainly due to the decrease in cash held on behalf of brokerage clients and margin accounts receivable arising from the decline in client trading activities.

Current liabilities

As of June 30, 2016, the current liabilities of the Company amounted to RMB111.029 billion, representing a decrease of 15.18% as compared with that of the beginning of the year, which was mainly due to the decrease in the financial assets sold under repurchase agreements and the repayment of long-term bonds with a maturity period within one year.

Non-current liabilities

As of June 30, 2016, the non-current liabilities of the Company was RMB22.942 billion, representing a decrease of 3.41% as compared with that of the beginning of the year, which was mainly due to the maturity within one year of certain long-term bonds and repurchase agreements.

(IV) Explanations on change in the scope of consolidation of the statements

During the Reporting Period, the Group added another two subsidiaries into its scope of consolidation, namely China Everbright Securities International Structured Finance Company Limited and Everbright Fortune International Leasing (Tianjin) Co., Ltd.



(V) Analysis on core competitive strengths

1. **Core financial services platform of the Everbright Group, benefitting from synergies within the Group and the “Everbright” brand recognition**

Contributed and established by the State Council, the Company’s controlling shareholder, the Everbright Group, is one of the financial conglomerates directly owned by the MOF and Huijin. It is a *Fortune Global 500* firm in 2015 and is one of the most recognized and influential conglomerates in China. Leveraging the Everbright Group’s brand recognition, extensive platform and enormous resources, the Company has abundant collaboration with subsidiaries of the Everbright Group, realizing significant synergies.

2. **Strong core business platform generating synergies across business lines**

As one of the comprehensive financial service providers with full business licenses, the Company is able to offer a full range of financial products and services to meet the diverse needs of customers. The Company’s business lines include brokerage and wealth management, credit business, institutional securities services, investment management, and overseas business. The Company has achieved balanced growth and high coordination across all its business lines, thereby generating diversified and stable sources of revenue.

3. **Leading integrated onshore and offshore financial services platform**

Expanding the Company’s overseas operations is one of the Company’s major strategies. Following the acquisition of 51% equity interest in ESIL in 2011, the Company acquired 70% equity interest in SHKFGI and the remaining 49% interest in ESIL in 2015 and 2016, respectively. With the inclusion of RMB in the Special Drawing Rights basket, the development of offshore RMB market, the “One Belt One Road” Initiatives and the “Going Global” Strategy, there will be a closer link between the onshore and offshore markets as well as more frequent interactions in financial industry. The Company will make full use of its cross-border platform to capture future development opportunities.



SECTION IV REPORT OF THE BOARD

4. Industry pioneer with strong innovation capabilities

As one of the first three PRC securities firms licensed to engage in innovative business, the Company has been constantly innovating its business models. The Company is the first PRC securities firms to set up a finance leasing company and jointly establish an Internet finance platform with Internet enterprises. Through the business platforms including the comprehensive Internet financial service platform “Fu Chun” (富尊), the securities trading platform “Golden Sunshine” (金陽光) and Everbright Yichuang’s “Lima Wealth Management” (立馬理財), the Company has made every effort to offer more diversified financial services to customers.

5. Prudent risk management and internal control

The Company has established a comprehensive risk management system. By including risk planning in the Company’s strategies, centralizing the risk data, optimizing the risk management policies, techniques and systems and full coverage to its subsidiaries, the Company has formed a strong system on risk prevention. The Company is one of the first securities firms with comprehensive risk management strategy.

6. Experienced management team and high-quality and stable workforce

The senior managers of the Company have an average of over 20 years of management experience in the securities and financial services industry. Some of the Company’s senior managers have extensive working experience in regulatory authorities and have deep knowledge on the current national affairs, the conditions of securities and financial industries, enabling them to keep abreast of the market trend. Meanwhile, the Company has an effective talent system and maintain a high-quality and stable workforce.

(VI) Analysis on investments

1. Overall analysis on external equity investments

During the Reporting Period, the Company had additional long-term equity investment amounting to RMB594 million with investment balance of RMB1,427 million. This was mainly attributable to the additional equity investment by the Company’s subsidiaries, namely Everbright Capital and Everbright Fortune, through direct investment business. For the information about the investment by the Company’s subsidiaries, please refer to the breakdown of long-term equity investment disclosed in Section IX Financial Statements of this report.

SECTION IV REPORT OF THE BOARD



(1) Securities investment

Unit: RMB'000

No.	Type of securities	Stock code	Abbreviated name	Initial investment amount	Number of shares held (share)	Carrying value as at the end of the period	Percentage of total securities investment at the end of the period (%)	Profit and loss during the Reporting Period
1	Designated accounts in China Securities Finance Corporation Limited (CSFC)	–	Designated accounts in CSFC	5,856,800	–	5,117,991	17.20%	–
2	Targeted wealth management	999010	Everbright Asset Management Time Deposit No. 6	2,038,716	1,047,346	2,050,474	6.89%	34,857
3	Targeted wealth management	999015	Everbright Asset Management Pledge No. 5	1,627,503	1,627,503	1,631,246	5.48%	40,382
4	Equities	002085	Wanfeng Auto Wheels	292,262	35,391	608,371	2.04%	39,583
5	Money market funds	360003	Everbright Money Market Fund	516,333	516,333	516,333	1.74%	3,559
6	Money market funds	200103	Great Wall Money Market Fund B	500,000	500,000	500,000	1.68%	66
7	Collective wealth management	865040	Everbright Sunshine Big Dipper Type B	143,423	381,097	422,408	1.42%	–
8	Money market funds	350004	China Nature Tiandeli Money Market Fund	400,000	400,000	400,000	1.34%	47
9	Money market funds	000211	Everbright Xianjinbao B	350,000	350,000	350,000	1.18%	602
10	Money market funds	511820	Penghua Tianli B	300,105	3,001	300,069	1.01%	83
Other securities investment held as at the end of the period				17,564,347	/	17,853,890	60.01%	(32,804)
Profit and loss for securities investment sold during the Reporting Period				/	/	/	/	(303,105)
Total				29,589,489	/	29,750,782	100.00%	(216,730)

Notes:

- The sequence of this table is based on the percentage of the carrying value as of the end of the period to the total securities investment of the Company as of the end of the period.



SECTION IV REPORT OF THE BOARD

2. The securities investment of this table refers to investments including stocks, options, convertible bonds, etc., of which, investment in stocks only shows the accounting portion of financial assets measured at fair value through profit or loss.
3. Other securities investment refers to investment securities other than the top ten securities.
4. Profit or loss during the Reporting Period includes the Company's investment gains and profit or loss of changes in fair value for holding such securities during the Reporting Period.

(2) Shareholding in other A shares listed companies

Unit: RMB'000

Stock code of A shares	Abbreviated name	Initial investment cost	Percentage as of the beginning of the period (%)	Percentage as of the end of the period (%)	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in interests of owners during the Reporting Period	Accounting items	Source of shares
600809	Shanxi Fen Wine	481,668	2.95%	3.12%	599,103	(2,343)	64,491	Available for sale	Purchase from secondary market
600999	China Merchants Securities	671,974	0.52%	0.54%	515,629	(16,124)	(92,887)	Same as above	Same as above
600893	Avic Aviation Engine	542,763	0.51%	0.67%	454,731	(2,278)	(74,951)	Same as above	Same as above
300362	Techcent Environment	200,000	7.32%	5.21%	432,881	-	174,661	Same as above	Same as above
002239	Aotecar	132,500	2.71%	2.71%	414,153	-	(22,161)	Same as above	Direct investment project
603999	DuZhe Media	77,000	4.38%	4.38%	389,718	1,288	(170,762)	Same as above	Same as above
601211	Guotai Junan	274,235	0.26%	0.26%	355,800	9,811	(91,650)	Same as above	Same as above
000568	Luzhou Laojiao	250,385	0.75%	0.71%	297,000	21,647	22,972	Same as above	Purchase from secondary market
300015	Aier Eye	245,587	0.75%	0.79%	292,240	1,922	31,622	Same as above	Same as above
002230	Iflytek	297,739	0.54%	0.67%	284,905	(5,273)	(7,394)	Same as above	Same as above
	Others	2,220,275	/	/	2,175,956	16,788	(314,278)	Same as above	Same as above
	Total	5,394,126	/	/	6,212,116	25,438	(480,337)	N/A	N/A

Notes:

1. This table shows the accounting shareholdings in other listed companies for long-term equity investment and available-for-sale financial assets by the Company.
2. Profit and loss during the Reporting Period refers to the effects on consolidated net profit of the Company during the Reporting Period caused by this investment.

SECTION IV REPORT OF THE BOARD



(3) Equity participation in financial institutions

Unit: RMB'000

Name	Initial Investment	Percentage as of the beginning of the period (%)	Percentage as of the end of the period (%)	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in interests of owners during the Reporting Period	Accounting items	Source of shares
E-Capital Transfer Co., Ltd	25,000	1%	1%	25,000	-	-	Available for sale	Contributed the establishment
China Securities Credit Investment Co., Ltd.	200,000	5%	5%	200,000	-	-	Available for sale	Same as above
Dacheng Fund Management Co., Ltd.	50,000	25%	25%	483,897	13,222	(4,683)	Long-term equity investment	Same as above
Total	275,000	/	/	708,897	13,222	(4,683)	N/A	N/A

Notes:

1. The table presents non-listed financial institutions, including commercial banks, securities firms, insurance companies, trust companies, futures companies and others.
2. Profit and loss during the Reporting Period refers to the effects on consolidated net profit during the Reporting Period caused by this investment.



SECTION IV REPORT OF THE BOARD

2. Use of proceeds

(1) Overall use of proceeds

Unit: RMB0'000

Year	Method	Total proceeds	Total proceeds used during the Reporting Period	Total accumulated proceeds used
2015	Placement	796,853.83	146,853.83	796,853.83

As at the date of the report, the proceeds were fully utilized according to the proposed uses. For details of the use of proceeds from the corporate bonds of the Company, please refer to “Section VIII Relevant Information on Corporate Bonds — III. Use of proceeds raised from issuance of corporate bonds”.

(2) Use of proceeds on committed projects

During the Reporting Period, there was no use of proceeds on committed projects of the Company.

(3) Changes of projects invested with raised proceeds

During the Reporting Period, there was no change of projects invested with raised proceeds.

(4) Others

With respect to changing the use of proceeds, according to the announcement (Lin 2016-005) published by the Company in January 2016, the Board considered and approved the resolution in relation to changing the use of part of the proceeds raised from the non-public offering and proposed such resolution at the first extraordinary general meeting of the Company for approval. Upon the change of use of proceeds, the Company continued to use the proceeds according to the regulatory requirements to ensure the proceeds to be used in the relevant projects.



3. Analysis on principal subsidiaries and controlled companies

- (1) Everbright Futures Co., Ltd., established on April 8, 1993 with a registered capital of RMB1 billion, is a wholly-owned subsidiary of the Company. It is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consultation and asset management business.

As at June 30, 2016, Everbright Futures had 24 branches and one wholly-owned subsidiary with total assets, net assets and net profit amounting to RMB11.158 billion, RMB1.399 billion and RMB111 million, respectively.

- (2) Shanghai Everbright Securities Asset Management Co., Ltd. obtained business license on April 25, 2012 with a registered capital of RMB200 million and it is a wholly-owned subsidiary of the Company. It is principally engaged in securities asset management business.

As at June 30, 2016, Everbright Asset Management had total assets, net assets and net profit amounting to RMB1.485 billion, RMB1.126 billion and RMB142 million, respectively.

- (3) Everbright Capital Investment Co., Ltd., established on November 7, 2008 with a registered capital of RMB2 billion, is a wholly-owned subsidiary of the Company. It is principally engaged in equity investment or debt investment with its own capital or setting up direct investment funds and providing financial advisory services for the clients.

As at June 30, 2016, Everbright Capital had total assets, net assets and net profit amounting to RMB7.755 billion, RMB3.152 billion and RMB28 million, respectively.

- (4) Everbright Fortune Investment Co., Ltd., established on September 26, 2012 with a registered capital of RMB2 billion, is a wholly-owned subsidiary of the Company. It is principally engaged in financial products investment and investment advisory services.

As at June 30, 2016, Everbright Fortune had total assets, net assets and net profit amounting to RMB2.729 billion, RMB2.034 billion and RMB19 million, respectively.

- (5) Everbright Securities Financial Holdings Limited is a company with limited liability incorporated under the laws of Hong Kong on November 19, 2010 with a registered capital of HK\$2 billion. It is a wholly-owned subsidiary of the Company. It is principally engaged in financial services.



SECTION IV REPORT OF THE BOARD

As at June 30, 2016, EBSHK had total assets, net assets and net profit amounting to RMB23.231 billion, RMB139 million and negative RMB97 million, respectively (PRC GAAP, RMB equivalent).

- (6) Everbright Fortune International Leasing Co., Ltd., established in October 2014 with a registered capital of RMB1 billion. Its shareholders are Everbright Capital, EBSHK, Joy Air Company Limited and Jingmen Urban Construction Investment Company Limited and it is indirectly held by the Company as to 85% equity interest. It is principally engaged in financial leasing and leasing business.

As at June 30, 2016, Everbright Leasing had total assets, net assets and net profit amounting to RMB3.921 billion, RMB1.104 billion and RMB11 million, respectively.

- (7) Everbright Pramerica Fund Management Co., Ltd., jointly established by the Company and PGIM, Inc. on April 22, 2004 with a registered capital of RMB160 million, is held by the Company as to 55% equity interest. It is principally engaged in fund raising, fund sales and asset management business.

As at June 30, 2016, Everbright Pramerica had a subsidiary and two branch companies with total assets, net assets and net profit amounting to RMB733 million, RMB631 million and RMB58 million, respectively.

- (8) Everbright Cloud Pay Internet Co., Ltd., established in April 2015 with a registered capital of RMB200 million, is held by the Company as to 40% equity interest. It is principally engaged in financial data processing and analysis, industrial investment and asset management.

As at June 30, 2016, Everbright Cloud Pay had total assets, net assets and net profit amounting to RMB2.43 billion, RMB197 million and RMB4.39 million, respectively.

- (9) Everbright Yichuang Network Technology Co., Ltd., established in September 2015 with a registered capital of RMB100 million, is held by the Company as to 40% equity interest. It is principally engaged in financial data processing, industrial investment and asset management.

As at June 30, 2016, Everbright Yichuang had total assets, net assets and net profit amounting to RMB2.858 billion, RMB100 million and RMB0.29 million, respectively.



- (10) Dacheng Fund Management Co., Ltd., established on April 12, 1999 with a registered capital of RMB200 million and is held by the Company as to 25% equity interest. It is one of the first ten approved fund management companies in the PRC. It is principally engaged in setting up funds and fund management.

As at June 30, 2016, Dacheng Fund had total assets, net assets and net profit amounting to RMB2.623 billion, RMB1.935 billion and RMB71 million, respectively.

4. Projects not to be financed by the proceeds

During the Reporting Period, there was no projects of the Company not to be financed by the proceeds.

II. PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

(I) Implementation or adjustment of profit distribution proposal during the Reporting Period

On March 21, 2016, the 2015 annual general meeting of the Company considered and approved the resolution in relation to the Company's 2015 profit distribution proposal. The Company published the announcements in relation to the implementation of 2015 profit distribution in the China Securities Journal, the Shanghai Securities News, the Securities Times, the Securities Daily and the website of the Shanghai Stock Exchange on May 11, 2016. The record date was May 17, 2016. The ex-entitlement date was May 18, 2016. The date of distribution of cash dividend was May 18, 2016. The Company's 2015 profit distribution proposal has been completed.

(II) Profit distribution proposal and proposal on transfer of capital reserve fund into capital for half year

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2016.



SECTION V SIGNIFICANT EVENTS

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS GENERALLY QUESTIONED BY MEDIA

During the Reporting Period, the Company was not involved in any material litigation and arbitration that involves claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets, which shall be disclosed in accordance with the requirements under the Shanghai Stock Exchange Listing Rules. The Company did not have matters generally questioned by media during the Reporting Period. For the particulars of other litigation of the Company, please refer to "XV. Other Significant Events and Subsequent Events" under this section.

II. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

During the Reporting Period, the Company had no bankruptcy and restructuring related matters.

III. ASSETS TRANSACTIONS AND MERGER

Acquisitions and disposals of assets, and events of mergers of enterprises that have been disclosed in the temporary announcement and there is no further change in subsequent implementation

Overview and type of event

Inquiry index

Acquisition of 49% equity interest in ESIL

Lin 2016-037 and Lin 2016-040

IV. EQUITY INCENTIVES OF THE COMPANY AND ITS EFFECT

During the Reporting Period, the Company did not implement any equity incentives plans.



V. MATERIAL RELATED PARTY TRANSACTION

During the Reporting Period, the Company did not have any material related party transaction with accumulated transaction amount of over RMB30 million and accounting for more than 5% of its latest audited net assets with a certain related party. For the details of the acquisition of 49% equity interest in ESIL from Everbright Limited by EBSHK, a Hong Kong subsidiary of the Company, please refer to “III. Asset Transactions and Merger” and “XV. Other Significant Events and Subsequent Events” under this section. For the details of other related party transactions, please refer to “Section IX Financial Statements — Unaudited financial statements — Note 53. Related Relationship and Transactions”.

In order to comply with the Hong Kong Listing Rules, the Company and the Everbright Group entered into a property leasing framework agreement and a financial products and services framework agreement in August 2016 upon the approval at the general meeting of the Company. For details, please refer to the relevant disclosure set out in the H Shares prospectus published on August 8, 2016 by the Company.

VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trust, contracting and leasing matters

During the Reporting Period, the Company did not have significant trust, contracting and leasing matters.

(II) Guarantees

During the Reporting Period, the Company wrote off the guarantee of HK\$1.5 billion provided to EBSHK, its subsidiary. The remaining balance of the guarantee as at the end of the Reporting Period amounting to RMB5.52 billion (the guarantee amount in foreign currencies had been converted according to the middle rate of RMB exchange rate in the interbank foreign exchange market announced by the People’s Bank of China on June 30, 2016), representing 13.01% of the Company’s latest audited net assets (2015) (during the Reporting Period, the Company provided a comfort letter of liquidity support in relation to a loan in the amount of HK1.2 billion borrowed by EBSHK, a subsidiary of the Company).



SECTION V SIGNIFICANT EVENTS

VII. PERFORMANCE OF UNDERTAKINGS

In preparation for the listing of A Shares of the Company on the Shanghai Stock Exchange, Everbright Group (then known as China Everbright Group Limited) gave a non-competition undertaking in favor of the Company. In preparation for the listing of H Shares of the Company on the Hong Kong Stock Exchange, Everbright Group also gave a non-competition undertaking in favor of the Company. During the Reporting Period, the aforesaid undertakings were performed in an effective manner.

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

The 22nd Meeting of the Fourth Session of the Board held at August 29, 2016 considered and approved the Resolution Regarding the Appointment of External Auditors for 2016. This resolution will be submitted to the 2016 second extraordinary general meeting for consideration and approval.

IX. INVESTIGATION, PUNISHMENT ON AND RECTIFICATION ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WHO HELD MORE THAN 5% OF SHARES, ACTUAL CONTROLLER AND ACQUIRER

During the Reporting Period, there was no investigation, punishment nor restriction on the Company, its directors, supervisors, senior management, shareholders who held more than 5% of the Company's shares, its actual controller and acquirer.

X. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, there was no convertible corporate bonds issued by the Company and its subsidiaries.



XI. CORPORATE GOVERNANCE

The Company strictly complies with the laws, regulations and regulatory documents including the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, Regulations for Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Mandatory Provisions of Articles of Association of Companies Listing Overseas and the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules and established a comprehensive corporate governance system. The Company's corporate governance is in line with the requirements of the Company Law and the relevant provisions of CSRC. The Company has set up the general meeting of shareholders, the Board, the Supervisory Committee, Board committees and senior management. The general meeting of shareholders, the Board, the Supervisory Committee and the management properly perform their respective duties and responsibilities and act with due diligence, which ensures the standard operation of the Company.

The Company has adopted the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules. Since the H Shares of the Company were not listed on the Hong Kong Stock Exchange as at June 30, 2016, the Corporate Governance Code was not applicable to the Company during the Reporting Period. Since the listing of the H Shares of the Company on the Hong Kong Stock Exchange on August 18, 2016, the Company has complied with all applicable provisions under the Corporate Governance Code.

The Board of Directors will examine the corporate governance and operation of the Company from time to time to ensure the Company comply with the relevant requirements of the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules and protect the interests of shareholders.

During the Reporting Period, the Company convened two general meetings of shareholders, five Board meetings, three meetings of the Supervisory Committee, one meeting of the Remuneration, Nomination and Credentials Committee, one meeting of the Strategies and Development Committee, two meetings of the Audit Committee, and four meetings of the Risk Management Committee.



SECTION V SIGNIFICANT EVENTS

XII. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct of the Company regarding securities transactions by the Directors, supervisors and relevant employees (as defined in The Corporate Governance Code).

Since the H Shares of the Company were not listed on the Hong Kong Stock Exchange as at June 30, 2016, the Model Code was not applicable to the Company during the Reporting Period. The Company, having made specific enquiries to all Directors and supervisors, confirmed that they had been in compliance with the requirements of the Model Code during the period from the date on which the Company’s H Shares were listed on the Hong Kong Stock Exchange to the date of this report.

XIII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) **Analysis and explanation of causes and effects of changes in terms of accounting policies, accounting estimates or accounting methods of the Board**

During the Reporting Period, there was no changes in accounting policies, accounting estimates or accounting methods of the Company.

(II) **Analysis and explanation of the causes and effects of important corrections of previous errors by the Board**

During the Reporting Period, there was no matter in relation to corrections of significant errors in the previous period of the Company.

XIV. REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Board has reviewed and confirmed the Company’s Report on Review of Consolidated Financial Statements which is disclosed in accordance with the International Accounting Standards for the six months ended June 30, 2016, and has no objection against matters including the accounting policies and practices adopted by the Company.



XV. OTHER SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

During the Reporting Period, the Company continued to proceed with the issuance of overseas-listed foreign shares (H Shares) by way of an initial public offering and the listing of shares on the main board of Hong Kong Stock Exchange. On July 11, 2016, pursuant to the “Approval on the Issuance of Overseas Listed Foreign Shares of Everbright Securities Company Limited” (Zheng Jian Xu Ke [2016] No. 1547), the Company was permitted to issue not more than 780 million overseas listed foreign shares. On July 28, 2016, the Listing Committee of the Hong Kong Stock Exchange conducted a listing hearing on this listing application of the Company. On August 8, 2016, the Company published and distributed the H Share prospectus. The total number of H Shares offered under the Global Offering of the Company was 680,000,000 (prior to the exercise of the over-allotment option) and the issue price was HK\$12.68 per share. The joint representatives (on behalf of the international underwriters) may request the Company to issue up to an aggregate of not more than 100,000,000 additional H Shares by exercising the over-allotment option within 30 days from the last day for lodging of application under the Hong Kong public offering (being August 11, 2016). On August 18, 2016, the H Shares of the Company were listed and traded on the Hong Kong Stock Exchange under the stock code of 06178 (for details, please refer to the announcements No. 2016-038, 042, 044, 045, 047, 048, 049 published by the Company on the Shanghai Stock Exchange. For further information, please refer to the H Share prospectus of the Company dated August 8, 2016).

On June 15, 2016, the 20th Meeting of the fourth Session of the Board of Directors of the Company considered and approved that EBSHK entered into a share purchase agreement with Action Globe Limited, a wholly-owned subsidiary of Everbright Limited for the acquisition of its 49% shareholding in ESIL at a consideration of HK\$930 million. Before the completion of the transaction, 51% equity interest in ESIL was held by EBSHK. Upon completion of the acquisition on June 29, 2016, 100% of equity interest in ESIL was held by EBSHK. (For details, please refer to the announcements No. 2016-037, 040 of the Company published on the Shanghai Stock Exchange).

Pursuant to the “Reply Letter Regarding the Approval for Establishment of 57 Branches by Everbright Securities Company Limited” (Hu Zheng Jian Xu Ke [2016] No. 35) issued by the CSRC Shanghai Bureau, the Company was permitted to set up 57 branches and representative offices, of which 5 are branch companies and 52 are securities brokerage branches.



SECTION V SIGNIFICANT EVENTS

As at August 26, 2016, 502 investors brought civil actions arising from the 816 Event against the Company, claiming for compensation from the Company for their losses, among which the Shanghai No. 2 Intermediate People's Court delivered the first instance judgement of 499 cases: it dismissed 95 claims, permitted the withdrawal of 50 claims and ordered the Company to pay an aggregate of approximately RMB41.13 million in respect of 354 claims. The Company appealed against 75 of these payment orders to the Shanghai Higher People's Court. The Shanghai Higher People's Court had dismissed 5 of the appeals and the Company had applied to withdraw the remaining appeals and intends to comply with all of the court orders. The remaining 3 outstanding claims involved an amount of approximately RMB0.3 million.

In January 2016, the People's Procuratorate of Huining County, Gansu Province, issued a case filing notification to the Company that it would begin investigations into suspected corporate bribery offenses involving the Company's Urumqi securities brokerage branch. As of the date of this report, the investigation was still ongoing.

On January 26, 2016, the Company received a notice of appearance issued by the People's Court of Jing'an District of Shanghai, pursuant to which a margin financing and securities lending client filed a claim against the Company for RMB39.39 million and costs. The plaintiff alleged that the Company breached the agreement not to liquidate his margin account which caused loss to him. The court heard the case on June 6, 2016 and August 26, 2016. As of the date of this report, the court had yet to deliver the judgment.

On March 30, 2016, due to the default by Qiqihar Beixing Special Steel Co., Ltd (齊齊哈爾北興特殊鋼有限責任公司), Dongbei Special Steel Group Beiman Steel Co., Ltd. (東北特鋼集團北滿特殊鋼有限責任公司), Dongbei Special Steel Group Co., Ltd. (東北特殊鋼集團有限責任公司) and Dongbei Special Steel Group Dalian Steel Co.,Ltd. (東北特鋼集團大連特殊鋼有限責任公司) in respect of the relevant financial leasing contract with Everbright Leasing. Everbright Leasing filed an action in the Higher People's court of Shanghai and applied for property preservation. The litigation involved a total claim amount of RMB500,222,330.75. The Higher People's court of Shanghai had accepted the case and adopted property preservation measures, including alternate seizures on the entire equity interest in Fushun Special Steel Co., Ltd. (撫順特殊鋼股份有限公司) held by Dongbei Special Steel Group. On July 21, 2016, the Higher People's Court of Shanghai conducted the first hearing. In the trial, Everbright Leasing claimed for additional legal fees and insurance premium paid in advance and increased the total claim to RMB500,471,208.29 insurance. On August 10, 2016, the Higher People's Court of Shanghai conducted the second hearing. Upon the closing of trial, no ruling was made by the court.

SECTION V SIGNIFICANT EVENTS



On February 4, 2015, Everbright Futures filed an action in the Shanghai No. 1 Intermediate People's Court against Dajiao Niu (大角牛) and Xinhua Xin (欣華欣), the customers of Everbright Futures, claiming that: (1) Xinhua Xin (as the defendant) shall compensate the margin calls of approximately RMB41.90 million and pay the corresponding interest incurred to Everbright Futures; (2) Dajiao Niu (as the defendant) shall be jointly liable for the payment obligation of Xinhua Xin. The Shanghai No. 1 Intermediate People's Court had accepted the case and a hearing was conducted on July 2, 2015. On March 4, 2016, Everbright Futures received the first instance judgment which supported Everbright Futures's first claim as mentioned above. On April 8, 2016, Everbright Futures received the notice of appeal served by the Shanghai No. 1 Intermediate People's Court, pursuant to which Xinhua Xin filed an appeal regarding the first instance judgment. The Higher People's Court of Shanghai heard the case on May 19, 2016. As of the date of this report, the relevant court had yet to deliver a judgment of second instance.

On June 7, 2016, the Shanghai No. 2 Intermediate People's Court issued a notice of appearance to Everbright Asset Management, pursuant to which Xiamen International Bank Co., Ltd. Shanghai Branch filed a claim against Everbright Asset Management in respect of a contractual dispute on asset management services. The plaintiff alleged that Everbright Asset Management breached its fiduciary duty of care in managing the entrusted assets. Therefore, the plaintiff requested Everbright Asset Management to return the principal of RMB150 million invested and expected investment return of RMB9.30 million. In addition, the plaintiff also requested a third party bank which provided guarantee to it to be jointly and severally liable for the claimed amount. On July 8, 2016, Everbright Asset Management filed a counterclaim against the plaintiff and also requested the plaintiff to take back the entrusted assets in accordance with the contract and compensate Everbright Asset Management for its losses and legal costs. As of the date of this report, the case had not gone to trial.



SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

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

2. Effect of changes in shares on financial indicators such as earnings per share and net assets per share, if any, for the period from the end of the Reporting Period to the date of publication of the interim report

On August 18, 2016, the Company's overseas listed foreign shares (H Shares) amounting to 680,000,000 shares (prior to the exercise of the over-allotment option) were listed and commenced trading on Hong Kong Stock Exchange through the initial public offering. The following table shows the changes in the share capital of the Company:

Unit: shares

	Before the change		Changes New issuance	After the change	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares with selling restrictions	488,698,839	12.51%		488,698,839	10.65%
II. Shares without selling restriction	3,418,000,000	87.49%	680,000,000	4,098,000,000	89.35%
1. A Shares	3,418,000,000	87.49%		3,418,000,000	74.52%
2. H Shares			680,000,000	680,000,000	14.83%
III. Total number of shares	3,906,698,839	100%	680,000,000	4,586,698,839	100%

Note: The expected listing and trading date of the shares with selling restriction of 488,698,839 shares issued by the Company in the previous non-public offering will be September 1, 2016.

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS



Upon the completion of issuance of H Shares by the Company, its total amount of share capital, total assets and net assets will increase. There will be dilutive effect in the basic earnings per share and diluted earnings per share for the first half of 2016. Net assets per share attributable to ordinary shareholders of the Company will increase.

(II) Changes in shares with selling restrictions

During the Reporting Period there were no changes in the shares with selling restrictions of the Company.

II. PARTICULARS ABOUT SHAREHOLDERS

As of the end of the Reporting Period, the Company had not issued H Shares. The total number of A shareholders of the Company was 104,069. Shareholdings of the top ten A shareholders are as follows:

Top ten A shareholders:

Unit: shares

Name of shareholders (Full name)	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares with selling restrictions	Pledged or frozen shares Status	Nature of shareholders
China Everbright Group Corporation Limited	0	1,159,456,183	29.68	0	Nil	State-owned legal person
China Everbright Limited	0	1,139,250,000	29.16	0	Nil	Foreign legal person
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	0	152,718,387	3.91	152,718,387	Nil	Others
China Securities Finance Corporation Limited	10,996,587	74,762,817	1.91	0	Nil	Others
New China Fund – Minsheng Bank – Everbright Securities Private Placement No. 1 Asset Management Plan	0	61,087,354	1.56	61,087,354	Nil	Others
Harvest Capital – Everbright Bank – Harvest Capital Everbright Securities Private Placement No. 2 Asset Management Plan	0	54,978,619	1.41	54,978,619	Nil	Others
Lion Fund – ICBC – Shen Liping	0	54,978,619	1.41	54,978,619	Nil	Others
China Great Wall Asset Management Corporation	0	54,978,619	1.41	54,978,619	Nil	Others
Central Huijin Asset Management Ltd.	0	37,568,900	0.96	0	Nil	Others
Caitong Fund – Minsheng Bank – Caitong Fund – Shuguang No. 69 Asset Management Plan	0	21,991,448	0.56	21,991,448	Nil	Others



SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

Top ten A shareholders not subject to selling restrictions:

Unit: shares

<u>Name of shareholders</u>	<u>Number of tradable shares held not subject to selling restrictions</u>	<u>Type</u>
China Everbright Group Corporation Limited	1,159,456,183	RMB ordinary shares
China Everbright Limited	1,139,250,000	RMB ordinary shares
China Securities Finance Corporation Limited	74,762,817	RMB ordinary shares
Central Huijin Asset Management Ltd.	37,568,900	RMB ordinary shares
Dazhong Car Leasing Co., Ltd.	13,064,614	RMB ordinary shares
Bank of China Limited – CMS CSI Securities Company Index Structured Securities Investment Fund	11,875,631	RMB ordinary shares
Industrial and Commercial Bank of China Limited – SWS MU CSI SW Securities Industry Index Structured Securities Investment Fund	10,494,266	RMB ordinary shares
Beijing Fengshan Investment Company Limited	10,170,640	RMB ordinary shares
Beijing Kunteng Investment Company Limited	9,534,975	RMB ordinary shares
Huaxin Trust Co., Ltd.	9,289,260	RMB ordinary shares

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS



Top ten A shareholders with selling restrictions:

Unit: shares

Name of shareholder with selling restrictions	Number of shares with selling restrictions	Date of listing for trading	Relevant Selling Restrictions
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	152,718,387	September 1, 2016	Selling restrictions for 12 months
New China Fund – Minsheng Bank – Everbright Securities Private Placement No. 1 Asset Management Plan	61,087,354	September 1, 2016	Selling restrictions for 12 months
Lion Fund – ICBC – Shen Liping	54,978,619	September 1, 2016	Selling restrictions for 12 months
China Great Wall Asset Management Corporation	54,978,619	September 1, 2016	Selling restrictions for 12 months
Harvest Capital – Everbright Bank – Harvest Capital Everbright Securities Private Placement No. 2 Asset Management Plan	54,978,619	September 1, 2016	Selling restrictions for 12 months
Caitong Fund – Minsheng Bank – Caitong Fund – Shuguang No. 69 Asset Management Plan	21,991,448	September 1, 2016	Selling restrictions for 12 months
Anhui Expressway Construction Investment Fund Co., Ltd.	18,821,017	September 1, 2016	Selling restrictions for 12 months
Caitong Fund – Minsheng Bank – Caitong Fund – Shuguang No. 77 Asset Management Plan	10,568,112	September 1, 2016	Selling restrictions for 12 months
Caitong Fund – Minsheng Bank – Caitong Fund – Shuguang No. 70 Asset Management Plan	5,491,753	September 1, 2016	Selling restrictions for 12 months
Caitong Fund – Ningbo Bank – Fuchunjiaxiu No. 1 Asset Management Plan	4,886,988	September 1, 2016	Selling restrictions for 12 months
China Everbright Bank Co., Ltd – Caitongduo Strategic Selected Mixed Type Securities Investment Fund	4,886,988	September 1, 2016	Selling restrictions for 12 months

Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd., which holds 55.67% equity interests in China Everbright Group Corporation Limited. China Everbright Limited is a controlled subsidiary of China Everbright Holdings Co., Ltd., a wholly-owned subsidiary of China Everbright Group Corporation Limited.

Save for the above, the Company is unaware of whether the above shareholders are connected to each other or are parties acting in concert.



SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

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

As the Company was not listed on the Hong Kong Stock Exchange as at June 30, 2016, none of the interests and short positions in shares, underlying shares or debentures of the Company were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO during the six months ended June 30, 2016.

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

As the Company was not listed on the Hong Kong Stock Exchange as of June 30, 2016, the provisions of Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the directors, supervisors or chief executive of the Company during the six months ended June 30, 2016.

As of the date of this report, according to the information obtained by the Company and so far as the directors are aware, none of the directors, supervisors or chief executives of the Company had any interest and short positions in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall 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 and short positions which are taken or deemed to be held 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 which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

V. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

Save as disclosed in this report, during the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any above securities of the Company or its subsidiaries.



I. CHANGES IN SHAREHOLDING

(I) Changes in Shareholding of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

The directors, supervisors and senior management of the Company did not hold any shares of the Company. During the Reporting Period, there were no changes in the shareholding.

(II) Equity Incentives Granted to Directors, Supervisors and Senior Management during the Reporting Period

During the Reporting Period, the directors, supervisors and senior management of the Company were not granted any equity incentives by the Company.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Particulars of changes	Reasons for changes
Nie Ting Ming	Supervisor	Appointment	Mr. Nie Ting Ming has been elected as a supervisor of the fourth session of the Supervisory Committee at the 2015 fifth extraordinary general meeting of the Company. Pursuant to the Reply in Relation to the Approval of the Qualification of Mr. Nie Ting Ming Serving as a Supervisor of a Securities Company (Hu Zhengjiang Xuke [2016] No. 20), Mr. Nie Ting Ming's appointment became effective from February 2, 2016.
Chen Hong	Senior management	Resignation	On April 19, 2016, Mr. Chen Hong resigned as the Chief Marketing Officer of the Company.
Xu Lifeng	Senior management	Resignation	On April 22, 2016, Ms. Xu Lifeng resigned as the chief officer of investment banking business of the Company.
Au Sing Kun	Independent non-executive director	Appointment	Mr. Au Sing Kun has been elected as an independent Director of the fourth session of the Board at the 2016 first extraordinary general meeting of the Company, and has obtained the qualification to serve as an independent director of a securities firm. Mr. Au's appointment became effective from August 18, 2016.



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the Board comprised the following 12 Directors:

Mr. Tang Shuangning (Non-executive Director)
Mr. Gao Yunlong (Non-executive Director)
Mr. Guo Xinshuang (Chairman, Non-executive Director)
Mr. Xue Feng (Vice Chairman, Executive Director, President)
Mr. Yin Lianchen (Non-executive Director)
Mr. Chan Ming Kin (Non-executive Director)
Mr. Yang Guoping (Non-executive Director)
Mr. Zhu Ning (Independent Non-executive Director)
Mr. Xu Jingchang (Independent Non-executive Director)
Mr. Xiong Yan (Independent Non-executive Director)
Mr. Li Zheping (Independent Non-executive Director)
Mr. Au Sing Kun (Independent Non-executive Director)

III. EMPLOYEES AND REMUNERATION POLICY

As at the end of the Reporting Period, the Company had 7,447 employees. The Company has implemented a remuneration system based on MD job level system and marketized incentive mechanism. The Company stringently complies with national and local laws and regulations to provide employees with basic statutory benefits such as pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing provident funds and paid leave. The Company has established a classified, systematic and normalized training system through the combination of on-site, video, the Internet and mobile.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS



I. OVERVIEW OF CORPORATE BONDS

Unit: RMB'00 million

Bond name	Abbreviation	Code	Issuing date	Date of expiry	Balance of bonds	Interest rate	Principal and interest payment method	Places of transaction
2014 Subordinated Bonds of Everbright Securities Company Limited	14 EVERBRIGHT 01	123375	2014/6/11	2016/6/11	–	5.99%	Payment of interest on a yearly basis	Exchange
1502 EBS Subordinated Bonds	15 EVERBRIGHT 02	123260	2015/1/29	2017/7/29	–	5.30%	Payment of interest on a yearly basis	Exchange
1501 EBS Subordinated Bonds	15 EVERBRIGHT 01	123259	2015/1/29	2018/1/29	40	5.85%	Payment of interest on a yearly basis	Exchange
1503 EBS Subordinated Bonds	15 EVERBRIGHT 03	123216	2015/3/30	2017/3/30	–	5.40%	Payment of interest on a yearly basis	Exchange
1504 EBS Subordinated Bonds	15 EVERBRIGHT 04	123085	2015/4/27	2020/4/27	60	5.70%	Payment of interest on a yearly basis	Exchange
1505 EBS Subordinated Bonds	15 EVERBRIGHT 05	123070	2015/5/26	2017/5/26	–	4.80%	Payment of interest on a yearly basis	Exchange
1506 EBS Subordinated Bonds	15 EVERBRIGHT 06	123071	2015/5/26	2018/5/26	60	5.30%	Payment of interest on a yearly basis	Exchange
1601 EBS Non-public Offering Corporate Bonds (Type I)	16 EVERBRIGHT SECURITIES 01	135434	2016/4/27	2017/10/27	15	3.45%	Payment of interest on a yearly basis	Exchange
1602 EBS Non-public Offering Corporate Bonds (Type II)	16 EVERBRIGHT SECURITIES 02	135435	2016/4/27	2018/10/27	25	3.66%	Payment of interest on a yearly basis	Exchange
1603 EBS Non-public Offering Corporate Bonds (Type I)	16 EVERBRIGHT SECURITIES 03	135493	2016/5/26	2017/11/26	30	3.35%	Payment of interest on a yearly basis	Exchange
1604 EBS Non-public Offering Corporate Bonds (Type II)	16 EVERBRIGHT SECURITIES 04	135494	2016/5/26	2018/11/26	30	3.59%	Payment of interest on a yearly basis	Exchange

An overseas subsidiary of the Company issued overseas bonds of US\$450 million in August 2015. Please refer to Announcement No. 2015-062 published by the Company on the Shanghai Stock Exchange for details.



SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

II. CONTACT PERSONS AND METHODS OF BONDS TRUSTEE MANAGER, CONTACT METHODS OF CREDIT RATING AGENCY

Bond name	Name	Bond trustee manager		
		Office address	Contact person	Contact number
15 EVERBRIGHT 01		Nil		
15 EVERBRIGHT 04	China Merchants Securities Co. Ltd.	Floor 38-45, Tower A, Jiangsu Building, Yitian Road, Futian District, Shenzhen	Luo Li	0755-82944669
15 EVERBRIGHT 06	Industrial Securities Co., Ltd.	No. 268, Hudong Road, Fuzhou	Fang Renbin	021-38565891
16 EVERBRIGHT SECURITIES 01				
16 EVERBRIGHT SECURITIES 02				
16 EVERBRIGHT SECURITIES 03				
16 EVERBRIGHT SECURITIES 04				
Credit Rating Agency		Office address		
China Cheng Xin International Credit Rating Co. Ltd.		Floor 8, Tower D, Zhaoshang International Financial Center, No. 156, Fuxingmennei Avenue, Xicheng District, Beijing		

III. USE OF PROCEEDS RAISED FROM ISSUANCE OF CORPORATE BONDS

The proceeds raised from the issuance of subordinated bonds and corporate bonds by the Company, after deducting issuance expenses and other related expenses, were all used in the replenishment of working capital and net capital of the Company to meet the medium and long-term business needs. The capital was mainly used to invest in the margin financing and securities lending, collateralized stock repurchase transactions and other innovative business.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS



IV. INFORMATION ON CORPORATE BONDS CREDIT RATING AGENCY

China Cheng Xin International Credit Rating Co. Ltd. (“China Cheng Xin International”) was engaged by the Company to conduct credit rating on 14 EVERBRIGHT 01, 15 EVERBRIGHT 01, 15 EVERBRIGHT 02, 15 EVERBRIGHT 03, 15 EVERBRIGHT 04, 15 EVERBRIGHT 05 and 15 EVERBRIGHT 06. Pursuant to the credit rating report issued by China Cheng Xin International for the above bonds, China Cheng Xin International will conduct follow-up rating for the above bonds during the period of existence of the bonds and disclose such information on the website of China Cheng Xin International for the attention of investors.

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHERS DURING THE REPORTING PERIOD

The Company will perform its obligations in annual interest payment and principal repayment with interest upon expiry of each term of subordinated bonds and corporate bonds in a timely manner. The Company enjoys good solvency. The Company’s funds for debt repayment will be financed by accumulated profits generated from the ordinary course of business and cash flows generated from the Company’s operating activities. The Company’s income scale and accumulated profits largely ensures the capability of the Company of repaying the principal amount and the corresponding interest on time.

VI. MEETING OF CORPORATE BONDHOLDERS

During the Reporting Period, no meeting of corporate bondholders was convened.

VII. PERFORMANCE OF TRUSTEE MANAGER OF CORPORATE BONDS

Industrial Securities Co., Ltd. was engaged as the bond trustee manager of 15 EVERBRIGHT 06, 16 EVERBRIGHT SECURITIES 01, 16 EVERBRIGHT SECURITIES 02, 16 EVERBRIGHT SECURITIES 03 and 16 EVERBRIGHT SECURITIES 04. China Merchants Securities Co. Ltd. was engaged as the bond trustee manager of 15 EVERBRIGHT 04. The Company entered into the relevant bond trustee management agreements with the above bond trustee managers. During the Reporting Period, the bond trustee managers performed their duties according to the bonds trustee management agreements. According to the bonds trustee management agreements, the bonds trustee management reports for 15 EVERBRIGHT 04 and 15 EVERBRIGHT 06 in 2015 were disclosed by June 30, 2016 for the attention of investors, and the bonds trustee management reports for 16 EVERBRIGHT SECURITIES 01, 16 EVERBRIGHT SECURITIES 02, 16 EVERBRIGHT SECURITIES 03 and 16 EVERBRIGHT SECURITIES 04 in 2016 are expected to be disclosed by June 30, 2017 for the attention of investors.



SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND END OF LAST YEAR (OR DURING THE REPORTING PERIOD AND THE SAME PERIOD OF LAST YEAR)

Major indicator	June 30, 2016	December 31, 2015	Increase/ decrease (%)	Reason of change
Current ratio	2.57	2.72	(5.51)%	N/A
Quick ratio	1.25	1.23	1.63%	N/A
Gearing ratio	62.79%	66.34%	(3.55)%	N/A
	January to June 2016	January to June 2015	Increase/ decrease (%)	Reason of change
EBITDA interest coverage ratio	3.18	7.10	(55.21)%	N/A
Interest coverage	221.83%	40.12%	181.71%	Increase in interest expense in cash

Note: the above financial indicators were calculated based on the PRC GAAP.

IX. ASSETS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD

The Company has sufficient capital, liquid assets, strong cashability and quality assets. It also has provision for impairment according to the applicable accounting standards on a prudent basis. As at June 30, 2016, the Company had total assets of RMB173.734 billion, net assets attributable to parent company of RMB38.412 billion, gearing ratio of 62.79% and EBITDA interest coverage ratio of 3.18, indicating its strong ability in repaying loans and there was no risk of default in relation to debt repayment.



X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the Reporting Period, the Company's other debt financing instruments included debt income right transfer of financing business, debt income right transfer of collateralized stock repurchase, structured notes, margin refinancing from CSFC, inter-bank borrowing and gold leasing. The principle and interest of the financing instruments were all paid in a timely manner.

XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the Company obtained banking facilities from 38 banks with an aggregated amount of RMB163 billion, representing an increase of RMB16.4 billion as compared to the end of last year.

XII. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT IN THE BOND OFFERING CIRCULARS OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, was no agreement or commitment in the bond offering circulars of the Company.

XIII. SIGNIFICANT EVENTS OF THE COMPANY AND THE EFFECT OF SUCH SIGNIFICANT EVENTS ON THE COMPANY'S OPERATION AND SOLVENCY

There were no significant events that had impact on the Company's operation and solvency during the Reporting Period.



SECTION IX FINANCIAL REPORT

I. REVIEW REPORT

The Interim Financial Report for the six months ended June 30, 2016 of the Company prepared in accordance with the International Accounting Standards has not been audited but reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410 and the review report is enclosed hereinafter.

II. FINANCIAL STATEMENTS AND NOTES (ENCLOSED HEREINAFTER)



To the board of directors of Everbright Securities Company Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial report set out on page 59 to 164, which comprises the consolidated statement of financial position of Everbright Securities Company Limited (光大證券股份有限公司) (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2016 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended, and explanatory notes (the "interim financial report"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial report 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 are responsible for the preparation and presentation of the interim financial report in accordance with IAS 34, issued by the International Accounting Standards Board. Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 Hong Kong 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.



REVIEW REPORT

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34.

KPMG

Certified Public Accountants

8th Floor
Prince's Building
10 Chater Road Central
Hong Kong

Date: 29 August 2016

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (Unaudited)	2016 (Unaudited)
Revenue			
Fee and commission income	5	6,689,576	3,523,640
Interest income	6	3,490,288	2,570,972
Net investment gains	7	2,529,940	379,419
Total revenue		12,709,804	6,474,031
Other income and gains	8	118,350	261,648
Total revenue and other income		12,828,154	6,735,679
Fee and commission expenses	9	(1,144,303)	(596,647)
Interest expenses	10	(2,126,493)	(1,889,295)
Staff costs	11	(1,994,443)	(1,335,560)
Depreciation and amortisation expenses	12	(218,654)	(194,058)
Business tax and surcharges		(520,253)	(182,631)
Other operating expenses	13	(589,985)	(625,558)
Reversal of/(provision) for impairment losses	14	16,228	(19,169)
Total expenses		(6,577,903)	(4,842,918)
Operating profit		6,250,251	1,892,761
Share of profit of associates and joint ventures		52,125	20,259
Profit before income tax		6,302,376	1,913,020
Income tax expense	15	(1,346,187)	(381,455)
Profit for the period		4,956,189	1,531,565
Attributable to:			
Shareholders of the Company		4,878,026	1,514,708
Non-controlling interests		78,163	16,857
Total		4,956,189	1,531,565
Basic and diluted earnings per share (in Renminbi per share)	16	1.4272	0.3877

The accompanying notes form part of this interim financial report.



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	Six months ended 30 June	
		2015 (Unaudited)	2016 (Unaudited)
Profit for the period		4,956,189	1,531,565
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Net change in fair value		1,393,572	(1,216,237)
– Reclassified to profit or loss		(407,305)	(22,072)
Share of other comprehensive income of associates		12,113	(4,683)
Exchange differences on translation of financial statements in foreign currencies		(7,487)	10,191
Income tax impact		(246,567)	309,491
Total other comprehensive income for the period, net of tax	25(d)	744,326	(923,310)
Total comprehensive income for the period		5,700,515	608,255
Attributable to:			
Shareholders of the Company		5,617,401	560,939
Non-controlling interests		83,114	47,316
Total		5,700,515	608,255

The accompanying notes form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Non-current assets			
Property and equipment	17	879,372	866,424
Goodwill	18	1,411,783	1,440,056
Other intangible assets	19	885,817	806,124
Interest in associates and joint ventures	20	874,763	1,426,890
Held-to-maturity investments	21	129,531	132,328
Available-for-sale financial assets	22	7,864,984	7,865,643
Financial assets held under resale agreements	23	1,344,690	1,357,342
Refundable deposits	24	3,995,018	5,203,189
Deferred tax assets	25(c)	79,969	392,568
Finance lease receivables	26	2,450,900	2,377,805
Other non-current assets	27	269,318	1,029,747
Total non-current assets		20,186,145	22,898,116
Current assets			
Accounts receivable	28	2,069,298	2,875,727
Finance lease receivables	26	1,450,942	1,018,623
Other receivables and prepayments	29	3,692,973	4,022,282
Margin accounts receivable	30	43,404,467	31,476,687
Available-for-sale financial assets	22	9,777,815	7,393,830
Financial assets held under resale agreements	23	5,003,931	3,690,672
Financial assets at fair value through profit or loss	31	25,539,897	21,720,127
Derivative financial assets	32	168,519	136,401
Clearing settlement funds	33	360,034	1,361,140
Cash held on behalf of brokerage clients	34	70,327,108	63,316,567
Cash and bank balances	35	15,091,692	13,823,394
Total current assets		176,886,676	150,835,450
Total assets		197,072,821	173,733,566

The accompanying notes form part of this interim financial report.



UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Current liabilities			
Loans and borrowings	37	3,014,161	4,421,190
Short-term debt instruments issued	38	2,100,000	871,193
Placements from other financial institutions	39	500,000	4,632,400
Financial liabilities at fair value through profit or loss	40	–	205,238
Accounts payable to brokerage clients	41	71,102,044	66,945,084
Employee benefits payable	42	2,642,761	1,658,925
Other payables and accruals	43	9,347,420	7,403,687
Current tax liabilities	25(a)	1,627,768	468,283
Financial assets sold under repurchase agreements	44	20,555,441	13,586,732
Derivative financial liabilities	32	1,022,572	349,870
Long-term bonds due within one year	45	18,986,177	10,486,621
Total current liabilities		130,898,344	111,029,223
Net current assets		45,988,332	40,149,805
Total assets less current liabilities		66,174,477	62,704,343
Non-current liabilities			
Loans and borrowings	37	2,262,341	2,140,068
Long-term bonds	45	18,853,355	18,439,816
Deferred tax liabilities	25(c)	551,184	373,361
Financial assets sold under repurchase agreements	44	230,000	–
Other non-current liabilities	46	1,853,981	1,988,785
Total non-current liabilities		23,750,861	22,942,030
Net assets		42,423,616	39,762,313

The accompanying notes form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Equity			
Share capital	47	3,906,699	3,906,699
Reserves		25,760,459	24,526,355
Retained profits	48	10,815,441	9,979,433
<hr/>			
Total equity attributable to shareholders of the Company		40,482,599	38,412,487
Non-controlling interests		1,941,017	1,349,826
<hr/>			
Total equity		42,423,616	39,762,313

Approved and authorised for issue on 29 August 2016.

Xue Feng
*Vice chairman of the Board,
Executive Director and President*

Xu Jingchang
Director

The accompanying notes form part of this interim financial report.



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Non-controlling interests	Total equity
	Reserves							Total			
	Share capital (Note 47)	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 48)				
As at 1 January 2016	3,906,699	17,125,863	2,352,880	4,966,636	1,437,621	(122,541)	10,815,441	40,482,599	1,941,017	42,423,616	
Change in equity for six months ended 30 June 2016											
Profit for the period	-	-	-	-	-	-	1,514,708	1,514,708	16,857	1,531,565	
Other comprehensive income	-	-	-	-	(930,734)	(23,035)	-	(953,769)	30,459	(923,310)	
Total comprehensive income	-	-	-	-	(930,734)	(23,035)	1,514,708	560,939	47,316	608,255	
Transaction with non-controlling interests	-	(227,311)	-	-	-	-	-	(227,311)	(567,532)	(794,843)	
Other movement in capital reserve	-	(59,721)	-	-	-	-	-	(59,721)	-	(59,721)	
Appropriation to general reserve	-	-	-	6,697	-	-	(6,697)	-	-	-	
Dividends approved in respect of the previous year	-	-	-	-	-	-	(2,344,019)	(2,344,019)	(70,975)	(2,414,994)	
As at 30 June 2016 (Unaudited)	3,906,699	16,838,831	2,352,880	4,973,333	506,887	(145,576)	9,979,433	38,412,487	1,349,826	39,762,313	

The accompanying notes form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Non-controlling interests	Total equity
	Reserves						Retained profits (Note 48)	Total			
	Share capital (Note 47)	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve					
As at 1 January 2015	3,418,000	11,185,895	1,695,933	3,514,037	504,204	(60,918)	5,551,911	25,809,062	811,252	26,620,314	
Change in equity for six months ended 30 June 2015											
Profit for the period	-	-	-	-	-	-	4,878,026	4,878,026	78,163	4,956,189	
Other comprehensive income	-	-	-	-	747,518	(8,143)	-	739,375	4,951	744,326	
Total comprehensive income	-	-	-	-	747,518	(8,143)	4,878,026	5,617,401	83,114	5,700,515	
Changes due to business combination	-	(1,471,054)	-	-	-	-	-	(1,471,054)	990,115	(480,939)	
Other movement in capital reserve	-	(7,896)	-	-	-	-	-	(7,896)	-	(7,896)	
Appropriation to general reserve	-	-	-	14,751	-	-	(14,751)	-	-	-	
Dividends approved in respect of the previous year	-	-	-	-	-	-	(273,440)	(273,440)	(50,762)	(324,202)	
As at 30 June 2015 (Unaudited)	3,418,000	9,706,945	1,695,933	3,528,788	1,251,722	(69,061)	10,141,746	29,674,073	1,833,719	31,507,792	
As at 1 January 2015	3,418,000	11,185,895	1,695,933	3,514,037	504,204	(60,918)	5,551,911	25,809,062	811,252	26,620,314	
Change in equity for 2015											
Profit for the year	-	-	-	-	-	-	7,646,516	7,646,516	100,339	7,746,855	
Other comprehensive income	-	-	-	-	933,417	(61,623)	-	871,794	90,054	961,848	
Total comprehensive income	-	-	-	-	933,417	(61,623)	7,646,516	8,518,310	190,393	8,708,703	
Shares issued	488,699	7,479,839	-	-	-	-	-	7,968,538	-	7,968,538	
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	20	20	
Changes due to business combination	-	(1,471,054)	-	-	-	-	(1,471,054)	990,114	(480,940)	-	
Other movement in capital reserve	-	(68,817)	-	-	-	-	-	(68,817)	-	(68,817)	
Appropriation to surplus reserve	-	-	656,947	-	-	-	(656,947)	-	-	-	
Appropriation to general reserve	-	-	-	1,452,599	-	-	(1,452,599)	-	-	-	
Dividends approved in respect of the previous year	-	-	-	-	-	-	(273,440)	(273,440)	(50,762)	(324,202)	
As at 31 December 2015	3,906,699	17,125,863	2,352,880	4,966,636	1,437,621	(122,541)	10,815,441	40,482,599	1,941,017	42,423,616	

The accompanying notes form part of this interim financial report.



UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities:		
Profit before income tax	6,302,376	1,913,020
Adjustments for:		
Interest expenses	629,083	1,073,330
Share of profit of associates and joint ventures	(52,125)	(20,259)
Depreciation and amortisation expenses	218,654	194,058
(Reversal of)/provision for impairment losses	(16,228)	19,169
Gains on disposal of property and equipment and other intangible assets	(112)	(479)
Foreign exchange (gains)/losses	(2,564)	12,294
Dividend income and interest income from available-for-sale financial assets	(28,730)	(41,427)
Unrealised fair value changes of financial instruments at fair value through profit or loss	(305,626)	889,232
Unrealised fair value changes of derivative financial instruments	(282,412)	(630,368)
Operating cash inflows before movements in working capital	6,462,316	3,408,570
<i>Changes in operating assets</i>		
Increase in refundable deposits	(475,019)	(1,208,171)
(Increase)/decrease in margin accounts receivable	(33,200,130)	11,937,703
Increase in accounts receivable, other receivables and prepayments	(1,983,751)	(33,180)
(Increase)/decrease in financial assets held under resale agreements	(1,512,109)	1,300,607
(Increase)/decrease in financial instruments at fair value through profit or loss	(587,547)	3,306,193
Decrease/(Increase) in derivative financial instruments	264,695	(10,216)
Decrease in restricted bank deposits	548	50,051
(Increase)/decrease in cash held on behalf of brokerage clients	(66,828,657)	7,010,541

The accompanying notes form part of this interim financial report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)



	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities: (continued)		
<i>Changes in operating liabilities</i>		
Increase/(decrease) in accounts payable to brokerage clients	61,819,794	(4,156,960)
Increase/(decrease) in other payables and accruals	3,069,400	(1,929,313)
(Decrease)/increase in other investment	(489,585)	1,026,917
Increase/(decrease) in employee benefits payable	751,003	(983,836)
Increase/(decrease) in financial assets sold under repurchase agreements	10,031,498	(7,198,709)
Increase in placements from other financial institutions.	1,100,000	4,132,400
Cash (used in)/generated from operations	(21,577,544)	16,652,597
Income taxes paid	(624,916)	(1,721,871)
Interest paid for operating activities	(1,432,301)	(944,193)
Net cash (used in)/generated from operating activities	(23,634,761)	13,986,533
Cash flows from investing activities:		
Proceeds from disposal of property and equipment and other intangible assets and other non-current assets	685	1,435
Dividends received from associates and joint ventures	12,500	–
Dividends and interest received from available-for-sale financial assets	28,730	41,427
Purchases of property and equipment, other intangible assets and other non-current assets	(77,079)	(101,859)
Purchases of associates and joint ventures	(146,570)	(593,720)
Acquisition of subsidiaries, net of cash acquired	(2,603,936)	–
Proceeds from disposal of available-for-sale financial assets for investment purpose	353,196	124,247
(Purchases of)/proceeds from investments classified as receivables and other investments	(342,956)	700,154
Purchases of non-controlling interests' shareholding in a subsidiary	–	(85,467)
Net cash (used in)/generated from investing activities	(2,775,430)	86,217

The accompanying notes form part of this interim financial report.



UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (Unaudited)	2016 (Unaudited)
Cash flows from financing activities:			
Proceeds from issuance of long-term bonds		29,923,000	9,990,000
Proceeds from issuance of short-term debt instruments		2,700,000	1,087,475
Proceeds from bank loans		7,597,252	2,655,442
Long-term bonds repaid		–	(19,000,000)
Short-term debt instruments repaid		(700,000)	(2,317,992)
Bank loans repaid		(1,214,644)	(1,370,686)
Loans, bonds and debt instruments interest paid		(488,965)	(2,144,135)
Dividends paid		(324,202)	(1,731,444)
Net cash generated from/(used in) financing activities		37,492,441	(12,831,340)
Net increase in cash and cash equivalents		11,082,250	1,241,410
Cash and cash equivalents at the beginning of the period		5,970,039	12,996,769
Effect of foreign exchange rate changes		2,564	(12,294)
Cash and cash equivalents at the end of the period	36	17,054,853	14,225,885

Approved and authorised for issue on 29 August 2016.

Xue Feng
*Vice chairman of the Board,
 Executive Director and President*

Xu Jingchang
Director

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)



1 GENERAL INFORMATION

Everbright Securities Company Limited (光大證券股份有限公司) (the “Company”), formerly known as Everbright Securities Limited Liability Company (光大證券有限責任公司), approved by the People’s Bank of China (“PBOC”), was incorporated in Beijing on 23 April 1996. The Company was renamed as Everbright Securities Company Limited (光大證券股份有限公司) on 14 July 2005 as a result of the conversion into a joint stock limited liability company.

As approved by the China Securities Regulatory Commission (“CSRC”), the Company publicly issued 520,000,000 ordinary shares (A shares) and was listed on the Shanghai Stock Exchange on 18 August 2009.

On 1 September 2015, the Company completed the change of registration procedures for securities sold in a private placement to certain investors. Following the completion of this private placement the total number of share capital of the Company increased from 3,418,000,000 A Shares to 3,906,698,839 A Shares, the registered share capital of the Company increased from RMB3,418,000,000.00 to RMB3,906,698,839.00. As at 30 June 2016, the Company’s registered capital was RMB3,906,698,839.00 and the Company has a total of 3,906,698,839 issued shares of RMB1.00 each.

The registered address of the Company is No. 1508 Xinzha Road, Shanghai, the PRC. The Company and its subsidiaries (the “Group”) principally engaged in securities and futures brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, distribution of financial products, and other business activities approved by CSRC.

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board.

The interim financial report contains financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements in accordance with International Financial Reporting Standards (“IFRS”).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION *(CONTINUED)*

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA. KPMG's independent review report to the Board of Directors is issued on 29 August 2016.

The financial information relating the financial year ended December 31, 2015 that is included in the interim financial report does not constitute the Group's financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8 August 2016.

3 USE OF JUDGEMENTS AND ESTIMATES

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2015.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level III fair values, and reports directly to the Chief Finance Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)



3 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Measurement of fair values (Continued)

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 56 – fair value information.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial statements prepared in accordance with IFRSs (including International Accounting Standards ("IASs")) for the year ended 31 December 2015, except for the adoption of the following revised IFRSs, including IASs as of 1 January 2016. The principal effects of adopting these revised IFRSs are as follows:

- Annual improvements to IFRSs 2012–2014 cycle
- Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations
- Amendments to IAS 1, Disclosure initiative
- Amendments to IAS 27, Equity method in separate financial statements
- Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Income from securities brokerage and investment advisory business	5,311,287	2,078,934
Income from asset management business	522,375	530,686
Income from underwriting and sponsorship business	609,692	702,183
Income from futures brokerage business	166,895	129,306
Income from financial advisory business	79,327	82,531
Total	6,689,576	3,523,640

6 INTEREST INCOME

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Interest income arising from		
– Deposit in financial institutions	874,920	1,107,270
– Margin financing and securities lending	2,386,345	1,166,578
– Financial assets held under resale agreements	16,751	30,650
– Securities-backed lending and stock repurchases	168,991	173,963
– Finance lease	4,483	83,651
– Others	38,798	8,860
Total	3,490,288	2,570,972

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(Expressed in thousands of Renminbi, unless otherwise stated)



7 NET INVESTMENT GAINS

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Net realised gains from disposal of available-for-sale financial assets	407,304	24,079
Dividend income and interest income from available-for-sale financial assets	141,498	133,015
Net realised gains/(losses) from disposal of financial instruments at fair value through profit or loss	1,216,827	(316,027)
Dividend income and interest income from financial instruments at fair value through profit or loss	759,795	861,653
Net realised losses from disposal of derivative financial instruments	(583,522)	(64,437)
Unrealised fair value changes of financial instruments at fair value through profit or loss	305,626	(889,232)
Unrealised fair value changes of derivative financial instruments	282,412	630,368
Total	2,529,940	379,419

8 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Government grants	68,798	205,960
Rental income	7,611	6,675
Income from agent business	7,942	26,550
Income from advisory business	4,398	7,200
Exchange gains/(losses)	2,564	(12,294)
Others	27,037	27,557
Total	118,350	261,648



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(Expressed in thousands of Renminbi, unless otherwise stated)

9 FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Expenses arising from		
– Securities brokerage and advisory business	1,024,414	502,045
– Futures brokerage business	35,159	19,225
– Underwriting and sponsorship business	73,899	31,773
– Financial advisory business	437	3,460
– Asset management business	10,394	40,144
Total	1,144,303	596,647

10 INTEREST EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Interest expenses for		
– Financial assets sold under repurchase agreements	1,125,528	376,473
– Accounts payable to brokerage clients	100,945	103,070
– Placements from other financial institutions	198,313	20,575
– Short-term debt instruments issued	7,641	24,098
– Other structured entities' holders	67,610	308,784
– Loans and borrowings	52,774	82,658
– Long-term bonds	568,668	966,574
– Others	5,014	7,063
Total	2,126,493	1,889,295

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)



11 STAFF COSTS

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Salaries, bonuses and allowances	1,836,542	1,160,901
Contribution to pension schemes	55,709	68,593
Other social welfare	102,192	106,066
Total	1,994,443	1,335,560

The domestic employees of the Group in the PRC participate in social welfare plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social welfare plans are defined contribution plans and contributions to the plans are expensed as incurred.

12 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Depreciation of property and equipment	150,087	61,472
Amortisation of leasehold improvements and long-term deferred expenses	21,556	19,082
Amortisation of other intangible assets	47,011	113,504
Total	218,654	194,058



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

13 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Rental expenses and utilities	110,637	170,662
Promotion and entertainment expenses	51,894	44,673
IT expenses	71,735	96,482
Business travel expenses	46,339	59,221
Postal and communication expenses	29,196	29,231
Funds and asset management plans distribution expenses	105,923	59,419
Securities/futures investor protection funds	93,240	37,836
Stock exchanges management fees	20,474	15,309
Auditors' remuneration	1,400	2,716
Miscellaneous expenses	16,838	17,008
Compensation for lawsuits	–	39,743
Others	42,309	53,258
Total	589,985	625,558

14 (REVERSAL OF)/PROVISION FOR IMPAIRMENT LOSSES

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Reversal of impairment losses against accounts receivable and other non-current assets	(41,346)	(2,113)
Reversal of impairment losses against other receivables	(6,328)	(8)
Provision for impairment losses against accounts receivable of finance lease	–	33,258
Provision/(reversal of) for impairment losses against margin accounts receivable	31,446	(11,968)
Total	(16,228)	19,169

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15 INCOME TAX EXPENSE

(a) Taxation in the consolidated income statements represents:

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Current tax		
– PRC income tax	1,206,116	437,062
– Hong Kong profits tax	19,939	9,069
	1,226,055	446,131
Adjustment in respect of prior years		
– PRC income tax	(76,319)	116,255
Deferred tax		
– Origination and reversal of temporary differences	196,451	(180,931)
Total	1,346,187	381,455

According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Company and the Group’s PRC subsidiaries are subject to CIT at the statutory tax rate of 25%.

For the Group’s Hong Kong subsidiaries, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

15 INCOME TAX EXPENSE (CONTINUED)

- (b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Six months ended 30 June	
	2015 (Unaudited)	2016 (Unaudited)
Profit before income tax	6,302,376	1,913,020
Notional tax calculated using the PRC statutory tax rate	1,575,594	478,255
Tax effect of non-deductible expenses	16,508	24,125
Tax effect of non-taxable income	(164,173)	(125,510)
Effect of different tax rates of subsidiaries	(6,479)	8,357
Tax effect of recognition of previously unrecognised temporary differences	–	(119,344)
Adjustment for prior years	(76,319)	116,255
Others	1,056	(683)

16 BASIC AND DILUTED EARNINGS PER SHARE

- (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2016, attributable to shareholders of the Company of RMB1,515 million (six months ended 30 June 2015: RMB4,878 million) and the weighted average number of 3,907 million ordinary shares (six months ended 30 June 2015: 3,418 million).

- (b) Diluted earnings per share

During the Period, there were no potential dilutive ordinary shares during the six-month period ended 30 June 2016 and 2015, so the diluted earnings per share were the same as the basic earnings per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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17 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2015	914,958	24,808	435,681	105,632	2,313	1,483,392
Additions through business combination	–	372	–	164,418	–	164,790
Additions	35	2,698	105,938	19,792	1,032	129,495
Transfer during the year (Note 27)	–	–	–	–	(2,925)	(2,925)
Disposals	–	(1,327)	(20,802)	(2,540)	–	(24,669)
As at 31 December 2015	914,993	26,551	520,817	287,302	420	1,750,083
Accumulated depreciation						
As at 1 January 2015	(198,775)	(14,287)	(291,641)	(35,122)	–	(539,825)
Additions through business combination	–	(30)	–	(140,153)	–	(140,183)
Charge for the year	(23,769)	(7,943)	(132,475)	(49,983)	–	(214,170)
Disposals	–	1,255	19,888	2,324	–	23,467
As at 31 December 2015	(222,544)	(21,005)	(404,228)	(222,934)	–	(870,711)
Carrying amount						
As at 31 December 2015	692,449	5,546	116,589	64,368	420	879,372



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

17 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2016	914,993	26,551	520,817	287,302	420	1,750,083
Additions	–	324	35,041	13,978	133	49,476
Disposals	–	(1,047)	(11,779)	(9,179)	–	(22,005)
As at 30 June 2016 (Unaudited)	914,993	25,828	544,079	292,101	553	1,777,554
Accumulated depreciation						
As at 1 January 2016	(222,544)	(21,005)	(404,228)	(222,934)	–	(870,711)
Charge for the period	(11,873)	(1,542)	(33,651)	(14,406)	–	(61,472)
Disposals	–	630	11,744	8,679	–	21,053
As at 30 June 2016 (Unaudited)	(234,417)	(21,917)	(426,135)	(228,661)	–	(911,130)
Carrying amount						
As at 30 June 2016 (Unaudited)	680,576	3,911	117,944	63,440	553	866,424

As at the end of 31 December 2015 and 30 June 2016, included in buildings, there is a carrying amount of RMB1,530 thousand and RMB1,487 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

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18 GOODWILL

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Cost	1,504,201	1,504,201
Effect of exchange rate changes for cost	83,516	115,336
Less: Provision for impairment losses	(166,394)	(166,394)
Effect of exchange rate changes for impairment provision	(9,540)	(13,087)
Carrying amount	1,411,783	1,440,056

Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Futures brokerage	9,380	9,380
Investment banking and brokerage	231,104	235,763
Wealth management and brokerage	1,347,233	1,374,394
Total	1,587,717	1,619,537

The Group acquired the futures brokerage business in the PRC together with the relevant assets and liabilities, and the interest in Everbright Futures Co., Ltd. in 2007. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.



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18 GOODWILL (CONTINUED)

Impairment testing on goodwill (Continued)

The Group acquired the investment banking business and brokerage business in Hong Kong together with the relevant assets and liabilities, and the interest in Everbright Securities (International) Limited in 2011. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking and brokerage CGU. The recoverable amount of investment banking and brokerage CGU is determined based on the present value of expected future cash flows. As at 31 December 2014, based on the estimated recoverable amount, impairment loss of HKD210 million (RMB equivalent 166 million) was recognised. As at 31 December 2015 and 30 June 2016, based on the estimated recoverable amount, no further impairment loss was recognised.

The Group acquired the wealth management and brokerage business in Hong Kong together with the relevant assets and liabilities, and the interest in Sun Hung Kai Financial Group Limited in 2015. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the wealth management and brokerage CGU. As at 31 December 2015 and 30 June 2016, based on the estimated recoverable amount, no impairment loss for this CGU was recognised.

The recoverable amount of wealth management and brokerage CGU is based on the present value of expected future cash flows, which was determined on financial forecasts approved by management covering a six-year period and a pre-tax discount rate of 20.4%, which reflected specific risks related to the CGU.

Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows/outflows which include budgeted income and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development; and a long-term growth rate of 3%, which does not exceed the long-term average growth rate for the business in the country in which the CGU operates.

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19 OTHER INTANGIBLE ASSETS

	Customer relationship	Software and others	Total
Cost			
As at 1 January 2015	115,270	289,292	404,562
Additions through business combination	720,441	191,765	912,206
Additions	45,526	63,060	108,586
Disposals	–	(889)	(889)
As at 31 December 2015	881,237	543,228	1,424,465
Accumulated amortisation			
As at 1 January 2015	(41,785)	(215,458)	(257,243)
Additions through business combination	–	(122,081)	(122,081)
Charge for the year	(93,253)	(66,960)	(160,213)
Disposals	–	889	889
As at 31 December 2015	(135,038)	(403,610)	(538,648)
Carrying amount			
As at 31 December 2015	746,199	139,618	885,817
Cost			
As at 1 January 2016	881,237	543,228	1,424,465
Additions	13,768	20,047	33,815
Disposals	–	(1,091)	(1,091)
As at 30 June 2016 (Unaudited)	895,005	562,184	1,457,189
Accumulated amortisation			
As at 1 January 2016	(135,038)	(403,610)	(538,648)
Charge for the period	(79,260)	(34,244)	(113,504)
Disposals	–	1,087	1,087
As at 30 June 2016 (Unaudited)	(214,298)	(436,767)	(651,065)
Carrying amount			
As at 30 June 2016 (Unaudited)	680,707	125,417	806,124



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20 INTEREST IN ASSOCIATES AND JOINT VENTURES

	As at 31 December 2015	As at 30 June 2016 (unaudited)
Share of net assets	874,763	1,426,890

The following list contains the particulars of material associates and joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activity
			As at 31 December 2015	As at 30 June 2016	
Dacheng Fund Management Co., Ltd.* 大成基金管理有限公司	Shenzhen	RMB200,000,000	25%	25%	Fund management
Everbright Yunfu Internet Co., Ltd.* 光大雲付互聯網股份有限公司	Shanghai	RMB200,000,000	40%	40%	Financial data processing
Everbright Easecreate Internet Co., Ltd.* 光大易創網絡科技股份有限公司	Shanghai	RMB100,000,000	40%	40%	Financial data processing
Everbright Ivy Investment Management (Shanghai) Co., Ltd.*(1) 光大常春藤投資管理(上海)有限公司	Shanghai	RMB10,000,000	51%	51%	Investment management
Everbright LeadBank Assets Management (Shanghai) Co., Ltd.*(1) 光大利得資產管理(上海)有限公司	Shanghai	RMB2,000,000	51%	51%	Investment management
Everbright Ivy (Shanghai) Investment Center (limited partnership)* 光大常春藤一期(上海)股權投資 基金合夥企業(有限合夥)	Shanghai	RMB18,500,000,000	27%	27%	Funds management
Shanghai Everbright Sports & Culture Equity Fund (limited partnership)* 上海光大體育文化投資合夥 企業(有限合夥)	Shanghai	RMB200,000,000	25%	25%	Funds management
Sun Hung Kai Forex Limited ⁽¹⁾	Hong Kong	HKD75,166,707	51%	51%	Foreign exchange dealing
Tribridge Capital Management (Cayman) Limited	Cayman Islands	USD1,001	20.13%	20.13%	Funds management
Sun Hung Kai Insurance Brokers (Shanghai) Co., Ltd.* 新鴻基保險經紀(上海)有限公司	Shanghai	RMB10,000,000	24.90%	24.90%	Insurance broking and consultancy services

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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activity
			As at 31 December 2015	As at 30 June 2016	
Jiaxing Everbright BoPu Investment LLP (Limited Partnership)* 嘉興光大磚璞投資合夥企業(有限合夥)	Jiaxing	RMB100,000,000	25%	25%	Investment management
EBS Fund Management Co., Ltd.* ⁽¹⁾ 上海光大光證股權投資基金管理有限公司	Shanghai	RMB20,000,000	51%	51%	Investment management
Jiaxing Everbright Meiyin Investment Management Co., Ltd.* ⁽¹⁾ 嘉興光大美銀投資管理有限公司	Jiaxing	RMB2,000,000	51%	51%	Investment management
Jiaxing Everbright Meiyin No. 1 Investment LLP*嘉興光大美銀壹號投資合夥企業	Jiaxing	RMB500,000,000	25%	25%	Investment management
Shenzhen Qianhai Tunlan Investment Co., Ltd.* ⁽¹⁾ 深圳前海光大瞰瀾投資管理有限公司	Shenzhen	RMB5,000,000	51%	51%	Investment management
Hangzhou Everbright Tunlan Investment LLP* ⁽¹⁾ 杭州光大瞰瀾投資合夥企業(有限合夥)	Hangzhou	RMB200,000,000	60%	60%	Investment management
Beijing Wenzhi Everbright Cultural and Creative Industries Investment Management Co., Ltd.* ⁽¹⁾ 北京文資光大文創產業投資管理有限公司	Beijing	RMB5,000,000	51%	51%	Investment management
Shanghai Everbright Fortune Jingsheng Investment Center (Limited Partnership)* ⁽²⁾ 上海光大富尊璟晟投資中心(有限合夥)	Shanghai	RMB63,700,000	–	16.89%	Investment management
Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership)* ⁽²⁾ 上海光大富尊璟闡投資中心(有限合夥)	Shanghai	RMB52,350,000	–	0.19%	Investment management
Beijing Everbright Wudaokou Investment Fund Management Co., Ltd.* ⁽¹⁾ 北京光大五道口投資基金管理有限公司	Beijing	RMB10,000,000	–	51%	Investment management
Beijing Wenzhi Everbright Cultural and Creative Industries No. One Investment Fund (Limited Partnership)* ⁽¹⁾ 北京文資光大文創壹號產業投資基金(有限合夥)	Beijing	RMB500,100,000	–	99.98%	Funds management
Shanghai Jinxin Investment and Advisory (Limited Partnership)* ⁽²⁾ 上海浸鑫投資諮詢合夥企業(有限合夥)	Shanghai	RMB5,203,000,000	–	1.15%	Funds management



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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Name of associates and joint ventures	Place of incorporation	Registered capital	Equity interest held		Principal activity
			As at 31 December 2015	As at 30 June 2016	
CRECG & EB Private Equity Fund Management (Shanghai) Co. Limited* 中鐵光大股權投資基金管理(上海)有限公司	Shanghai	RMB 50,000,000	–	50%	Investment management

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

All of the above associates and joint ventures are accounted for using equity method in the interim financial report.

- (1) The Group's shareholding of these investees is higher than 50%, however these investees are jointly controlled by the Group as a result of relevant arrangements stipulated in the Articles of Association and other corporate governance documents.
- (2) The Group's shareholding of this investee is lower than 20%, however this investee are jointly controlled by the Group as a result of relevant arrangements stipulated in the Articles of Association and other corporate governance documents.

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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarised financial information of the Group's material associates and joint ventures, and reconciled to the carrying amounts in the interim financial report, are disclosed below:

Dacheng Fund Management Co., Ltd.

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Gross amounts of the associate:		
Assets	2,739,436	2,623,093
Liabilities	(648,487)	(687,770)
Net assets	2,090,949	1,935,323
Revenue	1,104,423	392,855
Profit for the year/period	281,121	70,515
Other comprehensive income	(8,704)	(18,734)
Total comprehensive income	272,417	51,781
Dividend received from the associate	12,500	–
Reconciled to the Group's interest in the associate:		
Net assets	2,090,949	1,935,323
The Group's effective interest	25%	25%
The Group's share of net assets of the associate	522,737	483,831
Other adjustment	964	66
Carrying amount in the interim financial report	523,701	483,897



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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Everbright Fortune International Leasing Co., Ltd.⁽¹⁾

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Gross amounts of the associate:		
Assets	–	–
Liabilities	–	–
Net assets	–	–
Revenue	14,651	–
Profit for the year/period	5,613	–
Other comprehensive income	–	–
Total comprehensive income	5,613	–
Dividend received from the associate	–	–
Reconciled to the Group's interest in the associate:		
Net assets	–	–
The Group's effective interest	–	–
The Group's share of net assets of the associate	–	–
Other adjustment	–	–
Carrying amount in the interim financial report	–	–

⁽¹⁾ Everbright Fortune International Leasing Co., Ltd. became a subsidiary of the Company in May 2015.

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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Everbright Yunfu Internet Co., Ltd.

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Gross amounts of the associate:		
Assets	892,005	2,429,690
Liabilities	(699,140)	(2,232,432)
Net assets	192,865	197,258
Revenue	166	62,140
(Loss)/profit for the year/period	(7,135)	4,393
Other comprehensive income	–	–
Total comprehensive income	(7,135)	4,393
Dividend received from the associate	–	–
Reconciled to the Group's interest in the associate:		
Net assets	192,865	197,258
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	77,146	78,903
Other adjustment	–	–
Carrying amount in the interim financial report	77,146	78,903



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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Everbright Eascreate Internet Co., Ltd.

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Gross amounts of the associate:		
Assets	781,100	2,858,001
Liabilities	(680,996)	(2,757,624)
Net assets	100,104	100,377
Revenue	2,751	23,482
Profit for the year/period	104	290
Other comprehensive income	–	–
Total comprehensive income	104	290
Dividend received from the associate	–	–
Reconciled to the Group's interest in the associate:		
Net assets	100,104	100,377
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	40,042	40,151
Other adjustment	–	7
Carrying amount in the interim financial report	40,042	40,158

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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Beijing Wenzi Everbright Cultural and Creative Industries No. One Investment Fund (Limited Partnership)

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Gross amounts of the joint venture:		
Assets	–	500,000
Liabilities	–	–
Net assets	–	500,000
Revenue	–	–
Profit for the year/period	–	–
Other comprehensive income	–	–
Total comprehensive income	–	–
Dividend received from the joint venture	–	–
Reconciled to the Group's interest in the joint venture:		
Net assets	–	500,000
The Group's effective interest	–	99.98%
The Group's share of net assets of the joint venture	–	499,900
Other adjustment	–	100
Carrying amount in the interim financial report	–	500,000



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20 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Aggregated information of associates and joint ventures that are not individually material:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Aggregate carrying amount of individually immaterial associates and joint ventures in the interim financial report	233,874	323,932
Aggregate amounts of the Group's share of those associates and joint ventures' profits	3,296	757
Other comprehensive income	–	–
Total comprehensive income	3,296	757

21 HELD-TO-MATURITY INVESTMENTS

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Listed outside Hong Kong: – Debt securities	129,531	132,328

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22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Equity securities	1,270,375	1,747,864
Debt securities	33,943	93,566
Wealth management products and others	6,651,534	6,113,175
Less: Impairment losses	(90,868)	(88,962)
Total	7,864,984	7,865,643
Analysed as:		
Listed outside Hong Kong	443,701	847,033
Unlisted	7,421,283	7,018,610
Total	7,864,984	7,865,643

Current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Equity securities	6,296,474	5,364,679
Debt securities	1,832,728	1,766,173
Funds	774,014	173,777
Wealth management products	874,701	89,201
Less: Impairment losses	(102)	–
Total	9,777,815	7,393,830
Analysed as:		
Listed outside Hong Kong	7,108,748	6,289,444
Unlisted	2,669,067	1,104,386
Total	9,777,815	7,393,830



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

As at 31 December 2015 and 30 June 2016, the above non-current available-for-sale financial assets includes the Company's contributed funds, with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited (CSFC). Under the relevant agreements with CSFC, the Company contributed RMB4,380.0 million and RMB1,476.8 million in July and September 2015, respectively. CSFC manages operation and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. As at 31 December 2015 and 30 June 2016, the Company recorded the contributions as non-current available-for-sale financial assets based on the investment account statement provided by CSFC. The usage of the investment is at discretion of CSFC, and it is unclear how CSFC will invest the funds contributed and when the investment will be returned.

As at 31 December 2015 and 30 June 2016, there was no fund investments with lock-up period included in the available-for-sale financial assets held by the Group.

As at 31 December 2015 and 30 June 2016, the equity securities in the available-for-sale financial assets with lock-up periods held by the Group were RMB1,539,101 thousand and RMB1,236,751 thousand, respectively.

In the opinion of the directors of the Company, non-current available-for-sale investments are expected to be realised or restricted for sale beyond one year from the end of the Period. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at the end of the Period.

As at 31 December 2015 and 30 June 2016, the Group entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with a total fair value of RMB207 thousand and RMB31 thousand to external clients, respectively. These have not resulted in the derecognition of the financial assets. The fair value of collaterals received in respect of the securities lending business is analysed in Note 30(c) together with the fair value of collaterals of margin financing business.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

Non-current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Equity securities	1,344,690	1,357,342
Total	1,344,690	1,357,342

Current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Debt securities	808,451	396,200
Equity securities	4,195,480	3,294,472
Total	5,003,931	3,690,672

(b) Analysed by market:

Non-current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Shenzhen Stock Exchange	1,322,712	1,347,900
Shanghai Stock Exchange	21,978	9,442
Total	1,344,690	1,357,342



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

(b) Analysed by market: (Continued)

Current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Inter-bank market	759,451	180,000
Shanghai Stock Exchange	1,133,796	1,242,187
Shenzhen Stock Exchange	3,110,684	2,268,485
Total	5,003,931	3,690,672

24 REFUNDABLE DEPOSITS

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Deposits with stock exchanges and clearing house		
– China Securities Depository and Clearing Corporation Limited	450,284	315,444
– The Stock Exchange of Hong Kong Limited	6,414	1,607
– Hong Kong Securities Clearing Company Limited	8,057	12,363
	464,755	329,414
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	1,526,630	1,832,563
– Shanghai Futures Exchange	435,265	653,840
– Dalian Commodity Exchange	448,600	591,365
– Zhengzhou Commodity Exchange	484,034	613,722
– Hong Kong Futures Exchange	8,131	9,907
	2,902,660	3,701,397

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)



24 REFUNDABLE DEPOSITS (CONTINUED)

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Deposits with other institutions		
– China Securities Finance Corporation Limited	74,401	618,091
– Shanghai Clearing House	40,943	41,353
– Securities & Futures Commission of Hong Kong	4,585	2,127
– Others	507,674	510,807
	627,603	1,172,378
Total	3,995,018	5,203,189

25 INCOME TAX

(a) Current taxation:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Current tax liabilities	1,627,768	468,283

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
At the beginning of the year/period	489,112	1,627,768
Provision for the year/period	2,129,799	562,386
Additions through business combinations	37,468	–
Tax paid	(1,028,611)	(1,721,871)
At the end of the year/period	1,627,768	468,283



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INCOME TAX (CONTINUED)

(b) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets/(liabilities) recognised in the interim consolidated statements of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Intangible assets recognised in the acquisition	Others	Total
As at 1 January 2015	55,393	100,417	(135,769)	44,433	(166,351)	-	26,360	(75,517)
Additions through business combination	1,250	160	-	-	-	(116,404)	577	(114,417)
Recognised in profit or loss	(9,156)	83,706	(196,859)	163,147	-	6,905	(17,378)	30,365
Recognised in reserves	-	-	-	-	(311,646)	-	-	(311,646)
As at 31 December 2015	47,487	184,283	(332,628)	207,580	(477,997)	(109,499)	9,559	(471,215)
As at 1 January 2016	47,487	184,283	(332,628)	207,580	(477,997)	(109,499)	9,559	(471,215)
Recognised in profit or loss	4,227	89,511	229,509	(157,593)	-	10,051	5,226	180,931
Recognised in reserves	-	-	-	-	309,491	-	-	309,491
As at 30 June 2016 (unaudited)	51,714	273,794	(103,119)	49,987	(168,506)	(99,448)	14,785	19,207

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)



25 INCOME TAX (CONTINUED)

(c) Reconciliation to the interim consolidated statement of financial position

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Net deferred tax assets recognised in the interim consolidated statement of financial position	79,969	392,568
Net deferred tax liabilities recognised in the interim consolidated statement of financial position	(551,184)	(373,361)
Total	(471,215)	19,207

(d) Recognised in other comprehensive income

	Six months ended 30 June 2015 (Unaudited)		
	Before tax	Tax (expense)/ benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	1,393,572	(348,393)	1,045,179
– Reclassified to profit or loss	(407,305)	101,826	(305,479)
Share of other comprehensive income of associates	12,113	–	12,113
Exchange differences on translation of financial statements in foreign currencies	(7,487)	–	(7,487)
Total	990,893	(246,567)	744,326



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(Expressed in thousands of Renminbi, unless otherwise stated)

25 INCOME TAX (CONTINUED)

(d) Recognised in other comprehensive income (Continued)

	Six months ended 30 June 2016 (Unaudited)		
	Before tax	Tax benefit	Net of tax
Available-for-sale financial assets			
– Net changes in fair value	(1,216,237)	305,375	(910,862)
– Reclassified to profit or loss	(22,072)	4,116	(17,956)
Share of other comprehensive income of associates	(4,683)	–	(4,683)
Exchange differences on translation of financial statements in foreign currencies	10,191	–	10,191
Total	(1,232,801)	309,491	(923,310)

(e) Deferred tax assets not recognised

As at 31 December 2015, and 30 June 2016, the Group has not recognised deferred tax assets in respect of cumulative tax losses, provision for bad debts, impairment losses against margin accounts and impairment losses against goodwill with timing difference amounting to RMB399,319 thousand and 421,541 thousand respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

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26 FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Minimum lease payments to be received	4,325,092	3,796,810
Less: unrealised finance income	(391,491)	(335,365)
Balance of finance lease receivables	3,933,601	3,461,445
Allowance for impairment	(31,759)	(65,017)
Finance lease receivables, net	3,901,842	3,396,428
Analysis for presentation purpose:		
Current assets	1,450,942	1,018,623
Non-current assets	2,450,900	2,377,805
	3,901,842	3,396,428

Minimum lease payments to be received and the corresponding present value are as follows:

	As at 31 December 2015		As at 30 June 2016 (Unaudited)	
	Minimum lease payments	Present value	Minimum lease payments	Present value
Within 1 year	1,671,344	1,462,752	1,192,776	1,038,560
1–2 years	1,007,998	896,601	1,157,338	1,050,484
2–3 years	984,729	920,604	906,675	854,195
Over 3 years	661,021	653,644	540,021	518,206
Total	4,325,092	3,933,601	3,796,810	3,461,445
Unrealised finance income	(391,491)	–	(335,365)	–
Balance of finance lease receivables	3,933,601	3,933,601	3,461,445	3,461,445
Allowance for impairment	(31,759)	(31,759)	(65,017)	(65,017)
Finance lease receivables, net	3,901,842	3,901,842	3,396,428	3,396,428



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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26 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Analysis of the movement of provision for impairment losses:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
At the beginning of the year/period	–	31,759
Charge for the year/period	26,759	33,258
Additions through business combination	5,000	–
At the end of the year/period	31,759	65,017

27 OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Long-term deferred expenses ⁽¹⁾	75,207	74,726
Investments classified as receivables	185,000	761,120
Deposits	9,111	193,901
Total	269,318	1,029,747

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27 OTHER NON-CURRENT ASSETS (CONTINUED)

(a) Analysed by nature: (Continued)

(1) The movements of long-term deferred expenses are as below:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Balance at beginning of the year	99,927	75,207
Additions	19,254	18,601
Transfer in from property and equipment (Note 17)	2,925	–
Amortisation	(46,899)	(19,082)
Balance at end of the year/period	75,207	74,726

28 ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Accounts receivable of:		
– Brokers and dealers	1,354,407	1,274,066
– Settlement	491,555	1,410,713
– Fee and commission	227,015	193,981
– Investees	19,400	17,400
– Others	3,443	4,118
Less: Provision for impairment losses	(26,522)	(24,551)
Total	2,069,298	2,875,727



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28 ACCOUNTS RECEIVABLE (CONTINUED)

(b) Analysed by aging:

As at the end of the Period, the aging analysis of accounts receivable, based on the trade date, is as follows:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Within 1 year	2,069,298	2,875,727

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
At the beginning of the year/period	75,756	26,522
Additions through business combination	2,768	–
Reversal of impairment	(52,407)	(2,113)
Others	405	142
At the end of the year/period	26,522	24,551

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

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29 OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Investments classified as receivables	1,213,987	1,213,553
Interest receivable	1,551,169	1,795,235
Other receivables ⁽¹⁾	525,421	639,169
Prepayment for investment	257,690	139,804
Dividend receivables	3,238	55,047
Prepayments ⁽¹⁾	85,054	122,815
Others	66,078	66,328
Less: Provision for impairment losses	(9,664)	(9,669)
Total	3,692,973	4,022,282

(1) The balance of other receivables and prepayments mainly represents receivables from securities investor protection fund, sundry receivables and prepayments arising from normal course of business.

(b) Analysis of the movement of provision for impairment losses:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
At the beginning of the year/period	15,729	9,664
Charge for the year/period	917	21
Reversal of impairment	(6,543)	(29)
Others	(439)	13
At the end of the year/period	9,664	9,669



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30 MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Individuals	39,886,081	29,207,580
Institutions	3,658,349	2,399,147
Less: Provision for impairment losses	(139,963)	(130,040)
Total	43,404,467	31,476,687

(b) Analysis of the movement of provision for impairment losses:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
At the beginning of the year/period	40,991	139,963
Charge for the year/period	20,837	366
Additions through business combination	74,754	–
Reversal of impairment	–	(12,334)
Others	3,381	2,045
At the end of the year/period	139,963	130,040

(c) The fair value of collaterals for margin financing and securities lending business is analysed as follows:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Fair value of collaterals:		
– Equity securities	135,708,305	102,945,309
– Cash	7,764,149	5,677,744
– Funds	351,379	170,490
– Debt securities	478,091	1,024,552
Total	144,301,924	109,818,095

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31 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Held for trading:		
– Debt securities	11,382,057	10,640,345
– Equity securities	4,313,565	2,833,199
– Funds	7,611,305	3,541,869
– Wealth management products	1,642,098	2,698,003
– Others	9,633	14,140
Designated at fair value through profit or loss:		
– Wealth management products	581,239	1,992,571
Total	25,539,897	21,720,127

(b) Analysed as:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Held for trading:		
– Listed outside Hong Kong	10,233,180	6,399,862
– Listed inside Hong Kong	204,010	494,648
– Unlisted	14,521,468	12,833,046
Designated at fair value through profit or loss:		
– Unlisted	581,239	1,992,571
Total	25,539,897	21,720,127

As at 31 December 2015 and 30 June 2016, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB267 thousand and RMB21,902 thousand to external clients, respectively. The fair value of collaterals for the securities lending business is analysed in Note 30(c) together with the fair value of collaterals of margin financing business.



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32 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2015		
	Notional amount	Fair Value Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	26,582,000	127,563	(164,385)
– Treasury bond futures	402,220	2,733	(720)
Equity derivatives			
– Stock index futures	192,019	275	(214)
– Equity return swaps	2,435,556	14,824	(857,719)
– Stock option	56,726	44	(468)
– OTC stock index options	801,000	13,657	–
Others			
– Currency forward contracts	782,803	33,746	–
Total	31,252,324	192,842	(1,023,506)
Less: Cash (received)/paid as settlement		(24,323)	934
Net position		168,519	(1,022,572)

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32 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	As at 30 June 2016 (Unaudited)		
	Notional amount	Fair Value Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	31,521,000	89,909	(120,448)
– Treasury bond futures	353,853	532	(1,854)
Equity derivatives			
– Stock index futures	46,446	1,137	(51)
– Equity return swaps	1,791,678	2,458	(226,211)
– OTC stock index options	821,000	30,529	–
– Stock option	155,972	1,772	(480)
Others			
– Commodity futures	1,244	6	(1)
– Currency forward contracts	701,581	24,267	–
– Embedded option instruments	873,476	–	(2,730)
– Precious metal derivatives	558	6	–
Total	36,266,808	150,616	(351,775)
Less: Cash (received)/paid as settlement		(14,215)	1,905
Net position		136,401	(349,870)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures, treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds".



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33 CLEARING SETTLEMENT FUNDS

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Deposits with		
– China Securities Depository and Clearing Corporation Limited	348,099	1,347,731
– Others	11,935	13,409
Total	360,034	1,361,140

34 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of brokerage business. The Group has classified its brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

35 CASH AND BANK BALANCES

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Cash on hand	567	501
Bank balances	15,091,125	13,822,893
Total	15,091,692	13,823,394

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

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36 CASH AND CASH EQUIVALENTS

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Cash on hand	567	501
Bank balances	15,091,125	13,822,893
Clearing settlement funds	360,034	1,361,140
Bond investment with original maturity in 3 months	79,541	249,958
Less: restricted bank deposits	(2,534,498)	(1,208,607)
Total	12,996,769	14,225,885

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group and risk reserve deposits.

37 LOANS AND BORROWINGS

Current

				As at 31 December 2015 Carrying Amount	As at 30 June 2016 Carrying Amount (Unaudited)
Unsecured Bank Loans	HKD	0.89% – 2.88%	2016	1,449,436	1,709,340
Secured Bank Loans	HKD	0.86% – 2.25%	2016	858,725	1,461,486
Secured Bank Loans	USD	1.15% – 2.05%	2017	–	290,774
Unsecured Bank Loans	RMB	4.09% – 5.60%	2016	520,000	500,000
Secured Bank Loans	RMB	4.28% – 5.50%	2017	186,000	459,590
Total				3,014,161	4,421,190



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37 LOANS AND BORROWINGS (CONTINUED)

Non-current

	Currency	Nominal Interest Rate	Year of Maturity	As at 31 December 2015 Carrying Amount	As at 30 June 2016 Carrying Amount (Unaudited)
Secured Bank Loans	RMB	4.275% – 5.5%	2020	567,119	697,338
Secured Bank Loan	USD	1.15%	2018	782,803	510,271
Unsecured Bank Loan	HKD	Hibor + 2.85%	2018	912,419	932,459
Total				2,262,341	2,140,068

38 SHORT-TERM DEBT INSTRUMENTS ISSUED

	Nominal Interest rate	Book value as at 1 January 2015	Issuance	Redemption	Book value as at 31 December 2015
Structured notes	5.50% – 5.80%	–	5,301,000	(3,201,000)	2,100,000

	Nominal interest rate	Book value as at 1 January 2016	Issuance	Amount of amortisation	Redemption	Book value as at 30 June 2016 (Unaudited)
Structured notes	Fixed rate 0.50% – 3.50% plus floating rate	2,100,000	1,087,475	1,710	(2,317,992)	871,193

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38 SHORT-TERM DEBT INSTRUMENTS ISSUED (CONTINUED)

In 2015, the Company has issued 7 tranches of structured note, and repaid 4 tranches of structured note during the year. The rest bears interest rate ranging from 5.50%-5.80% per annum, repayable within 1 year.

In the period of six months ended 30 June 2016, the Company has issued 39 tranches of structured note, and repaid 14 tranches of structured note during the period. The rest bears fixed interest rate ranging from 0.50%-3.50% per annum plus floating rate, repayable within 1 year.

39 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	<i>Note</i>	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Interbank lending	(1)	500,000	1,100,000
Placements from China Securities Finance Corporation Limited	(2)	–	3,000,000
Others	(3)	–	532,400
Total		500,000	4,632,400

(1) As at 31 December 2015, the interbank lending is unsecured and bears interest rate at 2.74% per annum, with maturity within 5 days. As at 30 June 2016, the interbank lending is unsecured and bears interest rate ranging from 2.68%–3.00% per annum, with maturity ranging from 5 days to 6 days.

(2) As at 30 June 2016, the Placements from China Securities Finance Corporation Limited bears interest rate at 3.2% per annum, with original maturities within 91 days.

(3) Others represent placement from the bank pledged by leased gold, which carried interest rate ranging from 2.98%–3.00% per annum, with maturity ranging from 140 days to 145 days.



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40 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Held for trading		
– Debt securities	–	–
Designated at fair value through profit or loss		
– Structured entities	–	205,238
Total	–	205,238

In the interim financial report, the financial liabilities arising from consolidation of structured entities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes.

41 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Clients' deposits for margin financing and securities lending	10,500,595	10,363,083
Clients' deposits for other brokerage business	60,601,449	56,582,001
Total	71,102,044	66,945,084

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to securities brokerage clients are interest bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. 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.

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42 EMPLOYEE BENEFITS PAYABLE

Current

	As at 31 December 2015				
	As at 1 January	Additions through business combinations	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance.	860,061	28,561	3,757,769	(2,051,261)	2,595,130
Contribution to pension schemes	(591)	72	123,014	(122,363)	132
Other social welfare	37,559	70	228,917	(219,047)	47,499
Total	897,029	28,703	4,109,700	(2,392,671)	2,642,761

	As at 30 June 2016 (Unaudited)			
	As at 1 January	Accrued for the period made	Payments	As at 30 June
Salaries, bonuses and allowance	2,595,130	1,160,901	(2,134,959)	1,621,072
Contribution to pension schemes	132	68,593	(68,574)	151
Other social welfare	47,499	106,066	(115,863)	37,702
Total	2,642,761	1,335,560	(2,319,396)	1,658,925



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43 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Payables to interest holders of consolidated structured entities	5,037,671	2,715,975
Other tax payable ⁽¹⁾	432,787	434,058
Payable on behalf of staff	41,267	54,910
Distribution expenses payable	133,018	94,241
Risk reserve for futures brokerage business	64,079	68,351
Settlement payables	586,202	1,310,706
Interest payable	1,520,308	321,274
Payable to custodian	62,622	30,694
Account executive commission payable	25,103	7,265
Payable to the securities and futures investor protection fund	61,096	36,549
Accrued expenses	54,235	35,186
Payable for derivative business	992,278	575,721
Deferred revenue	77,868	76,480
Commission payables	42,059	30,038
Penalty payable	–	39,583
Temporary receipts	20,608	4,144
Finance lease deposit	27,500	–
Dividend payables	–	683,550
Payable for purchase of a subsidiary from non-controlling interests ⁽²⁾	–	709,376
Others ⁽³⁾	168,719	175,586
Total	9,347,420	7,403,687

- (1) Other tax payable includes Value-added Tax (referred as “VAT”). The Company and its major subsidiaries in mainland China are mainly engaged in financial services and therefore were subject to a business tax rate of 5% before 1 May 2016. On 23 March 2016, Notice for the Roll-out of the Pilot Scheme to Convert Business Tax to Value-added Tax (Cai Shui No. 36 [2016], referred as “the Notice”) was jointly issued by the Ministry of Finance and the State Administration of Taxation and was effective on 1 May 2016. The Company and its major subsidiaries in mainland China have, as per the Notice, accrued the output VAT at applicable rate of taxable income, and paid the value-added tax based on the output VAT less input VAT since 1 May 2016.

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43 OTHER PAYABLES AND ACCRUALS (CONTINUED)

- (2) On 15 June 2016, Everbright Securities Financial Holdings Limited, the Company's subsidiary registered in Hong Kong, entered into a Sale and Purchase agreement with Action Globe Limited (a wholly owned subsidiary of China Everbright Limited, the second largest shareholder of the Company) to purchase the remaining 49% shares of Everbright Securities (International) Limited from Action Globe Limited with a consideration of HKD930 million. The two sides agreed that the transaction date was 29 June 2016. Payable for purchase of a subsidiary from non-controlling interests represents the remaining consideration that has not been settled as at 30 June 2016.
- (3) The balance of others mainly represents sundry payables arising from normal course of business.

44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

Current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Debt securities	4,717,063	6,107,710
Margin loans receivable backed repurchase agreements	15,789,439	7,469,948
Securities-backed lending repurchase agreements	40,000	–
Others	8,939	9,074
Total	20,555,441	13,586,732

Non-current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Margin loans receivable backed repurchase agreements	230,000	–



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44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

(b) Analysed by market:

Current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Inter-bank market	3,266,064	4,581,979
Stock exchanges	1,450,999	1,525,731
OTC market	15,838,378	7,479,022
Total	20,555,441	13,586,732

Non-current

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
OTC market	230,000	–

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45 LONG-TERM BONDS

As at 31 December 2015

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
14 EVERBRIGHT 01 ⁽¹⁾	7,000,000	11/06/2014	11/06/2016	6,972,000	5.99%
15 EVERBRIGHT 01 ⁽²⁾	4,000,000	29/01/2015	29/01/2018	3,976,000	5.85%
15 EVERBRIGHT 02 ⁽³⁾	2,000,000	29/01/2015	29/07/2017	1,995,000	5.30% – 8.30%
15 EVERBRIGHT 03 ⁽⁴⁾	6,000,000	30/03/2015	30/03/2017	5,988,000	5.40% – 8.40%
15 EVERBRIGHT 04 ⁽⁵⁾	6,000,000	27/04/2015	27/04/2020	5,982,000	5.70% – 8.70%
15 EVERBRIGHT 05 ⁽⁶⁾	6,000,000	26/05/2015	26/05/2017	5,989,000	4.80% – 7.80%
15 EVERBRIGHT 06 ⁽⁷⁾	6,000,000	26/05/2015	26/05/2018	5,978,000	5.30% – 8.30%
EVBSF Corp ⁽¹²⁾	USD450,000	27/08/2015	27/08/2018	USD446,191	2.875%

Name	Book value as at 1 January 2015	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2015
14 EVERBRIGHT 01 ⁽¹⁾	6,979,468	–	14,042	–	–	6,993,510
15 EVERBRIGHT 01 ⁽²⁾	–	3,976,000	6,968	–	–	3,982,968
15 EVERBRIGHT 02 ⁽³⁾	–	1,995,000	1,391	(1,996,391)	–	–
15 EVERBRIGHT 03 ⁽⁴⁾	–	5,988,000	9,067	–	–	5,997,067
15 EVERBRIGHT 04 ⁽⁵⁾	–	5,982,000	3,839	–	–	5,985,839
15 EVERBRIGHT 05 ⁽⁶⁾	–	5,989,000	6,600	–	–	5,995,600
15 EVERBRIGHT 06 ⁽⁷⁾	–	5,978,000	6,424	–	–	5,984,424
EVBSF Corp ⁽¹²⁾	–	2,859,412	3,036	–	37,676	2,900,124
Total	6,979,468	32,767,412	51,367	(1,996,391)	37,676	37,839,532



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45 LONG-TERM BONDS (CONTINUED)

As at 30 June 2016

Name	Par value		Issuance date	Due date	Issue amount	
	Original currency				Original currency	Nominal interest rate
14 EVERBRIGHT 01 ⁽¹⁾	7,000,000		11/06/2014	11/06/2016	6,972,000	5.99%
15 EVERBRIGHT 01 ⁽²⁾	4,000,000		29/01/2015	29/01/2018	3,976,000	5.85%
15 EVERBRIGHT 03 ⁽⁴⁾	6,000,000		30/03/2015	30/03/2017	5,988,000	5.40% – 8.40%
15 EVERBRIGHT 04 ⁽⁵⁾	6,000,000		27/04/2015	27/04/2020	5,982,000	5.70% – 8.70%
15 EVERBRIGHT 05 ⁽⁶⁾	6,000,000		26/05/2015	26/05/2017	5,989,000	4.80% – 7.80%
15 EVERBRIGHT 06 ⁽⁷⁾	6,000,000		26/05/2015	26/05/2018	5,978,000	5.30% – 8.30%
16 EVERBRIGHT 01 ⁽⁸⁾	1,500,000		27/04/2016	27/10/2017	1,498,125	3.45% – 6.45%
16 EVERBRIGHT 02 ⁽⁹⁾	2,500,000		27/04/2016	27/10/2018	2,496,875	3.66% – 6.66%
16 EVERBRIGHT 03 ⁽¹⁰⁾	3,000,000		26/05/2016	26/11/2017	2,997,500	3.35% – 6.35%
16 EVERBRIGHT 04 ⁽¹¹⁾	3,000,000		26/05/2016	26/11/2018	2,997,500	3.59% – 6.59%
EVBSF Corp ⁽¹²⁾	USD450,000		27/08/2015	27/08/2018	USD446,191	2.875%

Name	Book value as at 1 January 2016	Increase	Amount of		Foreign exchange impact	Book value as at 30 June 2016
			Amortisation	Decrease		(Unaudited)
14 EVERBRIGHT 01 ⁽¹⁾	6,993,510	–	6,490	(7,000,000)	–	–
15 EVERBRIGHT 01 ⁽²⁾	3,982,968	–	3,961	–	–	3,986,929
15 EVERBRIGHT 03 ⁽⁴⁾	5,997,067	–	2,933	(6,000,000)	–	–
15 EVERBRIGHT 04 ⁽⁵⁾	5,985,839	–	2,891	–	–	5,988,730
15 EVERBRIGHT 05 ⁽⁶⁾	5,995,600	–	4,400	(6,000,000)	–	–
15 EVERBRIGHT 06 ⁽⁷⁾	5,984,424	–	5,412	–	–	5,989,836
16 EVERBRIGHT 01 ⁽⁸⁾	–	1,498,125	667	–	–	1,498,792
16 EVERBRIGHT 02 ⁽⁹⁾	–	2,496,875	365	–	–	2,497,240
16 EVERBRIGHT 03 ⁽¹⁰⁾	–	2,997,500	493	–	–	2,997,993
16 EVERBRIGHT 04 ⁽¹¹⁾	–	2,997,500	161	–	–	2,997,661
EVBSF Corp ⁽¹²⁾	2,900,124	–	4,518	–	64,614	2,969,256
Total	37,839,532	9,990,000	32,291	(19,000,000)	64,614	28,926,437

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45 LONG-TERM BONDS (CONTINUED)

As at 30 June 2016 (Continued)

	Book value as at 31 December 2015	Book value as at 30 June 2016 (Unaudited)
Long-term bonds due within one year	18,986,177	10,486,621
Long-term bonds due after one year	18,853,355	18,439,816
Total	37,839,532	28,926,437

As approved by the Board and CSRC, the Company has issued the following subordinated bonds:

- (1) 2-year subordinated bond amounting to RMB7 billion on 11 June 2014. 14 EVERBRIGHT 01 was paid on 11 June 2016.
- (2) 3-year subordinated bond amounting to RMB4 billion on 29 January 2015.
- (3) 30-month subordinated bond amounting to RMB2 billion on 29 January 2015 with early redemption right on 29 July 2015. 15 EVERBRIGHT 02 was early redeemed on 29 July 2015.
- (4) 2-year subordinated bond amounting to RMB6 billion on 30 March 2015 with early redemption right on 30 March 2016. 15 EVERBRIGHT 03 was early redeemed on 30 March 2016.
- (5) 5-year subordinated bond amounting to RMB6 billion on 27 April 2015 with early redemption right on 27 April 2018.
- (6) 2-year subordinated bond amounting to RMB6 billion on 26 May 2015 with early redemption right on 26 May 2016. The Company represents 15 EVERBRIGHT 05 was early redeemed on 26 May 2016.
- (7) 3-year subordinated bond amounting to RMB6 billion on 26 May 2015 with early redemption right on 26 May 2017. The Company will redeem the bond on 26 May 2017.
- (8) 18-month company bond amounting to RMB1.5 billion on 27 April 2016 with early redemption right on 27 October 2016. The Company will redeem the bond on 27 October 2016.



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45 LONG-TERM BONDS (CONTINUED)

As at 30 June 2016 (Continued)

- (9) 30-month company bond amounting to RMB2.5 billion on 27 April 2016 with early redemption right on 27 October 2017.
- (10) 18-month company bond amounting to RMB3 billion on 26 May 2016 with early redemption right on 26 November 2016. The Company will redeem the bond on 26 November 2016.
- (11) 30-month company bond amounting to RMB3 billion on 26 May 2016 with early redemption right on 26 November 2017.
- (12) Double Charm Limited, the Company's indirectly-owned subsidiary registered in British Virgin Islands, has issued a 3-year redeemable bond with a par value of USD0.45 billion in August 2015.

46 OTHER NON-CURRENT LIABILITIES

Analysed by nature:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Deposits for finance lease	184,030	171,030
Club membership and trading payable	15,759	16,077
Put right liabilities arising from business combination ⁽¹⁾	1,644,562	1,738,399
Deferred revenue	–	53,457
Others	9,630	9,822
Total	1,853,981	1,988,785

- (1) It is related to the acquisition of Sun Hung Kai Financial Group Limited in June 2015.

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47 SHARE CAPITAL

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

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Number of shares registered, issued and fully paid (at RMB1 per share)	3,906,699	3,906,699

As at 31 December 2015 and 30 June 2016, the number of non-trade restricted A shares of the Company was 488,698,839 and 488,698,839 respectively.

48 RETAINED PROFITS

Pursuant to the resolution of the general meeting of the Shareholders dated 21 March 2016, the Company was approved to distribute cash dividends of RMB6.00 (tax inclusive) per 10 A Shares to our existing holders of A Shares, with a total cash dividend amounting to RMB2,344,019 thousand.

49 TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it is recognised as financial assets sold under repurchase agreements.



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49 TRANSFERRED FINANCIAL ASSETS (CONTINUED)

(1) Repurchase agreements (Continued)

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable and securities-backed lending under repurchase agreements. The Group retains the contractual rights to receive the cash flows of these financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients according to relevant agreements. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognised them. In addition, it is recognised as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities lending business, for which the customers provide the Group with collaterals that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised.

	As at 31 December 2015		As at 30 June 2016	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets (Unaudited)	Carrying amount of related liabilities (Unaudited)
Repurchase agreements	19,222,101	(16,589,485)	9,972,558	(9,023,514)
Securities lending	474	–	21,933	–

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50 COMMITMENTS

(a) Capital commitments

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Contracted but not provided for	63,975	1,192,737

The Group's capital commitments were mainly for the proposed investments of unlisted equity.

(b) Operating lease commitments

As at 31 December 2015 and 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Within 1 year (inclusive)	118,743	125,882
1–2 years (inclusive)	86,488	88,049
2–3 years (inclusive)	60,117	59,143
More than 3 years	63,875	57,308
Total	329,223	330,382



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51 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

The Group had consolidated certain structured entities, mainly wealth management products. For those structured entities where the Group is involved as manager or as investor, the Group assesses the controlling power according to relevant group accounting policies.

As at 31 December 2015 and 30 June 2016 the net assets of the consolidated asset management products are RMB10,333,489 thousand and RMB8,188,919 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB5,295,818 thousand and RMB5,267,706 thousand respectively.

Interests held by other investors in these consolidated structured entities were classified as fair value changes, net investment gains, interest income, or interest expenses of the consolidated income statements, and other payables and accruals of the consolidated statements of financial position.

At the end of the Period, the Group reassessed the control of structured entities and decided whether the Group is still a principal.

(b) Structured entities sponsored by third party institutions which the Group does not consolidate but holds an interest in

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issued units to investors.

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51 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

- (b) Structured entities sponsored by third party institutions which the Group does not consolidate but holds an interest in (Continued)

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at the end of the Period, which are listed as below:

	As at 31 December 2015		Total
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	
Funds	652,176	5,261,305	5,913,481
Wealth management products and others	6,398,486	1,097,128	7,495,614
Total	7,050,662	6,358,433	13,409,095

	As at 30 June 2016 (Unaudited)		Total
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	
Funds	4,420	2,691,869	2,696,289
Wealth management products and others	5,212,562	1,528,818	6,741,380
Total	5,216,982	4,220,687	9,437,669



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51 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(c) Structured entities sponsored by the Group which the Group does not consolidate

The types of structured entities sponsored by the Group which the Group does not consolidate but in which it holds an interest include funds and asset management products.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by the Group as at the end of the Period, which are listed as below:

	As at 31 December 2015		Total
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	
Funds	121,838	2,350,000	2,471,838
Wealth management products	1,127,749	1,126,209	2,253,958
Total	1,249,587	3,476,209	4,725,796

	As at 30 June 2016 (Unaudited)		Total
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	
Funds	169,357	850,000	1,019,357
Wealth management products	989,814	3,161,756	4,151,570
Total	1,159,171	4,011,756	5,170,927

As at 31 December 2015 and 30 June 2016, the net assets of these unconsolidated structured entities in which the Group acted as asset manager but did not have any interests amounted to RMB247,643,584 thousand and RMB335,106,457 thousand respectively.

During the years ended 31 December 2015 and period ended 30 June 2016, the Group recognised the income from asset management business of RMB1,393,135 thousand and RMB530,686 thousand respectively. As at 31 December 2015 and 30 June 2016, the corresponding remuneration receivables totaled RMB117,593 thousand and RMB120,744 thousand respectively.

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52 CONTINGENCIES

As at 31 December 2015 and 30 June 2016, the Company was being sued as a result of the “8•16 Event” with a total number of 155 and 502 lawsuits respectively and total claimed amount of RMB17,420 thousand and RMB68,674 thousand respectively.

As at 31 December 2015, there were 108 lawsuits sentenced by an intermediate court in Shanghai, among which the Company won 26 lawsuits, lost 71 lawsuits and 11 lawsuits were withdrawn by plaintiffs. The Company appealed the aforementioned first-sentence judgments to a higher court in Shanghai. Remaining 47 cases are pending for court trial. As at 30 June 2016, there were 345 lawsuits were first sentenced by an intermediate court in Shanghai, and 5 lawsuits were final sentenced by higher court in Shanghai, among which the Company won 59 lawsuits, lost 248 lawsuits and 43 lawsuits were withdrawn by plaintiffs. Remaining 152 cases are pending for court trial. The final outcomes of these lawsuits are uncertain at the end of the Period. As at the reporting date, there were 476 lawsuits first sentenced by an intermediate court in Shanghai and 5 lawsuits second sentenced by a higher court in Shanghai, among which the Company won 90 lawsuits, lost 341 lawsuits and 50 lawsuits were withdrawn by plaintiffs. The remaining 21 cases are pending for court trial.

As at 30 June 2016, the Company was being sued as a result of a margin trading dispute with a total claimed amount of RMB39,390 thousand. The case is pending for court trial. The final outcome of the lawsuit is uncertain as at 30 June 2016, and the Company cannot reasonably estimate any provision for the lawsuit.

On 7 June 2016, the Second Intermediate People’s Court of Shanghai issued a notice of appearance to Shanghai Everbright Assets Management Co., Ltd. (“EBSAM”), a wholly owned subsidiary of the Company, pursuant to which Xiamen International Bank Co., Ltd. Shanghai Branch (“Xiamen International Bank Shanghai”) filed a claim against EBSAM in respect of a contractual dispute on asset management services. In November 2012, the plaintiff entrusted RMB150 million to a 3-year Targeted Asset Management (“TAM”) scheme established and managed by EBSAM. As approved by the plaintiff, the TAM scheme invested the entrusted assets in a trust plan managed by a Trust Company, which had a duration of 365 days and an expected annual return of 6.2%. The plaintiff appealed EBSAM to return the entrusted assets and pay expected returns and appealed the third party bank, which issued a guarantee letter to the plaintiff, to undertake the joint responsibility. The plaintiff alleged that EBSAM breached its fiduciary duty of care in managing the entrusted assets under the TAM scheme, which caused loss of the entrusted assets and expected returns. On 8 July 2016, EBSAM appointed a lawyer to file a counterclaim. EBSAM requested Xiamen International Bank Shanghai to receive the entrusted assets and compensate for any loss due to Xiamen International Bank Shanghai not receiving the entrusted assets in time. The counterclaim has already been accepted by an intermediate court in Shanghai. As at the reporting date, the lawsuit and the counterclaim are pending for court trial and the final outcome of the lawsuit is uncertain. The Company cannot reasonably estimate any provision for the lawsuit.



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52 CONTINGENCIES (CONTINUED)

Except for the aforementioned case, as at 31 December 2015 and 30 June 2016, the Group was not involved in any material legal, arbitration or administrative proceedings that if adversely determined, the Group expect would materially adversely affect their financial position or results of operations.

53 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership.

Share percentage in the Company:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
China Everbright Group Company	29.68%	29.68%
China Everbright Limited	29.16%	29.16%

(ii) Associates and joint ventures of the Company

The detailed information of the Company's associates and joint ventures is set out in Note 20.

(iii) Other related parties

Other related parties include subsidiaries of major shareholders, minority shareholders of major subsidiaries of the Company and individuals which include members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

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53 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Balances at the end of the year/period:		
Accounts receivable	10	2,314
Other payables and accruals	498	1,393,122
	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Transactions during the period:		
Other income and gains	–	2,272
Fee and commission income	500	–
Fee and commission expense	134	123
Purchase of a subsidiary from non-controlling interests	–	794,843



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53 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances (Continued)

(ii) Transactions between the Group with associates, joint ventures and other related parties:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Balances at the end of the year/period:		
Cash and bank balances	9,068,051	11,222,577
Other payables and accruals	174,825	77,123
Accounts receivable	7,679	3,655
Other receivables and prepayments	7,441	7,666
Financial liabilities at fair value through profit or loss	–	101,970
Refundable deposits	496,000	496,000
Derivative financial assets	13,657	30,475
Financial assets sold under repurchase agreements	8,939	224,674
Other non-current liabilities	1,644,562	1,738,399
Financial assets at fair value through profit or loss	–	1,500
Loans and borrowings	–	99,674

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53 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances (Continued)

- (ii) Transactions between the Group with associates, joint ventures and other related parties:
(Continued)

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Transactions during the period:		
Transaction amount for financial assets sold under repurchase agreement	23,811,300	17,114,705
Inter-bank funds borrowed	5,800,000	–
Fee and commission income	78,769	49,422
Interest income	126,334	119,042
Other operating expenses	23,554	26,452
Loans borrowed	1,192,040	99,674
Investment in financial assets at fair value through profit or loss	139,999	–
Interest expenses	11,125	3,125
Fee and commission expenses	6,574	25,614
Other income and gains	2,224	1,739
Net investment gains	–	20,677
Gains on disposal of financial assets at fair value through profit or loss	6,830	–
Dividend income from financial assets at fair value through profit or loss	782	–



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53 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Short-term employee benefits		
– Fees, salaries, allowances and bonuses	23,584	17,704
Post-employment benefits		
– Contributions to pension scheme	182	300
Total	23,766	18,004

Total remuneration is included in “staff costs” (see Note 11).

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54 SEGMENT REPORTING

During the year of 2015, the Management commenced to allocate resources and assess the segment performance based on the revised grouping of operating segments. Accordingly, the Period's segment reporting presentation has been presented in accordance with the new approach adopted by the Management in the interim financial report.

- Brokerage and wealth management segment earn fees and commissions from providing brokerage and investment advisory services to retail clients, interest income from holding cash on behalf of clients, and fees from selling financial products developed by the Group and other financial institutions;
- Credit business segment earn interest income from margin financing and securities lending, reverse repurchase transactions and other credit granting business, as well as income from the financial lease business;
- Institutional securities services segment earn fees and commissions from underwriting and financial advisory services, investment gains and interest income from market-making and proprietary activities, as well as fees and commission from providing investment research and prime brokerage services to institutional clients;
- Investment management segment earn management and advisory fees from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from the Group's private equity and alternative investments;
- Overseas business segment earn fees and commission, advisory fees, interest income and investment gains from overseas businesses; and
- Other segments include other operations of head office, including interest income and interest expense incurred for general working capital purpose.



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(Expressed in thousands of Renminbi, unless otherwise stated)

54 SEGMENT REPORTING (CONTINUED)

(a) Business segments

For the six months ended 30 June 2015 (Unaudited)

	Brokerage and wealth management	Credit business	Institutional client services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
– External	4,988,303	40,548	889,693	512,454	232,316	26,262	6,689,576
– Inter-segment	3,735	–	8,239	–	–	–	11,974
Interest income							
– External	535,960	2,602,370	21,190	35,980	70,477	224,311	3,490,288
– Inter-segment	–	–	–	9,897	470	–	10,367
Net investment (losses)/gains							
– External	(2,085)	301	1,508,328	688,283	15,877	319,236	2,529,940
– Inter-segment	(13,632)	–	32,038	(22,141)	–	–	(3,735)
Total Revenue							
– External	5,522,178	2,643,219	2,419,211	1,236,717	318,670	569,809	12,709,804
– Inter-segment	(9,897)	–	40,277	(12,244)	470	–	18,606
Other income and gains							
– External	10,780	114	15	29,497	12,957	64,987	118,350
– Inter-segment	–	–	–	–	–	359	359
Segment revenue and other income							
– External	5,532,958	2,643,333	2,419,226	1,266,214	331,627	634,796	12,828,154
– Inter-segment	(9,897)	–	40,277	(12,244)	470	359	18,965
Segment expenses							
– External	(2,347,770)	(1,912,588)	(519,157)	(416,134)	(269,499)	(1,112,755)	(6,577,903)
– Inter-segment	(10,367)	–	–	(167)	(8,431)	–	(18,965)
Segment operating profit/(loss)							
– External	3,185,188	730,745	1,900,069	850,080	62,128	(477,959)	6,250,251
– Inter-segment	(20,264)	–	40,277	(12,411)	(7,961)	359	–
Share of profit of associates and joint ventures							
– External	–	2,925	–	49,057	–	143	52,125
Profit/(loss) before income tax							
– External	3,185,188	733,670	1,900,069	899,137	62,128	(477,816)	6,302,376
– Inter-segment	(20,264)	–	40,277	(12,411)	(7,961)	359	–
Interest income	535,960	2,602,370	21,190	35,980	70,477	224,311	3,490,288
Interest expenses	(80,409)	(1,729,551)	(94,372)	(69,251)	(47,176)	(105,734)	(2,126,493)
Reversal of/(provision for) impairment losses	91	(31,419)	–	38,624	(32)	8,964	16,228

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54 SEGMENT REPORTING (CONTINUED)

(a) Business segments (Continued)

For the six months ended 30 June 2016 (Unaudited)

	Brokerage and wealth management	Credit business	Institutional client services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
– External	1,676,798	38,110	970,671	531,675	302,855	3,531	3,523,640
– Inter-segment	1,022	–	8,365	–	–	–	9,387
Interest income							
– External	415,934	1,445,090	9,509	197,588	158,167	344,684	2,570,972
– Inter-segment	(52,744)	14,389	–	8,182	–	201,924	171,751
Net investment (losses)/gains							
– External	(1,140)	(7,197)	(73,621)	364,019	1,412	95,946	379,419
– Inter-segment	–	–	(42)	(229)	–	–	(271)
Total Revenue							
– External	2,091,592	1,476,003	906,559	1,093,282	462,434	444,161	6,474,031
– Inter-segment	(51,722)	14,389	8,323	7,953	–	201,924	180,867
Other income and gains.							
– External	10,454	6,517	1	26,831	34,357	183,488	261,648
– Inter-segment	–	–	–	–	–	437	437
Segment revenue and other income							
– External	2,102,046	1,482,520	906,560	1,120,113	496,791	627,649	6,735,679
– Inter-segment	(51,722)	14,389	8,323	7,953	–	202,361	181,304
Segment expenses							
– External	(1,250,437)	(813,483)	(494,598)	(671,400)	(593,249)	(1,019,751)	(4,842,918)
– Inter-segment	(4)	–	–	(149,114)	(9,619)	(22,567)	(181,304)
Segment operating profit/(loss)							
– External	851,609	669,037	411,962	448,713	(96,458)	(392,102)	1,892,761
– Inter-segment	(51,726)	14,389	8,323	(141,161)	(9,619)	179,794	–
Share of profit of associates and joint ventures	–	–	–	17,855	2,404	–	20,259
Profit/(loss) before income tax							
– External	851,609	669,037	411,962	466,568	(94,054)	(392,102)	1,913,020
– Inter-segment	(51,726)	14,389	8,323	(141,161)	(9,619)	179,794	–
Interest income	415,934	1,445,090	9,509	197,588	158,167	344,684	2,570,972
Interest expenses	(85,045)	(705,911)	(63,496)	(325,918)	(100,101)	(608,824)	(1,889,295)
Reversal of/(provision for) impairment losses	29	(20,945)	–	2,000	(253)	–	(19,169)



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54 SEGMENT REPORTING (CONTINUED)

(b) Geographical segments

The following table sets out (i) information about the geographical location of the Group's revenue from external customers and (ii) the Group's property and equipment, goodwill, other intangible assets, interest in associates and joint ventures, refundable deposits and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates.

	Six months ended 30 June 2015 (Unaudited)			Six months ended 30 June 2016 (Unaudited)		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Segment Revenue						
Revenue from external customers	12,391,134	318,670	12,709,804	6,011,597	462,434	6,474,031
Other income and gains	105,393	12,957	118,350	227,291	34,357	261,648
Total	12,496,527	331,627	12,828,154	6,238,888	496,791	6,735,679

	As at 31 December 2015			As at 30 June 2016 (Unaudited)		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Specified non-current assets						
Property and equipment	851,798	27,574	879,372	838,461	27,963	866,424
Goodwill	9,380	1,402,403	1,411,783	9,380	1,430,676	1,440,056
Other intangible assets	63,709	822,108	885,817	59,482	746,642	806,124
Interest in associates and joint ventures	834,649	40,114	874,763	1,388,790	38,100	1,426,890
Refundable deposits	3,964,708	30,310	3,995,018	5,175,777	27,412	5,203,189

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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, market risk and liquidity risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the Period, the Group was exposed to four types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business; and (iv) default risk of other fixed income financial assets except for debt securities and derivative financial assets, which refers to risk of assets losses caused by counterparty defaults.

The Group uses its risk management systems to monitor its credit risk closely, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analysis and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the Period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending and stock repurchases business, the Group evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of other credit business, preliminary due diligence was performed and a due diligence report submitted for approval by the Group before a project can be launched.



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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Held-to-maturity investments	129,531	132,328
Refundable deposits	3,995,018	5,203,189
Accounts receivable	2,069,298	2,875,727
Other receivables and prepayments	3,323,086	3,867,499
Finance lease receivables	3,901,842	3,396,428
Other non-current assets	185,000	947,829
Margin accounts receivable	43,404,467	31,476,687
Available-for-sale financial assets	1,955,310	1,999,357
Financial assets held under resale agreements	6,348,621	5,048,014
Financial assets at fair value through profit or loss	17,440,359	13,762,790
Derivative financial assets	168,519	136,401
Clearing settlement funds	360,034	1,361,140
Cash held on behalf of brokerage clients	70,327,108	63,316,566
Bank balances	15,091,125	13,822,893
Total maximum credit risk exposure	168,699,318	147,346,848

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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

31 December 2015	By geographical area		Total
	Mainland China	Outside Mainland China	
Held-to-maturity investments	–	129,531	129,531
Refundable deposits	3,964,708	30,310	3,995,018
Accounts receivable	228,647	1,840,651	2,069,298
Other receivables and prepayments	3,247,922	75,164	3,323,086
Finance lease receivables	3,901,842	–	3,901,842
Other non-current assets	185,000	–	185,000
Margin accounts receivable	38,761,836	4,642,631	43,404,467
Available-for-sale financial assets	1,951,367	3,943	1,955,310
Financial assets held under resale agreements	6,348,621	–	6,348,621
Financial assets at fair value through profit or loss	17,392,858	47,501	17,440,359
Derivative financial assets	168,519	–	168,519
Clearing settlement funds	360,034	–	360,034
Cash held on behalf of brokerage clients	62,497,417	7,829,691	70,327,108
Bank balances	13,685,979	1,405,146	15,091,125
Total maximum credit risk exposure	152,694,750	16,004,568	168,699,318



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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk concentrations (Continued)

30 June 2016 (Unaudited)	By geographical area		Total
	Mainland China	Outside Mainland China	
Held-to-maturity investments	–	132,328	132,328
Refundable deposits	5,175,777	27,412	5,203,189
Accounts receivable	138,674	2,737,053	2,875,727
Other receivables and prepayments	3,711,410	156,089	3,867,499
Finance lease receivables	3,396,428	–	3,396,428
Other non-current assets	589,695	358,134	947,829
Margin accounts receivable	26,440,357	5,036,330	31,476,687
Available-for-sale financial assets	1,995,791	3,566	1,999,357
Financial assets held under resale agreements	5,048,014	–	5,048,014
Financial assets at fair value through profit or loss	13,572,458	190,332	13,762,790
Derivative financial assets	136,401	–	136,401
Clearing settlement funds	1,361,140	–	1,361,140
Cash held on behalf of brokerage clients	53,144,003	10,172,563	63,316,566
Bank balances	12,437,158	1,385,735	13,822,893
Total maximum credit risk exposure	127,147,306	20,199,542	147,346,848

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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the Period are categorised by rating distribution as follows:

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Rating		
Long-term bonds		
– AAA	1,913,155	1,851,643
– From A to AA+	6,880,214	4,847,898
– From B- to BBB	–	668,086
– CCC+	–	12,939
– Non-rated ⁽¹⁾	3,981,213	1,736,764
Sub-total	12,774,582	9,117,330
Short-term bonds		
– A-1	110,103	1,128,317
– Non-rated ⁽¹⁾	364,043	2,386,764
Sub-total	474,146	3,515,081
Total	13,248,728	12,632,411

(1) Non-rated financial assets mainly represent debts instruments issued by the MOF, the PBOC, policy banks, private placed bonds, and super & short-term commercial papers.



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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the end of the Period of the Group's non-derivative financial liabilities and derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the Period) and the earliest date the Group can be required to pay:

Financial liabilities	Carrying amount	Repayable on demand	As at 31 December 2015				Total
			Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	
Loans and borrowings	5,276,502	–	2,332,375	6,383	761,872	2,407,118	5,507,748
Short-term debt instruments issued	2,100,000	–	723,100	830,067	629,000	–	2,182,167
Placements from other financial institutions	500,000	–	500,266	–	–	–	500,266
Accounts payable to brokerage clients	71,102,044	71,102,044	–	–	–	–	71,102,044
Other payables and accruals	7,310,684	1,204,179	21,431	3,005,979	3,079,095	–	7,310,684
Financial assets sold under repurchase agreements	20,785,441	–	6,762,671	3,408,137	10,890,287	233,910	21,295,005
Derivative financial liabilities	1,022,572	2,114	6	276,838	743,614	–	1,022,572
Long-term bonds	37,839,532	–	234,000	6,366,006	14,409,305	20,589,546	41,598,857
Other non-current liabilities	1,853,981	–	–	–	–	1,853,981	1,853,981
Total	147,790,756	72,308,337	10,573,849	13,893,410	30,513,173	25,084,555	152,373,324

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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

Financial liabilities	As at 30 June 2016 (Unaudited)						Total
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	
Loans and borrowings	6,561,258	–	3,319,999	92,019	1,073,587	2,253,109	6,738,714
Short-term debt instruments issued	871,193	–	82,631	628,358	168,811	–	879,800
Placements from other financial institutions	4,632,400	–	1,100,613	3,024,267	540,494	–	4,665,374
Accounts payable to brokerage clients	66,945,084	66,945,084	–	–	–	–	66,945,084
Other payables and accruals	6,560,436	3,412,250	31,886	256,987	2,859,313	–	6,560,436
Financial liabilities at fair value through profit or loss.	205,238	205,238	–	–	–	–	205,238
Financial assets sold under repurchase agreements	13,586,732	–	8,252,903	3,114,554	2,331,072	–	13,698,529
Derivative financial liabilities.	349,870	–	463	345,286	4,107	14	349,870
Long-term bonds	28,926,437	–	–	–	11,755,116	19,318,592	31,073,708
Other non-current liabilities	1,935,328	–	–	–	–	1,935,328	1,935,328
Total	130,573,976	70,562,572	12,788,495	7,461,471	18,732,500	23,507,043	133,052,081



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(CONTINUED)*

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

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(Expressed in thousands of Renminbi, unless otherwise stated)



55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

The following tables indicate the assets and liabilities as at the end of the Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	As at 31 December 2015						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Financial assets							
Held-to-maturity investments	-	-	-	129,531	-	-	129,531
Available-for-sale financial assets	121,821	-	230,782	1,252,160	316,396	15,721,640	17,642,799
Financial assets held under resale agreements	948,982	632,917	3,422,032	1,344,690	-	-	6,348,621
Refundable deposits	1,239,533	-	-	-	25,680	2,729,805	3,995,018
Accounts receivable	-	-	-	-	-	2,069,298	2,069,298
Finance lease receivables	195,525	186,848	1,068,569	2,450,900	-	-	3,901,842
Other receivables and prepayments	25,000	57,690	1,360,987	-	-	325,001	1,768,678
Margin accounts receivable	11,006,431	3,577,248	28,820,788	-	-	-	43,404,467
Financial assets at fair value through profit or loss	6,129,206	272,158	637,793	9,495,862	905,073	8,099,805	25,539,897
Derivative financial assets	77,423	26,720	2,105	-	-	62,271	168,519
Clearing settlement funds	360,034	-	-	-	-	-	360,034
Cash held on behalf of brokerage clients	64,473,028	1,734,542	4,020,163	99,375	-	-	70,327,108
Cash and bank balances	13,508,975	718,877	569,837	210,625	-	83,378	15,091,692
Other non-current assets	-	-	-	185,000	-	-	185,000
Total	98,085,958	7,207,000	40,133,056	15,168,143	1,247,149	29,091,198	190,932,504



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(Expressed in thousands of Renminbi, unless otherwise stated)

55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

	As at 31 December 2015						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Financial liabilities							
Loans and borrowings	(2,328,161)	-	(686,000)	(2,262,341)	-	-	(5,276,502)
Short-term debt instruments issued	(700,000)	(800,000)	(600,000)	-	-	-	(2,100,000)
Placements from other financial institutions	(500,000)	-	-	-	-	-	(500,000)
Accounts payable to brokerage clients	(55,347,741)	-	-	-	-	(15,754,303)	(71,102,044)
Other payables and accruals	-	-	-	-	-	(7,310,684)	(7,310,684)
Financial assets sold under repurchase agreements	(6,725,963)	(3,274,161)	(10,555,317)	(230,000)	-	-	(20,785,441)
Derivative financial liabilities	(104,612)	(54,687)	(5,086)	-	-	(858,187)	(1,022,572)
Long-term bonds	-	(5,997,067)	(12,989,110)	(18,853,355)	-	-	(37,839,532)
Other non-current liabilities	-	-	-	-	-	(1,853,981)	(1,853,981)
Total	(65,706,477)	(10,125,915)	(24,835,513)	(21,345,696)	-	(25,777,155)	(147,790,756)
Net interest rate risk exposure	32,379,481	(2,918,915)	15,297,543	(6,177,553)	1,247,149	3,314,043	43,141,748

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(Expressed in thousands of Renminbi, unless otherwise stated)



55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

	As at 30 June 2016 (Unaudited)						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Financial assets							
Held-to-maturity investments	–	–	–	132,328	–	–	132,328
Available-for-sale financial assets	214,524	–	262,488	1,301,062	127,687	13,353,712	15,259,473
Financial assets held under resale agreements	711,863	164,385	2,814,424	1,357,342	–	–	5,048,014
Refundable deposits	1,730,961	–	–	–	–	3,472,228	5,203,189
Accounts receivable	–	–	–	–	–	2,875,727	2,875,727
Finance lease receivables	112,189	130,842	775,592	2,377,805	–	–	3,396,428
Other receivables and prepayments	–	33,593	1,497,943	–	–	485,680	2,017,216
Margin accounts receivable	13,043,857	2,220,847	16,211,983	–	–	–	31,476,687
Financial assets at fair value through profit or loss	3,189,478	916,982	3,260,630	5,944,837	428,962	7,979,238	21,720,127
Derivative financial assets	53,597	22,328	1,449	–	–	59,027	136,401
Clearing settlement funds	1,347,108	–	–	–	–	14,032	1,361,140
Cash held on behalf of brokerage clients	63,186,566	20,000	–	110,000	–	1	63,316,567
Cash and bank balances	12,896,419	65,445	654,160	80,000	–	127,370	13,823,394
Other non-current assets	–	–	–	761,120	–	186,709	947,829
Total	96,486,562	3,574,422	25,478,669	12,064,494	556,649	28,553,724	166,714,520



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(Expressed in thousands of Renminbi, unless otherwise stated)

55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

	As at 30 June 2016 (Unaudited)						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Financial liabilities							
Loans and borrowings	(3,315,344)	(76,372)	(1,029,474)	(2,140,068)	–	–	(6,561,258)
Short-term debt instruments issued	(82,101)	(622,938)	(166,154)	–	–	–	(871,193)
Placements from other financial institutions	(1,100,000)	(3,000,000)	(532,400)	–	–	–	(4,632,400)
Accounts payable to brokerage clients	(58,006,913)	–	–	–	–	(8,938,171)	(66,945,084)
Other payables and accruals	–	–	–	–	–	(6,560,436)	(6,560,436)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(205,238)	(205,238)
Financial assets sold under repurchase agreements	(8,240,401)	(3,046,331)	(2,300,000)	–	–	–	(13,586,732)
Derivative financial liabilities	(71,378)	(45,641)	(3,429)	–	–	(229,422)	(349,870)
Long-term bonds	–	–	(10,486,621)	(18,439,816)	–	–	(28,926,437)
Other non-current liabilities	–	–	–	–	–	(1,935,328)	(1,935,328)
Total	(70,816,137)	(6,791,282)	(14,518,078)	(20,579,884)	–	(17,868,595)	(130,573,976)
Net interest rate risk exposure	25,670,425	(3,216,860)	10,960,591	(8,515,390)	556,649	10,685,129	36,140,544

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(Expressed in thousands of Renminbi, unless otherwise stated)



55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the Period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's and the Company's profit after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of profit after tax	
	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Move in yield curve		
Up 25 basis points	23,481	2,308
Down 25 basis points	12,492	497
	Sensitivity of equity	
	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Move in yield curve		
Up 25 basis points	15,697	(5,431)
Down 25 basis points	21,003	9,197

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and equity that would arise assuming that the change in interest rates had occurred at the end of the Period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the Period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the Period, the impact on the Group's profit after tax and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.



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(Expressed in thousands of Renminbi, unless otherwise stated)

55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation and monitor of foreign exchange rates. The Group adopts sensitivity analysis to measure and monitor currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD"), HKD and EUR at the end of the Period, under the assumption of the foreign exchange rate changes within the period from the end of the Period to next whole year, would have increased/(decreased) the Group's equity and profit after tax by the amount shown below, whose effect is in RMB and translated using the spot rate at the end of the Period:

Currency	Sensitivity of equity	
	As at 31 December 2015	As at 30 June 2016 (Unaudited)
USD	139,928	132,770
HKD	(110,742)	(48,684)
EUR	(796)	(289)

Currency	Sensitivity of profit after tax	
	As at 31 December 2015	As at 30 June 2016 (Unaudited)
USD	139,928	132,770
HKD	(109,638)	(48,357)
EUR	(796)	(289)

A 10% weakening of the RMB against the USD, HKD and EUR at the end of the Period would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

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(Expressed in thousands of Renminbi, unless otherwise stated)



55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(ii) Currency risk (Continued)

Due to the above assumptions, the result of sensitivity analysis on foreign exchange rate changes may be different, compared with the actual changes in the Group's profit after tax and equity of may arise with this.

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments included in financial assets at fair value through profit or loss and available-for-sale financial instruments. Price risk the Group facing is mainly the proportionate fluctuation in the Group's profit after tax and equity due to the price fluctuation of the financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets.

Sensitivity analysis

The analysis below is performed to show the impact on Group's profit after tax and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of profit after tax	
	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Increase by 10%	470,636	424,686
Decrease by 10%	(470,636)	(424,686)

	Sensitivity of equity	
	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Increase by 10%	1,594,918	1,414,304
Decrease by 10%	(1,594,918)	(1,414,304)



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(Expressed in thousands of Renminbi, unless otherwise stated)

55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(iii) Price risk (Continued)

Sensitivity analysis (Continued)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the Period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the Period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis at the end of the Period.

(d) Capital management

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- (ii) The ratio of net capital divided by net assets shall be no less than 40%;
- (iii) The ratio of net capital divided by liabilities shall be no less than 8%;
- (iv) The ratio of net assets divided by liabilities shall be no less than 20%;

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55 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital management (Continued)

- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100%; and
- (vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

During the Period, the Company monitored the above ratios closely to maintain these ratios in compliance with the relevant capital requirements.

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the Period.

56 FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.



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(Expressed in thousands of Renminbi, unless otherwise stated)

56 FAIR VALUE INFORMATION (CONTINUED)

(a) Fair value of financial instruments (Continued)

- (iii) The fair values of long-term bonds and other non-current liabilities – put right liabilities arising from business combination are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimated the fair values using pricing models including discounted cash flow and binomial pricing model.
- (iv) Account receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients mainly are within one year. Accordingly, the carrying amounts approximate the fair values.

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amounts of the group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 30 June 2016 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

Carrying amount

	As at 31 December 2015	As at 30 June 2016 (Unaudited)
Financial liabilities		
– Long-term bonds	37,839,532	28,926,437

Fair value

	As at 31 December 2015			Total
	Level I	Level II	Level III	
Financial liabilities				
– Long-term bonds	–	38,296,473	–	38,296,473

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56 FAIR VALUE INFORMATION (CONTINUED)

(b) Fair value of other financial instruments (carried at other than fair value) (Continued)

	As at 30 June 2016 (Unaudited)			Total
	Level I	Level II	Level III	
Financial liabilities				
– Long-term bonds	–	29,403,756	–	29,403,756

The fair values of the financial liabilities included in the level II above have been determined in accordance with generally accepted pricing models including discounted cash flow etc.

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 statements of financial position approximate their fair values.

(c) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FAIR VALUE INFORMATION (CONTINUED)

(c) Fair value hierarchy (Continued)

The table below analyses financial instruments, measured at fair value at the end of the Period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 31 December 2015			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value				
through profit or loss				
Held for trading				
– Debt securities	5,300,459	6,081,598	–	11,382,057
– Equity securities	4,157,699	155,866	–	4,313,565
– Funds	7,527,226	84,079	–	7,611,305
– Wealth management products	–	1,601,208	40,890	1,642,098
– Others	5,098	4,535	–	9,633
Designated at fair value through profit or loss				
– Wealth management products	–	581,239	–	581,239
Available-for-sale financial assets				
– Debt securities	793,061	1,043,610	30,000	1,866,671
– Equity securities	6,158,913	137,459	1,179,507	7,475,879
– Funds	765,077	8,937	–	774,014
– Wealth management products and others	–	7,506,185	20,050	7,526,235
Derivative financial assets	44	168,475	–	168,519
Total	24,707,577	17,373,191	1,270,447	43,351,215
Liabilities				
Derivative financial liabilities	(468)	(1,022,104)	–	(1,022,572)
Total	(468)	(1,022,104)	–	(1,022,572)

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56 FAIR VALUE INFORMATION (CONTINUED)

(c) Fair value hierarchy (Continued)

	As at 30 June 2016 (Unaudited)			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	761,794	9,878,551	–	10,640,345
– Equity securities	2,150,638	680,674	1,887	2,833,199
– Funds	3,481,079	60,790	–	3,541,869
– Wealth management products	–	2,640,003	58,000	2,698,003
– Others	4,220	9,920	–	14,140
Designated at fair value through profit or loss				
– Wealth management products	–	481,564	1,511,007	1,992,571
Available-for-sale financial assets				
– Debt securities	33,999	1,735,740	90,000	1,859,739
– Equity securities	5,358,083	439,477	1,226,021	7,023,581
– Funds	173,777	–	–	173,777
– Wealth management products and others	–	6,182,376	20,000	6,202,376
Derivative financial assets	1,772	134,629	–	136,401
Total	11,965,362	22,243,724	2,906,915	37,116,001
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated at fair value through profit or loss				
– Structured entities	–	–	(205,238)	(205,238)
Derivative financial liabilities	(480)	(349,390)	–	(349,870)
Total	(480)	(349,390)	(205,238)	(555,108)



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56 FAIR VALUE INFORMATION (CONTINUED)

(c) Fair value hierarchy (Continued)

During the Period, there were no significant transfers between Level I and Level II.

There were transfers between Level I and Level III during the Period, as a result of the fact that several unlisted equity investments were listed in exchanges during the Period. Other than the above, there was no significant transfer into or out of Level III during the Period. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the Period in which they occur.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the Period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on exchanges and fund investments traded through exchanges or fund management companies.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

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(Expressed in thousands of Renminbi, unless otherwise stated)



56 FAIR VALUE INFORMATION (CONTINUED)

(c) Fair value hierarchy (Continued)

(iii) Valuation methods for specific investments

As at the end of the Period, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the end of the Period within bid-ask spread. If there is no quoted market price as at the end of the Period, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the end of the Period or the most recent trading date. For unlisted open-end funds and wealth management products, fair value is determined by quoted price which is based on the net asset value as at the end of the Period.
- (3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities as at the end of the Period.
- (4) For debt securities traded through the inter-bank bond market and the OTC market, fair values are determined by valuation techniques.
- (5) For futures traded through exchanges, fair value is determined based on the closing price of the futures as at the end of the Period.



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(Expressed in thousands of Renminbi, unless otherwise stated)

56 FAIR VALUE INFORMATION (CONTINUED)

(c) Fair value hierarchy (Continued)

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Total
As at 1 January 2015	1,246,150	1,166,977	2,413,127
Transfer out	–	(536,795)	(536,795)
Gains for the year	2,110	5,018	7,128
Changes in fair value recognised in other comprehensive income	–	311,251	311,251
Purchases	14,510	603,275	617,785
Sales and settlements	(1,221,880)	(320,169)	(1,542,049)
As at 31 December 2015	40,890	1,229,557	1,270,447
Total gains for the year reclassified from other comprehensive income on disposal	–	10,169	10,169
Total losses for the year included in profit or loss for assets held at the end of the year	–	(5,151)	(5,151)

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(Expressed in thousands of Renminbi, unless otherwise stated)



56 FAIR VALUE INFORMATION (CONTINUED)

(c) Fair value hierarchy (Continued)

(iv) Financial instruments in Level III (Continued)

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2016	40,890	1,229,557	–	1,270,447
Transfer in/(out)	1,887	(34,945)	–	(33,058)
Gains for the Period	–	2,007	–	2,007
Changes in fair value recognised in other comprehensive income	–	(29,591)	–	(29,591)
Purchases	1,556,707	171,000	(205,238)	1,522,469
Sales and settlements	(28,590)	(2,007)	–	(30,597)
As at 30 June 2016 (Unaudited)	1,570,894	1,336,021	(205,238)	2,701,677
Total gains for the Period reclassified from other comprehensive income on disposal	–	2,007	–	2,007
Total losses for the Period included in profit or loss for assets held at the end of the Period	–	–	–	–



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(Expressed in thousands of Renminbi, unless otherwise stated)

56 FAIR VALUE INFORMATION (CONTINUED)

(c) Fair value hierarchy (Continued)

(iv) Financial instruments in Level III (Continued)

For financial instruments in Level III, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Stock with disposal restriction within a specific period	Level III	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Wealth management products, structured entities, private placement bonds and preferred shares	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
			Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted equity investment with limited marketability	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

57 NON-ADJUSTING EVENTS AFTER THE PERIOD

The Company publicly issued 680,000,000 Overseas Listed Foreign Shares (H Shares) (before exercising the Over-allotment Option) based on the price of HK\$12.68 per share, these shares were listed and commenced trading on the Main board of Stock Exchange of Hong Kong Limited On 18 August 2016.