



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

Interim Report 2017



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IMPORTANT NOTICE

1. 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 several and joint responsibilities for truthfulness, accuracy and completeness of the contents contained herein.
2. The report has been considered and approved at the 31st Meeting of the Fourth Session of the Board of Directors of the Company. The number of Directors that should attend the Board meeting was 11 and the number of Directors having voted at the Board meeting was 11. Mr. Gao Yunlong authorized Mr. Ge Haijiao, Mr. Yang Guoping authorized Mr. Xue Feng, Mr. Yin Lianchen authorized Mr. Chan Ming Kin and Mr. Xu Jingchang authorized Mr. Xiong Yan to exercise their rights of voting. None of the Directors or Supervisors has made any objection to this report.
3. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the International Financial Reporting Standards and have not been audited, while having been reviewed by Ernst & Young. Unless otherwise stated, the data set out in this report is denominated in RMB.
4. Mr. Xue Feng, the person-in-charge of the Company and 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.
5. Forward-looking statements included in this 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.
6. There was no appropriation of funds on a non-recurring basis by the Company's controlling shareholders and their related parties during the Reporting Period.
7. The Company has not provided any external guarantees which were in violation of stipulated decision-making procedures during the Reporting Period.
8. The Company had no plan of cash dividend distribution and bonus share proposals or proposal on transfer of capital reserve fund into capital for the first half of 2017.
9. 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 AND WARNING OF MATERIAL RISKS

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 Ltd. (中國光大集團股份有限公司), the largest shareholder of the Company
Everbright Limited	China Everbright Limited (中國光大控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 165), 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
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
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
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)
Everbright Development	Everbright Development Investment Co., Ltd. (光大發展投資有限公司), a wholly-owned subsidiary of the Company
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 (新鴻基金融集團有限公司), whose equity interest is held 70% by EBSHK and 30% by Sun Hung Kai & Co. Limited, respectively

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

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 2017 (January 1, 2017 to June 30, 2017)
Directors	the directors of the Company
Board	the board of Directors of the Company
Supervisors	the supervisors of the Company
Supervisory Committee	the supervisory committee 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)
PBOC	People's Bank of China, the central bank of the PRC
SAFE	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
CSFC	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
PB	Prime brokerage
OTC	Over-the-counter
PPP	Public-private Partnership
FICC	Fixed Income, Currencies and Commodities
QFII	Qualified foreign institutional investor
IPO	initial public offering
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 AND WARNING OF MATERIAL RISKS

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 clients 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 client pursuant to the agreement signed with the client
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
our Group, Group	the Company and its subsidiaries
Articles of Association	articles of association of the Company
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CBRC	China Banking Regulatory Commission (中國銀行業監督管理委員會)
SSE	Shanghai Stock Exchange
SSE Listing Rules	Shanghai Stock Exchange Listing Rules
SZSE	Shenzhen Stock Exchange
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
SFC	the Securities and Futures Commission of Hong Kong

SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
related party transaction(s)	has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time, unless otherwise stated
connected transaction(s)	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time
A Shares	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the SSE 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 PRC
China or PRC	the People's Republic of China, and for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
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.

II. Warning of Material Risks

During the Reporting Period, the Company had no matters that involve significant risks. The Company has described in detail of the risks that it may be exposed to in this report. Please refer to the relevant statements in "III. Potential risk exposure" of Section IV "Report of the Board" of this report for details.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 A Shares of the Company in English	EBSCN
Abbreviated name of H Shares of the Company in English	EB SECURITIES
Legal representative of the Company	Mr. Xue Feng
Chairman and President of the Company	Mr. Xue Feng
Secretary to the Board	Ms. Zhu Qin
Company Secretary	Mr. Ngai Wai Fung
Authorized representatives	Mr. Xue Feng and Mr. Ngai Wai Fung

Registered capital and net capital of the Company

Unit: RMB Yuan

	As at June 30, 2017	As at December 31, 2016
Registered capital	4,610,787,639.00	4,610,787,639.00
Net capital	34,773,992,612.36	39,747,165,134.28

Business scope of the Company 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.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Qualification of each of the business of the Company

Business qualifications

Securities brokerage; securities investment consulting; financial advisory 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 clients' 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, underwriter and entrusted foreign-exchange asset management); qualified underwriting 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 CSFC to margin financing and securities lending clients; qualifications for account opening agency institutions; participation in 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.

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.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

II. Contact Person and Information

Secretary to the Board and Representative of Securities Affairs

Name	Zhu Qin
Contact Address	No.1508, Xinzha Road, Jing'an District, Shanghai
Telephone	021-22169914
Facsimile	021-22169964
E-mail address	ebs@ebscn.com

III. Basic Information

Registered address of the Company	No.1508, Xinzha Road, Jing'an District, Shanghai
Postal code of the registered address of the Company	200040
Office address of the Company	No.1508, Xinzha Road, Jing'an District, Shanghai
Postal code of the office address of the Company	200040
Principal place of business in Hong Kong of the Company	24 th 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 the interim report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of the 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	Place of listing	Stock name	Stock code
A Share	SSE	Everbright Securities	601788
H Share	Hong Kong Stock Exchange	EB SECURITIES	6178

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. Key Accounting Information and Financial Indicators of the Company

(I) Key accounting information and financial indicators

(Unless otherwise stated, the accounting information and financial indicators set out in this report have been prepared in accordance with the International Accounting Standards)

Item	January to June 2017 (RMB'000)	January to June 2016 (RMB'000)	Variance as compared to the last corresponding period
Operating results			
Revenue and other income	6,279,176	6,735,679	(6.78)%
Profit before income tax	1,637,366	1,913,020	(14.41)%
Net profit attributable to shareholders of the Company	1,237,488	1,514,708	(18.30)%
Net cash generated from operating activities	1,527,562	13,986,533	(89.08)%
	(RMB/share)	(RMB/share)	
Earnings per share			
Basic earnings per share	0.27	0.39	(30.77)%
Diluted earnings per share	0.27	0.39	(30.77)%
Index of profitability			
Weighted average returns on net assets (%)	2.60	3.80	decreased by 1.2 percentage points

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Item	As at June 30, 2017 (RMB'000)	As at December 31, 2016 (RMB'000)	Variance as compared to the end of the last corresponding period
Scale indices			
Total assets	194,856,133	177,637,259	9.69%
Total liabilities	145,585,418	129,000,595	12.86%
Accounts payable to brokerage clients	51,644,368	55,343,327	(6.68)%
Equity attributable to shareholders of the Company	47,847,437	47,195,712	1.38%
Total equity of owners	49,270,715	48,636,664	1.30%
Total share capital ('000 shares)	4,610,788	4,610,788	–
Net assets per share attributable to shareholders of the Company (RMB/share)	10.38	10.24	1.34%
Gearing ratio (%) ^(Note)	65.60%	60.23%	increased by 5.37 percentage points

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

The net profit from January to June 2017 and January to June 2016 and the net assets as at June 30, 2017 and December 31, 2016 as stated in the consolidated financial statements of the Company prepared in accordance with International Accounting Standards are consistent with those in accordance with those prepared in accordance with the PRC GAAP.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Item	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Core net capital	34,773,993	34,747,165
Supplementary net capital	–	5,000,000
Net capital	34,773,993	39,747,165
Net assets	47,377,150	46,660,184
Total risk capital reserves	12,287,483	11,271,019
Total on-/off-balance sheet assets	117,196,014	107,216,497
Risk coverage (%)	283.00	352.65
Capital leverage ratio (%)	32.16	35.14
Liquidity coverage ratio (%)	265.29	235.85
Net stable funding ratio (%)	142.48	152.59
Net capital/net assets (%)	73.40	85.18
Net capital/liabilities (%)	53.63	74.25
Net assets/liabilities (%)	73.06	87.16
Value of proprietary equity securities and securities derivatives/net capital (%)	27.01	28.36
Value of proprietary fixed-income securities/net capital (%)	104.15	53.53

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.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

I. The Company's Main Businesses, Operation Model, and Industrial Description for the Reporting Period

(I) The Company's Principal Business Model

Brokerage and wealth management: The Company provides brokerage and investment consulting services for retail clients to earn fee and commission, holds cash on behalf of clients to earn interest income, and sells the financial products developed by the Company and other financial institutions to earn commission fee.

Credit business: The Company earns interest income from margin financing and securities lending, collateralized stock repurchase transactions, trading in securities under repurchase agreement and stock option financing for listed companies, and also earns income from financial leasing business carried out by Everbright Leasing.

Institutional securities business: The Company earns fee and commission by providing underwriting, financial advisory, investment research and prime brokerage services to corporate and other institutional clients, and also investment income and interest income from proprietary trading and market making services.

Investment management: The Company earns management and consulting fees by providing asset management, fund management, and private equity investment management services to clients, and gains investment income from private equity investments and alternative investments.

Overseas business: The Company earns fee and commission, interest income and investment gains through overseas business.

(II) Description of Industrial Situation during the Reporting Period

In the first half of 2017, the world economy kept improving. Developed economies generally maintained the recovery momentum, and international financial market remained relatively stable. Nevertheless, there were a number of risks and uncertainties. Domestic economy advanced amid stability. China's policy of "removal of obsolete production capacity, inventory and leverage, cost reduction and weak spot bolstering" yielded solid results, and policies continued to fruit, as evidenced by a year-on-year growth of 6.9% in GDP, and better-than-expected major indices including economic growth, employment, commodity price and balance of payment, pointing to enhanced stability, coordination and sustainability of economic development.

Prevention and control of financial risks took up a more important position in industry regulation, and efforts were made to intensify promotion of lawful, stringent and comprehensive regulation. Under the clearer policy guidance focusing on principal businesses and based on risk control, promoting financial service for real economy is both the means and end of the current regulatory tasks. In the first half of 2017, the CSRC rolled out new rules on suitability, refinancing and stock-selling, and the CBRC promulgated a range of important regulatory policies addressing "three arbitrages" (regulatory arbitrage, idle funds arbitrage and related entity arbitrage) (監管套利、空轉套利、關聯套利) and "four improprieties" (improper innovation, improper transactions, improper incentives and improper fees) (不當創新、不當交易、不當激勵、不當收費), guiding the healthy development of the industry.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

Affected by deleveraging and rising risk aversion, the secondary market was lukewarm on the whole and investors were relatively inactive, but some indices showed stable and positive changes. By the end of June 2017, the SSE Composite Index and CSI 300 Index achieved an increase of 2.86% and 10.78%, respectively, while the China Bond Composite Full Price Index dropped by 2.11% as compared with the beginning of the year. In the first half of 2017, the daily average trading volume of stock and fund amounted to RMB473.3 billion, representing a decrease of 18% as compared with the corresponding period of last year, and the balance of margin financing and securities lending of the market amounted to RMB879.9 billion, representing a decrease of 6% as compared with the end of last year. In the first half of 2017, the market witnessed evident acceleration in IPO, with a total of RMB808.697 billion raised through equity financing, representing a decrease of 11.94% as compared with the corresponding period of last year. In particular, the number of companies launching IPOs and the fundraising proceeds raised from IPOs increased by 311.48% and 342.80% as compared with the corresponding period of last year, respectively. Given increasingly stringent supervision on the bond market, tightened liquidity and rising interest rate, the bond market was extremely sluggish and 92 brokers underwrote bonds with an aggregate underwritten amount of RMB1.59 trillion, representing a decrease of 34.02% as compared with the corresponding period of last year. Specifically, a total of RMB410.714 billion of corporate bonds were issued, representing a decrease of 71.48% as compared with the corresponding period of last year.

II. Descriptions of the Material Changes in the Major Assets of the Company during the Reporting Period

The major assets of the Company include monetary assets, clearing settlement funds, margin accounts, and financial assets at fair value through profit or loss, financial assets held under resale agreements, available-for-sale financial assets and long-term equity investment. For details of the changes in the major assets during the Reporting Period, please refer to "I. Discussion and Analysis of Business Operation – 4. Analysis on principal components of consolidated statement of financial position" of Section IV "Report of the Board".

Overseas assets reached RMB25,911,634,700, representing 13.30% of the Group's total assets.

Overseas assets arose from the investment in EBSHK, a subsidiary in Hong Kong, details of which are set out in "I. Discussion and Analysis of Business Operation – (I) Analysis of the principal businesses – 7) Analysis on principal subsidiaries and controlled companies" of Section IV "Report of the Board".

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

III. Analysis on Core Competitive Strengths During the Reporting Period

(I) As the core financial service platform of Everbright Group, we benefit from the synergistic effect and brand strength

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 one of the most recognized and influential conglomerates in China and is a Fortune Global 500 firm in 2015 and 2016. 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.

(II) Strong core business platform generating high synergies across business lines

As one of the comprehensive financial service providers with full business licenses, the Company is able to offer a wide range of financial products and services to meet the diverse needs of clients. 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.

(III) 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 SHKFGL 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. During the Reporting Period, the Company completed the acquisition of North Square Blue Oak Limited (NSBO), a U.K.-based brokerage and research firm, marking the Group's debut at the European market and making an important step towards extending overseas layout, expanding international sales and trading networks and enlarging global client base.

(IV) 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 clients.

SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

(V) 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 set up a strong risk prevention system. The Company is one of the first securities firms with comprehensive risk management strategy.

(VI) Experienced management team and high-quality and stable staff team

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

SECTION IV REPORT OF THE BOARD

I. Discussion and Analysis of Business Operation

Under regulatory and market pressure, the Company analyzed industry status in a scientific manner. Following the overall principle of “making progress while ensuring stability” and centering on “bolstering areas of weakness, overcoming the obstacles, giving play to strong points and consolidating the foundation”, the Company kept to its strategic goals, proactively adapted to the changes and sought the opportunities of “making progress” while “ensuring stability”, making all efforts to smoothly carry out various work tasks, and promoting balanced development of various business segments. Generally speaking, the operation of the Company in the first half of 2017 could be summarized as “stable”: stable development of principal businesses, stable progress made in operational management and stable control over compliance risks. During the Reporting Period, the Company recorded total revenue and other income of RMB6.28 billion and net profit attributable to the parent company of RMB1.24 billion. As of June 30, 2017, the Company’s total asset amounted to RMB194.86 billion and total equity of owners amounted to RMB49.27 billion.

(I) Analysis of the principal businesses

Table 1 Table of the principal businesses by segments

Unit: RMB'000

Item	January to June 2017				January to June 2016			
	Segment revenue		Segment expenses		Segment revenue		Segment expenses	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,630,109	26%	1,073,983	23%	2,102,046	31%	1,250,437	26%
Credit business	1,563,469	25%	845,743	18%	1,482,520	22%	813,483	17%
Institutional securities services	894,535	14%	512,581	11%	906,560	13%	494,598	10%
Investment management	942,307	15%	707,473	15%	1,120,113	17%	671,400	14%
Overseas business	701,350	11%	728,585	16%	496,791	7%	593,249	12%

The Company’s principal businesses comprise brokerage and wealth management, credit business, institutional securities services, investment management, overseas business and other businesses.

SECTION IV REPORT OF THE BOARD

1) *Brokerage and wealth management*

The brokerage and wealth management business comprises securities brokerage business, wealth management business and futures brokerage business.

Securities and Brokerage Business

In the first half of 2017, facing to the more severe market environment, the Company carried out a large number of targeted works and worked together to develop new clients, introduce new assets and seek for new income-generating channels. In respect of clients, the Company highly focused on expanding new client bases and carried out a wide range of marketing activities to promote the branches to explore regional markets and dig channel resource, achieving a concurrent development of online and offline accounts opening. In the first half of 2017, the number of the newly opened accounts of the Company increased by 171% as compared with the same period of 2016. In respect of assets, the Company adopted the strategy of mitigating the losses of existing clients' trading volume and strengthening introduction of new high-net-worth clients so as to properly address the relationship between "scale and structure" of clients. In the first half of 2017, the aggregate stock and fund trading volume was RMB2.69 trillion, representing 2.38% of the market shares and ranking the Company 13th in the industry. The aggregate stock and fund trading volume of the Company ranked the Company 11th in the industry if the trading volume of the money funds is not taken into account. In respect of business model, the Company accelerated the transformation to wealth management and assisted the investors to allocate assets scientifically. The Company further strengthened proxy sale of financial products and the sales amount increased by 63% as compared with the same period of 2016. In respect of branches, as of June 30, 2017, the Company had 13 branch companies and 203 securities branches in China. Additionally, pursuant to the approval granted by the CSRC Shanghai Office to the Company in relation to the establishment of 19 new securities branches in May 2017, the preparation work of establishing these new securities branches was advanced in an orderly manner.

Meanwhile, the Company always believes that protection and providing good service to the investors is the internal requirement of business expansion. In the first half of 2017, to implement the new regulations in relation to the management of investors' suitability, the Company established the client management committee to coordinate the work. The investors' suitability management system was launched and has been operating smoothly. Leveraging such an opportunity, the Company further optimized the investors' suitability management system and client service system, and supervised the implementation of the relevant policies and procedures in the daily operation of branches through training and inspection.

SECTION IV REPORT OF THE BOARD

Wealth management business

The Company spared no effort to form the patterns of wealth management of “by means of quantitative and taking major categories of assets allocation as the core”. Firstly, in the case of a top-down approach, the Company focused on research of economic cycle to build the various asset allocation models. Secondly, by means of financial engineering, the Company conducted FOF asset allocation, election of underlying asset, etc. Thirdly, the Company independently developed performance attribution and risk management system, utilizing the means of financial technology such as big data and artificial intelligence, etc so as to improve the stability and continuity of asset allocation. Fourthly, the Company built a professional quantitative investment team, developing various high-quality FOF underlying quantitative assets and promoting wealth management business characterized by quantification. Fifthly, the Company further improved the Everbright Fortune Club (富尊會俱樂部), the family office service system and provided one stop comprehensive financial services to high-net-worth clients.

Futures Brokerage Business

In the first half of 2017, facing to the recession of futures market trading, the Company insisted on innovation and transformation based on a “steady start” for futures business and the performance of the Company brokerage business was relatively stable. The daily average margin was RMB11.9 billion, representing a market share of 2.13%, which was steadily uprising. As of the end of June 2017, the trading volume of Everbright Futures represented more than 3% of the total trading volume of Dalian Commodity Exchange, Zhengzhou Commodity Exchange and China Financial Futures Exchange, respectively, ranking Everbright Futures among the top in the market. The market share of SSE 50ETF stock options trading was up to 6.4%, ranking Everbright Futures the third in the market and the first among futures companies.

Meanwhile, the Company has been constantly exploring business transformation and completed two innovative deals involving “Futures + Insurance”. Additionally, Everbright Futures ranked No.8 in 2016-2017 poverty alleviation work evaluation results of futures companies published by the China Futures Association.

In the first half of 2017, the brokerage and wealth management segment realized revenue of RMB1.63 billion, accounting for 26% of the Group’s total revenue.

SECTION IV REPORT OF THE BOARD

2) *Credit business*

The credit business segment comprises margin financing and securities lending, collateralized stock repurchase transactions and financial leasing.

Margin financing and securities lending and collateralized stock repurchase transactions business

In the first half of 2017, the Company implemented the strategy of promoting conversion cycle management for the credit business. The Company focused on institutional clients and strategic clients, further strengthened cooperation with banks and asset management companies, and continuously expanded the scale of collateralized stock repurchase transactions. Additionally, the Company explored high-net-worth clients and intensified the promotion of securities lending business to promote the development of margin financing and securities lending business. As of the end of June 2017, the balance of margin financing and securities lending of the Company amounted to approximately RMB26.9 billion, achieving an increase of 1.56% as compared with the same period of 2016, and representing a market share of 3.06%. In this regard, the Company ranked No.11 in the market. The balance of securities lending was about RMB650 million with a market share of 15.30%, steadily ranking the Company No. 1 in the market. The balance of collateralized stock repurchase transactions was about RMB39.6 billion, achieving an increase of 74% as compared with the same period of 2016 and representing a market share of 2.62%. In this regard, the Company ranked No. 12 in the market, raising three places as compared to the ranking for the same period of the last year.

Financing leasing business

Facing to the declining of real economy, increasingly strict regulatory supervision, accelerated releasing of risks and other external factors, Everbright Leasing adhered to the features of securities and insisted professional operation. Through gradual expansion of financing channels, designated layout of subsidiaries, implementation of navigation strategies and other parallel initiatives, Everbright Leasing enhanced its internal management and steadily promoted business performance. In the first half of 2017, Everbright Leasing invested in nine new projects with the total investment amount of RMB1.6 billion. The existing investment projects of Everbright Leasing covers general aviation, new energy, health and wellness, ports, public utilities and other fields. As of the end of June 2017, Everbright Leasing cumulatively completed investments with a total investment amount of nearly RMB7.6 billion and cumulatively generated rent of RMB2.7 billion.

In the first half of 2017, the credit business segment realized revenue of RMB1.56 billion, accounting for 25% of the Group's total revenue.

SECTION IV REPORT OF THE BOARD

3) *Institutional securities business*

The institutional securities services segment comprises investment banking, sales and trading, private placement business, investment research and proprietary trading businesses.

Investment banking

In the first half of 2017, the Company made efforts to increase the project reserve through multiple ways. Firstly, it strengthened comprehensive financial services capabilities, and actively participated in the bidding and services relating to central enterprises, state-owned enterprises and other large clients actively. The client engagement and service capabilities were gradually improved. Secondly, the Company's investment banking division closely cooperated with the Company's branch companies to explore regions, which greatly improved efficiency of client engagement and client service of the investment banking business. Thirdly, the Company gave play to the collaborative advantages of Everbright Group to explore business opportunities. The Company worked closely with various subsidiaries of the Everbright Group to develop integrated marketing activities and jointly visited the core clients which are listed companies. As of the end of June 2017, 18 IPO projects and three mergers and acquisitions projects were under review by the CSRC, ranking the Company No. 8 and No. 13 in the industry, respectively, which means the Company had achieved certain advantages in reserved projects and will increase project conversion speed. In the first half of 2017, the Company lead-underwrote two A-share listing projects, jointly lead underwrote one convertible bond project and one major asset restructuring project.

Faced with the sharp declining of bond underwriting market, the Company pro-actively adjusted the business focus. The Company's bond underwriting scale and ranking were improved in spite of a declining market. In the first half of 2017, the Company completed 85 bond projects with a total underwritten amount of RMB79.972 billion, representing a market share of 4.93% and an increase of 1.75 percentage points as compared with the same period of 2016. In this regard, the Company ranked No. 6 in the industry, while the amount of non-policy financial bonds underwritten by the Company ranked No. 2 in the industry, and the amount of non-financial enterprise debt financing instruments underwritten by the Company ranked No. 4 in the industry. The Company also continuously strengthened its innovation capability. It completed the first non-bank securitization products of non-performing assets and first exchangeable corporate bonds. The application for the first green panda bond was also approved.

The Company made full efforts to build an all-industry chain service model of NEEQ business, strengthening the overall business collaboration, and enhancing integrated services to the key strategic clients. In the first half of 2017, the Company completed 33 new NEEQ projects with a total new issuance amount of nearly RMB1.7 billion, ranking the Company No. 13 in terms of project numbers and No. 10 in terms of issuance amount in the industry, respectively. The Company further improved the quality in providing market making for companies whose shares are quoted on the NEEQ and the effect of reserve pool was shown. The Company has provided market-making and quotation services to 183 companies, among which 11 companies' IPO applications have been accepted by the CSRC and 47 companies have announced counseling filing.

SECTION IV REPORT OF THE BOARD

Sales and trading

In the first half of 2017, on the one hand, the Company integrated internal resources, and actively explored business development breakthroughs and new business model on sales and trading business. On the other hand, the Company strengthened marketing efforts, making full efforts to explore mutual funds, financial industry clients and strategic clients and improving service quality. The market share of net income from seat commission reached 3.81%, representing an increase from 3.33% of the same period of last year. The market share of trading volume of institutional business accounted for 3.32%, representing an increase from 2.9% of the same period of last year.

Private placement business

In the first half of 2017, the Company completed organizational structure adjustment and resource integration in respect of private placement business lines. The Company established a private placement business department and set up four PB centers in Beijing, Shanghai, Guangzhou and Shenzhen with the aim to further promoting full business chain development of private placement business and building a one-stop service system. The Company vigorously expanded the channel development, and devoted itself to the development and maintenance of regional key clients. It provided incubation service to small and micro private placements. On the sales end, the Company intensified sales promotion efforts on private placement products, and provided high-quality and personalized private investment research services to targeted private placement clients. As of the end of June 2017, the Company established collaboration with 462 private placement institutions, representing an increase of 36% as compared to the beginning of this year. Additionally, the Company was awarded “2017 Pioneer Broker of PB Business” by International Financial News.

Investment research business

In the first half of 2017, the Company insisted on the principles of objective, independent and rigorous research. Rooted in China and taking the whole world in view, the Company continuously improved the coverage and services of research and provided professional and most forward-looking investment analysis to Chinese and overseas clients. Encircling on “promoting investment research strength and enhancing market influences”, the Company constantly strengthened its team building, improved the training system and continued to enhance the research ability and internal support efforts. As of the end of June 2017, the Company published more than 1,200 research reports and provided more than 1,600 road shows to the clients. The Company held three large investor conferences, including “2017 Spring Strategy Conference” and “2017 Interim Strategy Conference”, attracting hundreds of institutional investors, A-share listed companies and companies listed on the Hong Kong Stock Exchange. The Company researched and traced 320 A-share companies and 70 overseas listed companies, covering macro market, overseas markets, textile and garment, petrochemical, chemical, public utilities, environmental protection, building materials, retail, medium-and small-capitalization stocks and other fields.

SECTION IV REPORT OF THE BOARD

Proprietary trading business

In the first half of 2017, the Company strengthened market research and assessment and optimized the investment structure. The yield rate of the Company's proprietary trading was beyond the index. In terms of equity investment business, the Company adjusted the position structure as well as controlling the risk exposure. Moreover, it actively explored the value varieties that could invest. The scale of fixed-income investments increased visibly. The Company controlled credit risks and used treasury bond futures, IRS (interest rate swaps), bond lending and other tools flexibly to actively seek for arbitrage opportunities. Meanwhile, the Company continued playing the advantages of comprehensive financial services which takes FICC major categories of assets as the core, and actively developed businesses such as total return swaps, OTC option, floating income product, structured notes linked to stocks and stock index for institutional clients. The first bulk commodity arbitrage trading and the first bulk commodity OTC options business were landed successfully. The scale of investment advisory business was increased steadily. Additionally, the Company obtained the qualification of interbank gold price inquiry and was approved to become foreign currency inter-bank lending member of the trading center.

In the first half of 2017, the institutional securities services segment realized revenue of RMB0.89 billion, accounting for 14% of the Group's total revenue.

4) Investment management

The investment management segment includes asset management, funds management, private equity investment and alternative investment.

Assets management business

In the first half of 2017, in the market context of "de-channelization, deleveraging and risk prevention", Everbright Asset Management deepened the implementation of the business philosophy of "full business chain coverage while ensuring compliance and risk control". Upholding the value investment concept, it adjusted the structure actively and strengthened its own investment research capacity. Encircling on the actual needs of customer, Everbright Asset Management integrated advantageous resources and explored customized and integrated financial services. As of the end of June 2017, the total AUM of Everbright Asset Management amounted to RMB278.1 billion, representing a 3.15% increase as compared to the beginning of 2017. Among the total AUM, the AUM of assets under active management reached RMB125.1 billion, representing a 9.54% increase as compared to the beginning of 2017. The investment performance of Everbright Asset Management was widely recognized by peers in the market, which enables Everbright Asset Management to win "Jun Ding Award of China Wealth Management Institutions" (中國財富管理機構君鼎獎) for five times and "China Private Equity Selection – Long Term Investment Award" (中國私募基金評選長期投資獎) for eight successive years.

SECTION IV REPORT OF THE BOARD

Funds management

In the first half of 2017, the Company actively responded to market changes, adjusted the product structure and increased the marketing efforts. Everbright Pramerica insisted on initial issuance of new funds, resulting in a steady increase of AUM and higher growth rate in terms of scale as compared to that of the peers. During the Reporting Period, Everbright Pramerica issued a total of seven mutual fund products and 18 separate account products. As of June 30, 2017, the aggregate AUM of mutual funds and separate account products amounted to nearly RMB93.6 billion. The AUM of mutual funds reached RMB66.2 billion, representing a market share of 0.66% and ranking No. 37 in the industry, five places up as compared to the end of 2016.

Private equity investment

Faced with the change of regulatory policies, Everbright Capital insisted on the development strategy of its position as a subsidiary engaged in private equity investment business, and focused on enhancing the capabilities of fund raising and fund management. Everbright Capital steadily promoted the establishment of key funds, strengthened post-investment management, and optimized the building-up of risk management system. In the first half of 2017, Everbright Capital set up a total of 18 wholly-owned and controlling fund management subsidiaries which in turn formed 44 funds investing in various areas with a total capital commitment of RMB68.5 billion and approximately RMB30.9 billion paid-up commitments. These investment funds invested in 71 projects with a total investment amount of approximately RMB27.9 billion. Additionally, Everbright Capital explored innovative business model, and partnered with ESIL to launch RMB/foreign currency parallel funds for cross-border mergers and acquisitions.

Alternative investment business

Faced with the changes of regulatory policies, Everbright Fortune insisted on compliant, sound and steady development and differentiated operation. The quantitative investment gradually completed transformation from asset management business-focused to proprietary investment-focused with the aim of making Everbright Fortune a distinctive proprietary investment subsidiary. Actively cooperated with the national development strategy, the equity investment of Everbright Fortune focused on high-quality growing enterprises in China and "One Belt One Road" countries, which helped Everbright Fortune to build market influence. The cooperation with Shanghai Culture Assets and Equity Exchange on ceramic art project had achieved initial success. Everbright Fortune participated in seven secondary market investment projects of artworks, which solidified the income generating from investment in artworks.

In the first half of 2017, the investment management business segment realized revenue of RMB0.94 billion, accounting for 15% of the Group's total revenue.

SECTION IV REPORT OF THE BOARD

5) *Overseas business*

Adhering to the strategy of integrating onshore and offshore platforms, the Company continuously improved the cross-border business management framework, and optimized the systematization, normalization, flattening cross-border collaborative working mechanism. In the first half of 2017, the integration between ESIL and SHKFGI was accelerated, and primary businesses achieved significant progress. The ranking of brokerage business was uplifted significantly. Focusing on institutional clients and high-net-worth clients, the wealth management business explored market resources deeply. The market share of investment banking business enlarged gradually. Four IPOs, six U.S.-dollar bonds issuance and five placing projects were completed with IPO underwriting business ranking No. 9 in the market. Major projects obtained significant progress. "One Belt One Road" Fund was formally formed with the national strategy sped up and upgraded. The Company completed the acquisition of North Square Blue Oak Limited (NSBO), a U.K.-based brokerage and research firm, marking the Group's debut at the European market and making an important step towards extending overseas layout, expanding international sales and trading networks and enlarging global client base.

In the first half of 2017, the overseas business segment realized revenue of RMB0.70 billion, accounting for 11% of the Group's total revenue.

6) *Other businesses*

Internet finance business

The Company further increased investment in financial technology and strengthened the construction on Internet financial ecological cycle. Based on big data analysis, taking artificial intelligence as a tool and communities as the application field, the Company's Internet Finance Department promoted the construction of Internet platform and spared great efforts in building up financial technology service system and enhancing active service capabilities and online services quality. With vigorous development of access channels, the Company reached cooperation with multiple large Internet companies. "Lima Wealth Management" (立馬理財), developed by the Company's subsidiary Everbright Yichuang, was widely recognized in the market with a substantial increase in its business scale for the first half of 2017. It was awarded "The Annual Favorite Internet Finance Platform" of the 14th Financial Billboard of Hexun.com (和訊網第十四屆財經風雲榜), and "Leading Platform in China Financial Industry" of China Finance Billboard in 2017 (2017年中國金融風雲榜). Additionally, it was ranked top 10 of Internet wealth management products announced by Financial Times.

PPP Business

PPP business further achieved substantial progress. Everbright Honghe Water Fund, Everbright Shantou BYD Cloud Investment Fund landed in Yunnan and Guangdong smoothly. Shaanxi Railway Construction Fund and other key projects were advanced steadily. On June 12, 2017, Everbright Development, the first professional company dedicating in government and social capital cooperation related field in the industry, was formally established. The PPP projects will be incorporated into a unified platform for professional management, with the aim to becoming a platform integrating social capital, operating with proprietary capital and richly cultivating regional economic development.

SECTION IV REPORT OF THE BOARD

7) *Analysis on principal subsidiaries and controlled companies*

1. Everbright Futures Co., Ltd., established on April 8, 1993 with a registered capital of RMB1.5 billion, is a wholly-owned subsidiary of the Company. It is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consultation, asset management business and sale of publicly-offered securities investment funds.

As of June 30, 2017, Everbright Futures had 28 branches and one wholly-owned subsidiary with total assets, net assets and net profit amounting to RMB12.039 billion, RMB1.925 billion and RMB89.1 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 of June 30, 2017, Everbright Asset Management had total assets, net assets and net profit amounting to RMB1.697 billion, RMB1.272 billion and RMB79.30 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, debt investment, setting up direct investment funds and providing financial advisory services.

As of June 30, 2017, Everbright Capital had total assets, net assets and net profit amounting to RMB7.266 billion, RMB2.816 billion and negative RMB6.59 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 of June 30, 2017, Everbright Fortune had total assets, net assets and net profit amounting to RMB3.169 billion, RMB2.057 billion and RMB5.52 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 paid-up capital of HK\$2.765 billion. It is a wholly-owned subsidiary of the Company. It is principally engaged in financial services.

As of June 30, 2017, EBSHK had total assets, net assets and net profit amounting to RMB25.912 billion, RMB44.72 million and negative RMB16.95 million, respectively (RMB equivalent).

SECTION IV REPORT OF THE BOARD

6. Everbright Development Investment Co., Ltd., established in June 2017 with a registered capital of RMB500 million, is a wholly-owned subsidiary of the Company. It is principally engaged in equity investment, equity investment management, investment management, asset management, project management and investment advisory services.

As of June 30, 2017, Everbright Development had total assets, net assets and net profit amounting to RMB500 million, RMB500 million and RMB0.12 million, respectively.

7. Everbright Fortune International Leasing Co., Ltd., established in October 2014 with a registered capital of RMB1 billion, is held by the Company as to 85% equity interests through Everbright Capital and EBSHK. It is principally engaged in financial leasing and leasing business.

As of June 30, 2017, Everbright Leasing had total assets, net assets and net profit amounting to RMB5.205 billion, RMB1.163 billion and RMB32.62 million, respectively.

8. 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 interests. It is principally engaged in fund raising, fund sales and asset management business.

As of June 30, 2017, Everbright Pramerica had a subsidiary and two branch companies with total assets, net assets and net profit amounting to RMB910 million, RMB768 million and RMB77.88 million, respectively.

9. 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 interests. It is principally engaged in financial data processing and analysis, industrial investment and asset management.

As of June 30, 2017, Everbright Cloud Pay had total assets, net assets and net profit amounting to RMB3.149 billion, RMB212 million and RMB10.76 million, respectively.

10. 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 interests. It is principally engaged in financial data processing, industrial investment and asset management.

As of June 30, 2017, Everbright Yichuang had total assets, net assets and net profit amounting to RMB198 million, RMB103 million and RMB1.11 million, respectively.

11. 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 interests. It is principally engaged in fund formation and fund management.

As of June 30, 2017, Dacheng Fund had total assets, net assets and net profit amounting to RMB2.808 billion, RMB2.015 billion and RMB109 million, respectively.

SECTION IV REPORT OF THE BOARD

(II) Major items of the consolidated statement of profit or loss

Table 1 Major revenue items

Unit: RMB'000

Item	January to June 2017		January to June 2016		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Fee and commission income	2,682,945	43%	3,523,640	52%	(840,695)	(24)%
Interest income	2,451,966	39%	2,570,972	38%	(119,006)	(5)%
Net investment gains	820,525	13%	379,419	6%	441,106	116%
Other income and gains	323,740	5%	261,648	4%	62,092	24%
Total revenue and other income	6,279,176		6,735,679		(456,503)	(7)%

In the first half of 2017, total revenue and other income of the Company amounted to RMB6.28 billion, representing a year-on-year decrease of 7%. In particular, fee and commission income amounted to RMB2.68 billion, representing a year-on-year decrease of 24%, which was mainly due to the year-on-year decrease in stock and fund trading volume of the Company, affected by sluggish securities markets in the first half of 2017. Interest income amounted to RMB2.45 billion, representing a year-on-year decrease of 5%, which was mainly due to the decrease in investments in deposits with financial institutions. Net investment gains amounted to RMB820 million, representing a year-on-year increase of 116%, which was mainly due to an increase in gains from investment of financial assets. Other income and gains amounted to RMB320 million, representing a year-on-year increase of 24%, which was mainly due to an increase in government grants and agency income.

Table 2 Major expenditure items

Unit: RMB'000

Item	January to June 2017	January to June 2016	Increase/decrease	
			Amount	Percentage
Fee and commission expenses	591,379	596,647	(5,268)	(1)%
Interest expenses	1,763,399	1,889,295	(125,896)	(7)%
Staff costs	1,463,219	1,335,560	127,659	10%
Depreciation and amortisation expenses	200,424	194,058	6,366	3%
Tax and surcharges	29,705	182,631	(152,926)	(84)%
Provision of asset impairment	4,314	19,169	(14,855)	(77)%
Other expenses	638,845	625,558	13,287	2%
Total	4,691,285	4,842,918	(151,633)	(3)%

SECTION IV REPORT OF THE BOARD

Total expenses for the first half of 2017 amounted to RMB4.69 billion, representing a year-on-year decrease of 3%. In particular, fee and commission expenses amounted to RMB590 million, representing a year-on-year decrease of 1%, 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, which was partially offset by an increase in fee expense of the assets management business. Interest expenses amounted to RMB1.76 billion, representing a year-on-year decrease of 7%, which was mainly due to the decrease in accounts payable to brokerage clients and the scale of other structured entity holders. Staff costs amounted to RMB1.46 billion, representing a year-on-year increase of 10%, which was mainly due to an increase in staff numbers. Tax and surcharges amounted to RMB30 million, representing a year-on-year decrease of 84%, which was mainly due to no business tax is payable following the implementation of "Replacing Business Tax with Value-added Tax" since May 2016. Provision for assets impairment losses amounted to RMB4.3 million, representing a year-on-year decrease of 77%, which was mainly due to a decrease in losses relating to bad debts.

3. Cash flows

In the first half of 2017, the cash and cash equivalents of the Company recorded a net increase of RMB4.1 billion, of which:

- (1) net cash generated from operating activities amounted to RMB1.53 billion, mainly due to the increase of RMB10.3 billion in financial assets sold under repurchase agreements, which was partly offset by the increase of RMB6.56 billion in financial assets held under resale agreements and the decrease of RMB3.7 billion in accounts payable to brokerage clients.
- (2) net cash used in investing activities amounted to RMB6.14 billion, mainly due to RMB10.39 billion of investments in available-for-sale financial assets, which was partly offset by RMB4.5 billion of investments classified as receivables and other investments recovered.
- (3) net cash generated from financing activities amounted to RMB8.71 billion, mainly due to RMB25.08 billion from the issuance of long-term bonds, short-term debt instruments by the Company and bank borrowings during the Reporting Period, which was offset by the net cash outflow of RMB16.33 billion from the partial repayment of debt instruments.

SECTION IV REPORT OF THE BOARD

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

Unit: RMB'000

Item	June 30, 2017		December 31, 2016		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Non-current assets	32,095,499		29,762,089		2,333,410	7.84%
Property and equipment	843,534	0.43%	860,227	0.48%	(16,693)	(1.94)%
Goodwill	1,462,236	0.75%	1,506,746	0.85%	(44,510)	(2.95)%
Other intangible assets	655,186	0.34%	761,860	0.43%	(106,674)	(14.00)%
Interest in associates and joint ventures	1,760,124	0.90%	1,737,404	0.98%	22,720	1.31%
Held-to-maturity investments	392,781	0.20%	159,340	0.09%	233,441	146.50%
Available-for-sale financial assets	11,414,162	5.86%	10,409,409	5.86%	1,004,753	9.65%
Financial assets held under resale agreements	5,603,654	2.88%	4,208,468	2.37%	1,395,186	33.15%
Refundable deposits	4,931,080	2.53%	5,784,187	3.26%	(853,107)	(14.75)%
Deferred income tax assets	240,762	0.12%	509,005	0.29%	(268,243)	(52.70)%
Finance lease receivables	3,052,990	1.57%	2,740,139	1.54%	312,851	11.42%
Other non-current assets	1,738,990	0.89%	1,085,304	0.61%	653,686	60.23%
Current assets	162,760,634		147,875,170		14,885,464	10.07%
Accounts receivable	2,515,458	1.29%	2,484,480	1.40%	30,978	1.25%
Finance lease receivables	1,942,441	1.00%	1,318,855	0.74%	623,586	47.28%
Other receivables and prepayments	2,547,369	1.31%	2,196,624	1.24%	350,745	15.97%
Margin accounts receivable	33,868,155	17.38%	37,427,744	21.07%	(3,559,589)	(9.51)%
Available-for-sale financial assets	17,084,972	8.77%	7,285,465	4.10%	9,799,507	134.51%
Financial assets held under resale agreements	10,543,687	5.41%	5,377,987	3.03%	5,165,700	96.05%
Financial assets at fair value through profit or loss	32,469,703	16.66%	24,650,113	13.88%	7,819,590	31.72%
Derivative financial assets	58,757	0.03%	97,317	0.05%	(38,560)	(39.62)%
Clearing settlement funds	177,891	0.09%	150,433	0.08%	27,458	18.25%
Cash held on behalf of brokerage clients	48,830,643	25.06%	51,573,237	29.03%	(2,742,594)	(5.32)%
Cash and bank balances	12,721,558	6.53%	15,312,915	8.62%	(2,591,357)	(16.92)%
Total assets	194,856,133		177,637,259		17,218,874	9.69%

SECTION IV REPORT OF THE BOARD

Unit: RMB'000

Item	June 30, 2017		December 31, 2016		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Current liabilities	116,293,062		106,767,949		9,525,113	8.92%
Loans and borrowings	7,607,355	5.23%	7,345,161	5.69%	262,194	3.57%
Short-term debt instruments issued	5,054,850	3.47%	5,929,702	4.60%	(874,852)	(14.75)%
Placements from other financial institutions	3,193,700	2.19%	9,107,560	7.06%	(5,913,860)	(64.93)%
Financial liabilities at fair value through profit or loss	1,088,665	0.75%	596,900	0.46%	491,765	82.39%
Accounts payable to brokerage clients	51,644,368	35.47%	55,343,327	42.90%	(3,698,959)	(6.68)%
Employee benefits payable	1,468,387	1.01%	2,268,881	1.76%	(800,494)	(35.28)%
Other payables and accruals	12,065,710	8.29%	5,482,436	4.25%	6,583,274	120.08%
Current tax liabilities	299,855	0.21%	603,214	0.47%	(303,359)	(50.29)%
Financial assets sold under repurchase agreements	18,815,348	12.92%	8,516,901	6.60%	10,298,447	120.92%
Derivative financial liabilities	65,618	0.05%	81,623	0.06%	(16,005)	(19.61)%
Long-term bonds due within one year	14,989,206	10.30%	11,492,244	8.91%	3,496,962	30.43%
Total assets less current liabilities	78,563,071		70,869,310		7,693,761	10.86%
Non-current liabilities	29,292,356		22,232,646		7,059,710	31.75%
Loans and borrowings	3,487,071	2.40%	2,646,456	2.05%	840,615	31.76%
Long-term bonds	23,373,560	16.05%	17,134,486	13.28%	6,239,074	36.41%
Deferred income tax liabilities	227,479	0.16%	269,961	0.21%	(42,482)	(15.74)%
Other non-current liabilities	2,204,246	1.51%	2,181,743	1.69%	22,503	1.03%
Total liabilities	145,585,418		129,000,595		16,584,823	12.86%
Net assets	49,270,715		48,636,664		634,051	1.30%

Except for the liabilities disclosed in this report, as of June 30, 2017, the Company had no outstanding mortgages, charges, debts, other debt capital, liabilities under acceptances or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

SECTION IV REPORT OF THE BOARD

Non-current assets

As of June 30, 2017, the non-current assets of the Company amounted to RMB32.1 billion, representing an increase of 8% as compared with that of the beginning of the year, which was mainly due to the increase in the available-for-sale financial assets and financial assets held under resale agreements.

Current assets

As of June 30, 2017, the current assets of the Company amounted to RMB162.8 billion, representing an increase of 10% as compared with that of the beginning of the year, which was mainly due to the increase in financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets held under resale agreements.

Current liabilities

As of June 30, 2017, the current liabilities of the Company amounted to RMB116.3 billion, representing an increase of 9% as compared with that of the beginning of the year, which was mainly due to the increase in long-term bonds due within one year and financial assets sold under repurchase agreements, which was partially offset by the decrease in placements from other financial institutions and accounts payable to brokerage clients.

Non-current liabilities

As of June 30, 2017, the non-current liabilities of the Company was RMB29.3 billion, representing an increase of 32% as compared with that of the beginning of the year, which was mainly due to the issuance of long-term bonds by the Company.

Borrowings and bond financing

Unit: RMB'000

Item	June 30, 2017	December 31, 2016
Loans and borrowings	11,094,426	9,991,617
Short-term debt instruments issued	5,054,850	5,929,702
Long-term bonds	38,362,766	28,626,730
Total	54,512,042	44,548,049

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 38, 39 and 46 of the consolidated financial statements.

As of June 30, 2017, the Company's gearing ratio was 65.60%. The Company's borrowings, short-term financing bill payables and debts due within one year amounted to RMB27.7 billion, and the Company's net current assets, net of the above liabilities, amounted to RMB135.1 billion. Therefore, the liquidity risk exposure of the Company was immaterial.

SECTION IV REPORT OF THE BOARD

(III) Analysis on investments

1. Overall analysis on external equity investment

As of June 30, 2017, the long-term equity investment of the Company amounted to RMB1.76 billion, representing an increase of RMB23 million or 1.32%, as compared with that of the beginning of the period.

Unit: RMB0'000

Investee	Balance at the beginning of the year	Increase/ decrease for the period	Balance at the end of the period
Beijing BCID-EBS Cultural & Innovation No.1 Investment Fund (Limited Partnership)	50,567.74	1,171.72	51,739.46
Dacheng Fund Management Co., Ltd.	49,904.57	260.39	50,164.95
Everbright Cloud Pay Internet Co., Ltd.	8,054.79	427.89	8,482.68
Everbright Yichuang Network Technology Co., Ltd.	4,093.17	44.46	4,137.63
Others	61,120.13	367.52	61,487.67
Total	173,740.40	2,271.98	176,012.39

For details please refer to Note 21 of the consolidated financial statements.

(1) Major equity investment

There was no major equity investment during the Reporting Period.

(2) Major non – equity investment

There was no major non-equity investment during the Reporting Period.

SECTION IV REPORT OF THE BOARD

(3) Financial assets measured by fair Value

Unit: RMB Yuan

Accounting Items	Investment cost/nominal amount	Book balance as of the end of the period	Investment gains during the Reporting Period	Changes in fair value during the Reporting Period
Financial assets at fair value				
through profit or loss	32,366,698,485.62	32,469,703,311.87	410,856,318.09	57,221,790.02
Derivative financial instruments	59,472,090,319.63	(6,861,506.46)	(39,325,810.08)	(21,737,422.80)
Available-for-sale financial assets	27,709,135,727.34	28,499,133,933.40	413,745,886.94	412,062,952.68

(IV) Major assets and equity sales

There was no major assets and equity sales during the Reporting Period.

(V) Structured entities under the control of the Company

As of June 30, 2017, the Group consolidated 20 structured entities, including asset management plans and partnerships. For asset management plans and partnerships that the Group acts as the manager and general partner or investment manager, the Group is of the view that it has control over certain asset management plans and partnerships taking into account various factors including the rights of making decision on its investment and the exposure to its variable returns, and includes them into the scope of consolidation. As of June 30, 2017, the net asset of the above structured entities within the scope of consolidation amounted to RMB13.1 billion.

(VI) Use of proceeds

In August 2016, the Company issued a total of 704,088,800 overseas listed foreign shares (H Shares), and raised net proceeds amounting to RMB7,380,333,967.67 (equivalent) after deducting the issuance expenses. The Company undertook that all the proceeds will be used in the ways as set out in H Share prospectus including developing capital intermediary business, funding operations of overseas business and inorganic expansion of onshore and offshore platforms, developing wealth management business and institutional securities services businesses, funding working capital and establishing back-office systems.

SECTION IV REPORT OF THE BOARD

The Company possesses many domestic reserve projects, and therefore has a great demand for funds. In order to improve the efficiency of use of proceeds, the Company strengthens the expansion of capital intermediary business to maximize the benefits of investors. The 30th meeting of the fourth session of the Board and the third extraordinary general meeting of the Company in 2017 considered and approved Proposal on Changing in Use of Part of the Proceeds from Issuance of H Shares, approving the changing of usage of proportion of the proceeds raised from the Company's issuance of H Shares, the details of which are set out as follows:

Use of Proceeds	Before change	After change
Further developing capital intermediary business across all business lines of the Company to satisfy the investment and financing needs of the Company's clients	approximately 35%	approximately 59%
Funding existing operations of the Company's overseas business and the inorganic expansion of the Company's onshore and offshore platforms	approximately 35%	approximately 11%
Developing wealth management business and institutional securities services businesses of the Company	approximately 20%	approximately 20%
Funding working capital, establishing back-office systems and other general corporate purposes	approximately 10%	approximately 10%

As of June 30, 2017, the used proceeds raised from the Company's issuance of H Shares amounted to RMB4,995,731,100, of which RMB2,857,601,100 was used to develop capital intermediary business, RMB868,130,000 was used to expand overseas business, RMB510,000,000 was used to develop wealth management and institutional securities services business, and RMB760,000,000 was used for funding working capital, establishing back-office systems and other general corporate purposes.

For details of using proceeds from all tranches of bonds issued by the Company, please refer to "III. Use of proceeds raised from issuance of corporate bonds" of Section VIII "Relevant Information on Corporate Bonds".

SECTION IV REPORT OF THE BOARD

III. Potential risk exposure

(1) Market risk

Market risk exposure to the Company refers to the future potential loss in value of its financial instruments resulting from changes or fluctuations in their market prices, mainly including equity and other price risk, interest rate risk and exchange rate risk, etc.

In terms of the market risk, the Company adheres to the principle of proactive management and quantitative orientation and establishes a risk limit system incorporated with authorization procedures for market risk tolerance and business risk limits based on the risk tolerance preferences of the Company. The Board determines the annual scale of proprietary trading business and the market risk loss tolerance, and the committee under the senior management of the Company determines the market risk loss tolerance for each specific item and reviews and approves specific limits for each business, including net exposure value, investment concentration, basis point value, etc. The Company's proprietary trading department implements risk controls by a combination of investment portfolios, mark-to-market measures, hedging and mitigation measures. The risk hedging instruments adopted include stock index futures, treasury bond futures and interest rate swap etc. The risk management department monitors each of risk limits separately on a daily basis, and will send an alert and risk warning to the management and relevant business departments in a timely manner once a specific limit approaches or exceeds the pre-determined risk limit. Under such circumstance, the relevant business department shall put forward an analysis report and corresponding countermeasures. The Company has established a stress testing mechanism to analyze the potential loss that the positions may suffer under the stress scenario. Stress testing is an integrated part of the Company's market risk management, through which the potential loss that the Company may suffer under the stress scenario could be estimated, and provides a basis for the Company's management to make decisions.

As the Company carries out overseas and business expansion, it may be exposed to the fluctuation risk of exchange rate. The Company will hedge and mitigate the exchange rate risk by a series of means, so as to support the Company to explore oversea business and expand its overseas operations according to the actual situation.

(2) Credit risk

Credit risk refers to potential losses resulting from the failure of a debtor or counterparty to perform its obligations under a contract, mainly due to the securities and futures trading on behalf of the clients, default risk arising from bond issuers or OTC derivatives counterparties, and risks due to the failure of full repayment as agreed by clients of credit businesses such as margin financing and securities lending.

SECTION IV REPORT OF THE BOARD

In terms of the securities and futures trading on behalf of the clients, all transactions thereunder are settled in margin deposits pursuant to the regulatory requirements, and therefore the exposure to credit risk is small. In terms of bond investments, the Company controls the credit risk exposure by setting the investment concentration limit and the lower limit for debt investment rating, and closely monitoring the operating position of the bond issuers. For the credit business, the credit risk is controlled and managed through providing risk education, credit investigation, credit extension, mark-to-market measures, risk alert, forced liquidation and judicial recourse to the clients, as well as establishing stringent standards for the scope and discount rate of collaterals, margin deposit ratios, and maintenance margin ratios. For the OTC derivatives business, the Company conducts due diligence, credit rating and scale control on the counterparties and adopts the mark-to-market measures, collaterals supplement and disposal of collaterals to control the credit risk exposure to the counterparties.

(3) Operational risk

The operational risk exposure to the Company refers to the potential losses arising from defective internal procedures, human resource, IT system and external events.

The Company has formulated administrative measures for managing the operational risk, specified the governance structure of the operational risk and strengthened the responsibilities and duties for managing each defense line of operational risk. The Company continues to strengthen the business process management and IT system construction, reinforce the accountability system and reduce the possibility of operational risk. In addition, the Company has promoted the construction and operation of tools for managing operational risk, and improved the operational risk event reporting and loss data collection mechanism, which has further enhanced the Company's capabilities in managing the operational risk. Besides, the Company attaches great importance to the identification and control of operational risks in innovative products and innovative businesses and standardizes the operating procedures so as to ensure that the overall operational risk faced by the Company is controllable and tolerable.

(4) Liquidity risk

Liquidity risk refers to the potential risk of the Company's failure to obtain sufficient funds at a reasonable cost to repay debts as they come due, perform its other payment obligations and satisfy the capital requirements for its normal business operations.

For the purpose of preventing the liquidation risk prudently, the Company has formulated administrative measures for the liquidation risk, specified the governance structure of the operational risk, established an alerting mechanism for liquidation risk limit management and monitoring, and set up a well-established liquidation risk emergency and capital supplement mechanism. Meanwhile, the Company also proactively extends the financing channels and methods and continues to establish a sound and comprehensive liquidation risk management system.

SECTION IV REPORT OF THE BOARD

The planning and finance department is authorized by the Company to take charge of the liquidation risk management, implement overall controlling over the capital resources and financing management of the Company, coordinate to satisfy the capital requirements, and manage its cash flows. Meanwhile, the risk management of the Company is responsible for monitoring the liquidation risk and implementation of limitation system.

During the Reporting Period, the Company proactively extended and continuously optimized the funds raising and financing channels, and satisfied its capital requirements in a reasonable manner, and also adjusted the limit indicators for liquidation risk timely in case of any changes in the market. The Company has completed the construction of the liquidation risk management system to further improve the liquidation measurement and management methods. Therefore, the overall liquidation risk of the Company is controllable and tolerable.

(5) Information technology risk

The Company's principal businesses including securities trading heavily rely on the real-time processing of clients' trading data via electronic information system, and storing enormous data on trading business and operating activities on electronic devices. The deep integration between information technology and business operation has become the key factor to enable the Company to effectively carry out each business. Securities trading system involves various aspects and has higher requirement on maintaining continuity, which may subject to potential information system risks arising from a series of unforeseeable events such as hardware and software as well as communication failure, in turn affecting the Company's reputation and service quality or leading to economic losses and legal disputes.

During the Reporting Period, the Company increased its investment in infrastructure as well as other technological upgrade in order to further enhance the development of intra-city and inter-city disaster backup systems and optimize the unified data backup platform. Moreover, the Company strengthened the development of monitoring system and platform for operation and maintenance, intensified system capacity management and continuously improved all performance indicators of the system. Meanwhile, the Company held regular tabletop and practical exercises to further improve and optimize the emergency response procedures of the system, and conducted regular comprehensive analysis and assessment on various risks that the Company's information technology may expose to, aiming to prevent and avoid the occurrence of various information technology risks. Meanwhile, the Company introduced scientific methods of operation and management, and continuously revised and refined the information technology management system and strengthened staff training. By pursuing the principle of turning its experience into knowledge, knowledge into standard, standard into procedure, the Company continued to uplift the management of operation and maintenance and the ability in emergency response.

SECTION IV REPORT OF THE BOARD

(6) Reputation risk

Reputation risk refers to the risk resulting from negative feedback from related stakeholders due to the operation, management or other acts of the Company or external events.

The Company has managed reputation risk in a proper and effective manner and established a standardized management system, scientific organization structure and system, including publishing "Management Measures of Everbright Securities Company Limited on Reporting of Major Emergencies" (《光大證券重大突發事件報告工作管理辦法》), "Management Measures of Everbright Securities Company Limited on Contingency Plan for Major Emergencies" (《光大證券股份有限公司重大突發事件應急預案管理辦法》), and revising and issuing "Management Measures of Everbright Securities Company Limited on Information Release (Revised in 2017)" (《光大證券股份有限公司信息發佈管理辦法(2017年修訂稿)》), "Management Measures of Everbright Securities Company Limited on Managing Reputation Risk and Crisis Public Relations Affairs (Revised in 2017)" (《光大證券股份有限公司聲譽風險防控和危機公關事務管理辦法(2017年修訂稿)》) in the first half of 2017.

The Company has set up a working group for media affairs management and a leading group for emergency management, realizing collaborative and unified management at company and department level in reputation management. In addition, designated personnel are assigned to specific positions responsible for public opinion monitoring and external media relations work, and industry consultants and law firms are also engaged to assist the Company to better manage reputation risk.

At present, the Company completed the full coverage of reputation risk prevention and control system to its subsidiaries. In the first half of 2017, each subsidiary established, formulated and implemented the management measures of reputation risk prevention and control management suitable for its actual situation.

(7) Compliance risk

Compliance risk refers to the risk of legal sanction, being subject to regulatory measure, loss of property or reputation by the Company arising from violation of laws, regulations or rules due to the operation and management of the Company or practices of its personnel.

For compliance risk, the Company, through establishing practicable compliance management system, realizes effective identification, assessment and management of compliance risks and develops long-term mechanism such as compliance assessment and training, providing effective support and supervision for lawful and compliant operation of the Company's businesses.

SECTION V SIGNIFICANT EVENTS

I. Introduction to General Meetings

Meeting	Date of the meeting	Enquiry index of the websites designated for publication of the resolutions	Date of disclosure of the publishing of the resolution
The first extraordinary general meeting in 2017	March 6, 2017	http://www.sse.com.cn	March 7, 2017
The second extraordinary general meeting in 2017	April 17, 2017	http://www.sse.com.cn	April 18, 2017
2016 annual general meeting	May 24, 2017	http://www.sse.com.cn	May 25, 2017

II. Profit Distribution

(I) The profit distribution proposal during the Reporting Period

According to the Company's 2016 profit distribution proposal considered and approved at the 2016 annual general meeting of the Company convened on May 24, 2017, on the basis of a total share capital of A Shares and H Shares in issue of RMB4,610,787,639.00 as of December 31, 2016, cash dividend of RMB2.00 per 10 shares (inclusive of tax) was distributed to all holders of A Shares and H Shares, with total cash dividend amounting to RMB922,157,527.80. Cash dividend is denominated and declared in RMB, and paid to holders of A Shares in RMB and to holders of H Shares in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the PBOC for the five business days prior to the 2016 annual general meeting of the Company (i.e. RMB0.88210=HKD1.00). Consequently, the cash dividend of HKD2.26732 per 10 H Shares (inclusive of tax) was distributed.

The Company published relevant announcements in relation to the 2016 profit distribution proposal on the websites of the SSE, the Hong Kong Stock Exchange and the Company, and the Company's 2016 profit distribution proposal was completed in July 2017.

(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 2017.

III. Performance of Undertakings

In preparation of the listing of A Shares of the Company on the SSE and H Shares of the Company on the Hong Kong Stock Exchange, Everbright Group gave a non-competition undertakings in favour of the Company. During the Reporting Period, the aforesaid undertakings were performed in an effective manner.

SECTION V SIGNIFICANT EVENTS

IV. Appointment and Dismissal of Accounting Firms

According to the Administrative Measures for Financial Enterprises to Select and Employ Accounting Firms by Bidding (tentative) issued by the MOF, there are restrictions in respect of the tenure of audit services that an accounting firm can continuously provide to a state-owned enterprise and its subsidiaries. Given the aforesaid requirements, the Company, KPMG Huazhen LLP (Special General Partnership) and KPMG agreed on the issues regarding the non-renewal of their appointment.

According to Article 241 and Article 242 of the Articles of Association, appointment of external auditors for the Company shall be decided by the general meeting, and the auditors shall serve a term of one year and may be reengaged. The 28th Meeting of the Fourth Session of the Board and the 2016 annual general meeting considered and approved the Resolution Regarding the Appointment of External Auditors for 2017 and agreed to (1) engage Ernst & Young Hua Ming LLP (Special General Partnership) as the PRC external auditors of the Company for the year 2017 to provide relevant domestic audit services in accordance with the PRC GAAP; (2) engage Ernst & Young as the overseas external auditors of the Company for the year 2017 to provide relevant overseas audit and review services in accordance with the IFRS; and (3) authorize the management of the Company to determine the audit fees based on the market principles and to enter into relevant agreements.

V. Material Litigation and Arbitration Matters

During the Reporting Period, the Company was not involved in any material litigation and arbitration that involve 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 SSE Listing Rules. Details of other litigations please refer to "XIII. Other Significant Events and Subsequent Events".

VI. Integrity of the Company and Its Controlling Shareholders and De Facto Controllers during the Reporting Period

During the Reporting Period, the Company and its controlling shareholders and de facto controllers were not involved in any circumstances where they failed to perform the legally binding court judgments or payoff debts overdue with a relatively large amount.

SECTION V SIGNIFICANT EVENTS

VII. Material Related Party Transactions

The 28th Meeting of the fourth session of the Board and the 2016 annual general meeting considered and approved the Proposal on Estimates of the Related Party/Connected Transactions in the Ordinary Course of Business of the Company in 2017. During the Reporting Period, the Company carried out transactions strictly within the scope of the related party/connected transactions determined in the Proposal on Estimates of the Related Party/Connected Transactions in the Ordinary Course of Business of the Company in 2017.

Details of the related party/connected transactions in the ordinary course of business between the Company and members of Everbright Group are as follows:

(I) Property leasing

Nature of transaction	Classification of transaction	Estimated amount in 2017 (RMB Ten Thousand)	Actual amount during the Reporting Period (RMB Ten Thousand)
Property leasing	Income from property leasing	600	165.63
	Expense on property leasing	4,000	531.80

(II) Securities and financial products transactions

Nature of transaction	Classification of transaction	Estimated amount in 2017 (RMB Hundred Million)	Actual amount during the Reporting Period (RMB Hundred Million)
Securities and financial products transactions	Total cash inflows from securities and financial products transactions	1,606	241.24
	Total cash outflows for securities and financial products transactions	2,046	227.39

SECTION V SIGNIFICANT EVENTS

(III) Securities and financial services

Nature of transaction	Classification of transaction	Estimated amount in 2017 (RMB Ten Thousand)	Actual amount during the Reporting Period (RMB Ten Thousand)
Securities and financial services	Income: the Company's provision of securities and financial services to the members of Everbright Group	79,240	16,599.54
	Expense: the Company's acceptance of securities and financial services provided by the members of Everbright Group	16,240	6,955.58

The related party/connected transactions in the ordinary course of business between the Company and other related parties/connected persons under SSE Listing Rules and the Hong Kong Listing Rules all comply with laws and regulations and regulatory requirements.

VIII. Guarantees

As of June 30, 2017, the remaining balance of the guarantee provided by the Company to its subsidiaries amounting to RMB5,591 million (the guarantee amount in foreign currencies had been converted according to the middle rate of RMB exchange rate in the inter-bank foreign exchange market announced by the PBOC on June 30, 2017), representing 11.50% of the Company's latest audited net assets.

The above-mentioned guarantees comply with necessary procedures in accordance with applicable laws, meet the requirements of the Notification on Standardizing the Issues Concerning the Capital Exchange between Listed Companies and Related Parties and the External Guarantees provided by Listed Companies, and do not damage the benefits of the Company and shareholders.

Apart from the aforesaid guarantees, the Company did not have other external guarantees extended to the first half of 2017. The Company does not have any fund occupied by controlling shareholders and their related parties for purposes other than business operation.

SECTION V SIGNIFICANT EVENTS

IX. POVERTY ALLEVIATION WORK OF LISTED COMPANIES

(I) Targeted Poverty Alleviation Plan

The Company earnestly implemented the strategic plan of poverty alleviation formulated by the Central Government and actively fulfilled its social responsibility by setting up a leading group for poverty alleviation of Everbright Securities to coordinate and lead the Company's poverty alleviation work, with Xue Feng, the secretary of the party committee, Chairman and President of the Company, acting as group leader, and Liu Jiping, the deputy secretary of the party committee and chief Supervisor, acting as deputy group leader. The group sets up poverty alleviation work offices under the leading group, responsible for the daily organization and coordination of the Company's poverty alleviation work.

According to the principles of the Notice of National Plan for Poverty Alleviation in the 13th Five-Year Plan Period Issued by the State Council and the requirements under the Opinions of the CSRC on Capital Markets' Role in Serving the National Strategy for Poverty Alleviation, the Company effectively implemented the "one company for one county" paired-support initiative of securities companies, with realization of targeted poverty alleviation through introduction of resources as the basic strategy, promotion of common prosperity by win-win cooperation as the overall objective, acceleration of industrial upgrading by professional advantages as the major task, and funding of the leading group as the supporting measures.

(II) Summary of Targeted Poverty Alleviation during the Reporting Period

During the first half of 2017, the Company continued to strengthen poverty alleviation efforts and kept exploring a new poverty alleviation model that meets industrial characteristics and corresponds with local situation, forming comprehensive poverty alleviation innovation models with "securities plus" as the representative and promoting the in-depth development of poverty alleviation work through modularized, three-dimensional, grouped, differentiated and targeted services.

Subsequent to its signing of "one company for one county" paired-support agreements with four national-level poverty-stricken counties including Xintian County in Hunan last year, the Company entered into an agreement with Xunwu County in Jiangxi this year, with its paired-support counties reaching five, topping the list in the industry; established Everbright Sunshine Foundation, integrating internal forces and pooling superior resources to practically improve the actual effect of poverty alleviation; entered into the "securities + futures + insurance" cooperation framework agreement with Xiji County in Ningxia, rendering it the foothold to serve for "Three rural issues: agriculture, rural areas and peasantry". by taking potato industry as a breakthrough and applying futures and other professional financial instruments to help lift local industries out of poverty; offered assistance to an enterprise in poverty-stricken area to complete private placement on National Equities Exchange and Quotations Co., Ltd.; held three educational training activities in respect of capital market, which provided on-site teaching for more than 300 cadres of party and government and principals of key enterprises from Xingguo County in Jiangxi and Xiji County in Ningxia, and improved the practical operation capability of local government and enterprises in propelling economic development by taking advantage of capital markets; promoted one consumption subscription project, generating nearly RMB0.40 million of additional income for farmers of Xintian County in Hunan; and donated RMB0.80 million to Xintian County in Hunan and other poverty-stricken counties through Everbright Group. Our subsidiary, Everbright Futures, donated RMB0.50 million to targeted support area Tongju Village, Yanchang County.

SECTION V SIGNIFICANT EVENTS

(III) Table of Targeted Poverty Alleviation by the Listed Company during the Reporting Period

Unit: RMB0'000

Index	Number and implementation information
I. General	169.6
II. Itemized input	
1. Other projects	169.6

Note: Other projects include donating RMB0.80 million to designated poverty alleviation targets of Everbright Group, purchasing agricultural products amounting to RMB0.396 million from paired-support target, Xintian County, Hunan Province and donating RMB0.50 million by our subsidiary, Everbright Futures, to targeted support area Tongju Village in Yanchang County.

(IV) Subsequent Targeted Poverty Alleviation Plan

Under the urgent requirements of national poverty alleviation, the Company will continue to take full advantage of its platform advantage as a financial holding group and explore poverty alleviation model with the thinking of investment banking to accelerate the in-depth development of poverty alleviation, while making reference to the successful experience from the previous poverty alleviation exploration and practice. Firstly, internal resources are targetedly allocated and green channel is open for poverty alleviation. Drawing on the industrial experience, the Company will give priority to projects located in poor areas, especially paired-support areas of the Company in terms of policies and resources, open green channels for them and implement the policy of "dedicated staff members and special verification" to timely review the projects. Secondly, the Company will focus on promoting the implementation of key projects and develop characteristic projects in financial poverty alleviation industry. The Company will further integrate its internal and external resources and promote the implementation of projects with "security plus" as integrated poverty alleviation model. Meanwhile, it will give full play to the role of officials serving temporary positions as a bridge and connect itself to the local government and enterprises to ensure successful implementation of relevant projects and develop characteristic projects on financial poverty alleviation.

SECTION V SIGNIFICANT EVENTS

X. 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 Listed Overseas and the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules and established a comprehensive corporate governance system, which 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.

On August 18, 2016, H Shares issued by the Company were listed and traded on the Main Board of Hong Kong Stock Exchange. During the Reporting Period, the Company strictly complied with the Corporate Governance Code and Corporate Governance Report under Appendix 14 of the Hong Kong Listing Rules. Save as otherwise specified in this report, the Company fully abided by all applicable provisions under the Corporate Governance Code and met the requirements of most Recommended Best Practices set out in the Corporate Governance Code.

The Corporate Governance Code requires that Chairman of the Board of Directors and chief executive officer should not be held by one person at the same time. On November 4, 2016, Mr. Xue Feng, an executive Director and president of the Company, was appointed as Chairman by the Board.

The Company is of the view that although the roles of chairman and president of the Company are performed by the same individual, the Board has five non-executive Directors and five independent non-executive Directors in addition to the Chairman of the Company, which delivers strong independence in the composition of the Board and is expected to fully and fairly represent the interests of the shareholders of the Company. The Board and senior management of the Company are comprised of experienced and excellent individuals. It is expected that the balance of power between the Board and senior management of the Company will not be impaired. In addition, the power of the Company does not vest on the same individual, and all significant decisions are made upon negotiations among the Board of Directors, its relevant Board committees and senior management. Moreover, the Board is of the opinion that the role of chairman and president performed by the same individual can provide the Company with solid and consistent leadership and facilitate efficient business plan and decisions.

SECTION V SIGNIFICANT EVENTS

The Board will examine the corporate governance and operation of the Company from time to time to ensure that the Company complies with the relevant requirements of the SSE Listing Rules and the Hong Kong Listing Rules and protect the interests of shareholders.

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

XI. 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 and supervisors. 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 Reporting Period. The Company has also formulated guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Hong Kong Listing Rules). The Company has not found any employee violating the said guidelines.

The Board will examine the corporate governance and operation of the Company from time to time to ensure that the Company complies with the relevant requirements of the Hong Kong Listing Rules and protects the interests of shareholders.

XII. Description of Other Significant Events

1. Accounting-related Information

1.1 Analysis and explanation of causes and effects of changes in terms of accounting policies, accounting estimates or accounting methods by the Board

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

1.2 Analysis and explanation of the causes and effects of corrections of significant errors in the previous period 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.

2. Review by the Audit Committee

The Audit Committee of the Board has reviewed and confirmed the Company's Report on Review of Interim Financial Statements which is disclosed in accordance with the International Accounting Standards for the six months ended June 30, 2017, and has no objection against matters including the accounting policies and practices adopted by the Company.

SECTION V SIGNIFICANT EVENTS

3. Development of Spin-Off Listing of the Company's Hong Kong Business

As disclosed in the Company's H Shares prospectus dated August 8, 2016, the Company intends to spin off its Hong Kong operations, including the businesses currently operated by ESIL and SHKFGL, as well as any other new Hong Kong business that the Company may acquire, through a listing on the Hong Kong Stock Exchange that the Company expects to occur before June 1, 2018. The Company has previously applied for, and the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15 of the Hong Kong Listing Rules, subject to certain conditions, among which the Company shall update the status of the spin-off in its annual and interim reports.

In the second half of 2016, the management of the Company started integrating the investment banking business, brokerage business and wealth management business of ESIL and SHKFGL. As of the date of this report, the integration is under progress and the management of the Company is currently reviewing and considering the appropriate reorganization structure to be implemented in connection with the proposed spin-off.

As the proposed spin-off is at an early stage of consideration, the Company will announce definitive details of the proposed spin-off plan as and when they become available and in accordance with the Hong Kong Listing Rules. No final decision has been made by the Board as to whether and when the proposed spin-off will proceed. There is also no assurance that the Hong Kong Stock Exchange will approve the proposed spin-off.

XIII. Other Significant Events and Subsequent Events

When the Company served as chief agency broker and independent financial advisor for major assets restructuring of Hebei Henghua Shengshi Environmental Protection Technology Co., Ltd. (河北恒華盛世環保科技股份有限公司) (hereinafter referred to as "Hengsheng Environmental Protection"), Hengsheng Environmental Protection violated regulations in process of restructuring and information disclosure, and the Company failed to exercise due diligence and effectively supervise Hengsheng Environmental Protection in performing its information disclosure obligation and improving corporate governance in time. The NEEQ had an interview with the Company on February 27, 2017, requiring it to submit a written commitment of self-regulation measures (Gu Zhuan Xi Tong Fa [2017] No. 21). For the same event, CSRC Hebei Bureau took an administrative supervision measure in the way of having a regulatory interview with the Company on April 13, 2017 (Determination on Administrative Supervision Measure by the China Securities Regulatory Commission Hebei Bureau [2017] No. 7).

On January 4, 2017, Everbright Securities' branch at Jihua Six Road, Foshan received a notice of administrative penalty decision issued by People's Bank of China Foshan Branch. The branch and its person in charge were imposed an administrative penalty of a fine of RMB200,000 and RMB10,000, respectively, because of issues such as failing to fulfill the obligation in verifying client identities as required and failing to conduct the classification and management of risks on money laundering by clients as required.

SECTION V SIGNIFICANT EVENTS

A total of 502 investors brought civil actions arising from the “816 Event” against the Company, involving an aggregate claim amount of RMB68.73 million. As of June 30, 2017, 494 cases were closed and the Company settled RMB41.55 million as compensation for the plaintiffs. 8 cases are still pending for the final judgment involving an aggregate claim amount of RMB870,000, among which plaintiffs of 7 cases with an aggregate claim amount of RMB770,000 appealed against the judgment issued by the court of first instance; and one case that the Company received the judgment of first instance on August 24, 2017 and the appeal filed by the plaintiff was rejected. As of the date of this report, the aforementioned case has no update progress.

On February 4, 2015, Everbright Futures, a subsidiary of the Company 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 clients 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. On January 5, 2017, the Higher People’s Court of Shanghai delivered the second instance judgment: it dismissed above said claims of Xinhua Xin and sustained the order of the court of first instance judgment. In February 2017, Shanghai No. 1 Intermediate People’s Court ordered enforcement of the judgment above. At present, the enforcement is still in progress. On July 17, 2017, Everbright Futures received a notice of appearance issued by the Supreme People’s Court regarding the retrial of this case. The specific date of hearing of the case has not been determined yet.

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 client filed a claim against the Company for RMB39.39 million and related litigation cost. The plaintiff alleged that the Company breached the agreement not to liquidate his margin account in margin financing and securities lending business, which caused loss to him. On November 30, 2016, the People’s Court of Jing’an District of Shanghai delivered the first instance judgment of the case, according to which the plaintiff’s claim was not supported. The plaintiff was unsatisfied with the first instance judgment and appealed the case to the Shanghai No. 2 Intermediate People’s Court. On April 28, 2017, the Shanghai No. 2 Intermediate People’s Court made a final judgment, pursuant to which the appeal was rejected and the original judgment was upheld.

SECTION V SIGNIFICANT EVENTS

On June 7, 2016, Everbright Asset Management, a wholly-owned subsidiary of the Company, received a notice of appearance issued by the Shanghai No. 2 Intermediate People's Court. Xiamen International Bank Co., Ltd. Shanghai Branch ("Xiamen International") alleged that it had entrusted RMB150 million to a 3-year Targeted Asset Management ("TAM") scheme established and managed by Everbright Asset Management. 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%. Xiamen International alleged that Everbright Asset Management 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, and thus initiating the proceeding against Everbright Asset Management requesting it to return the said entrusted assets and pay expected returns. On July 8, 2016, Everbright Asset Management appointed a lawyer to file a counterclaim. Everbright Asset Management requested Xiamen International to take back the entrusted assets and compensate for any loss due to Xiamen International not taking back the entrusted assets in time pursuant to the contract. On February 23, 2017, the court of first instance heard the case and the counterclaim. On March 31, 2017, Everbright Asset Management received the written judgment of first instance, pursuant to which all claims of Xiamen International were dismissed and the aforementioned counterclaim of Everbright Asset Management was supported. Xiamen International has appealed to a higher court and the case is now pending for appeal hearing.

On August 10, 2016, a court hearing was conducted in respect of the case brought by Everbright Leasing against Qiqihar Beixing Special Steel Co., Ltd (齊齊哈爾北興特殊鋼有限責任公司) ("Beixing Special Steel"), 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) ("Beiman Special Steel"), Dongbei Special Steel Group Co., Ltd. (東北特殊鋼集團有限責任公司) ("Dongbei Special Steel Group") 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) ("Dalian Special Steel") about relevant financial leasing contract dispute. On January 25, 2017, the Higher People's court of Shanghai delivered the first instance judgment as follows: Everbright Leasing's claim was supported, and Beixing Special Steel and Beiman Special Steel, as lessees, shall pay Everbright Leasing rent, penalty, remaining purchase price, legal cost and insurance premium of about RMB500 million in total. Meanwhile, Dongbei Special Steel Group and Dalian Special Steel, as guarantors, shall assume joint and several liability for the above-mentioned debts. Neither Everbright Leasing nor the defendant appealed against the first instance judgement.

On June 2, 2017, Everbright Fortune Investment Co., Ltd., a subsidiary of the Company, brought a civil action against Wuyang Construction Group Co., Ltd. in the Shanghai No. 2 Intermediate People's Court in respect of a debt dispute, claiming for repayment of loan principal, interest and related expenses totaling RMB93,064,359.71 from the defendant Wuyang Construction Group Co., Ltd. The first hearing was held on August 2, 2017, and the case is now pending for court judgment.

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

I. Particulars about Shareholders

(I) Total number of shareholders

As of the end of the Reporting Period, the total number of shareholders of ordinary shares was 98,264, of which 98,049 were holders of A Shares and 215 were registered holders of H shares.

(II) Shareholding of top ten shareholders and top ten holders of tradable shares (or holders of shares without selling restrictions) as of the end of the Reporting Period

Unit: shares

Name of shareholders (Full name)	Shareholding of top ten shareholders			Number of shares with selling restrictions	Pledged or frozen shares		Nature of shareholders
	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)		Status of shares	Number of shares	
China Everbright Group Ltd.	0	1,159,456,183	25.15	0	Nil		State-owned legal person
China Everbright Limited	0	1,139,250,000	24.71	0	Nil		Foreign legal person
HKSCC Nominees Limited	19,800	703,667,400	15.26	0	Nil		Others
China Securities Finance Corporation Limited	151,476,700	230,073,048	4.99	0	Nil		Others
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	0	152,718,387	3.31	0	Nil		Others
New China Fund – Minsheng Bank – Everbright Securities Private Placement No. 1 Asset Management Plan	(300,000)	60,787,354	1.32	0	Nil		Others
China Great Wall Asset Management Corporation	0	54,978,619	1.19	0	Nil		State-owned legal person
Central Huijin Asset Management Ltd.	0	37,568,900	0.81	0	Nil		Others
Bank of China Limited – CMS CSI Securities Company Index Structured Securities Investment Fund	(2,586,570)	26,076,197	0.57	0	Nil		Others
Shaanxi International Trust Co., Ltd. – SITI - Chogori No. 10 Securities Investment Capital Trust Scheme	21,874,083	21,874,083	0.47	0	Nil		Others

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

Shareholding of top ten shareholders without selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
China Everbright Group Ltd.	1,159,456,183	RMB ordinary shares	1,159,456,183
China Everbright Limited	1,139,250,000	RMB ordinary shares	1,139,250,000
HKSCC Nominees Limited	703,667,400	Overseas listed foreign shares	703,667,400
China Securities Finance Corporation Limited	230,073,048	RMB ordinary shares	230,073,048
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	152,718,387	RMB ordinary shares	152,718,387
New China Fund – Minsheng Bank – Everbright Securities Private Placement No. 1 Asset Management Plan	60,787,354	RMB ordinary shares	60,787,354
China Great Wall Asset Management Corporation	54,978,619	RMB ordinary shares	54,978,619
Central Huijin Asset Management Ltd.	37,568,900	RMB ordinary shares	37,568,900
Bank of China Limited – CMS CSI Securities Company Index Structured Securities Investment Fund	26,076,197	RMB ordinary shares	26,076,197
Shaanxi International Trust Co., Ltd. – SITI · Chogori No. 10 Securities Investment Capital Trust Scheme	21,874,083	RMB ordinary shares	21,874,083

Description of the connected relationships or action in concert between the above shareholders

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

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

Note: Among the H shareholders of the Company, HKSCC Nominees Limited holds the H Shares on behalf of the non-registered shareholders.

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 of June 30, 2017, so far as the Directors, having made reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO:

No.	Name of substantial shareholder ⁸	Type of share	Nature of interests	Number of corresponding shares of the Company held ⁷ (share)	Percentage of total issued shares of the Company ⁷ (%)	Percentage of total issued A Shares/H Shares of the Company ⁷ (%)	Long position/ short position
1	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	A Share	Interests in controlled corporation ¹	37,568,900	0.81	0.96	Long position
		A Share	Interests in controlled corporation ²	2,298,706,183	49.85	58.84	Long position
				<u>2,336,275,083</u>	<u>50.67</u>	<u>59.80</u>	Long position
2	Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司)	A Share	Beneficial owners	37,568,900	0.81	0.96	Long position
3	China Everbright Group Ltd. (中國光大集團股份公司)	A Share	Beneficial owners	1,159,456,183	25.15	29.68	Long position
		A Share	Interests in controlled corporation ³	1,139,250,000	24.71	29.16	Long position
				<u>2,298,706,183</u>	<u>49.85</u>	<u>58.84</u>	Long position
4	China Everbright Holdings Company Limited (中國光大集團有限公司)	A Share	Interests in controlled corporation ³	1,139,250,000	24.71	29.16	Long position
5	Datten Investments Limited	A Share	Interests in controlled corporation ³	1,139,250,000	24.71	29.16	Long position
6	Honorich Holdings Limited	A Share	Interests in controlled corporation ³	1,139,250,000	24.71	29.16	Long position
7	China Everbright Limited (中國光大控股有限公司)	A Share	Beneficial owners	1,139,250,000	24.71	29.16	Long position
8	China State Construction Engineering Corporation	H Share	Interests in controlled corporation ⁴	138,330,000	3.00	19.65	Long position
9	China State Construction Engineering Corporation Limited (中國建築股份有限公司)	H Share	Interests in controlled corporation ⁴	138,330,000	3.00	19.65	Long position
10	CSCEC Capital (Hong Kong) Limited	H Share	Beneficial owners	138,330,000	3.00	19.65	Long position

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of substantial shareholder ⁸	Type of share	Nature of interests	Number of corresponding shares of the Company held ⁷ (share)	Percentage of total issued shares of the Company ⁷ (%)	Percentage of total issued A Shares/H Shares of the Company ⁷ (%)	Long position/ short position
11	Hengjian International Investment Holding (Hong Kong) Limited (恒健國際投資控股(香港)有限公司)	H Share	Beneficial owners	131,344,200	2.85	18.65	Long position
12	Guangdong Hengjian Investment Holding Co., Ltd (廣東恒健投資控股有限公司)	H Share	Interests in controlled corporation ⁵	131,344,200	2.85	18.65	Long position
13	China Life Insurance (Group) Company (中國人壽保險(集團)公司)	H Share	Beneficial owners	48,933,600	1.06	6.95	Long position
14	China Shipbuilding Industry Corporation (中國船舶重工集團公司)	H Share	Interests in controlled corporation ⁶	110,000,000	2.39	15.62	Long position
15	China Shipbuilding Capital Limited (中國船舶資本有限公司)	H Share	Beneficial owners	110,000,000	2.39	15.62	Long position

Notes:

- Central Huijin Investment Ltd. held 100% of the total issued share capital in Central Huijin Asset Management Limited. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in Central Huijin Asset Management Limited's interest in the Company under the SFO.
- Central Huijin Investment Ltd. held a 55.67% interest in China Everbright Group Ltd. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in China Everbright Group Ltd.'s interest in the Company under the SFO.
- Honorich Holdings Limited and Everbright Investment and Management Limited (光大投資管理有限公司) held 49.386% and 0.358% of the total issued share capital in China Everbright Limited, respectively; Datten Investments Limited held 100% of the total issued share capital in Honorich Holdings Limited; China Everbright Holdings Company Limited held 100% of the total issued share capital in Datten Investments Limited and Everbright Investment and Management Limited; China Everbright Group Ltd. held 100% of the total issued share capital in China Everbright Holdings Company Limited. Accordingly, each of the China Everbright Group Ltd., China Everbright Holdings Company Limited, Datten Investments Limited and Honorich Holdings Limited is deemed to be interested in China Everbright Limited's interests in the Company under the SFO.
- China State Construction Engineering Corporation Limited held 100% of the total issued share capital in CSCEC Capital (Hong Kong) Limited; China State Construction Engineering Corporation held 56.26% of the total issued share capital in China State Construction Engineering Corporation Limited. Accordingly, China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation are deemed to be interested in CSCEC Capital (Hong Kong) Limited's interests in the Company under the SFO.

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

5. Guangdong Hengjian Investment Holding Co., Ltd held 100% of the total issued share capital in Hengjian International Investment Holding (Hong Kong) Limited. Accordingly, Guangdong Hengjian Investment Holding Co., Ltd is deemed to be interested in Hengjian International Investment Holding (Hong Kong) Limited's interest in the Company under the SFO.
6. China Shipbuilding Industry Corporation held 100% of the total issued share capital in China Shipbuilding Capital Limited. Accordingly, China Shipbuilding Industry Corporation is deemed to be interested in China Shipbuilding Capital Limited's interest in the Company under the SFO.
7. As of June 30, 2017, the total issued shares of the Company were 4,610,787,639, among which 3,906,698,839 were A Shares and 704,088,800 were H Shares.
8. Under Part XV of the SFO, disclosure of interest forms shall be submitted by shareholders of the Company upon satisfaction of certain conditions. If there are changes in the shareholders' shareholdings in the Company, shareholders are not required to inform the Company and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial shareholders' latest shareholdings in the Company and the information on their shareholdings submitted to the Hong Kong Stock Exchange.

Save as disclosed above, as of June 30, 2017, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

(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 of June 30, 2017, Mr. Yin Lianchen, a non-executive Director of the Company, had personal interest of 26,000 shares of Everbright Limited and 160,000 shares of China Everbright International Limited ("Everbright International") (a company listed on the Hong Kong Stock Exchange, stock code: 257), representing 0.00% and 0.00% of the total issued share capital of Everbright Limited and Everbright International, respectively. Everbright Limited and Everbright International are associated corporations of the Company.

Save as disclosed above, as of June 30, 2017, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (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/or short positions which are taken or deemed to be held under such provisions of the SFO), or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Long Listing Rules to be notified to the Company and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

At no time was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements during the year to enable the Directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

(V) Repurchase, Sale or Redemption of the Listed Securities of the Company and Its Subsidiaries

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.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Changes in Shareholding

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. 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
Tang Shuangning	Non-executive Director	Resignation
Ge Haijiao	Non-executive Director	Election
Jiang Bo	Supervisor	Resignation
Nie Tingming	Supervisor	Resignation
Zhang Jingcai	Supervisor	Election
Wang Hongyang	Supervisor	Election
Li Bingtao	Employee Supervisor	Resignation
Li Xianzhi	Employee Supervisor	Election
Mei Jian	Vice President	Appointment
Li Bingtao	Business Line Director	Appointment
Pan Jianyun	Business Line Director	Appointment
Zhu Qin	Secretary to the Board	Appointment
Dong Jie	Business Line Director	Appointment

On February 24, 2017, the Board of Directors of the Company received the resignation letter of Mr. Tang Shuangning. In order to focus on the strategic development of China Everbright Group Ltd., the controlling shareholder of the Company, Mr. Tang Shuangning no longer acted as a non-executive Director of the Company.

Mr. Ge Haijiao was elected as a Director of the fourth session of the Board of Directors of the Company at the first extraordinary general meeting in 2017. In accordance with the Reply of Approval on Qualification of Ge Haijiao as Director of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 32), Mr. Ge Haijiao's appointment took effect on March 27, 2017.

On February 24, 2017, the Company's Supervisory Committee received the resignation letter of Ms. Jiang Bo. Ms. Jiang Bo no longer acted as a supervisor of the Company due to retirement.

On March 27, 2017, the Company's Board of Supervisors received the resignation letter of Mr. Nie Tingming. Mr. Nie Tingming resigned as a supervisor of the Company.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Jingcai was elected as a supervisor of the fourth session of the Board of Supervisors of the Company at the third extraordinary general meeting in 2017. In accordance with the Reply in Relation to the Approval of the Qualification of Zhang Jingcai as Director of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 74), Mr. Zhang Jingcai's appointment took effect on August 15, 2017.

Mr. Wang Hongyang was elected as a supervisor of the fourth session of the Supervisory Committee of the Company by the Annual General Meeting of the Company in 2016. In accordance with the Reply in Relation to the Approval of the Qualification of Wang Hongyang as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 44), Mr. Wang Hongyang's appointment took effect on May 24, 2017.

On January 16, 2017, Mr. Li Bingtao resigned from the position of supervisor of the Company for reasons of job adjustment.

Mr. Li Xianzhi was elected as an employee supervisor of the fourth session of the Supervisory Committee of the Company by the third meeting of the fifth session of the employees' representative meeting. In accordance with the Reply in Relation to the Approval of the Qualification of Li Xianzhi as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 63), Mr. Li Xianzhi's appointment took effect on July 7, 2017.

The 25th meeting of the fourth session Board of Directors considered and approved the Proposal on Appointing Mr. Mei Jian as a Vice President of the Company, and Mr. Mei Jian was appointed as the vice president of the Company. Pursuant to the Reply in Relation to the Approval of the Qualification of Mei Jian Serving as Senior Executive of Securities Company (Hu Zhengjian Xuke [2017] No. 7), Mr. Mei Jian's appointment became effective from January 12, 2017.

The 26th meeting of the fourth session of Board of Directors of the Company considered and approved the Proposal on Appointing Some Senior Executives in respect of appointment of Mr. Li Bingtao, Mr. Pan Jianyun and Ms. Dong Jie as the Business Line Directors of the Company, and Ms. Zhu Qin as the Secretary to the Board of Directors. Pursuant to the Reply in Relation to the Approval of the Qualification of Li Bingtao as Senior Executive of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 17), Reply in Relation to the Approval of the Qualification of Pan Jianyun as Senior Executive of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 15), Reply in Relation to the Approval of the Qualification of Zhu Qin as Senior Executive of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 13), and Reply in Relation to the Approval of the Qualification of Dong Jie as Senior Executive of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 67), Mr. Li Bingtao's appointment took effect on February 13, 2017. Mr. Pan Jianyun's appointment took effect on February 8, 2017, Ms. Zhu Qin's appointment took effect on February 6, 2017, and Ms. Dong Jie's appointment took effect on July 22, 2017.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the Board comprised the following 11 Directors:

Mr. Gao Yunlong (Non-executive Director)

Mr. Ge Haijiao (Non-executive Director)

Mr. Xue Feng (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. SIGNIFICANT CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

Mr. Xue Feng, the Chairman and President of the Company, has been served as the deputy director of the Shanghai Headquarters of Everbright Group since June 2017.

Mr. Yin Lianchen, a non-executive Director of the Company, has been served as an executive Director and a member of the Executive Committee and the Strategy Committee of Everbright Limited since June 2017.

In April 2017, Mr. Zhu Ning, an independent non-executive director of the Company, resigned as the independent director of Healthcare Co., Ltd. (a company listed on the SSE, stock code: 603313).

In May 2017, Mr. Xu Jingchang, an independent non-executive director of the Company, was appointed as an independent director of Anhui Transport Consulting & Design Institute Co., Ltd. (a company listed on the SSE, stock code: 603357). In August 2017, Mr. Xu Jingchang was appointed as an independent director of CITIC Heavy Industries Co., Ltd. (a company listed on the SSE, stock code: 601608).

In July 2017, Ms. Wang Wenyi, an employee Supervisor of the Company, was appointed as the full-time vice chairman of the trade union of the Company, and ceased to be the general manager of the Beijing branch company of the Company.

Pursuant to Rule 13.51B of the Hong Kong Listing Rules, save as disclosed above, there were no other material changes to the relevant information in respect of the Directors and Supervisors during the Reporting Period.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

IV. DESCRIPTION OF THE DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company entered into contracts with the Directors and Supervisors in respect of, among others, compliance with the relevant laws and regulations and observing the Articles of Association and the provisions on arbitration. Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contracts with any Directors or Supervisors of the Company in their respective capacities as Directors/Supervisors (except for contracts which expire within one year or may be terminated by the employer within one year without payment of compensation (other than statutory compensation)).

V. EMPLOYEES AND REMUNERATION POLICY

As at the end of the Reporting Period, the Company had 8,262 employees (including 3,097 brokers), among which, the parent company had 7,146 employees and wholly-owned and holding subsidiaries had 1,116 employees.

The Company adheres to implementing the MD rank-based rank wage system with market competitiveness according to marketization principle. The staff income consists of three parts i.e. wages, bonuses and benefits. Wages are determined based on the MD rank where a staff is at, his/her qualifications, competencies, performance, etc. Bonuses are linked with the performance of individuals, departments and the Company. The Company provides staff with a full range of benefits in accordance with national and local laws and regulations. In terms of statutory benefits, the Company provides pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, housing provident fund and paid annual leave, etc., to employees. In terms of supplementary benefits, the Company has established an enterprise annuity plan as a supplementary employee pension insurance system in order to reduce the income gap of employees before and after retirement and improve the quality of their lives after retirement. In addition, the Company also provides employees and their children with supplementary commercial insurance and annual health checks as well as other benefits to ensure that employees have a healthy body and high quality lives.

The Company implements risk reserve system, and implements both incentives and constraints to control risks and thus achieve sustainable development. The Company compares with industry average in a timely manner, and regularly adjusts salary structure and level so as to provide employees with competitive remuneration and benefits in the industry and thus achieve the objectives of "attracting talent, retaining talent and motivating talent".

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group shall not withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

VI. TRAINING PLAN

The Company continues enriching and improving the hierarchical education and training system, and developing and implementing annual training plans according to the strategic and business development needs, in consideration of the characteristics of employee career development. Innovative training means were applied to effectively stimulate the enthusiasm of staff learning. New forms such as classroom teaching, role play, sitcom, case study and barrage interaction were adopted with focus on contents such as strategic transformation, cutting-edge hot spots and business development, to leverage on the role of training in promoting reform, transmitting culture and teaching know-how. The Company made full use of internal and external and Internet resources to enrich staff learning opportunities and used Internet, WeChat, video and other forms to carry out online training to form a useful supplement to offline training.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

I. OVERVIEW OF CORPORATE BONDS

Unit: RMB'00 million

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds	Interest rate (%)	Principal and interest payment method	Places of transaction
1501 EBS Subordinated Bonds (Type 1)	15 EVERBRIGHT 01	123259	2015/1/29	2018/1/29	40	5.85	Payment of interest on a yearly basis	SSE
1504 EBS Subordinated Bonds	15 EVERBRIGHT 04	123085	2015/4/27	2020/4/27	60	5.70	Payment of interest on a yearly basis	SSE
1602 EBS Non-public Offering Corporate Bonds (Type 2)	16 EVERBRIGHT SECURITIES 02	135435	2016/4/27	2018/10/27	25	3.66	Payment of interest in every six months	SSE
1604 EBS Non-public Offering Corporate Bonds (Type 2)	16 EVERBRIGHT SECURITIES 04	135494	2016/5/26	2018/11/26	30	3.59	Payment of interest in every six months	SSE
1605 EBS Non-public Offering Corporate Bonds (Type 1)	16 EVERBRIGHT SECURITIES 05	145071	2016/10/24	2018/10/24	10	3.13	Payment of interest on a yearly basis	SSE
1606 EBS Non-public Offering Corporate Bonds (Type 2)	16 EVERBRIGHT SECURITIES 06	145072	2016/10/24	2019/10/24	30	3.20	Payment of interest on a yearly basis	SSE
1702 EBS Non-public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES 02	145288	2017/1/11	2018/7/11	20	4.10	Payment of interest in every six months	SSE
1703 EBS Non-public Offering Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES 03	145336	2017/2/14	2019/2/14	20	4.30	Payment of interest on a yearly basis	SSE
1704 EBS Non-public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES 04	145337	2017/2/14	2020/2/14	20	4.45	Payment of interest on a yearly basis	SSE
1705 EBS Non-public Offering Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES 05	145506	2017/4/26	2019/4/26	30	4.95	Payment of interest on a yearly basis	SSE
1706 EBS Non-public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES 06	145507	2017/4/26	2020/4/26	40	5.00	Payment of interest on a yearly basis	SSE
17G1 EBS Public Offering Corporate Bonds (Type 1)	17 EVERBRIGHT SECURITIES G1	143154	2017/7/4	2020/7/4	30	4.58	Payment of interest on a yearly basis	SSE
17G2 EBS Public Offering Corporate Bonds (Type 2)	17 EVERBRIGHT SECURITIES G2	143155	2017/7/4	2022/7/4	15	4.70	Payment of interest on a yearly basis	SSE

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

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 SSE for details.

15 EVERBRIGHT 04, 16 EVERBRIGHT SECURITIES 02 and 16 EVERBRIGHT SECURITIES 04 provide the issuer with the right of early redemption. For details, please refer to Note 46 of the consolidated financial statements.

15 EVERBRIGHT 01, 15 EVERBRIGHT 04, 16 EVERBRIGHT SECURITIES 02, 16 EVERBRIGHT SECURITIES 04, 16 EVERBRIGHT SECURITIES 05, 16 EVERBRIGHT SECURITIES 06, 17 EVERBRIGHT SECURITIES 02, 17 EVERBRIGHT SECURITIES 03, 17 EVERBRIGHT SECURITIES 04, 17 EVERBRIGHT SECURITIES 05 and 17 EVERBRIGHT SECURITIES 06 were non-publicly issued to qualified investors.

17 EVERBRIGHT SECURITIES G1 and 17 EVERBRIGHT SECURITIES G2 were publicly issued to qualified investors.

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

Bond name	Name	Bond trustee manager		
		Office address	Contact person	Contact number
15 EVERBRIGHT 01			-	
15 EVERBRIGHT 04	China Merchants Securities Co., Ltd.	Floor 38-45, Tower A, Jianguo Building, Yitian Road, Futian District, Shenzhen	Luo Li	0755-82944669
16 EVERBRIGHT SECURITIES 02 16 EVERBRIGHT SECURITIES 04 16 EVERBRIGHT SECURITIES 05 16 EVERBRIGHT SECURITIES 06	Industrial Securities Co., Ltd.	No.36 Changliu Road, Pudong New Area, Shanghai	Fang Renbin	021-38565891
17 EVERBRIGHT SECURITIES 02 17 EVERBRIGHT SECURITIES 03 17 EVERBRIGHT SECURITIES 04 17 EVERBRIGHT SECURITIES 05 17 EVERBRIGHT SECURITIES 06	China Galaxy Securities Co., Ltd.	2-6/F, 35 Finance Street, Xicheng District, Beijing	Chen Qu	010-83574504
17 EVERBRIGHT SECURITIES G1 17 EVERBRIGHT SECURITIES G2	Guotai Junan Securities Co., Ltd.	29F, Shanghai Bank Tower, No. 168, Yincheng Road Central, Shanghai	Cao Ning	021-38674904
Credit Rating Agency		Office address		
China Chengxin Securities Rating Co., Ltd.		Room 968, Building 1, No.599, Xinye Road, Qingpu District, Shanghai		

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

III. USE OF PROCEEDS RAISED FROM ISSUANCE OF CORPORATE BONDS

(I) Non-public Issuance of Bonds

The proceeds raised from the issuance of each term of bonds by the Company (except for the second and the third tranche of 2017 Non-public Offering Corporate Bonds), after deducting issuance expenses and other related expenses, were all used in the replenishment of working 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.

The proceeds raised from the issuance of the second and the third tranche of 2017 Non-public Offering Corporate Bonds, after deducting issuance expenses and other related expenses were applied in the replenishment of working capital of the Company to meet the medium and long-term business needs; or be used for adjusting the Company's debt structure and improving the financial structure.

As of June 30, 2017, the use of proceeds raised by the above-mentioned corporate bonds was consistent with the use of proceeds, the use plans and other agreements promised in the offering circulars.

(II) Public Issuance of Bonds

On February 27, 2017, Resolution regarding the General Mandate of Issuance of Onshore Debt Financing Instruments by the Company (《關於對公司發行境內債務融資工具進行一般性授權的議案》) was passed at the 27th meeting of the fourth session of the Board of the Company, which approved the issuance of onshore debt financing instruments with an issuance size not exceeding RMB80 billion (inclusive and based on the balance outstanding upon the issuance) and a term no longer than 10 years (inclusive). The aforementioned onshore debt financing instruments include (as the case may be) corporate bonds, subordinated bonds, subordinated debts, short-term corporate bonds of securities firms, short-term financing bills of securities firms, structured notes and other types permitted to be issued by regulatory authorities. On April 17, 2017, this resolution was passed at the second extraordinary general meeting of the Company in 2017. On May 31, 2017, upon the approval by the CSRC under Document [2017] No. 814, the Company was permitted to conduct a public offering corporate bonds with an issuance size not exceeding RMB19 billion (inclusive).

On July 5, 2017, the Company completed the issuance of the first tranche of 2017 Public Offering Corporate Bonds with an issue size of RMB4.5 billion.

The Company opened a designated account for proceeds raised from the issuance of first tranche of 2017 Public Offering Corporate Bonds to receive and deposit proceeds and settle principal and interest. The proceeds raised from this tranche of corporate bonds, after deducting issuance expenses and other related expenses, will be used to replenish the working capital of the Company to meet the business operation needs; or be used for adjusting the Company's debt structure and improving the financial structure.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

IV. INFORMATION ON CORPORATE BONDS CREDIT RATING AGENCY

In 2015, as examined and approved by China Cheng Xin International Credit Rating Co. Ltd., the credit rating of the first and the third tranche of subordinated bonds of Everbright Securities Company Limited in 2015 was AA+.

In 2017, as examined and approved by China Chengxin Securities Rating Co., Ltd., the credit rating of the Company was AAA. The credit rating of the first tranche of corporate bonds via public offering of Everbright Securities Company Limited in 2017 was AAA.

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

According to the provisions in the offering circular of the corporate bonds, the Company's measures to ensure repayment include the establishment of a special payment team, improving the risk control system and the profitability, strictly fulfilling the information disclosure obligations, developing and strictly implementing the fund management plan, giving full play to the role of the bond trustees and formulating the Rules on Meeting of Corporate Bond Holders. During the Reporting Period, the relevant plans and measures of the Company were consistent with the relevant commitments stated in the prospectus.

VI. MEETING OF CORPORATE BONDHOLDERS

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

VII. PERFORMANCE OF TRUSTEE MANAGER OF CORPORATE BONDS

15 EVERBRIGHT 01 was issued in January 2015 and was filed in accordance with the Administrative Provisions on the Subordinated Bond of Securities Firms, so no bond trustee manager was engaged; China Merchants Securities Co., Ltd. was engaged as the bond trustee manager of 15 EVERBRIGHT 04. Industrial Securities Co., Ltd. was engaged as the bond trustee manager of 15 EVERBRIGHT 06, 16 EVERBRIGHT SECURITIES 02, 16 EVERBRIGHT SECURITIES 04, 16 EVERBRIGHT SECURITIES 05, and 16 EVERBRIGHT SECURITIES 06. The Company entered into the relevant bond trustee management agreements with each of the above bond trustee managers. During the Reporting Period, the bond trustee managers performed their duties according to the bonds trustee management agreements, pursuant to which the bonds trustee management reports for the above bonds in 2016 were disclosed by June 30, 2017.

China Galaxy Securities Co., Ltd. was engaged as the bond trustee manager of 17 EVERBRIGHT SECURITIES 02, 17 EVERBRIGHT SECURITIES 03, 17 EVERBRIGHT SECURITIES 04, 17 EVERBRIGHT SECURITIES 05 and 17 EVERBRIGHT SECURITIES 06. Guotai Junan Securities Co., Ltd. was engaged as the bond trustee manager of 17 EVERBRIGHT SECURITIES G1 and 17 EVERBRIGHT SECURITIES G2. The Company entered into the relevant bond trustee management agreements with each of the above bond trustee managers, pursuant to which the bonds trustee management reports for the above bonds in 2017 will be disclosed by June 30, 2018 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, 2017	December 31, 2016	Increase/decrease (%)	Reason of change
Current ratio	2.40	2.38	0.84%	N/A
Quick ratio	1.13	1.07	5.61%	N/A
Gearing ratio	65.63%	60.26%	increased by 5.37 percentage points	N/A
	January to June 2017	January to June 2016	Increase/decrease (%)	Reason of change
EBITDA interest coverage ratio	3.24	3.18	1.89%	N/A
Interest coverage	156.54%	221.83%	decreased by 65.29 percentage points	Increase in interest expense in cash

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

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

For the US\$450 million of overseas bonds issued by the Company's overseas subsidiary in August 2015 (see the Company's announcement No. 2015-062 for details), the interests of various periods have been paid on time.

In the first half of 2017, the Company's other debt financing instruments included debt income right transfer of financing business, structured notes, margin refinancing from CSFC and gold leasing. During the Reporting Period, the principle and interest of the financing instruments were all paid on time.

SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

X. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the total amount of banking facilities of the Company's major cooperative banks amounted to about RMB200 billion, and the amount of about RMB40 billion has been used with the remaining amount of about RMB160 billion. During the Reporting Period, the Company's bank loans were repaid on time and on schedule.

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

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

XII. 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.

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

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017



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INDEPENDENT REVIEW REPORT

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 interim financial information set out on pages 2 to 78, which comprises the interim condensed consolidated statement of financial position of Everbright Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with IAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review. Our report is made 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with IAS 34.

Certified Public Accountants

Hong Kong
29 August 2017

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	Notes	Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
Revenue			
Fee and commission income	4	2,682,945	3,523,640
Interest income	5	2,451,966	2,570,972
Net investment gains	6	820,525	379,419
Total revenue		5,955,436	6,474,031
Other income and gains	7	323,740	261,648
Total revenue and other income		6,279,176	6,735,679
Fee and commission expenses	8	(591,379)	(596,647)
Interest expenses	9	(1,763,399)	(1,889,295)
Staff costs	10	(1,463,219)	(1,335,560)
Depreciation and amortisation expenses	11	(200,424)	(194,058)
Business tax and surcharges		(29,705)	(182,631)
Other operating expenses	12	(638,845)	(625,558)
Provision for impairment losses	13	(4,314)	(19,169)
Total expenses		(4,691,285)	(4,842,918)
Operating profit		1,587,891	1,892,761
Share of profit of associates and joint ventures		49,475	20,259
Profit before income tax		1,637,366	1,913,020
Income tax expense	14	(350,692)	(381,455)
Profit for the period		1,286,674	1,531,565
Attributable to:			
Shareholders of the Company		1,237,488	1,514,708
Non-controlling interests		49,186	16,857
Total		1,286,674	1,531,565
Basic and diluted earnings per share (in Renminbi per share)	16	0.2684	0.3877

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,286,674</u>	<u>1,531,565</u>
Other comprehensive income for the period		
Items that to be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
-Net change in fair value	586,784	(1,216,237)
-Reclassified to profit or loss	(176,397)	(22,072)
Share of other comprehensive income of associates	(2,333)	(4,683)
Exchange differences on translation of financial statements in foreign currencies	(31,735)	10,191
Income tax impact	<u>(100,667)</u>	<u>309,491</u>
Total other comprehensive income for the period, net of tax	<u>275,652</u>	<u>(923,310)</u>
Total comprehensive income for the period	<u><u>1,562,326</u></u>	<u><u>608,255</u></u>
Attributable to:		
Shareholders of the Company	1,537,342	560,939
Non-controlling interests	<u>24,984</u>	<u>47,316</u>
Total	<u><u>1,562,326</u></u>	<u><u>608,255</u></u>

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2017</u> (Unaudited)	<u>31 December 2016</u> (Audited)
Non-current assets			
Property and equipment	17	843,534	860,227
Goodwill	18	1,462,236	1,506,746
Other intangible assets	19	655,186	761,860
Interests in associates and joint ventures	21	1,760,124	1,737,404
Held-to-maturity investments	22	392,781	159,340
Available-for-sale financial assets	23	11,414,162	10,409,409
Financial assets held under resale agreements	24	5,603,654	4,208,468
Refundable deposits	25	4,931,080	5,784,187
Deferred tax assets	26(c)	240,762	509,005
Finance lease receivables	27	3,052,990	2,740,139
Other non-current assets	28	1,738,990	1,085,304
Total non-current assets		<u>32,095,499</u>	<u>29,762,089</u>
Current assets			
Accounts receivable	29	2,515,458	2,484,480
Finance lease receivables	27	1,942,441	1,318,855
Other receivables and prepayments	30	2,547,369	2,196,624
Margin accounts receivable	31	33,868,155	37,427,744
Available-for-sale financial assets	23	17,084,972	7,285,465
Financial assets held under resale agreements	24	10,543,687	5,377,987
Financial assets at fair value through profit or loss	32	32,469,703	24,650,113
Derivative financial assets	33	58,757	97,317
Clearing settlement funds	34	177,891	150,433
Cash held on behalf of brokerage clients	35	48,830,643	51,573,237
Cash and bank balances	36	12,721,558	15,312,915
Total current assets		<u>162,760,634</u>	<u>147,875,170</u>
Total assets		<u><u>194,856,133</u></u>	<u><u>177,637,259</u></u>

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2017</u> (Unaudited)	<u>31 December 2016</u> (Audited)
Current liabilities			
Loans and borrowings	38	7,607,355	7,345,161
Short-term debt instruments issued	39	5,054,850	5,929,702
Placements from other financial institutions	40	3,193,700	9,107,560
Financial liabilities at fair value through profit or loss	41	1,088,665	596,900
Accounts payable to brokerage clients	42	51,644,368	55,343,327
Employee benefits payable	43	1,468,387	2,268,881
Other payables and accruals	44	12,065,710	5,482,436
Current tax liabilities	26(a)	299,855	603,214
Financial assets sold under repurchase agreements	45	18,815,348	8,516,901
Derivative financial liabilities	33	65,618	81,623
Long-term bonds due within one year	46	14,989,206	11,492,244
Total current liabilities		<u>116,293,062</u>	<u>106,767,949</u>
Net current assets		<u>46,467,572</u>	<u>41,107,221</u>
Total assets less current liabilities		78,563,071	70,869,310
Non-current liabilities			
Loans and borrowings	38	3,487,071	2,646,456
Long-term bonds	46	23,373,560	17,134,486
Deferred tax liabilities	26(c)	227,479	269,961
Other non-current liabilities	47	2,204,246	2,181,743
Total non-current liabilities		<u>29,292,356</u>	<u>22,232,646</u>
Net assets		<u>49,270,715</u>	<u>48,636,664</u>

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2017</u> (Unaudited)	<u>31 December 2016</u> (Audited)
Equity			
Share capital	48	4,610,788	4,610,788
Reserves	49	32,429,570	32,078,114
Retained profits	49	10,807,079	10,506,810
Total equity attributable to shareholders of the Company		47,847,437	47,195,712
Non-controlling interests		1,423,278	1,440,952
Total equity		<u>49,270,715</u>	<u>48,636,664</u>

Approved and authorised for issue by the Board of Directors on 29 August 2017.

Xue Feng
 Chairman of the Board,
 Executive Director
 and President

Xiong Yan
 Director

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity	
	Share capital (Note 48)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 49)			Total
As at 1 January 2017	4,610,788	23,507,275	2,637,868	5,659,279	484,062	(210,370)	10,506,810	47,195,712	1,440,952	48,636,664
Profit for the period	-	-	-	-	-	-	1,237,488	1,237,488	49,186	1,286,674
Other comprehensive income	-	-	-	-	306,245	(6,391)	-	299,854	(24,202)	275,652
Total comprehensive income	-	-	-	-	306,245	(6,391)	1,237,488	1,537,342	24,984	1,562,326
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	(25,797)	(25,797)
Other movement in capital reserve	-	36,541	-	-	-	-	-	36,541	-	36,541
Appropriation to general reserve	-	-	-	15,061	-	-	(15,061)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(922,158)	(922,158)	(16,861)	(939,019)
As at 30 June 2017 (unaudited)	4,610,788	23,543,816	2,637,868	5,674,340	790,307	(216,761)	10,807,079	47,847,437	1,423,278	49,270,715

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity	
	Share capital	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 49)			Total
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
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 an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>Six months ended 30 June</u>	
		<u>2017</u>	<u>2016</u>
		(Unaudited)	(Unaudited)
Cash flows from operating activities:			
Profit before income tax		1,637,366	1,913,020
Adjustments for:			
Interest expenses		1,763,399	1,073,330
Share of profit of associates and joint ventures		(49,475)	(20,259)
Depreciation and amortisation expenses		200,424	194,058
Provision for impairment losses	13	4,314	19,169
Gain on disposal of property and equipment and other intangible assets		(170)	(479)
Foreign exchange losses		124,590	12,294
Dividend income and interest income from available-for-sale financial assets		(416,680)	(41,427)
Unrealised fair value changes of financial instruments at fair value through profit or loss		(60,701)	889,232
Unrealised fair value changes of derivative financial instruments		21,737	(630,368)
		<u>3,224,804</u>	<u>3,408,570</u>
Operating cash flows before movements in working capital			

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
(continued)		
<i>Changes in operating assets</i>		
Decrease/(increase) in refundable deposits	853,107	(1,208,171)
Decrease in margin accounts receivable	3,608,445	11,937,703
Increase in finance lease receivables	(944,721)	(472,156)
(Increase)/decrease in accounts receivable, other receivables and prepayments	(274,564)	438,976
(Increase)/decrease in financial assets held under resale agreements	(6,560,886)	1,300,607
(Increase)/decrease in financial instruments at fair value through profit or loss	(5,841,279)	3,306,193
Decrease/(increase) in derivative financial instruments	818	(10,216)
(Increase)/decrease in restricted bank deposits	(36,095)	50,051
Decrease in cash held on behalf of brokerage clients	2,742,594	7,010,541
Decrease in other investments	155,371	1,026,917
<i>Changes in operating liabilities</i>		
Decrease in accounts payable to brokerage clients	(3,698,959)	(4,156,960)
Increase/(decrease) in other payables and accruals	5,945,051	(1,929,313)
Decrease in employee benefits payable	(800,494)	(983,836)
Increase/(decrease) in financial assets sold under repurchase agreements	10,298,447	(7,198,709)
(Decrease)/increase in placements from other financial institutions	(5,913,860)	4,132,400
Cash generated from operations	2,757,779	16,652,597
Income taxes paid	(528,957)	(1,721,871)
Interest paid for operating activities	(701,260)	(944,193)
Net cash flows from operating activities	1,527,562	13,986,533

The accompanying notes form an integral part of these financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>Six months ended 30 June</u>	
		<u>2017</u>	<u>2016</u>
		(Unaudited)	(Unaudited)
Cash flows from investing activities:			
Proceeds from disposal of property and equipment and other intangible assets		1,241	1,435
Net realized gain, dividends and interest received from available-for-sale financial assets		101,896	41,427
Purchases of property and equipment, other intangible assets and other non-current assets		(95,392)	(101,859)
Purchases of held-to-maturity investments		(233,442)	-
Proceeds from disposal/(purchase) of associates and joint ventures		693	(593,720)
(Purchases)/disposal of available-for-sale financial assets for investment purpose		(10,392,197)	124,247
Purchase of non-controlling interests shareholding in a subsidiary		(25,797)	(85,467)
Proceeds from disposal of investments classified as receivables and other investments		4,503,582	700,154
Net cash flows from/(used in) investing activities		(6,139,416)	86,217
Cash flows from financing activities:			
Proceeds from issuance of long-term bonds		15,800,000	9,990,000
Proceeds from issuance of short-term debt instruments		6,439,042	1,087,475
Proceeds from bank loans		2,838,406	2,655,442
Long-term bonds repaid		(6,000,000)	(19,000,000)
Short-term debt instruments repaid		(7,314,980)	(2,317,992)
Bank loans repaid		(1,735,597)	(1,370,686)
Loans, bonds and debt instruments interest paid		(1,284,156)	(2,144,135)
Dividends paid		(30,640)	(1,731,444)
Net cash flows from/(used in) financing activities		8,712,075	(12,831,340)
Net increase in cash and cash equivalents		4,100,221	1,241,410
Cash and cash equivalents at the beginning of the period		8,937,392	12,996,769
Effect of foreign exchange rate changes		(153,295)	(12,294)
Cash and cash equivalents at the end of the period	37	12,884,318	14,225,885

The accompanying notes form an integral part of these financial statements.

(All amounts expressed in Renminbi (“RMB”) thousands unless otherwise specified)

1. GENERAL INFORMATION

Everbright Securities Company Limited (光大证券股份有限公司) (the “Company”), formerly known as Everbright Securities Limited Liability Company (光大证券有限责任公司), 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 (光大证券股份有限公司) 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 to RMB3,906,698,839.

As at 18 August 2016, the Company completed its initial public offering of H Shares on the Main Board of the Hong Kong Stock Exchange, and issued 680,000,000 shares with a par value of RMB1.00 each. As at 19 September 2016, the Company exercised the overallotment option, in respect of 24,088,800 H Shares with a par value of RMB1.00 each.

As at 30 June 2017, the Company’s registered capital was RMB 4,610,787,639 and the Company had a total of 4,610,787,639 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”) are 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 the CSRC.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), as well as all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at and for the year ended 31 December 2016.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

Amendments to the accounting standards effective in 2017 and adopted by the Group:

In the current interim period, the Group has adopted the following amendments to International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016.

Amendments to IAS 7	Statement of Cash Flows
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2016.

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

4. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Income from securities brokerage and investment advisory business	1,637,679	2,078,934
Income from asset management business	557,570	530,686
Income from underwriting and sponsorship business	264,919	702,183
Income from futures brokerage business	149,045	129,306
Income from financial advisory business	73,732	82,531
	<u>2,682,945</u>	<u>3,523,640</u>
Total		

5. INTEREST INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Interest income arising from		
- Deposit in financial institutions	905,145	1,107,270
- Margin financing and securities lending	1,100,741	1,166,578
- Financial assets held under resale agreements	14,712	30,650
- Securities-backed lending and stock repurchases	296,536	173,963
- Finance lease	97,360	83,651
- Others	37,472	8,860
	<u>2,451,966</u>	<u>2,570,972</u>
Total		

EVERBRIGHT SECURITIES COMPANY LIMITED
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Net realised gains from disposal of available-for-sale financial assets	176,397	24,079
Dividend income and interest income from available-for-sale financial assets	237,349	133,015
Net realised losses from disposal of financial instruments at fair value through profit or loss	(246,220)	(316,027)
Dividend income and interest income from financial instruments at fair value through profit or loss	653,361	861,653
Net realised losses from disposal of derivative financial instruments	(39,326)	(64,437)
Unrealised fair value changes of financial instruments at fair value through profit or loss	60,701	(889,232)
Unrealised fair value changes of derivative financial instruments	(21,737)	630,368
Total	<u>820,525</u>	<u>379,419</u>

7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Government grants	346,630	205,960
Rental income	7,778	6,675
Income from agent business	56,355	26,550
Income from advisory business	12,134	7,200
Exchange losses	(124,590)	(12,294)
Others	25,433	27,557
Total	<u>323,740</u>	<u>261,648</u>

8. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Expenses arising from		
- Securities brokerage and advisory business	452,700	502,045
- Asset management business	92,108	40,144
- Underwriting and sponsorship business	25,147	31,773
- Futures brokerage business	21,424	19,225
- Financial advisory business	-	3,460
Total	<u>591,379</u>	<u>596,647</u>

(All amounts expressed in RMB thousands unless otherwise specified)

9. INTEREST EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Interest expenses for		
- Long-term bonds	820,353	966,574
- Financial assets sold under repurchase agreements	259,764	376,473
- Other structured entities' holders	227,764	308,784
- Accounts payable to brokerage clients	63,901	103,070
- Loans and borrowings	201,946	82,658
- Placements from other financial institutions	79,748	20,575
- Short-term debt instruments issued	109,806	24,098
- Others	117	7,063
Total	<u>1,763,399</u>	<u>1,889,295</u>

10. STAFF COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	1,233,612	1,160,901
Contribution to pension schemes	109,213	68,593
Other social welfare	120,394	106,066
Total	<u>1,463,219</u>	<u>1,335,560</u>

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 a regular basis and paid to the labour and social welfare authorities based on a certain percentage of the employees' salaries. These social welfare plans are defined contribution plans and contributions to the plans are expensed as incurred.

11. DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	59,927	61,472
Amortisation of other intangible assets	118,384	113,504
Amortisation of leasehold improvements and long-term deferred expenses	22,113	19,082
Total	<u>200,424</u>	<u>194,058</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Rental expenses and utilities	175,635	170,662
IT expenses	97,302	96,482
Funds and asset management plans distribution and custodian expenses	70,206	59,419
Business travel expenses	63,919	59,221
Promotion and entertainment expenses	66,150	44,673
Postal and communication expenses	36,013	29,231
Securities/futures investor protection funds	19,034	37,836
Stock exchanges management fees	12,728	15,309
Miscellaneous expenses	20,803	17,008
Compensation for lawsuits	1	39,743
Auditors' remuneration	4,521	2,716
Others	72,533	53,258
Total	<u>638,845</u>	<u>625,558</u>

13. PROVISION FOR IMPAIRMENT LOSSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Reversal of impairment losses against accounts receivable and other non-current assets	-	(2,113)
Reversal of impairment losses against other receivables	(401)	(8)
Provision for impairment losses against accounts receivable of finance lease	8,284	33,258
Reversal of impairment losses against margin accounts receivable	(3,569)	(11,968)
Total	<u>4,314</u>	<u>19,169</u>

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

14. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Current tax		
- Mainland China income tax	323,816	437,062
- Hong Kong profits tax	21,977	9,069
	345,793	446,131
Adjustment in respect of prior years		
- PRC income tax	(120,195)	116,255
Deferred tax		
Origination and reversal of temporary differences	125,094	(180,931)
Total	350,692	381,455

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Group's Mainland China's 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 period.

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit before income tax	1,637,366	1,913,020
Notional tax calculated using PRC statutory tax rate	409,342	478,255
Tax effect of non-deductible expenses	72,055	24,125
Tax effect of non-taxable income	(135,024)	(125,510)
Effect of losses and different tax rates of subsidiaries	547	8,357
Tax effect of recognition of previously unrecognised temporary differences	123,967	(119,344)
Adjustment for prior years	(120,195)	116,255
Others	-	(683)
Total	350,692	381,455

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

15. DIVIDENDS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Proposed and paid dividends	922,158	2,344,019

16. BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per share amount is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue. There has been no change in the number of ordinary shares during the reporting period.

		Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Profit attributable to shareholders of the Company		1,237,488	1,514,708
Weighted average number of ordinary shares in issue (thousands)	(a)	4,610,788	3,906,699
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)		0.2684	0.3877

During the reporting period, there were no potentially dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

(a) Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Number of ordinary shares as at 1 January	4,610,788	3,906,699
Increase in weighted average number of ordinary shares	-	-
Weighted average number of ordinary shares in issue	4,610,788	3,906,699

EVERBRIGHT SECURITIES COMPANY LIMITED
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB thousands unless otherwise specified)

17. PROPERTY AND EQUIPMENT

Cost	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
As at 31 December 2015 (Audited)	914,993	26,551	520,817	287,302	420	1,750,083
Additions	-	1,842	72,812	28,760	3,750	107,164
Transfers during the year	-	-	-	-	(1,609)	(1,609)
Disposals	-	(2,878)	(32,091)	(12,030)	-	(46,999)
As at 31 December 2016 (Audited)	914,993	25,515	561,538	304,032	2,561	1,808,639
Additions	-	1,395	38,950	7,280	439	48,064
Transfers during the period	-	-	-	145	(844)	(699)
Disposals	-	(1,730)	(28,773)	(9,828)	-	(40,331)
As at 30 June 2017 (Unaudited)	914,993	25,180	571,715	301,629	2,156	1,815,673
Accumulated depreciation						
As at 31 December 2015 (Audited)	(222,544)	(21,005)	(404,228)	(222,934)	-	(870,711)
Charge for the year	(23,746)	(2,400)	(69,561)	(27,252)	-	(122,959)
Disposals	-	2,152	31,340	11,766	-	45,258
As at 31 December 2016 (Audited)	(246,290)	(21,253)	(442,449)	(238,420)	-	(948,412)
Charge for the period	(11,873)	(1,032)	(39,046)	(7,976)	-	(59,927)
Disposals	-	1,309	28,381	6,510	-	36,200
As at 30 June 2017 (Unaudited)	(258,163)	(20,976)	(453,114)	(239,886)	-	(972,139)
Carrying amount						
As at 30 June 2017 (Unaudited)	656,830	4,204	118,601	61,743	2,156	843,534
As at 31 December 2016 (Audited)	668,703	4,262	119,089	65,612	2,561	860,227

As at 30 June 2017 and 31 December 2016, included in buildings are items with carrying amounts of RMB1,451 thousand and RMB1,459 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

(All amounts expressed in RMB thousands unless otherwise specified)

18. GOODWILL

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Cost	1,504,201	1,504,201
Effect of exchange rate changes for cost	140,298	190,392
Less: Provision for impairment losses	(166,394)	(166,394)
Effect of exchange rate changes for impairment provision	<u>(15,869)</u>	<u>(21,453)</u>
Carrying amount	<u>1,462,236</u>	<u>1,506,746</u>

Impairment testing on goodwill

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

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Futures brokerage	9,380	9,380
Wealth management, investment banking and brokerage	<u>1,635,119</u>	<u>1,685,213</u>
Total	<u>1,644,499</u>	<u>1,694,593</u>

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 over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

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 over the fair value of the net identifiable assets acquired as the goodwill of the investment banking and brokerage CGU.

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 over the fair value of the net identifiable assets acquired as the goodwill of the wealth management and brokerage CGU.

In the second half of 2016, management commenced a business integration for the investment banking and brokerage CGU and wealth management and brokerage CGU. The Group has reasonably reallocated the goodwill arising from the acquisition of aforementioned CGU into a wealth management, investment banking and brokerage CGU.

(All amounts expressed in RMB thousands unless otherwise specified)

18. GOODWILL (continued)

The recoverable amount of the wealth management, investment banking 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 discount rate of 17.5%, which reflected specific risks related to the CGU. The cash flows beyond the six-year budget period were extrapolated using an estimated long-term growth rate of 3%, which does not exceed the long-term average growth rate for the business in which the CGU operates.

Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows/outflows which include budgeted income and profit margins, and such estimation is based on the CGU's past performance and management's expectations for the market development.

19. OTHER INTANGIBLE ASSETS

	Customer relationship	Software and others	Total
Cost			
As at 31 December 2015 (Audited)	881,237	543,228	1,424,465
Additions	43,207	62,588	105,795
Disposals	-	(1,255)	(1,255)
As at 31 December 2016 (Audited)	924,444	604,561	1,529,005
Additions	-	30,596	30,596
Disposals	(27,973)	(7,994)	(35,967)
As at 30 June 2017 (Unaudited)	<u>896,471</u>	<u>627,163</u>	<u>1,523,634</u>
Accumulated amortisation			
As at 31 December 2015 (Audited)	(135,038)	(403,610)	(538,648)
Charge for the year	(161,259)	(68,469)	(229,728)
Disposals	-	1,231	1,231
As at 31 December 2016 (Audited)	(296,297)	(470,848)	(767,145)
Charge for the period	(83,283)	(35,101)	(118,384)
Disposals	11,354	5,727	17,081
As at 30 June 2017 (Unaudited)	<u>(368,226)</u>	<u>(500,222)</u>	<u>(868,448)</u>
Carrying amount			
As at 30 June 2017 (Unaudited)	<u>528,245</u>	<u>126,941</u>	<u>655,186</u>
As at 31 December 2016 (Audited)	<u>628,147</u>	<u>133,713</u>	<u>761,860</u>

(All amounts expressed in RMB thousands unless otherwise specified)

20. 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 30 June 2017 and 31 December 2016, the net assets of the consolidated wealth management products were RMB13,066,244 thousand and RMB7,880,337 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities were RMB5,167,675 thousand and RMB5,044,618 thousand respectively.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, and other payables and accruals in the consolidated statement of financial position.

At the end of the reporting period, the Group reassessed the control of structured entities and determined whether the Group is still a principal.

(All amounts expressed in RMB thousands unless otherwise specified)

20. INTERESTS IN STRUCTURED ENTITIES (continued)

- (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.

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 reporting period, which are listed as below:

	As at 30 June 2017 (Unaudited)		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	4,700	3,363,786	3,368,486
Wealth management products	4,738,588	3,688,065	8,426,653
Total	4,743,288	7,051,851	11,795,139

	As at 31 December 2016 (Audited)		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	4,422	5,454,388	5,458,810
Wealth management products	5,530,255	4,730,139	10,260,394
Total	5,534,677	10,184,527	15,719,204

(All amounts expressed in RMB thousands unless otherwise specified)

20. 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 wealth 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 reporting period, which are listed as below:

	As at 30 June 2017 (Unaudited)		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	279,054	-	279,054
Wealth management products	858,352	467,332	1,325,684
Total	1,137,406	467,332	1,604,738

	As at 31 December 2016 (Audited)		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	229,581	1,300,000	1,529,581
Wealth management products	1,034,264	1,702,327	2,736,591
Total	1,263,845	3,002,327	4,266,172

As at 30 June 2017 and 31 December 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 RMB 364,135,819 thousand and RMB247,643,584 thousand respectively.

During the six months ended 30 June 2017 and 2016, the Group recognised the income from wealth management business of RMB557,570 thousand and RMB530,686 thousand respectively. As at 30 June 2017 and 31 December 2016, the corresponding remuneration receivables totalled RMB196,353 thousand and RMB131,531 thousand respectively.

21. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Share of net assets	1,760,124	1,737,404

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21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2017	As at 31 December 2016	
Dacheng Fund Management Co., Ltd.* 大成基金管理有限公司	Shenzhen	RMB 200,000,000	25%	25%	Fund management
Everbright Yunfu Internet Co., Ltd.* 光大云付互联网金融股份有限公司	Shanghai	RMB 200,000,000	40%	40%	Financial data processing
Everbright Eascreate Internet Co., Ltd.* 光大易创网络科技股份有限公司	Shanghai	RMB 100,000,000	40%	40%	Financial data processing
Everbright Ivy Investment Management (Shanghai) Co., Ltd.* ⁽¹⁾ 光大常春藤投资管理(上海)有限公司	Shanghai	RMB 10,000,000	51%	51%	Investment management
Everbright LeadBank Assets Management (Shanghai) Co., Ltd.* ⁽¹⁾ 光大利得资产管理(上海)有限公司	Shanghai	RMB 2,000,000	51%	51%	Investment management
Everbright Ivy (Shanghai) Investment Center (Limited partnership)* 光大常春藤一期(上海)股权投资基金合伙企业(有限合伙)	Shanghai	RMB 185,000,000	27.03%	27.03%	Fund management
Shanghai Everbright Sports & Culture Equity Fund (Limited partnership)* 上海光大体育文化投资合伙企业(有限合伙)	Shanghai	RMB 201,922,000	24.76%	24.76%	Fund management
Sun Hung Kai Forex Limited ⁽¹⁾ Tribridge Capital Management (Cayman) Limited	Hong Kong Cayman Islands	HKD 75,166,707 USD 1,001	51%	51%	Foreign exchange dealing
Sun Hung Kai Insurance Brokers (Shanghai) Co., Ltd.* ⁽³⁾ 新鸿基保险经纪(上海)有限公司	Shanghai	RMB 10,000,000	-	20.13%	Fund management Insurance broking and consultancy services

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21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2017	As at 31 December 2016	
Jiaxing Everbright BoPu Investment LLP (Limited Partnership)*					
嘉兴光大博璞投资合伙企业(有限合伙)	Jiaxing	RMB 100,000,000	24.90%	24.90%	Investment management
EBS Fund Management Co., Ltd.* ⁽¹⁾					
上海光大证券股权投资基金管理有限公司	Shanghai	RMB 20,000,000	51%	51%	Investment management
Jiaxing Everbright Meiyin Investment Management Co., Ltd.* ⁽¹⁾					
嘉兴光大美银投资管理有限公司	Jiaxing	RMB 2,000,000	51%	51%	Investment management
Jiaxing Everbright Meiyin No. 1 Investment LLP*					
嘉兴光大美银壹号投资合伙企业	Jiaxing	RMB 100,000,000	25%	25%	Investment management
Shenzhen Qianhai Tunlan Investment Co., Ltd.* ⁽¹⁾					
深圳前海光大瞰澜投资管理有限公司	Shenzhen	RMB 5,000,000	51%	51%	Investment management
Hangzhou Everbright Tunlan Investment LLP*					
杭州光大瞰澜投资合伙企业(有限合伙)	Hangzhou	RMB 200,000,000	47.17%	47.17%	Investment management
Beijing Wenzhi Guangda Cultural and Creative Industries Investment Management Co., Ltd.* ⁽¹⁾					
北京文资光大文创产业投资管理有限公司	Beijing	RMB 5,000,000	51%	51%	Investment management
Shanghai Everbright Fortune Jingsheng Investment Center (Limited Partnership)* ⁽²⁾					
上海光大富尊璟晟投资中心(有限合伙)	Shanghai	RMB 63,700,000	16.89%	16.89%	Investment management
Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership)* ⁽²⁾					
上海光大富尊璟天投资中心(有限合伙)	Shanghai	RMB 52,350,000	0.19%	0.19%	Investment management
CRECG & EB Private Equity Fund Management (Shanghai) Co. Limited*					
中铁光大股权投资基金管理(上海)有限公司	Shanghai	RMB 50,000,000	50%	50%	Investment management

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21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2017	As at 31 December 2016	
Xinglu Dingtai Big Data Equity Investment Fund L.P. 星路鼎泰(桐乡)大数据产业股权投资基金合伙企业(有限合伙)	Jiaxing	RMB 200,000,000	32%	32%	Investment management
Beijing Everbright Wudaokou Investment Fund Management Co., Ltd ⁽¹⁾ 北京光大五道口投资基金管理有限公司	Beijing	RMB 10,000,000	51%	51%	Investment management
Beijing BCID-EBS Cultural & Innovation No.1 Investment Fund (Limited Partnership) ⁽¹⁾ 北京文资光大文创壹号产业投资基金(有限合伙)	Shanghai	RMB 500,100,000	99.98%	99.98%	Fund management
Shanghai JinXin Investment Consultancy LLP (Limited Partnership) ⁽²⁾ 上海浸鑫投资咨询合伙企业(有限合伙)	Shanghai	RMB 5,203,000,000	1.15%	1.15%	Fund management
Beijing BCID-EBS Cultural & Innovation No.2 Investment Fund (Limited Partnership) ⁽¹⁾ 北京文资光大文创贰号投资基金管理中心(有限合伙)	Beijing	RMB 97,550,000	99.90%	99.90%	Fund management
Jingning She Autonomous Country-Everbright ECO Fund Management Co., Ltd ⁽¹⁾ 景宁畲族自治县光大生态经济产业基金管理有限公司	Lishui	RMB 5,000,000	51%	51%	Investment management

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21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2017	As at 31 December 2016	
Jiaxing Zizhuo Private Equity Investment Fund L.P.* ⁽²⁾ 嘉兴资卓股权投资基金合伙企业(有限合伙)	Jiaxing	RMB 2,400,000,000	12.50%	12.50%	Fund management
Beijing Gelin Xiangyun Investment Management Centre L.P.* ⁽²⁾ 北京格林翔云投资管理中心(有限合伙)	Beijing	RMB 109,000,000	14.22%	14.22%	Fund management
Nanning Nantang Industry Merge & Acquisition Funds L.P.* ⁽²⁾ 南宁南糖产业并购基金(有限合伙)	Nanning	RMB 2,500,000,000	0.01%	0.01%	Fund management
Jingning-Everbright ECO Investment Fund I L.P.* ⁽²⁾ 景宁光大生态壹号投资管理中心(有限合伙)	Lishui	RMB 55,500,000	9.01%	9.01%	Fund management
Yan'an Everbright City Development Investment Fund Management Co. Ltd* ⁽¹⁾ 延安光大城市发展投资基金管理有限公司	Yan'an	RMB 30,000,000	70%	70%	Investment management
Jingning Everbright Zhetong No.1 Investment Fund L.P.* ⁽²⁾ 景宁光大浙通壹号投资管理合伙企业(有限合伙)	Lishui	RMB 65,600,000	15.24%	15.24%	Fund management
Gansu Duzhe Everbright Fund Management Co., Ltd.* ⁽¹⁾ 甘肃读者光大基金管理有限公司	Lanzhou	RMB 5,000,000	51%	-	Fund management

(All amounts expressed in RMB thousands unless otherwise specified)

21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

* 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 financial statements.

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

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

(3) Sun Hung Kai Insurance Brokers (Shanghai) Co., Ltd.(新鸿基保险经纪(上海)有限公司) was disposed of in 2016.

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

Dacheng Fund Management Co., Ltd.

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Gross amounts of the associate:		
Assets	2,808,392	2,787,193
Liabilities	(793,380)	(789,021)
Net assets	<u>2,015,012</u>	<u>1,998,172</u>
	Six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Revenue	473,012	742,772
Profit for the period/year attributable to shareholders of the parent company	108,746	138,897
Other comprehensive income	(9,330)	(26,520)
Total comprehensive income	99,416	112,377
Dividend received from the associate	<u>22,250</u>	<u>-</u>
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	2,015,012	1,998,172
The Group's effective interest	25%	25%
The Group's share of net assets of the associate	503,753	499,543
Other adjustment	<u>(2,104)</u>	<u>(497)</u>
Carrying amount in the consolidated financial statements	<u>501,649</u>	<u>499,046</u>

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21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Everbright Yunfu Internet Co., Ltd.

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Gross amounts of the associate:		
Assets	3,149,284	2,602,839
Liabilities	(2,937,149)	(2,396,472)
Net assets	<u>212,135</u>	<u>206,367</u>
	Six months ended 30 June 2017 <u>(Unaudited)</u>	2016 <u>(Audited)</u>
Revenue	184,114	188,808
Profit for the period/year attributable to shareholders of the parent company	10,697	8,503
Other comprehensive income	-	-
Total comprehensive income	10,697	8,503
Dividend received from the associate	<u>-</u>	<u>-</u>
	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	212,098	201,356
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	84,839	80,542
Other adjustment	<u>(12)</u>	<u>6</u>
Carrying amount in the consolidated financial statements	<u>84,827</u>	<u>80,548</u>

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21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Everbright Eascreate Internet Co., Ltd.

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Gross amounts of the associate:		
Assets	197,640	135,730
Liabilities	(94,217)	(33,418)
Net assets	<u>103,423</u>	<u>102,312</u>
	Six months ended 30 June 2017 <u>(Unaudited)</u>	2016 <u>(Audited)</u>
Revenue	51,603	62,044
Profit for the period/year attributable to shareholders of the parent company	1,111	2,225
Other comprehensive income	-	-
Total comprehensive income	1,111	2,225
Dividend received from the associate	<u>-</u>	<u>-</u>
	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	103,423	102,312
The Group's effective interest	40%	40%
The Group's share of net assets of the associate	41,369	40,925
Other adjustment	<u>7</u>	<u>7</u>
Carrying amount in the consolidated financial statements	<u>41,376</u>	<u>40,932</u>

(All amounts expressed in RMB thousands unless otherwise specified)

21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Beijing BCID-EBS Cultural & Innovation No.1 Investment Fund (Limited Partnership)

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Gross amounts of the associate:		
Assets	17,692	510,399
Liabilities	(1,660)	(6,086)
Net assets	<u>16,032</u>	<u>504,313</u>
	Six months ended 30 June 2017 <u>(Unaudited)</u>	2016 <u>(Audited)</u>
Revenue	11,842	20,992
Profit for the period/year attributable to shareholders of the parent company	11,720	20,778
Other comprehensive income	-	-
Total comprehensive income	11,720	20,778
Dividend received from the joint venture	<u>-</u>	<u>15,097</u>
	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Reconciled to the Group's interest in the joint venture:		
Net assets attributable to shareholders of the parent company	16,032	504,313
The Group's effective interest	99.98%	99.98%
The Group's share of net assets of the joint venture	16,029	504,212
Other adjustment ⁽¹⁾	<u>501,366</u>	<u>1,465</u>
Carrying amount in the consolidated financial statements	<u>517,395</u>	<u>505,677</u>

⁽¹⁾ Other adjustment mainly includes the liquidation proceeds received by the Group from Beijing BCID-EBS Cultural & Innovation No.1 Investment Fund (Limited Partnership), which is in the process of liquidation, amounting to RMB507,667 thousand, which is disclosed as temporary receipts in other payables and accruals (Note 44) as at 30 June 2017.

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21. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Aggregate amounts of the Group's share of those associates and joint ventures' net profits	5,848	757
Other comprehensive income	-	-
Total comprehensive income	<u>5,848</u>	<u>757</u>
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	<u>614,877</u>	<u>611,201</u>
22. HELD-TO-MATURITY INVESTMENTS		
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Listed outside Hong Kong: - Debt securities	<u>392,781</u>	<u>159,340</u>

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23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Non-current		
Equity securities	5,537,029	3,634,871
Debt securities	90,000	360,792
Funds	279,054	-
Wealth management products and others	5,596,939	6,502,708
Less: Impairment losses	(88,860)	(88,962)
Total	<u>11,414,162</u>	<u>10,409,409</u>
Analysed as:		
Listed outside Hong Kong	1,576,734	902,532
Listed inside Hong Kong	-	175,779
Unlisted	<u>9,837,428</u>	<u>9,331,098</u>
Total	<u>11,414,162</u>	<u>10,409,409</u>
Current		
Equity securities	3,138,787	4,611,055
Debt securities	14,111,483	2,651,560
Funds	4,700	234,003
Wealth management products	-	64,927
Less: Impairment losses	(169,998)	(276,080)
Total	<u>17,084,972</u>	<u>7,285,465</u>
Analysed as:		
Listed outside Hong Kong	6,342,276	5,380,729
Unlisted	<u>10,742,696</u>	<u>1,904,736</u>
Total	<u>17,084,972</u>	<u>7,285,465</u>

As at 30 June 2017, the above wealth management products in non-current available-for-sale financial assets included the Company's contributed funds, with various PRC securities firms, to designated accounts established and managed by China Securities Finance Corporation Limited ("CSFC"). Under the relevant agreements with CSFC, the Company contributed RMB5,856.8 million in total in July and September 2015. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contributions. The investment is under unified operation and management by CSFC.

(All amounts expressed in RMB thousands unless otherwise specified)

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

As at 30 June 2017, the investment cost and fair value of the Company's contribution were RMB 4,380.0 million and RMB4,433.1 million based on the investment account statement provided by CSFC. As at 30 June 2017, considering the nature and purpose of this investment, special investment decision-making processes and treatment mode, management is of the view that there is no objective evidence of impairment with significant or prolonged decline in fair value.

As at 30 June 2017 and 31 December 2016, there was no fund investments with lock-up periods included in the available-for-sale financial assets held by the Group.

As at 30 June 2017 and 31 December 2016, the equity securities in the available-for-sale financial assets with lock-up periods held by the Group were RMB730,394 thousand and RMB810,929 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 reporting period. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, is 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 is determined with reference to their quoted prices as at the end of the reporting period.

As at 30 June 2017 and 31 December 2016, the Group entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale investments with a total fair value of RMB1,773,870 thousand and nil to external clients, respectively. These have not resulted in the derecognition of the financial assets. The fair value of collateral received in respect of the securities lending business is analysed in Note 31(c) together with the fair value of collateral of margin financing business.

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24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Non-current		
Equity securities	5,603,654	4,208,468
Total	<u>5,603,654</u>	<u>4,208,468</u>
Current		
Debt securities	908,274	913,077
Equity securities	9,635,413	4,464,910
Total	<u>10,543,687</u>	<u>5,377,987</u>

(b) Analysed by market:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Non-current		
Shenzhen Stock Exchange	3,896,275	3,673,459
Shanghai Stock Exchange	1,707,379	535,009
Total	<u>5,603,654</u>	<u>4,208,468</u>
Current		
Interbank market	784,249	675,277
Shenzhen Stock Exchange	8,316,867	3,145,943
Shanghai Stock Exchange	1,442,571	1,556,767
Total	<u>10,543,687</u>	<u>5,377,987</u>

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25. REFUNDABLE DEPOSITS

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Deposits with stock exchanges and clearing house		
- China Securities Depository and Clearing Corporation Limited	271,791	294,669
- The Stock Exchange of Hong Kong Limited	6,182	14,426
- Hong Kong Securities Clearing Company Limited	<u>2,640</u>	<u>5,844</u>
	<u>280,613</u>	<u>314,939</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	1,492,754	1,652,605
- Dalian Commodity Exchange	941,692	683,730
- Shanghai Futures Exchange	848,756	997,651
- Zhengzhou Commodity Exchange	511,666	459,693
- Hong Kong Futures Exchange	<u>8,420</u>	<u>8,889</u>
	<u>3,803,288</u>	<u>3,802,568</u>
Deposits with other institutions		
- CSFC	760,311	1,599,575
- Shanghai Clearing House	66,795	57,851
- Securities & Futures Commission of Hong Kong	1,736	1,789
- Other institutions	<u>18,337</u>	<u>7,465</u>
	<u>847,179</u>	<u>1,666,680</u>
Total	<u><u>4,931,080</u></u>	<u><u>5,784,187</u></u>

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26. INCOME TAX

(a) Current taxation

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Current tax liabilities	<u>299,855</u>	<u>603,214</u>
	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
At the beginning of the period/year	603,214	1,627,768
Provision for the period/year	225,598	1,309,034
Tax paid	<u>(528,957)</u>	<u>(2,333,588)</u>
At the end of the period/year	<u><u>299,855</u></u>	<u><u>603,214</u></u>

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26. INCOME TAX (continued)

(b) Deferred tax assets/(liabilities) recognised

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

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value 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 2016 (Audited)	47,487	184,283	(332,628)	207,580	(477,997)	(109,499)	9,559	(471,215)
Recognised in profit or loss	83,551	146,567	308,235	(194,051)	-	18,245	31,719	394,266
Recognised in reserves	-	-	-	-	315,993	-	-	315,993
As at 31 December 2016 (Audited)	131,038	330,850	(24,393)	13,529	(162,004)	(91,254)	41,278	239,044
Recognised in profit or loss	(27,484)	(144,452)	47,296	(6,835)	-	15,081	(8,700)	(125,094)
Recognised in reserve	-	-	-	-	(100,667)	-	-	(100,667)
As at 30 June 2017 (Unaudited)	103,554	186,398	22,903	6,694	(262,671)	(76,173)	32,578	13,283

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26. INCOME TAX (continued)

(c) Reconciliation to the statements of financial position

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Net deferred tax assets recognised in the consolidated statement of financial position	240,762	509,005
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(227,479)</u>	<u>(269,961)</u>
Total	<u><u>13,283</u></u>	<u><u>239,044</u></u>

(d) Recognised in other comprehensive income

	Six months ended 30 June 2017 (Unaudited)		
	Before tax	Tax benefit	Net of tax
Available-for-sale financial assets			
- Net changes in fair value	586,784	(144,766)	442,018
- Reclassified to profit or loss	(176,397)	44,099	(132,298)
Share of other comprehensive income of associates	(2,333)	-	(2,333)
Exchange differences on translation of financial statements in foreign currencies	<u>(31,735)</u>	-	<u>(31,735)</u>
Total	<u><u>376,319</u></u>	<u><u>(100,667)</u></u>	<u><u>275,652</u></u>
	Year ended 31 December 2016 (Audited)		
	Before tax	Tax benefit	Net of tax
Available-for-sale financial assets			
- Net changes in fair value	(1,106,626)	276,491	(830,135)
- Reclassified to profit or loss	(157,346)	39,502	(117,844)
Share of other comprehensive income of associates	(6,630)	-	(6,630)
Exchange differences on translation of financial statements in foreign currencies	<u>(12,008)</u>	-	<u>(12,008)</u>
Total	<u><u>(1,282,610)</u></u>	<u><u>315,993</u></u>	<u><u>(966,617)</u></u>

(e) Deferred tax assets not recognised

As at 30 June 2017 and 31 December 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 RMB480,438 thousand and RMB495,115 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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27. FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Minimum lease payments to be received	5,592,594	4,566,017
Less: unrealised finance income	<u>(518,879)</u>	<u>(437,023)</u>
Balance of finance lease receivables	5,073,715	4,128,994
Allowance for impairment	<u>(78,284)</u>	<u>(70,000)</u>
Finance lease receivables, net	<u>4,995,431</u>	<u>4,058,994</u>
Analysis for presentation purpose:		
Current assets	1,942,441	1,318,855
Non-current assets	<u>3,052,990</u>	<u>2,740,139</u>
	<u>4,995,431</u>	<u>4,058,994</u>

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

	<u>As at 30 June 2017 (Unaudited)</u>		<u>As at 31 December 2016 (Audited)</u>	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Within 1 year	2,209,785	1,943,125	1,552,113	1,341,473
1 to 2 years	1,579,004	1,439,989	1,453,968	1,326,691
2 to 3 years	1,036,095	963,026	817,630	754,442
Over 3 years	<u>767,710</u>	<u>727,575</u>	<u>742,306</u>	<u>706,388</u>
Total	<u>5,592,594</u>	<u>5,073,715</u>	<u>4,566,017</u>	<u>4,128,994</u>
Unrealised finance income	<u>(518,879)</u>	-	<u>(437,023)</u>	-
Balance of finance lease receivables	5,073,715	5,073,715	4,128,994	4,128,994
Allowance for impairment	<u>(78,284)</u>	<u>(78,284)</u>	<u>(70,000)</u>	<u>(70,000)</u>
Finance lease receivables, net	<u>4,995,431</u>	<u>4,995,431</u>	<u>4,058,994</u>	<u>4,058,994</u>

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27. FINANCE LEASE RECEIVABLES (continued)

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

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
At the beginning of the period/year	70,000	31,759
Charge for the period/year	8,284	44,786
Reversal of impairment	-	(6,545)
	<u>78,284</u>	<u>70,000</u>

28. OTHER NON-CURRENT ASSETS

Analysed by nature:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Long-term deferred expenses ⁽¹⁾	95,540	100,689
Long-term loans	782,824	-
Investments classified as receivables	789,632	789,632
Deposits	65,450	189,307
Other receivables	5,544	5,676
	<u>1,738,990</u>	<u>1,085,304</u>

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

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Balance at beginning of the period/year	100,689	75,207
Additions	16,292	65,866
Transfer in from property and equipment	672	1,609
Amortisation	(22,113)	(41,993)
	<u>95,540</u>	<u>100,689</u>

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29. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Accounts receivable of		
- Brokers and dealers	939,409	1,643,073
- Settlement	1,189,846	592,481
- Fee and commission	371,086	236,417
- Investees	13,254	4,915
- Others	6,778	18,583
Less: Provision for impairment losses	(4,915)	(10,989)
Total	<u>2,515,458</u>	<u>2,484,480</u>

(b) Analysed by aging:

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

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Within 1 year	2,510,914	2,477,444
1 to 2 years	4,397	7,036
2 to 3 years	147	-
Total	<u>2,515,458</u>	<u>2,484,480</u>

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

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
At the beginning of the period/year	10,989	26,522
Reversal of impairment	-	(15,994)
Others	(6,074)	461
At the end of the period/year	<u>4,915</u>	<u>10,989</u>

(d) Accounts receivable that are not impaired

Accounts receivables that were not impaired were not past due and related to a wide range of customers for whom there was no recent history of default.

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30. OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Interest receivable	1,688,904	1,295,388
Other receivables ⁽¹⁾	666,567	617,558
Prepayment for investment	-	124,165
Investments classified as receivables	81,376	81,513
Dividend receivables	83,417	56,774
Prepayments ⁽¹⁾	57,410	46,422
Others	23,521	30,054
Less: Provision for impairment losses	<u>(53,826)</u>	<u>(55,250)</u>
Total	<u>2,547,369</u>	<u>2,196,624</u>

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

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

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
At the beginning of the period/year	55,250	9,664
Charge for the period/year	197	45,751
Reversal of impairment	(598)	(41)
Others	<u>(1,023)</u>	<u>(124)</u>
At the end of the period/year	<u>53,826</u>	<u>55,250</u>

31. MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Individuals	29,896,122	33,293,813
Institutions	4,060,825	4,271,579
Less: Provision for impairment losses	<u>(88,792)</u>	<u>(137,648)</u>
Total	<u>33,868,155</u>	<u>37,427,744</u>

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31. MARGIN ACCOUNTS RECEIVABLE (continued)

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

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
At the beginning of the period/year	137,648	139,963
Charge for the period/year	52	-
Reversal of impairment	(3,621)	(8,795)
Others	<u>(45,287)</u>	<u>6,480</u>
At the end of the period/year	<u>88,792</u>	<u>137,648</u>

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

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Fair value of collateral:		
- Equity securities	100,425,272	117,845,208
- Cash	3,766,163	4,825,981
- Funds	1,815,676	985,614
- Debt securities	<u>2,806,721</u>	<u>2,367,297</u>
Total	<u>108,813,832</u>	<u>126,024,100</u>

32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Held for trading:		
- Debt securities	22,756,005	9,500,594
- Equity securities	2,178,765	1,940,619
- Funds	3,363,786	6,754,388
- Wealth management products	2,089,042	4,268,601
- Others	15,750	22,046
Designated at fair value through profit or loss:		
- Wealth management products	<u>2,066,355</u>	<u>2,163,865</u>
Total	<u>32,469,703</u>	<u>24,650,113</u>

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32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Analysed as:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Held for trading:		
- Listed outside Hong Kong	9,471,923	5,073,070
- Listed inside Hong Kong	243,468	662,293
- Unlisted	20,687,957	16,750,885
Designated at fair value through profit or loss:		
- Unlisted	2,066,355	2,163,865
Total	<u>32,469,703</u>	<u>24,650,113</u>

As at 30 June 2017 and 31 December 2016, the Group has entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB198,500 thousand and RMB589,219 thousand to external clients, respectively. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy. The fair value of collateral for the securities lending business is analysed in Note 31(c) together with the fair value of collateral of margin financing business.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2017 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	52,028,000	7,372	(13,670)
- Treasury bond futures	1,264,526	1,290	-
Equity derivatives			
- Stock index futures	248,266	6,718	(17,595)
- Commodity futures	132,071	16	(73)
- Equity return swaps	3,386,905	32,072	(37,876)
- Stock options	54,264	144	(45)
- OTC stock index options	195,299	260	(1,732)
Others			
- Embedded option instruments	1,025,136	-	(904)
- Currency forward contracts	521,290	13,728	-
- Other	616,333	5,181	(11,391)
Total	<u>59,472,090</u>	66,781	(83,286)
Less: Cash (received)/paid as settlement		(8,024)	17,668
Net position		<u>58,757</u>	<u>(65,618)</u>

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33. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2016 (Audited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	31,981,000	15,741	(98,981)
- Treasury bond futures	1,098,331	145	(5,881)
Equity derivatives			
- Stock index futures	78,240	416	(475)
- Commodity futures	8,157	-	(27)
- Equity return swaps	1,000,000	29,077	(33,009)
- Stock options	1,107,200	11,595	(11,700)
- OTC stock index options	463,987	450	(1,748)
Others			
- Embedded option instruments	1,050,533	739	(2,487)
- Precious metal derivatives	831	-	(38)
- Currency forward contracts	633,001	39,715	-
Total	<u>37,421,280</u>	<u>97,878</u>	<u>(154,346)</u>
Less: Cash (received)/paid as settlement		<u>(561)</u>	<u>72,723</u>
Net position		<u>97,317</u>	<u>(81,623)</u>

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".

34. CLEARING SETTLEMENT FUNDS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Deposits with		
- China Securities Depository and Clearing Corporation Limited	173,755	132,123
- Others	4,136	18,310
Total	<u>177,891</u>	<u>150,433</u>

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35. 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 statement 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.

36. CASH AND BANK BALANCES

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Cash on hand	463	262
Bank balances	12,721,095	15,312,653
Total	<u>12,721,558</u>	<u>15,312,915</u>

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

37. CASH AND CASH EQUIVALENTS

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Cash on hand	463	262
Bank balances	12,721,095	15,312,653
Clearing settlement funds	177,891	150,433
Bond investment with original maturity in 3 months	1,423,795	-
Less: restricted bank deposits	<u>(1,438,926)</u>	<u>(6,525,956)</u>
Total	<u>12,884,318</u>	<u>8,937,392</u>

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

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38. LOANS AND BORROWINGS

Current

As at 30 June 2017
(Unaudited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	1.72%-3.05%	2017	6,556,433
Secured bank loans	HKD	1.12%-2.25%	2017	380,646
Secured bank loans	RMB	1.80%-4.79%	2017-2018	113,541
Unsecured bank loans	USD	2.92%	2017	101,616
Unsecured bank loans	RMB	4.133%	2018	<u>455,119</u>
Total				<u>7,607,355</u>

As at 31 December 2016
(Audited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	1.78%-3.18%	2017	3,689,528
Secured bank loans	HKD	1.26%-2.36%	2017	2,225,002
Secured bank loans	RMB	1.25%-4.35%	2017	903,474
Unsecured bank loans	USD	2.37%-2.60%	2017	287,534
Secured bank loans	USD	1.15%	2017	195,623
Unsecured bank loans	RMB	4.275%	2017	<u>44,000</u>
Total				<u>7,345,161</u>

Non-current

As at 30 June 2017
(Unaudited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.5%- 2.85%	2018	1,123,370
Secured bank loans	RMB	3.87%-5.5%	2018-2021	1,043,631
Unsecured bank loans	USD	1.15%	2018	521,290
Unsecured bank loans	RMB	4.275%-5.225%	2018-2019	<u>798,780</u>
Total				<u>3,487,071</u>

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38. LOANS AND BORROWINGS (continued)

As at 31 December 2016
 (Audited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.5%- 2.85%	2018	1,155,841
Secured bank loans	RMB	3.87%-5.5%	2020	897,237
Secured bank loans	USD	1.15%	2018	437,378
Unsecured bank loans	RMB	4.275%	2018	<u>156,000</u>
Total				<u>2,646,456</u>

39. SHORT-TERM DEBT INSTRUMENTS

	Nominal interest rate	Book value as at 1 January 2017	Issuance	Redemption	Book value as at 30 June 2017
Structured notes	0.00%-7.00%	5,929,702	6,437,711	(7,312,563)	5,054,850
	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
Structured notes	0.00%-5.00%	2,100,000	8,378,205	(4,548,503)	5,929,702

During the six months ended 30 June 2017, the Group has issued 162 tranches of structured notes, and repaid 89 tranches of structured notes during the period. The rest bears fixed interest rates ranging from 0.00% to 7.00% per annum plus a floating rate, repayable within one year.

In 2016, the Group issued 156 tranches of structured notes, and repaid 93 tranches of structured note during the year. The rest bears fixed interest rates ranging from 0.00% to 5.00% per annum plus a floating rate, repayable within one year.

(All amounts expressed in RMB thousands unless otherwise specified)

40. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	Notes	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Placements from CSFC	(1)	-	7,500,000
Interbank lending	(2)	3,193,700	1,607,560
Total		3,193,700	9,107,560

(1) As at 31 December 2016, the placements from CSFC bore interest at rates ranging from 3.00%–3.20% per annum, with original maturities within 91 and 182 days.

(2) As at 30 June 2017, the interbank lending is unsecured and bears interest at rates ranging from 2.02%–5.70% per annum, with maturity ranging from 1 days to 365 days. As at 31 December 2016, the interbank lending was unsecured and bore interest at rates ranging from 1.50% to 3.85% per annum, with maturity ranging from 5 days to 38 days.

41. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Held for trading		
- Debt securities	886,703	394,866
Designated at fair value through profit or loss		
- Structured entities	201,962	202,034
Total	1,088,665	596,900

The financial liabilities designated at fair value through profit or loss are resulted from consolidation of structured entities, as the Group has the obligation to pay other investors upon maturity or redemption dates of the structured entities based on the net book value and related terms of those consolidated structured entities.

42. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Clients' deposits for margin financing and securities lending	8,347,813	9,948,989
Clients' deposits for other brokerage business	43,296,555	45,394,338
Total	51,644,368	55,343,327

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 bear interest at the prevailing interest rate.

(All amounts expressed in RMB thousands unless otherwise specified)

42. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS (continued)

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 the 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.

43. EMPLOYEE BENEFITS PAYABLE

Current

	For the six months ended 30 June 2017 (Unaudited)			
	As at 1 January	Accrued for the period	Payments made	As at 30 June
Salaries, bonuses and allowance	2,212,179	1,233,612	(2,029,482)	1,416,309
Contributions to pension schemes	5,505	109,213	(110,204)	4,514
Other social welfare	51,197	120,394	(124,027)	47,564
Total	2,268,881	1,463,219	(2,263,713)	1,468,387

	For the year ended 31 December 2016 (Audited)			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Salaries, bonuses and allowance	2,595,130	2,644,299	(3,027,250)	2,212,179
Contributions to pension schemes	132	160,914	(155,541)	5,505
Other social welfare	47,499	232,689	(228,991)	51,197
Total	2,642,761	3,037,902	(3,411,782)	2,268,881

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44. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2017	As at 31 December 2016
	<u>(Unaudited)</u>	<u>(Audited)</u>
Payables to interest holders of consolidated structured entities	7,676,771	2,633,685
Interest payable	634,083	856,893
Settlement payables	1,076,900	600,156
Other tax payable	345,519	474,771
Distribution expenses payable	274,739	204,714
H Share IPO expenses payable	-	141,619
Payable for construction project	5,878	-
Payable for derivative business	60,858	78,307
Risk reserve for futures brokerage business	80,793	75,006
Accrued expenses	43,191	65,717
Payable on behalf of staff	36,559	52,768
Deferred revenue	34,835	50,577
Payable to underwriters for International Offering commission	-	42,092
Commission payables	43,367	40,614
Payable to the securities and futures investor protection fund	21,200	32,810
Payable to custodian	29,039	29,635
Temporary receipts	566,169	25,288
Account executive commission payable	4,546	12,719
Dividends payable	908,378	-
Others ⁽¹⁾	222,885	65,065
	<u>12,065,710</u>	<u>5,482,436</u>
Total	<u>12,065,710</u>	<u>5,482,436</u>

(1) The balance of others mainly represents sundry payables arising from the normal course of business.

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45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

Current

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Debt securities	16,720,548	6,156,951
Margin loans receivable backed repurchase agreements	2,094,800	2,350,728
Others	-	9,222
Total	<u>18,815,348</u>	<u>8,516,901</u>

(b) Analysed by market:

Current

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Interbank market	11,690,934	5,693,486
Stock exchanges	2,235,914	463,465
OTC market	4,888,500	2,359,950
Total	<u>18,815,348</u>	<u>8,516,901</u>

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46. LONG-TERM BONDS

As at 30 June 2017 (Unaudited)

Name	Par value	Issue date	Due date	Original currency		Nominal interest rate
	Original currency			Issue		
15 EVERBRIGHT 01 ⁽²⁾	4,000,000	29/01/2015	29/01/2018	3,976,000	5.85%	
15 EVERBRIGHT 04 ⁽⁴⁾	6,000,000	27/04/2015	27/04/2020	5,982,000	5.70%	
EVBSF Corp ⁽⁷⁾	USD450,000	27/08/2015	27/08/2018	USD446,191	2.88%	
16 EVERBRIGHT 02 ⁽⁹⁾	2,500,000	27/04/2016	27/10/2018	2,496,875	3.66%	
16 EVERBRIGHT 04 ⁽¹¹⁾	3,000,000	26/05/2016	26/11/2018	2,997,500	3.59%	
16 EVERBRIGHT 05 ⁽¹²⁾	1,000,000	24/10/2016	24/10/2018	998,750	3.13%	
16 EVERBRIGHT 06 ⁽¹³⁾	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%	
Dingfu No.9 Structured Notes ⁽¹⁴⁾	50,000	09/09/2016	09/09/2018	50,000	3.70%	
17 EVERBRIGHT Xingfu PPN002 ⁽¹⁵⁾	200,000	27/4/2017	26/4/2020	200,000	5.50%	
17 EVERBRIGHT Xingfu PPN001 ⁽¹⁶⁾	600,000	29/3/2017	28/3/2020	600,000	5.00%	
17 EVERBRIGHT 01 ⁽¹⁷⁾	2,000,000	11/1/2017	11/7/2018	1,999,688	4.00%	
17 EVERBRIGHT 02 ⁽¹⁸⁾	2,000,000	11/1/2017	11/7/2018	1,999,063	4.10%	
17 EVERBRIGHT 03 ⁽¹⁹⁾	2,000,000	14/2/2017	14/2/2019	1,998,750	4.30%	
17 EVERBRIGHT 04 ⁽²⁰⁾	2,000,000	14/2/2017	14/2/2020	1,998,125	4.45%	
17 EVERBRIGHT 05 ⁽²¹⁾	3,000,000	26/4/2017	26/4/2019	2,998,125	4.95%	
17 EVERBRIGHT 06 ⁽²²⁾	4,000,000	26/4/2017	26/4/2020	3,996,250	5.00%	

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46. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2017	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 30 June 2017
15 EVERBRIGHT 01 ⁽²⁾	3,990,924	-	4,202	-	-	3,995,126
15 EVERBRIGHT 04 ⁽⁴⁾	5,991,727	-	3,058	-	-	5,994,785
15 EVERBRIGHT 06 ⁽⁶⁾	5,995,483	-	4,517	(6,000,000)	-	-
EVBSF Corp ⁽⁷⁾	3,106,467	-	(4,461)	-	(63,671)	3,038,335
16 EVERBRIGHT 02 ⁽⁹⁾	2,498,274	-	1,036	-	-	2,499,310
16 EVERBRIGHT 04 ⁽¹¹⁾	2,998,487	-	825	-	-	2,999,312
16 EVERBRIGHT 05 ⁽¹²⁾	998,868	-	313	-	-	999,181
16 EVERBRIGHT 06 ⁽¹³⁾	2,996,500	-	625	-	-	2,997,125
Dingfu No.9 Structured Notes ⁽¹⁴⁾	50,000	-	-	-	-	50,000
17 EVERBRIGHT Xingfu PPN002 ⁽¹⁵⁾	-	199,280	97	-	-	199,377
17 EVERBRIGHT Xingfu PPN001 ⁽¹⁶⁾	-	600,000	(1,238)	-	-	598,762
17 EVERBRIGHT 01 ⁽¹⁷⁾	-	1,999,688	295	-	-	1,999,983
17 EVERBRIGHT 02 ⁽¹⁸⁾	-	1,999,063	295	-	-	1,999,358
17 EVERBRIGHT 03 ⁽¹⁹⁾	-	1,998,750	234	-	-	1,998,984
17 EVERBRIGHT 04 ⁽²⁰⁾	-	1,998,125	234	-	-	1,998,359
17 EVERBRIGHT 05 ⁽²¹⁾	-	2,998,125	169	-	-	2,998,294
17 EVERBRIGHT 06 ⁽²²⁾	-	3,996,250	225	-	-	3,996,475
Total	28,626,730	15,789,281	10,426	(6,000,000)	(63,671)	38,362,766

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46. LONG-TERM BONDS (continued)

As at 31 December 2016 (Audited)

Name	Par value	Issue date	Due date	Issue	Nominal interest rate
	Original currency			Original currency	
15 EVERBRIGHT 01 ⁽²⁾	4,000,000	29/01/2015	29/01/2018	3,976,000	5.85%
15 EVERBRIGHT 04 ⁽⁴⁾	6,000,000	27/04/2015	27/04/2020	5,982,000	5.70%
15 EVERBRIGHT 06 ⁽⁶⁾	6,000,000	26/05/2015	26/05/2018	5,978,000	5.30%
EVBSF Corp ⁽⁷⁾	USD450,000	27/08/2015	27/08/2018	USD446,191	2.88%
16 EVERBRIGHT 02 ⁽⁹⁾	2,500,000	27/04/2016	27/10/2018	2,496,875	3.66%
16 EVERBRIGHT 04 ⁽¹¹⁾	3,000,000	26/05/2016	26/11/2018	2,997,500	3.59%
16 EVERBRIGHT 05 ⁽¹²⁾	1,000,000	24/10/2016	24/10/2018	998,750	3.13%
16 EVERBRIGHT 06 ⁽¹³⁾	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%
Dingfu No.9 Structured Notes ⁽¹⁴⁾	50,000	09/09/2016	09/09/2018	50,000	3.70%

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46. LONG-TERM BONDS (continued)

Name	Book value as at 1 January 2016	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2016
14 EVERBRIGHT 01 ⁽¹⁾	6,993,510	-	6,490	(7,000,000)	-	-
15 EVERBRIGHT 01 ⁽²⁾	3,982,968	-	7,956	-	-	3,990,924
15 EVERBRIGHT 03 ⁽³⁾	5,997,067	-	2,933	(6,000,000)	-	-
15 EVERBRIGHT 04 ⁽⁴⁾	5,985,839	-	5,888	-	-	5,991,727
15 EVERBRIGHT 05 ⁽⁵⁾	5,995,600	-	4,400	(6,000,000)	-	-
15 EVERBRIGHT 06 ⁽⁶⁾	5,984,424	-	11,059	-	-	5,995,483
EVBSF Corp ⁽⁷⁾	2,900,124	-	9,475	-	196,868	3,106,467
16 EVERBRIGHT 01 ⁽⁸⁾	-	1,498,125	1,875	(1,500,000)	-	-
16 EVERBRIGHT 02 ⁽⁹⁾	-	2,496,875	1,399	-	-	2,498,274
16 EVERBRIGHT 03 ⁽¹⁰⁾	-	2,997,500	2,500	(3,000,000)	-	-
16 EVERBRIGHT 04 ⁽¹¹⁾	-	2,997,500	987	-	-	2,998,487
16 EVERBRIGHT 05 ⁽¹²⁾	-	998,750	118	-	-	998,868
16 EVERBRIGHT 06 ⁽¹³⁾	-	2,996,250	250	-	-	2,996,500
Dingfu No.9 Structured Notes ⁽¹⁴⁾	-	50,000	-	-	-	50,000
Total	37,839,532	14,035,000	55,330	(23,500,000)	196,868	28,626,730

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46. LONG-TERM BONDS (continued)

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Long-term bonds due within one year	14,989,206	11,492,244
Long-term bonds due after one year	<u>23,373,560</u>	<u>17,134,486</u>
Total	<u>38,362,766</u>	<u>28,626,730</u>

As approved by the Board and related regulatory authorities, the Group has issued the following subordinated bonds:

- (1) 2-year subordinated bond amounting to RMB7 billion on 11 June 2014. 14 EVERBRIGHT 01 was repaid on 11 June 2016.
- (2) 3-year subordinated bond amounting to RMB4 billion on 29 January 2015.
- (3) 2-year subordinated bond amounting to RMB6 billion on 30 March 2015 with an early redemption right on 30 March 2016. 15 EVERBRIGHT 03 was early redeemed on 30 March 2016.
- (4) 5-year subordinated bond amounting to RMB6 billion on 27 April 2015 with an early redemption right on 27 April 2018. If the Group does not execute the redemption right, the coupon rate will increase by 300 basis points.
- (5) 2-year subordinated bond amounting to RMB6 billion on 26 May 2015 with an early redemption right on 26 May 2016. 15 EVERBRIGHT 05 was early redeemed on 26 May 2016.
- (6) 3-year subordinated bond amounting to RMB6 billion on 26 May 2015 with an early redemption right on 26 May 2017. 15 EVERBRIGHT 06 was early redeemed on 26 May 2017.
- (7) Double Charm Limited, the Company's indirectly-owned subsidiary registered in the British Virgin Islands, has issued a 3-year redeemable bond with a par value of USD0.45 billion in August 2015.
- (8) 18-month corporate bond amounting to RMB1.5 billion on 27 April 2016 with an early redemption right on 27 October 2016. 16 EVERBRIGHT 01 was early redeemed on 27 October 2016.
- (9) 30-month corporate bond amounting to RMB2.5 billion on 27 April 2016 with an early redemption right on 27 October 2017. The Company will redeem the bond on 27 October 2017. If the Group does not execute the redemption right, the coupon rate will increase by 300 basis points.
- (10) 18-month corporate bond amounting to RMB3 billion on 26 May 2016 with an early redemption right on 26 November 2016. 16 EVERBRIGHT 03 was early redeemed on 26 November 2016.
- (11) 30-month corporate bond amounting to RMB3 billion on 26 May 2016 with an early redemption right on 26 November 2017. The Company will redeem the bond on 26 November 2017. If the Group does not execute the redemption right, the coupon rate will increase by 300 basis points.
- (12) 2-year corporate bond amounting to RMB1 billion on 24 October 2016.
- (13) 3-year corporate bond amounting to RMB3 billion on 24 October 2016.
- (14) 2-year structured note amounting to RMB50 million on 9 September 2016.

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46. LONG-TERM BONDS (continued)

(15) 3- year corporate bond amounting to RMB200 million on 27 April 2017.

(16) 3- year corporate bond amounting to RMB600 million on 29 March 2017.

(17) 18-month corporate bond amounting to RMB2 billion on 11 January 2017 with an early redemption right on 11 July 2017. 17 EVERBRIGHT 01 was early redeemed on 11 July 2017.

(18) 18-month corporate bond amounting to RMB2 billion on 11 January 2017.

(19) 2-year corporate bond amounting to RMB2 billion on 14 February 2017.

(20) 3-year corporate bond amounting to RMB2 billion on 14 February 2017.

(21) 2-year corporate bond amounting to RMB3 billion on 26 April 2017.

(22) 3-year corporate bond amounting to RMB4 billion on 26 April 2017.

47. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Deposits for finance lease	235,953	216,131
Club membership and trading payable	16,326	16,827
Put right liabilities arising from business combination ⁽¹⁾	1,857,349	1,886,522
Deferred revenue	58,206	46,851
Others	36,412	15,412
Total	<u>2,204,246</u>	<u>2,181,743</u>

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

48. 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 30 June 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	Number of shares	Nominal value	Number of shares	Nominal value
	(Thousand)		(Thousand)	
Registered, issued and fully paid:				
A shares of RMB1 each	3,906,699	3,906,699	3,906,699	3,906,699
H shares of RMB1 each	704,089	704,089	704,089	704,089
Total	<u>4,610,788</u>	<u>4,610,788</u>	<u>4,610,788</u>	<u>4,610,788</u>

(All amounts expressed in RMB thousands unless otherwise specified)

49. RESERVES AND RETAINED PROFITS

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(b) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

(c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve. Several subsidiaries of the Company are also subject to relevant general risk reserve requirement according to CSRC regulations.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

(d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognised or impaired.

(e) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

(f) Retained profits

Pursuant to the resolution of the meeting of shareholders held on 25 May 2017, the Company distributed cash dividends of RMB2.00 yuan for every 10 shares (tax included) amounting to RMB922,158 thousand in total for the year ended 31 December 2016.

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50. COMMITMENTS

(a) Capital commitments

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Contracted but not provided for	<u>489,651</u>	<u>437,855</u>

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

(b) Operating lease commitments

As at 30 June 2017 and 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Within 1 year (inclusive)	197,062	143,770
1 to 2 years (inclusive)	161,111	90,644
2 to 3 years (inclusive)	126,330	57,433
After 3 years	88,369	53,586
	<u>572,872</u>	<u>345,433</u>

51. CONTINGENCIES

(a) Litigation

The Company was sued as a result of the "8•16 Event" with a total number of 502 lawsuits and total claimed amount of RMB68,729 thousand. As at 30 June 2017, 494 lawsuits were closed with total compensation amounting to RMB41,550 thousand. The remaining 8 lawsuits with a total claimed amount of RMB870 thousand were pending for court judgement. On 24 August, 2017, the Company received the first instance verdict which dismissed the plaintiff's claim. The remaining 7 cases with a total claimed amount of RMB780 thousand were pending for first court trial.

(All amounts expressed in RMB thousands unless otherwise specified)

51. CONTINGENCIES (continued)

(a) Litigation (continued)

On 7 June 2016, the Second Intermediate People's Court of Shanghai issued a notice of appearance to 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 and the first court trial was held on 23 February 2017. On 31 March 2017, EBSAM received the first instance verdict which dismissed all the request from the plaintiff and supported the aforementioned counter-claim from EBSAM. Xiamen International Bank Shanghai has appealed. EBSAM and Xiamen International Bank Shanghai are waiting for the second trial session. As at the reporting date, the final outcome of the lawsuit is uncertain. The Company cannot reasonably estimate any provision for the lawsuit.

Except for the aforementioned case, as at 30 June 2017, the Group was not involved in any material legal, arbitration or administrative proceedings that if adversely determined, the Group expect would materially adversely affect its financial position or results of operations.

(b) Guarantee

As of June 30, 2017, the guarantee balance amounted to RMB5.591 billion, representing 11.50% of the Company's latest audited net assets. The guarantees comply with necessary procedures in accordance with applicable laws, meet the requirements of the Notification on Standardizing the Issues Concerning the Capital Exchange between Listed Companies and Related Parties and the External Guarantees provided by Listed Companies, and do not damage the benefits of the Company and shareholders.

(All amounts expressed in RMB thousands unless otherwise specified)

52. 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 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
China Everbright Group Company	25.15%	25.15%
China Everbright Limited	24.71%	24.71%

(ii) Associates and joint ventures of the Company

The detailed information of the Company's associates and joint ventures is set out in Note 21.

(iii) Other related parties

Other related parties include subsidiaries of major shareholders, non-controlling 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.

(b) Related party transactions and balances

(i) Transactions between the Group and major shareholders:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Balances at the end of the period/year:		
Accounts receivable	434	447
Other payables and accruals	232,047	44
	Six months ended 30 June 2017	Six months ended 30 June 2016
	(Unaudited)	(Unaudited)

Transactions during the period:

Purchase of a subsidiary from non-controlling interests	-	794,843
Fee and commission income	16,509	13,500
Other income and gains	-	2,272
Fee and commission expense	115	123
Other operating expenses	52	-

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52. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related parties transactions and balances (continued)

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

	As at 30 June 2017 <u>(Unaudited)</u>	As at 31 December 2016 <u>(Audited)</u>
Balances at the end of the period/year:		
Cash and bank balances	4,366,195	7,055,502
Other non-current liabilities	1,857,349	1,886,522
Loans and borrowings	790,336	915,669
Other payables and accruals	667,275	148,499
Other receivables and prepayments	87,581	65,969
Financial assets sold under repurchase agreements	195,000	9,221
Accounts receivable	<u>8,757</u>	<u>4,666</u>
	<u>Six months ended 30 June 2017 (Unaudited)</u>	<u>Six months ended 30 June 2016 (Unaudited)</u>
Transactions during the period:		
Transaction amount for financial assets sold under repurchase agreements	7,534,040	17,114,705
Loans borrowed	-	99,674
Interest income	117,176	119,042
Fee and commission income	67,583	49,422
Other operating expenses	87,434	26,452
Fee and commission expenses	4,651	25,614
Net investment gains	4,937	20,677
Interest expenses	11,487	3,125
Other income and gains	<u>10,404</u>	<u>1,739</u>

(All amounts expressed in RMB thousands unless otherwise specified)

52. 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 2017 <u>(Unaudited)</u>	Six months ended 30 June 2016 <u>(Unaudited)</u>
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	23,773	17,704
Post-employment benefits		
- Contributions to pension schemes	<u>444</u>	<u>300</u>
Total	<u>24,217</u>	<u>18,004</u>

53. SEGMENT REPORTING

Management commenced to allocate resources and assess the segment performance based on the grouping of operating segments. Accordingly, the reporting period's segment reporting presentation has been presented in accordance with the approach adopted by management in the financial statements.

- Brokerage and wealth management segment earns 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 earns interest income from margin financing and securities lending, reverse repurchase transactions and other credit granting business, as well as income from the finance lease business;
- Institutional securities services segment earns 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 earns 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 earns 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 purposes.

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53. SEGMENT REPORTING (continued)

(a) Business segments

For the six months ended 30 June 2017

	Brokerage and wealth management	Credit business	Institutional securities services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	1,224,364	49,417	492,780	550,376	365,541	467	2,682,945
- Inter-segment	8,560	-	-	-	-	-	8,560
Interest income							
- External	389,254	1,520,872	12,614	75,136	244,292	209,798	2,451,966
- Inter-segment	-	-	-	3,446	-	127,972	131,418
Net investment gains/(losses)							
- External	1,108	(24,831)	388,925	294,329	32,480	128,514	820,525
- Inter-segment	(3)	-	-	(232)	-	-	(235)
Total revenue							
- External	1,614,726	1,545,458	894,319	919,841	642,313	338,779	5,955,436
- Inter-segment	8,557	-	-	3,214	-	127,972	139,743
Other income and gains							
- External	15,383	18,011	216	22,466	59,037	208,627	323,740
- Inter-segment	-	-	-	-	9,500	249	9,749
Segment revenue and other income							
- External	1,630,109	1,563,469	894,535	942,307	701,350	547,406	6,279,176
- Inter-segment	8,557	-	-	3,214	9,500	128,221	149,492
Segment expenses							
- External	(1,073,983)	(845,743)	(512,581)	(707,473)	(728,585)	(822,920)	(4,691,285)
- Inter-segment	(91,294)	(7,154)	-	(29,915)	(8,183)	(12,946)	(149,492)
Segment operating profit/(loss)							
- External	556,126	717,726	381,954	234,834	(27,235)	(275,514)	1,587,891
- Inter-segment	(82,737)	(7,154)	-	(26,701)	1,317	115,275	-
Share of profit of associates and joint ventures							
- External	-	-	-	46,603	2,872	-	49,475
- Inter-segment	-	-	-	-	-	-	-
Profit/(loss) before income tax							
- External	556,126	717,726	381,954	281,437	(24,363)	(275,514)	1,637,366
- Inter-segment	(82,737)	(7,154)	-	(26,701)	1,317	115,275	-
Interest income	389,254	1,520,872	12,614	75,136	244,292	209,798	2,451,966
Interest expenses	(55,853)	(798,618)	(228,507)	(247,043)	(141,772)	(291,606)	(1,763,399)
Reversal of/(provision for) impairment losses	10	(4,536)	-	-	212	-	(4,314)

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53. SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the six months ended 30 June 2016

	Brokerage and wealth management	Credit business	Institutional securities 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 gains/(losses)							
- 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							
- External	-	-	-	17,855	2,404	-	20,259
- Inter-segment	-	-	-	-	-	-	-
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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53. 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, interests in associates and joint ventures, and refundable deposits ("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 interests in associates and joint ventures.

Segment revenue:

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Revenue from external customers	5,313,123	642,313	5,955,436	6,011,597	462,434	6,474,031
Other income and gains	264,703	59,037	323,740	227,291	34,357	261,648
Total	<u>5,577,826</u>	<u>701,350</u>	<u>6,279,176</u>	<u>6,238,888</u>	<u>496,791</u>	<u>6,735,679</u>

Specified non-current assets:

	As at 30 June 2017			As at 31 December 2016		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Property and equipment	815,451	28,083	843,534	827,859	32,368	860,227
Goodwill	9,380	1,452,856	1,462,236	9,380	1,497,366	1,506,746
Other intangible assets	73,881	581,305	655,186	72,745	689,115	761,860
Interests in associates and joint ventures	1,720,059	40,065	1,760,124	1,699,259	38,145	1,737,404
Refundable deposits	<u>4,894,417</u>	<u>36,663</u>	<u>4,931,080</u>	<u>5,749,849</u>	<u>34,338</u>	<u>5,784,187</u>

(All amounts expressed in RMB thousands unless otherwise specified)

54. 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 markets 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.
- (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 estimates the fair values using pricing models including discounted cash flow and binomial pricing models.
- (iv) Accounts 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 2016 and 30 June 2017 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 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Financial liabilities		
- Long-term bonds	<u>38,362,766</u>	<u>28,626,730</u>

Fair value:

	As at 30 June 2017 (Unaudited)			
	Level I	Level II	Level III	Total
Financial liabilities				
- Long-term bonds	-	38,669,073	-	<u>38,669,073</u>

	As at 31 December 2016 (Audited)			
	Level I	Level II	Level III	Total
Financial liabilities				
- Long-term bonds	-	28,612,254	-	<u>28,612,254</u>

(All amounts expressed in RMB thousands unless otherwise specified)

54. FAIR VALUE INFORMATION (continued)

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

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 analysis.

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 statement 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 determined by reference to another instrument that is substantially the same.

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54. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting 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 30 June 2017 (Unaudited)			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	1,248,443	21,507,562	-	22,756,005
– Equity securities	1,259,883	619,505	299,377	2,178,765
– Funds	2,935,144	204,572	224,070	3,363,786
– Wealth management products	-	1,149,042	940,000	2,089,042
– Others	-	15,750	-	15,750
Designated as at fair value through profit or loss				
– Wealth management products	-	377,150	1,689,205	2,066,355
Available-for-sale financial assets				
– Debt securities	189,618	13,921,865	90,000	14,201,483
– Equity securities	3,328,064	487,276	4,601,618	8,416,958
– Funds	283,754	-	-	283,754
– Wealth management products and others	-	5,426,939	170,000	5,596,939
Derivative financial assets	144	58,613	-	58,757
Total	9,245,050	43,768,274	8,014,270	61,027,594
Liabilities				
Financial liabilities at fair value through profit or loss				
Held for trading				
– Debt securities	-	(886,703)	-	(886,703)
Designated as at fair value through profit or loss				
– Structured entities	-	-	(201,962)	(201,962)
Derivative financial liabilities	(45)	(65,573)	-	(65,618)
Total	(45)	(952,276)	(201,962)	(1,154,283)

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54. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

	As at 31 December 2016 (Audited)			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	343,612	9,156,982	-	9,500,594
– Equity securities	1,171,470	769,149	-	1,940,619
– Funds	6,696,658	57,730	-	6,754,388
– Wealth management products	-	2,702,801	1,565,800	4,268,601
– Others	-	22,046	-	22,046
Designated as at fair value through profit or loss				
– Wealth management products	-	478,769	1,685,096	2,163,865
Available-for-sale financial assets				
– Debt securities	61,461	2,860,891	90,000	3,012,352
– Equity securities	3,949,466	682,423	3,252,111	7,884,000
– Funds	234,003	-	-	234,003
– Wealth management products and others	-	6,539,519	25,000	6,564,519
Derivative financial assets	11,595	85,722	-	97,317
Total	12,468,265	23,356,032	6,618,007	42,442,304
Liabilities				
Financial liabilities at fair value through profit or loss				
Held for trading				
– Debt securities	-	(394,866)	-	(394,866)
Designated as at fair value through profit or loss				
– Structured entities	-	-	(202,034)	(202,034)
Derivative financial liabilities	(11,700)	(69,923)	-	(81,623)
Total	(11,700)	(464,789)	(202,034)	(678,523)

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

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

(All amounts expressed in RMB thousands unless otherwise specified)

54. FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(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 reporting 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.

(iii) Valuation methods for specific investments

As at the end of the reporting 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 reporting period within bid-ask spread. If there is no quoted market price as at the end of the reporting 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 reporting period or the most recent trading date. For unlisted open-end funds and wealth management products, fair value is determined by the quoted price which is based on the net asset value as at the end of the reporting 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 reporting period.
- (4) For debt securities traded through the interbank 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 reporting period.

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54. 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	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2017	3,250,896	3,367,111	(202,034)	6,415,973
Transfer out	297,502	35,200	-	332,702
Gains for the period	25,112	-	-	25,112
Changes in fair value recognised in other comprehensive income	-	(12,107)	-	(12,107)
Purchases	1,776,429	1,728,560	-	3,504,989
Sales and settlements	<u>(2,197,287)</u>	<u>(257,146)</u>	<u>72</u>	<u>(2,454,361)</u>
As at 30 June 2017	<u>3,152,652</u>	<u>4,861,618</u>	<u>(201,962)</u>	<u>7,812,308</u>
Total gains for the period reclassified from other comprehensive income on disposal	25,112	-	-	25,112
Total losses for the period included in profit or loss for assets held at the end of the reporting period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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54. 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 out	140,000	(34,954)	-	105,046
Gains for the year	-	14,291	-	14,291
Changes in fair value recognised in other comprehensive income	-	(111,411)	-	(111,411)
Purchases	3,093,096	2,295,636	(202,034)	5,186,698
Sales and settlements	(23,090)	(26,008)	-	(49,098)
As at 31 December 2016	<u>3,250,896</u>	<u>3,367,111</u>	<u>(202,034)</u>	<u>6,415,973</u>
Total gains for the year reclassified from other comprehensive income on disposal	-	14,341	-	14,341
Total losses for the year included in profit or loss for assets held at the end of the reporting period	-	(50)	-	(50)

(All amounts expressed in RMB thousands unless otherwise specified)

54. 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, private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Equity securities, unlisted equity investment with limited marketability	Level III	Market valuation approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities	Level III	Market valuation approach	Discount for lack of marketability	The higher the discount, the lower the fair value

55. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Redemption of corporate bonds after the accounting period

On 11 July 2017, the Company executed the early redemption right of 17 EVERBRIGHT 01, 18-month corporate bond amounting to RMB2 billion.

(b) Issuance of corporate bonds after the accounting period

On 4 July 2017, the Company issued two tranches of corporate bonds with an aggregate principal amount of RMB4.5 billion through public offering. Tranche one with an aggregate principal amount of RMB3.0 billion has a term of 3 years and bears an interest rate of 4.58% per annum. Tranche two with an aggregate principal amount of RMB1.5 billion has a term of 5 years and bears a coupon interest rate of 4.70% per annum.

56. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The financial information was approved and authorised for issue by the Board of Directors on 29 August 2017.