



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 2019

# Contents

<b>3</b>	Section I	Definitions and Warning of Material Risks
<b>7</b>	Section II	Company Profile and Key Financial Indicators
<b>11</b>	Section III	Summary on the Business of the Company
<b>14</b>	Section IV	Report of the Board
<b>41</b>	Section V	Significant Events
<b>51</b>	Section VI	Changes in Share Capital and Particulars about Shareholders
<b>55</b>	Section VII	Particulars about Directors, Supervisors and Senior Management
<b>59</b>	Section VIII	Relevant Information on Corporate Bonds
<b>66</b>	Section IX	Information Disclosure of Securities Firms
<b>73</b>	Section X	Financial Report

## 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 Fifteenth Meeting of the Fifth Session of the Board of Directors of the Company. The number of Directors that should attend the Board meeting was 12 and the number of Directors having voted at the Board meeting was 12. 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. Yan Jun, the chairman of the Board of Directors of the Company, Mr. Zhou Jiannan, the person-incharge of accounting affairs, and Mr. He Mannian, the head of accounting department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
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 shareholder 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 for transfer of capital reserve fund into capital for the first half of 2019.
9. The Company prepared this interim report in both English and Chinese languages. 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, the parent company or Everbright Securities	Everbright Securities Company Limited (光大證券股份有限公司)
ETF	Exchange Traded Funds
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 Eascreate	Everbright Eascreate Network Technology Co., Ltd. (光大易創網絡科技股份有限公司)
Everbright Yunfu	Everbright Yunfu 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 (新鴻基金集團有限公司), whose equity interest is held 70% by EBSHK and 30% by Sun Hung Kai & Co. Limited, respectively
Everbright SHK	Everbright Sun Hung Kai Company Limited (光大新鴻基有限公司), a wholly-owned subsidiary of SHKFGL
Dacheng Fund	Dacheng Fund Management Co., Ltd. (大成基金管理有限公司), a joint venture of the Company

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

FOF	Fund of funds
Reporting Period	the first half of 2019 (January 1, 2019 to June 30, 2019)
Directors	the directors of the Company
Board or Board of Directors	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
REITs	Real estate investment trusts
Sci-tech Innovation Board	the Science and Technology Innovation Board of Shanghai Stock Exchange
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
PPP	Public-private Partnership
IPO	initial public offering
ABN	notes backed by assets
securitization, ABS	financing through issuance of tradeable 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)
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(s)	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

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

securities transaction(s) under repurchase agreement	a transaction in which a qualified client 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 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 future date, 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)
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
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
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

## SECTION I DEFINITIONS AND WARNING OF MATERIAL RISKS

Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
AUM	asset under management
IFRS	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board, and interpretation issued by the International Accounting Standards Committee (IASC)
PRC GAAP	the PRC Accounting Standards for Business Enterprises
Wind	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a company incorporated in the PRC in 1994 with limited liability and an integrated service provider of financial data, information and software, being an independent third party

*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.*

### I. Warning of Material Risks

During the Reporting Period, the Company had no matters that involve significant risks. The Company has described in detail the risks that it may be exposed to in this report. Please refer to the relevant statements in "II. 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. Zhou Jiannan
Executive president of the Company	Mr. Zhou Jiannan
Secretary to the Board	Ms. Zhu Qin
Company Secretary	Dr. Ngai Wai Fung
Authorized representatives	Mr. Yan Jun and Dr. Ngai Wai Fung

### Registered capital and net capital of the Company

Unit: RMB Yuan

	<b>As at June 30, 2019</b>	As at December 31, 2018
Registered capital	<b>4,610,787,639.00</b>	4,610,787,639.00
Net capital	<b>36,162,934,973.57</b>	35,015,334,030.39

#### Business qualifications

The Company is engaged in 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 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.

The Company is also a member of the Securities Association of China, SSE, SZSE and Shanghai Gold Exchange, clearing participant of China Securities Registration and Settlement Co., Ltd. and member of Asset Management Association of China. For details about the qualifications of each of the businesses of the Company and its subsidiaries, please refer to Section IX "Information Disclosure of Securities Firms" of this report.

### 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	24th Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Company website	<a href="http://www.ebscn.com">http://www.ebscn.com</a>
E-mail address	ebs@ebscn.com



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### 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

### 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 2019 (RMB' 000)	January to June 2018 (RMB' 000)	Variance as compared to the last corresponding period
<b>Operating results</b>			
Total revenue and other income	<b>8,622,714</b>	6,980,614	23.52%
Profit before income tax	<b>2,234,283</b>	1,373,400	62.68%
Net profit attributable to shareholders of the Company	<b>1,609,065</b>	968,792	66.09%
Net cash generated from/(used in) operating activities	<b>31,765,504</b>	(161,685)	N/A
	<b>(RMB/share)</b>	(RMB/share)	
<b>Earnings per share</b>			
Basic earnings per share	<b>0.35</b>	0.21	66.11%
Diluted earnings per share	<b>0.35</b>	0.21	66.11%
<b>Index of profitability</b>			
Weighted average returns on net assets (%)	<b>3.35</b>	1.98	Increased by 1.37 percentage points

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Item	As at June 30, 2019 (RMB' 000)	As at December 31, 2018 (RMB' 000)	Variance as compared to the end of the last corresponding period
<b>Scale indices</b>			
Total assets	<b>205,847,323</b>	205,779,038	0.03%
Total liabilities	<b>155,750,383</b>	157,021,183	(0.81)%
Accounts payable to brokerage clients	<b>46,585,815</b>	35,965,897	29.53%
Equity attributable to shareholders of the Company	<b>48,551,562</b>	47,203,028	2.86%
Total equity of owners	<b>50,096,940</b>	48,757,855	2.75%
Share capital ('000 shares)	<b>4,610,788</b>	4,610,788	0.00%
Net assets per share attributable to shareholders of the Company (RMB/share)	<b>10.53</b>	10.24	2.83%
Gearing ratio (%) <sup>(Note)</sup>	<b>68.54%</b>	71.29%	decreased by 2.75 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 2019 and January to June 2018 and the net assets as at June 30, 2019 and December 31, 2018 as stated in the consolidated financial statements of the Company prepared in accordance with International Accounting Standards are consistent 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, 2019 (RMB' 000)	As at December 31, 2018 (RMB' 000)
Net capital	<b>36,162,935</b>	35,015,334
Net assets	<b>48,846,446</b>	47,567,982
Total risk capital reserves	<b>12,747,062</b>	15,130,659
Total on-/off-balance sheet assets	<b>137,000,745</b>	140,991,522
Risk coverage (%)	<b>283.70</b>	231.42
Capital leverage ratio (%)	<b>26.95</b>	25.37
Liquidity coverage ratio (%)	<b>367.92</b>	894.79
Net stable funding ratio (%)	<b>138.59</b>	151.44
Net capital/net assets (%)	<b>74.03</b>	73.61
Net capital/liabilities (%)	<b>42.88</b>	39.04
Net assets/liabilities (%)	<b>57.92</b>	53.04
Value of proprietary equity securities and securities derivatives/net capital (%)	<b>25.32</b>	23.83
Value of proprietary fixed-income securities/net capital (%)	<b>152.92</b>	167.99

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 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, securities transactions under repurchase agreement and financing-oriented option exercise with respect to share incentive schemes of 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 for corporate and other institutional clients, and also earns 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 for clients, and gains investment income from private equity investment and financing business, and alternative investments.

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

#### (II) Description of Industrial Situation during the Reporting Period

##### *Global Economic Situation:*

In the first half of 2019, the global economic growth showed an overall slow down. Developed economies lacked growth momentum, the growth momentum of emerging economies has declined and an easing global monetary policy environment pushed financial markets upwards continuously. The trend of thought of "reverse globalization" and trade frictions continued, changes and uncertainties of the policy spillover effect of developed economies increased, and the global economic growth was subject to a more uncertain external environment.

##### *China's Economic Situation:*

In the first half of 2019, against the backdrop of China-US trade frictions, China's overall economy operated within a stable interval and achieved a year-on-year growth of GDP at 6.3%, presenting a continuous development trend of general stability and growth momentum. Major macroeconomic indicators were operating within a reasonable range. With the continuous deepening the supply-side structural reform, constant optimizing and adjusting of the economic structure and massive cutting in taxes and administrative fees, positive results were achieved. Generally speaking, there were a growth of consumption and the employment situation remained stable.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

### *Overview of the Capital Market:*

In the first half of 2019, reform of the capital market was carried out comprehensively, especially the supply-side structural reform of the financial market, to reshape the basic system of the capital market and build a modern and multi-level capital market. Benefiting from a series of new policies and new initiatives, such as the launch of the Sci-tech Innovation Board and the piloting of the registration-based IPO system, the launch of Shanghai-London Stock Connect, the introduction of more new varieties to the futures and options market, Morgan Stanley Capital International Index (MSCI) to increase A-share weighting, FTSE Russell to include A-shares, the launch of China-Japan ETF Connectivity scheme, the introduction of new policies on asset restructuring and repurchase volume recording new high, the securities market significantly picked up. During the Reporting Period, the SSE Composite Index and CSI 300 Index recorded an increase of 20.83% and 28.83%, respectively; the ChinaBond Aggregate Full Price Index slightly declined by 0.37%. The trading activity of the secondary market fully picked up. The daily average trading volume of Shanghai and Shenzhen stock markets was RMB623.4 billion, representing a year-on-year increase of 29.7%. The direct financing growth of the primary market slightly slowed down, recording a total of RMB612.5 billion raised through equity financing, representing a year-on-year decrease of 14%. The proceeds raised from IPOs amounted to RMB60.3 billion, representing a year-on-year decrease of 35%. The refinancing volume was RMB494.1 billion, representing a year-on-year decrease of 13%. The volume of bond underwriting by securities firms amounted to RMB3.38 trillion, representing a year-on-year increase of 69.58%.

### *Industry Overview:*

In the first half of 2019, benefiting from the recovery of the capital market, the securities industry experienced a rapid growth in the first quarter and a slow-down growth in the second quarter. As such, with the capital strength of oligarchy securities trader continuously enhancing and the opening up process of the industry accelerated, the launch of Sci-tech Innovation Board broadened the direct financing channels and boosted market sentiment. According to the statistics released by the Securities Association of China, in the first half of 2019, the operating income and net profit from the 131 securities companies amounted to RMB178.9 billion and RMB66.7 billion, representing a year-on-year increase of 41% and 103%, respectively.

## II. Description 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, financial assets held under resale agreements, long-term equity investment and financial investments. For details of the changes in the major assets during the Reporting Period, please refer to Section IV I. (II) 4. "Analysis of principal components of consolidated statement of financial position" of this report. In particular, overseas assets reached RMB26.896 billion, representing 13.07% of the total assets.

## SECTION III SUMMARY ON THE BUSINESS OF THE COMPANY

### III. Analysis of Core Competitive Strengths During the Reporting Period

#### (I) Core financial services platform of Everbright Group, benefiting from Everbright Group's advantages in customer, project and ecosphere

Everbright Group, the controlling shareholder of the Company, was established by the Ministry of Finance and Huijin. It is a large-scale financial conglomerate covering the financial business and a wide range of industries at home and abroad, and is listed on the Fortune Global 500. Everbright Group has accumulated abundant and high-quality corporate customer and retail customer resources in the financial and industrial sectors; has various listed companies in the stock exchanges of mainland China, Hong Kong and Singapore, and has abundant project resources; members of Everbright Group in various segments formed interdependent and associated ecospheres, such as wealth, investment, investment banking and environmental protection, tourism and health E-SBU with great potential. As the core platform of financial services under Everbright Group, the Company has benefited from Everbright Group's advantages in customer, project and ecosphere and carried out extensive cooperation and collaboration in customer development, channel development, industry and finance integration and business models.

#### (II) Comprehensive layout to obtain full licenses

With investment banking as the principal business, businesses of the Company's subsidiaries include asset management, public funds, private funds, alternative investments, futures, financial leasing, PPP etc., spanning across mainland China, Hong Kong, the United Kingdom and other countries and regions. The various business segments of the Company worked in synergy with each other to form a relatively comprehensive product chain, providing a series of financial products and services to domestic and foreign customers to meet their diversified needs.

#### (III) Continuously optimizing FinTech strategy to empower business development with technology innovations

As one of the first three innovative pilot securities firms in the PRC, the Company has continuously optimized its FinTech strategy to empower business development with technology innovations. During the Reporting Period, the Company obtained the first batch of "Level-2 market information operating license for securities company" and facilitated Minsheng Bank to successfully issue the first domestic capital bond without fixed term for a joint-stock commercial bank; developed an one-stop, paperless and all-process counter business platform, "E-Counter", contributing to the centralized operation of counter business in all domestic branches and business departments, marking that the Company has taken the lead in establishing an integrated counter service platform with comprehensive functions, advanced technology and convenient operation.

## SECTION IV REPORT OF THE BOARD

### I. Discussion and Analysis of Business Operation

Facing complex and ever-changing market environment, the Company, under the strong leaderships of the Party Committee and the Board of the Company, has closely focused on the main line of work of "value creation" to build consensus through value orientation, maintain mainstream ideology, hold the team together and effectively grasp the cyclical trend in the market and structured market condition, and have achieved the same growth rate with the industry. From January to June 2019, the Company recorded accumulated revenue and other income of RMB8.623 billion, representing a year-on-year increase of 23.52%; net profit attributable to shareholders of listed companies was RMB1.609 billion, representing a year-on-year increase of 66.09%.

#### (I) Principal Business Lines during the Reporting Period

The Company's main business lines include brokerage and wealth management, credit business, institutional securities business, investment management and overseas business.

Table 1 Table of the principal businesses by segments

Unit: RMB'000

Item	January to June 2019				January to June 2018			
	Segment revenue		Segment expenses		Segment revenue		Segment expenses	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,644,589	19%	1,126,028	18%	1,408,824	20%	1,096,114	19%
Credit business	1,746,633	20%	1,173,572	18%	1,797,716	26%	1,200,395	21%
Institutional securities business	2,365,405	27%	993,977	16%	599,614	9%	568,460	10%
Investment management	1,163,025	13%	1,191,026	19%	1,278,212	18%	670,433	12%
Overseas business	904,585	10%	840,762	13%	818,009	12%	764,356	14%

#### 1) Brokerage and Wealth Management

The brokerage and wealth management business segment comprises securities brokerage business, wealth management business and futures brokerage business. In the first half of 2019, such business segment realized revenue of RMB1.6 billion, representing 19% of the total revenue.

##### (1) Securities brokerage business

###### Market environment

In the first half of 2019, benefiting from market recovery, the daily average turnover of the stock and the number of investors increased significantly in light of the positive market conditions, and recorded a year-on-year increase of 34% and 17%, respectively. The revenue and profit from the brokerage business in the industry increased year-on-year. However, due to the increasingly intense competitive environment in the brokerage business, the commission rate of brokerage business in the industry continued to decline, and given the increasing number of securities brokerage branches, it was more difficult to acquire new customers.

###### Operation measures and results

In terms of securities brokerage business, the Company emphasized upon returning to the origin of brokerage business. Firstly, it focused on "reinforcing the foundation of business and expanding customer base", and organized marketing activities such as "Make a Good Start (開門紅)" and "Growing Step by Step (步步高)". Secondly, it made full efforts to advance the customer service system construction project to continuously improve customer experience in transaction, product, consulting and service. In the first half of the year, the Company promoted the steady growth of brokerage business by reshaping the retail training system, establishing a marketing staff honor system, building a customer classification and grading system, and strengthening the business synergy and coordination with the subsidiaries of Everbright Group.

## SECTION IV REPORT OF THE BOARD

### As of the end of June 2019:

- (1) the Company had 14 branch companies and 267 securities branches in the PRC;
- (2) its market share of net income from securities trading on behalf of customers (including seats leasing) decreased by 0.09 percentage point as compared to the end of 2018, declining three places in the industry ranking; its market share of net income from securities trading on behalf of customers (excluding seats leasing) increased by 0.01 percentage point as compared to the end of 2018, remained unchanged in the industry ranking;
- (3) the number of customers for newly opened accounts in 2019 was greatly higher than that in the corresponding period of last year. The number of newly opened valid accounts increased by 90% year-on-year, and the number of high-net-worth customers for newly opened accounts increased by 56% year-on-year.

### Outlook for the second half of 2019

In the second half of 2019, the brokerage business segment of the Company will continue to focus on strengthening the customer base by continuously improving the customer experience and improving customer service in full efforts. The Company will also arrange the marketing activities for the second half of the year, and continue to improve the customer service system construction project; in the meantime, leverage the business synergy and coordination within Everbright Group to continuously promote broader and deeper development of its brokerage business

### (2) *Wealth management business*

#### **Market environment**

In the first half of 2019, the A-share market experienced raise before declining and generally drastic fluctuation; the expected effects of the new asset management regulations appeared, the rigid redemption was gradually broken up and the proportion of net-value products increased rapidly. With the increasingly complex market environment, high-net-worth customers are increasingly demanding professional wealth management services, and have higher requirements for wealth management institutions in their capabilities in product screening, asset allocation and risk control. Several oligarchy securities firms restructured the original business mix in terms of the organizational structure by focusing on the wealth management business.

#### **Operation measures and results**

In the first half of 2019, the wealth management business segment of the Company gave full play to the team's professional advantages in financial engineering, and further improved the wealth management model with "quantitative management as the main approach and asset allocation among key asset classes as the core", provided assistance for the Company to shift the brokerage business to the wealth management through the construction of a comprehensive financial and information product system. In addition, the two series of our own products, namely "Golden Sunshine Wealth Management Plan (金陽光財管計劃)" and "Smart Gold (智慧金)", are all in the forefront of similar strategic products in terms of overall performance. The Company enriched and improved the commission-based products lines of the Company, concentrated on completion of the development of five types of models or systems such as fund performance attribution analysis system, risk evaluation system, product evaluation model, asset allocation model and reverse cycle sales management model, and established scientific tools to support the entire process from product introduction to product sale.



## SECTION IV REPORT OF THE BOARD

### **Outlook for the second half of 2019**

In the second half of 2019, the wealth management business segment of the Company will continue to focus on creating three famous wealth products, such as information, quantification and allotment, promote the construction of financial product systems, advance the construction of wealth management platforms to form a financial product library with complete asset classes and rich product types catering to the various investment needs of customers with different risk preference. Through professional tools and models, the Company will select the outstanding products in the Company's commission-based product library to form a selected product library. The Company will make more efforts in the retail system training of investment consultants and enhance the wealth management business capabilities of investment consultants.

### (3) *Internet finance business*

#### **Market environment**

Based on big data, artificial intelligence and financial engineering, provision of intelligent and personalized full-process attendant services from pre-investment and investment to post-investment for customers become the trend of retail customer service. The core competence of marketing and servicing will be modeled into a platform in a digital form to develop a closed loop middle-office operation platform centered on targeted marketing and customer service. Through digital empowerment of employees, provision of fine customer service in a strategic, scenarized and personalized manner also gradually become a trend.

#### **Operation measures and results**

In the first half of 2019, the Company continued to improve and optimize the functions and contents of Golden Sunshine mobile applications ("APP"), strengthened the operation of the platform, continuously improved the customer experience, and continued to increase new customer acquisition via Internet. The monthly activity of Golden Sunshine APP increased from 25th in 2018 to 22nd at the end of the Reporting Period in the application ranking in the securities industry. As of the end of May 2019, the number of active users of Golden Sunshine APP reached 1.598 million, achieving a growth in the adverse environment. Based on work tools, evaluation tools and strategy tools, the Company supported effective service and in-depth service to customers, and continued to build a digital empowerment staff platform. The construction of the MOT targeted marketing service system was completed and an operational tool system supported by the Golden Sunshine APP, the Da Guan Jia (大管家) APP and the targeted marketing service integration platform was initially formed with aims to serve the business-end wealth management manager and support the expansion of business in a precise way to improve the efficiency of customer marketing services.

### **Outlook for the second half of 2019**

In the second half of 2019, the Internet finance business segment of the Company will further promote tool building and enhance the service experience with the Golden Sunshine APP as a core. The Company will strengthen the servicing ability of staff empowered by digital technology, build a comprehensive, efficient and accurate employee-customer targeted marketing service availability system, and increase the coverage of services through the construction of intelligent service system, thereby enhancing the activity and stickiness of customers on the platform and enhancing the competitiveness of the Company's brokerage business; strengthen the coordination among all parties and establish a long-term synergistic customer referring mechanism.

## SECTION IV REPORT OF THE BOARD

### (4) *Futures brokerage business*

#### **Market environment**

In the first half of 2019, the loosening of stock index futures greatly stimulated the trading of financial futures markets. The innovative development of commodity futures accelerated, and cotton, corn and natural rubber commodity options were simultaneously listed on the three major commodity futures exchanges. The activity of the futures market has increased greatly. As of the end of June 2019, the cumulative transaction volume and turnover of the futures market increased by 23.47% and 33.79% year-on-year, respectively. However, due to the refunds from exchanges and the decline in interest rates, the profitability of futures companies is still lower than the same period of last year. The development of risk management business of futures companies accelerated.

#### **Operation measures and results**

In the first half of 2019, Everbright Futures's operating results achieved steady growth in fall-rise pattern and gradual improvement in its profitability in the low-yield industry environment by strengthening supervision over its brokerage business, promoting the innovative transformation of its asset management business and vigorously developing its risk management business. As of the end of June 2019, the market share of accumulated trading volume of Everbright Futures was 2.32%, and its daily average margin was RMB11.576 billion. The trading volume of Everbright Futures represented 1.55%, 3.14%, 3.15% and 2.49% of the total trading volume of Shanghai Futures Exchange, Dalian Commodity Exchange, Zhengzhou Commodity Exchange and China Financial Futures Exchange, respectively. At the same time, the profitability of China Everbright's stock options business and risk management business increased significantly compared with the same period of last year. In the first half of the year, the market share of Everbright Futures 50 ETF options was 3.25% in terms of cumulative trading volume, ranking 4th among futures companies and 8th in the whole market.

#### **Outlook for the second half of 2019**

In the second half of 2019, Everbright Futures will firmly grasp the opportunities of market innovation and development, further enhance the ability of resource integration and adaptability, develop innovative business based on traditional brokerage business, optimize business mix and seek business opportunities in overseas markets. Meanwhile, it will carry out in-depth business collaboration and linkage work and accomplish integration of industry and finance to serve the real economy.

## 2) *Credit Business*

The credit business segment comprises margin financing and securities lending, collateralized stock repurchase transactions and financial leasing. In the first half of 2019, such business segment realized revenue of RMB1.7 billion, representing 20% of the total revenue.

### (1) *Margin financing and securities lending*

#### **Market environment**

With the recovery of the A-share market in the first quarter, the volume of margin financing and securities lending in the first half of the year was generally higher than that at the end of 2018. As at the end of June 2019, the balance of margin financing and securities lending in the whole market was RMB910.817 billion, representing an increase of 20.53% as compared to the end of 2018. Among that, the balance of margin financing was RMB901.963 billion, representing an increase of 20.43% as compared to the end of 2018; the balance of securities lending was RMB8.854 billion, representing an increase of 31.7% as compared to the end of 2018.

## SECTION IV REPORT OF THE BOARD

### **Operation measures and results**

In the first half of 2019, the Company focused on high-net-worth customers and institutional customers through effective operation measures, actively and properly resolved and eliminated business risks and increased the volume of margin financing and securities lending. As at the end of June 2019, the balance of margin financing and securities lending of the Company was RMB25.557 billion, representing an increase of 13.57% as compared to the end of 2018. It grabbed a market share of 2.81%, down 5.77% as compared to the end of 2018. The balance of securities lending of the Company was RMB282 million, representing a market share of 3.19%.

### (2) *Collateralized stock repurchase transactions*

#### **Market environment**

Affected by the frequent risk exposure of collateralized stock repurchase business in the second half of 2018, the scale of collateralized stock repurchase transactions in the whole market continued to decline in the first half of 2019. According to the statistics from the Securities Association of China, the amount of collateralized stock repurchase transactions in the whole market as at the end of the first quarter of 2019 was RMB1,087.493 billion, representing a decrease of 6.73% as compared with the end of 2018. In particular, the lending of securities firms' proprietary funds amounted to RMB569.688 billion, representing a decrease of 7.83% as compared with the end of 2018 and 52.39% of the total collateralized stock repurchase transactions. With the launch of a series of policies such as the bail-out fund and the increase in the main stock index of the Shanghai and Shenzhen stock markets in the first quarter of 2019, the risk of collateralized stock repurchase business was relieved and the overall market risk was controllable.

#### **Operation measures and results**

In the first half of 2019, the Company focused on customers of the main board and SMEs board, and major shareholders and controlling shareholders of listed companies, and continuously optimized the structure of collateralized stock repurchase business. The Company strictly controlled the quality of the project and strived to reduce business risks. The risks of the collateralized stock repurchase business remained generally controllable. As at the end of June 2019, the balance of collateralized stock repurchase transactions of the Company was RMB21.393 billion, down 40.02% from the end of 2018. Among them, the lending of the Company's proprietary funds amounted to RMB11.393 billion, down 44.68% from the end of 2018. The weighted average coverage ratio of collateralized stock repurchase transactions of the Company was 235.66%, and the weighted average coverage ratio of collateralized stock repurchase transactions of the Company's proprietary fund was 240%.

#### **Outlook for the second half of 2019**

In the second half of 2019, the credit business segment of the Company will continue to focus on the objectives of "adjusting structure, controlling risks, promoting synergy and creating value". It will target institutional customers and high-net-worth customers for margin financing and securities lending business and focus on the major shareholders and controlling shareholders of listed companies for collateralized stock repurchase business, expand margin financing and securities lending business and optimize collateralized stock repurchase business, strictly control business risks, strengthen integrated financial services and improve cost performance of business to create effective value.

## SECTION IV REPORT OF THE BOARD

### (3) *Financial leasing business*

#### **Market environment**

Since this year, due to the adjustment and transfer of the overall regulation system of the industry and the frequent occurrence of risk events, the development of the financial leasing industry in the PRC has slowed down noticeably. As of the end of June 2019, the total amount of financial leasing business amounted to RMB6.7 trillion, representing an increase of 0.8% from the end of 2018. The total number of financial leasing companies (excluding single project companies, branch companies, SPV and companies acquired overseas) in the PRC was approximately 12,027, representing an increase of 2.1% from the end of 2018. The total registered capital of the financial leasing industry was RMB3.33 trillion, representing an increase of 1.0% from the end of 2018.

#### **Operation measures and results**

In the first half of 2019, in the face of many challenges such as the decline in market demand and the increase in business risks, Everbright Leasing proactively adapted to changes, persisted in professional operation and actively carried out innovative transformation while maintaining the steady growth in traditional financial leasing business. It actively innovated financing channels and adjusted financing structure. In the first half of the year, Everbright Leasing completed investment in a total of 23 new financial leasing projects (including operating leases), with a total investment of RMB721 million. Cumulatively, the Company has invested a total of RMB13.1 billion in such projects and generated a total rent of RMB8.7 billion. The balance of financial leasing loans receivable at the end of the period amounted to RMB5 billion.

#### **Outlook for the second half of 2019**

In the second half of 2019, Everbright Leasing will adhere to innovation and transformation and professional operation, adhere to the thinking of investment banks, strengthen risk management, and focus on the industry customers.

### 3) *Institutional Securities Services*

The institutional securities business segment comprises investment banking, institutional transaction, private placement, investment research and proprietary trading business. In the first half of 2019, such business segment realized revenue of RMB2.4 billion, representing 27% of the total revenue.

#### (1) *Investment banking*

#### **Market environment**

In the first half of 2019, various market indicators of equity financing business declined. However, with the official launch of Sci-tech Innovation Board to expand direct financing channels, investment banks ushered in incremental business opportunities, and also brought challenge to existing business models and operation capabilities. According to Wind, as at the end of June 2019, the total amount of proceeds raised from equity financing in the A-share market was RMB612.5 billion, decreased by 14% year on year; the proceeds raised from IPOs totaled RMB60.3 billion, decreased by 35% year on year; the number of IPOs was 66, representing a year-on-year increase of 5%; the refinancing proceeds amounted to RMB494.1 billion, representing a year-on-year decrease of 13%.

## SECTION IV REPORT OF THE BOARD

Since this year, the market environment of bond financing business has generally improved. In the first half of the year, the bond underwriting amount of securities firms amounted to RMB3.38 trillion, representing an increase of approximately 69.58% year-on-year. Among them, the underwriting amount of local government bond amounted to RMB268.331 billion, representing an increase of 1,132.28% year-on-year; the underwriting amount of non-policy financial bond was RMB686.716 billion, representing an increase of 98.74% year-on-year; the underwriting amount of corporate bond amounted to RMB155.779 billion, representing an increase of 75.62% year-on-year; the underwriting amount of corporate bond amounted to RMB1,050.556 billion, representing an increase of 78.16% year-on-year; the underwriting amount of ABS of amounted to RMB730.289 billion, representing an increase of 19.61% year-on-year.

In the first half of 2019, the size of the NEEQ market was shrinking further, While the number of listed companies fell sharply and the number of new companies recommended to list also decreased significantly, that of delisted enterprises increased significantly. As of the end of June 2019, the number of existing companies listed in the NEEQ market totaled 9,916; the volume of market-making transactions on the NEEQ showed a steady decline, the market making business was dull. The financing scale in the market decreased obviously.

### **Operation measures and results**

In the first half of 2019, the Company continued to build and strengthen the customer-centered investment banking integrated financial services capabilities, gradually established and improved the integrated investment banking system and mechanism, improved the professional level, and enhanced the overall competitiveness of the Company's investment banking. The Company vigorously advanced the reform of investment banks, completed organizational restructuring, team and personnel optimization; seized the opportunity of Sci-tech Innovation Board, promoted the application progress of the Sci-tech Innovation Board projects in all aspects; steadily carried out the centralized management work of the NEEQ projects, strictly controlled the risk of the existing NEEQ projects; took the leading role among investment banks in E-SBU construction and provided assistance in promoting the collaborative innovation and development of Everbright Group's investment banking business.

In the first half of the year, the Company completed securities underwriting for eight companies and ranked No. 11 in the market, up 35 places as compared with last year. The underwriting amount of equities amounted to RMB3.869 billion, representing a decrease of 23% year-on-year. Among them, the Company completed IPO underwriting for three companies, with an underwriting amount of RMB1,244 million. The Company completed refinancing underwriting for three companies with an underwriting amount of RMB1.980 billion. The Company completed mergers and acquisitions and reorganization transactions for three companies and provided financial consultant services for two companies. The Company increased the reserve of equity financing projects. According to the statistics from Wind and the Company itself, as at the end of June 2019, the Company had two approved equity related projects pending for closing; 22 IPO underwriting projects pending for approval, 7 of which were IPO projects for Sci-tech Innovation Board, ranked 8th in terms of the number of IPO projects for Sci-tech Innovation Board; 5 refinancing projects under review; and three mergers and acquisitions or reorganization projects under review.

In the first half of the year, the number of corporate bond underwriting projects of the Company was 523, up 216.97% year-on-year; the underwriting amount amounted to RMB153.29 billion, representing an increase of 84.97% year-on-year; the market share was 4.59%, representing a year-on-year increase of 0.44 percentage point; ranked 7th in the industry. The number of asset securitization projects of the Company was 120, representing

## SECTION IV REPORT OF THE BOARD

a year-on-year increase of 71.43%. The asset securitization underwriting amount of the Company amounted to RMB41.710 billion with the market share of 5.87%, and ranked 5th in the industry. The Company successfully issued the first infrastructure related REITs product in the whole market, the first public issuance of expressway related ABN project in the inter-bank market, and the largest single public issuance of ABN project in the inter-bank market. The corporate bond underwriting project has sufficient reserves. As at the end of June 2019, the number of corporate bond projects to be issued was 163; the number of projects pending approval was 88; the number of reserve projects that have been already initiated and internally approved was 153.

Table 1: Underwriting amount and number of bond issuance projects of the Company by types

*Unit: RMB100 million*

Type of bonds	Underwritten amount	Number of issued projects	Industry ranking
Interbank products (including medium-term notes, short-term financing bonds and private placement notes)	256.87	65	4
Corporate bonds	402.97	67	7
Asset securitization	417.10	120	5
Non-policy financial bonds	271.23	17	9
Local government bond	121.29	251	6

In the first half of the year, the Company had recommended a total of 264 companies to go listed on the NEEQ as the lead sponsor, ranking 14th in the industry. There was one company whose shares are newly quoted on the NEEQ with the Company's recommendation, representing a total financing size of RMB256 million. As of the end of June 2019, the Company provided market-making and quotation services for 29 NEEQ quoted companies, 10 of which entered the innovative level.

### Outlook for the second half of 2019

In the second half of 2019, the Company will promote the implementation and reserve of investment banking projects in an all-round way, further increase in the reserve of Sci-tech Innovation Board projects, mergers and acquisitions and refinancing projects, promote the balanced development of various businesses, and strengthen internal synergy and actively promote the implementation of medium and large-scale brand projects in order to enhance the capacities of integrated financial services.

The Company will continue to implement key account strategy for bond underwriting business and accumulate strategic customer resources. The Company will continue to increase efforts in the development of asset securitization business, enrich the underlying assets, innovate the transaction structure, participate in the pilot public issuance of REITs and enhance capabilities of the asset securitization business. The Company will make full use of the synergy and coordination mechanism to explore financing needs, and effectively carry out financing services and collaborative work. The Company will maintain the steady development of bond underwriting business in the traditional advantageous segment and actively explore various innovative businesses.

The Company will give full play to the advantages of its high-quality NEEQ project pipeline to enrich back-end income on the back of continuous guidance for NEEQ projects, develop NEEQ transfer projects and tap into financial advisory business opportunities from mergers and acquisitions, reorganization projects and underwriting opportunities, with a view to expanding income sources.

## SECTION IV REPORT OF THE BOARD

(2) *Institutional trading*

**Market environment**

In the first half of 2019, the competition for trade allocation became increasingly intense. In order to meet the diversified needs of customers, the securities firms offered more institutional business model, and the revenue from capital intermediary was further expanded.

**Operation measures and results**

In the first half of 2019, in face of challenges and pressures, the Company strived to build an institutional customer service platform, consolidate basic services, improve service quality, continue to leverage the advantages of public offering business, and seek new business breakthroughs, the service level of institutional customer service has been further enhanced. In the first half of the year, the Company recorded a 3.47% internal share in fund allocation, representing an increase of 0.13 percentage point as compared to the previous year. As at the end of June 2019, the market share of net income from seats commission of Company was 3.81%, representing a decrease of 0.11 percentage point as compared to the previous year.

**Outlook for the second half of 2019**

In the second half of 2019, under the premise of strengthening risk prevention, the Company will further improve the service level of institutional customer service and enhance the capabilities of provision of service for oligarchy customers. The Company will integrate the Company's resources to provide a diverse range of services to institutional customers. The Company will strengthen cooperation with institutional customers and strive to achieve steady progress in business breakthrough.

(3) *Private placement business*

**Market environment**

In the first half of 2019, on the one hand, due to several factors such as fluctuations in the market environment and stricter regulatory policies, the growth of the private equity industry slowed down, and the concentration of the securities related private equity industry further improved. On the other hand, with the promulgation of the "Administrative Measures for Wealth Management Subsidiaries of Commercial Banks" and the successive establishment of the wealth management subsidiaries by major commercial banks, institutional PB business ushered in a new eco-system and entered a new strategic development period.

**Operation measures and results**

The Company established the strategic objectives of developing commercial banks, trust companies and large private funds as its major customers, and has built three pillars of fundraising, investment research and system as the core, consolidated the foundation of performance evaluation and improved capabilities of investment consultant recommendation and product design to create the influence of the PB service brand of the Company. As at the end of June 2019, the Company had partnered with a total of 878 private equity institutions, representing a year-on-year increase of 21%; a total of 2,106 PB products were introduced, representing a year-on-year increase of 26%; there were 1,177 existing PB products, representing a year-on-year decrease of 6%; the cumulative introduction of PB products filed for approval reached RMB333.143 billion, representing a year-on-year increase of 26%, among which the size of new bank wealth management products amounted to RMB9.959 billion; the size of existing PB products amounted to RMB202.1 billion, representing a year-on-year increase of 2%.

## SECTION IV REPORT OF THE BOARD

### Outlook for the second half of 2019

In the second half of 2019, the Company will continue to strengthen the construction of the fundraising channel and promote product cooperation with the oligarchy private equity institutions. Meanwhile, the Company will seize relevant policy opportunities and continue to focus on the commercial banks, trust companies and other institutions to meet the needs of customers' business transformation and give full play to the one-stop integrated service professional advantages of the Company in investment research, trading system, sales fundraising, performance evaluation, investment consultant recommendation and FOF plan design and build the institutional PB service brand to improve its influence in the market.

#### (4) *Investment research business*

### Operation measures and results

In the first half of 2019, the Company adhered to the characteristic orientation of "cross-market and cross-category asset allocation recommendation capability driven by macro-capacity", and committed to "developing Everbright branded research products", the Company held two large investor strategy conferences and certain large and medium-sized investor forums. The Company released a total of 2,649 research reports, provided 8,595 roadshow services, 388 joint researches, and conducted a number of cross-industry and cross-region joint researches, expert exchange, teleconferences, salons and other investment research services. As of the end of June 2019, the Company tracked and researched 612 A-share listed companies and 133 overseas listed companies. In the first half of the year, the Company focused on the special research of the Sci-tech Innovation Board, and launched 34 special reports on the Sci-tech Innovation Board, and held three sessions of training on the Sci-tech Innovation Board. The Company completed the integration of A-shares and overseas research teams, improved the research talent structure, and further strengthened the research support system for customers and internal business lines.

### Outlook for the second half of 2019

In the second half of 2019, the investment research business segment of the Company will adhere to play role of the think tank in a market-oriented manner and enhance its influence in the market, continuously consolidate research quality, strengthen team building, optimize investment research service strategy and strengthen key customer service. The Company will maintain independent research, provide reasonable pricing for companies to be listed on the Sci-tech Innovation Board and provide high-quality investment research services for customers.

#### (5) *Proprietary trading business*

### Market environment

In the first half of 2019, the stock market rebounded. The stock market rose sharply in the first quarter and fell in the second quarter. The bond market maintained stable. The OTC option market was gradually recovering. The net financing of the bond market has increased significantly. The amount of issuance of interest rate bonds increased significantly due to the pre-issuance of local government bonds, and the net proceeds from non-financial credit bonds increased significantly in the first four months. Since May, affected by credit risk events and weakening economic data, the growth has slowed down.



## SECTION IV REPORT OF THE BOARD

### **Operation measures and results**

In the first half of 2019, in terms of equity investment, the Company focused on reshaping business processes and strengthening the risk control system to comprehensively improve the quality of investment research and achieved remarkable investment returns. The Company actively prepared CDR market making and cross-border conversion business of Shanghai-London Stock Connect and cross-border conversion business and deployed innovative businesses such as the Sci-tech Innovation Board business. In terms of fixed income investment, the Company optimized the position structure. Quantitative derivatives business, on-market business market making and arbitrage hedging business generated profit, the stock option market-making business rating of the Company has maintained A grade for a long time, and maintained a first-class level in the industry.

### **Outlook for the second half of 2019**

In the second half of 2019, the equity investment of the Company will continue to conduct in-depth research, make cautious decision and select individual stocks to strive to continuously improve the return on investment of portfolio; the Company will take advantage of the launching of the Sci-tech Innovation Board to enhance the research capabilities and strategic layout in the leading-edge areas. In respect of fixed-income investments, the Company will strictly control credit risk, obtain stable and safe investment income and actively capture investment opportunities in convertible bonds to increase investment income. In the meantime, the Company will actively develop the OTC structured notes business.

#### **4) Investment Management Business**

The investment management business includes asset management business, fund management business, private equity investment business, alternative investment business and PPP business. In the first half of 2019, such business segment realized revenue of RMB1.2 billion, representing 13% of the total revenue.

##### *(1) Asset management business*

### **Market environment**

In the first half of 2019, under the unified regulatory framework after the promulgation of new regulations and rules on asset management, the asset management business returned to its original business scope; at the same time, with the gradual establishment of wealth management subsidiaries of the banks, the competition in the asset management industry was increasingly intense. The existing businesses of asset management institutions encountered a large pressure of regulated transformation; the Company sought breakthroughs in the businesses and built differentiated advantages as the core of development under the new situation.

### **Operation measures and results**

In the first half of 2019, Everbright Asset Management continued to strengthen its investment and research capabilities and team building, enhanced its active management capabilities, and enriched its product types and investment strategies. Meanwhile, the Company promoted the rectification of existing products in an orderly manner in accordance with the new regulations and rules on asset management and adhered to compliance and sound operation. As at the end of June, the total AUM of Everbright Asset Management amounted to RMB265.246 billion, representing a decrease of 8.46% from the beginning of year. The assets under active management reached RMB148.144 billion, representing a decrease of 3.94% from the beginning of year. It completed five asset securitization projects as manager with an aggregate issue size of RMB11.522 billion.

## SECTION IV REPORT OF THE BOARD

Table 2: The size of each kind of products under asset management business and YoY percentage changes

<b>Product types</b>	<b>AUM (RMB100 million)</b>	<b>YoY percentage changes compared to last year</b>
Collective Asset Management Scheme	757.04	0.67%
Designated Asset Management Scheme	1,534.48	(21.32)%
Specific Asset Management Scheme	360.94	107.03%
<b>Total</b>	<b>2,652.46</b>	<b>(7.79)%</b>

### Outlook for the second half of 2019

In the second half of 2019, Everbright Asset Management will continue to take its customers as the center, deeply explore customer needs, optimize product mix, continue to promote the transformation of public issuance, and further improve the level of investment research, and maintain and improve active management products to offer customers with quality integrated service.

### (2) Funds management business

#### Market environment

In the first half of 2019, the mutual fund sector remained in a stable growth, and the AUM of mutual funds continued to achieve a moderate growth rate. According to the statistics from Wind, as at the end of June 2019, the AUM of mutual funds amounted to RMB13.4 trillion, including ETF feeder funds, which was 3% higher than that at the end of 2018. It maintained its growing trend of MAU in the public fund industry, but the growth rate was slowed down.

#### Operation measures and results

In the first half of 2019, Everbright Pramerica proactively promoted the steady development of the Company's various businesses. As at the end of June 2019, the AUM of mutual funds amounted to RMB90 billion, and the AUM of specific funds amounted to RMB22.4 billion. In terms of first launch of product, the Company carefully studied market trends and actively responded to the needs of partners, and designed and developed a variety of mutual funds for equity investment and wealth management products of specific funds. In the first half of the year, Everbright Pramerica submitted the applications to the CSRC for the issuance and registration of five mutual funds, and completed the establishment and filing of the six asset management schemes of specific funds. In terms of results of investment research, Everbright Pramerica actively grasped the opportunity of recovery in the equity market and further enhanced its active management capabilities. The results of several equity products were at the forefront of the market; the fixed-income fund products of Everbright Pramerica were mostly low-risk and absolute returns products and also achieved a good return on investment.

## SECTION IV REPORT OF THE BOARD

### **Outlook for the second half of 2019**

In the second half of 2019, Everbright Pramerica will speed up the layout of new funds and further improve its product lines, attach equal importance to the initial launch and continuous marketing, accelerate the coordinated development of the Company's various businesses, optimize internal risk control and maintain the bottom line of business development risk to achieve sustainable business development of the Company in an ever-evolving market environment.

### *(3) Private fund investment and financing business*

#### **Market environment**

In the first half of 2019, the overall private equity fund industry remained sluggish. Under the effects of stricter regulatory policies, securities firms experienced certain changes in the private equity fund sector such as the transformation of business types, better-regulated and orderly development of the industry, and increasing investment capability and marketization.

#### **Operation initiatives and results**

In the first half of 2019, with the lineage of "Funds + ABN" products, Everbright Development made full use of the comprehensive finance advantages of Everbright Securities, to successfully launch the Hebei Transportation Investment's coastal high-speed ABN project cooperated with the investment banking sector of the Company, with a total project scale of RMB8.753 billion. Meanwhile, the project highly conformed to the strategic decision-making deployment of "the integration of Beijing-Tianjin-Hebei" of the central government, effectively promoted the successful reduction of debt and leverage of state-owned enterprises, and enhanced the service capability of financial industry to the real economy.

In the first half of the year, for direct investment projects and existing fund business, Everbright Capital took proactive measures to rectify such business to ensure it is in line with the regulatory requirements, strengthened post-investment management of the investment projects and actively and properly addressed specific risks.

### **Outlook for the second half of 2019**

In the second half of 2019, under the premise of strengthening compliance management of its private equity fund investment and financing business, the Company will strengthen its business base, make full use of its comprehensive finance advantages, actively explore new businesses and new models, and provide diversified investment and financing channels for the financial industry to serve the real economy.

### *(4) Alternative investment business*

#### **Market environment**

In the first half of 2019, affected by regulatory policies and the domestic and international political and economic environment, equity investment institutions entered a new cycle of "difficulty in funding", and the equity investment market experienced a bottleneck period. During the year, with the launch of the Sci-tech Innovation Board and the registration-based IPO system, the equity investment institutions have a new exit channel of value-based investment, which will also bring a new round of investment opportunities in the technological innovation sector.

## SECTION IV REPORT OF THE BOARD

### Operation measures and results

In the first half of 2019, Everbright Fortune proactively explored the development direction of alternative investment business and adjusted the relevant business layout and business model. Everbright Fortune focused on equity investment in key areas such as tourism, biomedicine, big data, communication and Internet technology, explored high-quality enterprises at the medium and early stage. Everbright Fortune increased employment of post-investment management personnel, implement refined management of the post-investment, adopted the engagement system and project manager responsibility system to ensure the disinvestment of the project in a safe and orderly manner. Everbright Fortune seized the opportunity brought by the launch of the Sci-tech Innovation Board, actively researched on the co-investment policies, systems and business processes of the Sci-tech Innovation Board, and actively participated in the offering and strategic placement of the Sci-tech Innovation Board. Everbright Fortune strengthened pre-investment due diligence on the equity investment business and the post-investment tracking management to strictly control financial risks.

### Outlook for the second half of 2019

In the second half of 2019, Everbright Fortune will focus on the main business of equity investment and reshape its business orientation; seize the opportunity brought by the Sci-tech Innovation Board, increase efforts in project undertaking, improve the co-investment system and working mechanism of the Sci-tech Innovation Board; focused on equity investment in areas such as tourism, energy saving and environmental protection, big data, communication and Internet technologies, and explore high-quality investment targets. Everbright Fortune will continue to implement refined post-investment management to ensure the disinvestment of projects in a safe and orderly manner.

### 5) Overseas Business

In the first half of 2019, such business segment recorded revenue of RMB900 million, representing 10% of the total revenue.

#### Market environment

Affected by the macroeconomic and political environment and the turmoil in the world's major securities markets, the Hang Seng Index fluctuated sharply in the first half of 2019. The average daily turnover of the Main Board of the Hong Kong Stock Exchange amounted to HK\$97.7 billion, down 22.4% year-on-year. The activity of trading in the market is significantly lower than that in 2018, and investment sentiment gradually became inactive. Due to factors such as market volatility, Sino-US trade war and the establishment of the Sci-tech Innovation Board, the total number of newly listed companies in Hong Kong stocks market in the first half of 2019 was 84, down 22.2% year-on-year. The total number of companies submitted for listing application in Hong Kong stocks market was 235, representing a decrease of 20 from the same period of last year.

## SECTION IV REPORT OF THE BOARD

### Operation measures and results

In the first half of 2019, the overseas business segment of the Company adhered to the principle of steady progress and emphasizing on both quality and efficiency, gradually expanded its influence in the Hong Kong market, further revised and improved the relevant systems for the management and control of subsidiaries and optimized the working mechanism to take a solid step in the international development.

The Company continued to advance the transformation of wealth management for brokerage and wealth management business. As of the end of June 2019, the total value of customer assets amounted to approximately HK\$129.5 billion, the number of customers was over 133,000, representing the market share of securities turnover of 0.3147%, and the size of margin financing business reached HK\$11 billion. In the first half of the year, the Company received several major industry awards and was once again selected into the "Private Banking Directory" top private banking directory of the South China Morning Post in 2019. It was awarded the Wealth Management Award 2019 – Best and Outstanding Independent Financial Advisor of the Financial Planning by the Index and the Securities Firm of The Year – Excellence Award by *Bloomberg Businessweek/Chinese Edition* and Wealth Management Platform – Outstanding Award.

Investment banking business segment developed steadily. In the first half of the year, it successfully sponsored the listing of Everbright Water in Hong Kong and achieved the dual listing of Everbright Water in Singapore and Hong Kong. In the first half of the year, the number of IPO sponsoring projects in Hong Kong ranked 6th among Chinese-funded securities firms, and one technology, media and telecom ("TMT") project and one tourism project has successfully passed hearing of the Hong Kong Stock Exchange. The Company completed ten underwriting and issuance projects for Hong Kong stocks with a total underwriting amount of approximately US\$265 million; and the Company participated in eight bond issuance projects with a total amount of approximately US\$2.463 billion.

The Company strengthened linkage and coordination in the asset management business segment. As of the end of June 2019, the AUM amounted to HK\$3.19 billion, representing an increase of 7% as compared to the end of 2018.

### Outlook for the second half of 2019

In the second half of 2019, the overseas business segment of the Company will continue to expand the depth and breadth of its business, further develop a financial institution with a wide range of products and services and strengthen strategic arrangements and risk management to achieve overseas extension of the domestic business segment of the Company.

## 6) Analysis of 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 and sale of publicly-offered securities investment funds.

As of June 30, 2019, Everbright Futures had total assets, net assets and net profit amounting to RMB11.935 billion, RMB1.813 billion and RMB95.77 million, respectively.

2. Shanghai Everbright Securities Asset Management Co., Ltd., established on February 12, 2012 with a registered capital of RMB200 million, is a wholly-owned subsidiary of the Company. It is principally engaged in securities asset management business.

As of June 30, 2019, Everbright Asset Management had total assets, net assets and net profit amounting to RMB2.144 billion, RMB1.74 billion and RMB205.04 million, respectively.

## SECTION IV REPORT OF THE BOARD

3. Everbright Capital Investment Co., Ltd., established on November 7, 2008 with a registered capital of RMB4 billion, is a wholly-owned subsidiary of the Company. It is principally engaged in investment management, asset management, equity investment and investment consultancy.

As of June 30, 2019, Everbright Capital had total assets, net assets and net loss amounting to RMB5.055 billion, RMB2.241 billion and RMB308.36 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.

As of June 30, 2019, Everbright Fortune had total assets, net assets and net loss amounting to RMB2.736 billion, RMB2.061 billion and RMB80.34 million, respectively.

5. Everbright Securities Financial Holdings Limited is a company with limited liability incorporated under the laws of Hong Kong on November 19, 2010 with a paid-in capital of HK\$2.765 billion, and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding and financial services.

As of June 30, 2019, EBSHK had total assets, net assets and net profit (RMB equivalent) amounting to RMB26.896 billion, RMB438 million and RMB59.46 million, respectively.

6. Everbright Development Investment Co., Ltd., established in June 12, 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, 2019, Everbright Development had total assets, net assets and net profit amounting to RMB1.17 billion, RMB543 million and RMB14.5 million, respectively.

7. Everbright Fortune International Leasing Co., Ltd., established in September 29, 2014 with a registered capital of RMB1 billion, is held by the Company as to 85% equity interests (of which 35% equity interests held by Everbright Capital was frozen due to the effect of MPS risk event, for details, please refer to the announcement of the Company published on the website of the SSE with No. 2019-037 and the announcement dated on May 31, 2019, on update of important matters relating to a wholly-owned subsidiary and litigation published on the website of the Hong Kong Stock Exchange.) through Everbright Capital and EBSHK. It is principally engaged in financial leasing and leasing business.

As of June 30, 2019, Everbright Leasing had total assets, net assets and net profit amounting to RMB6.102 billion, RMB1.215 billion and RMB20.77 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.

As of June 30, 2019, Everbright Pramerica had total assets, net assets and net profit amounting to RMB1.259 billion, RMB1.104 billion and RMB80.72 million, respectively.

## SECTION IV REPORT OF THE BOARD

9. Everbright Yunfu Internet Co., Ltd., established in April 16, 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.

As of June 30, 2019, Everbright Yunfu had total assets, net assets and net loss amounting to RMB216 million, RMB-327 million and RMB30.18 million, respectively.

10. Everbright Eascreate Network Technology Co., Ltd., established in September 6, 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.

As of June 30, 2019, Everbright Eascreate had total assets, net assets and net loss amounting to RMB113 million, RMB93 million and RMB2.3 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 raising, fund sales and asset management.

As of June 30, 2019, Dacheng Fund had total assets, net assets and net profit amounting to RMB3.545 billion, RMB2.409 billion and RMB129.56 million, respectively.

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

Table 1 Major revenue items

Unit: RMB'000

Item	January to June 2019		January to June 2018		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Fee and commission income	3,391,741	39%	2,783,586	40%	608,155	22%
Interest income	3,039,856	35%	3,259,977	47%	(220,121)	(7)%
Net investment gains	1,990,667	23%	672,433	10%	1,318,234	196%
Other income and gains	200,450	2%	264,618	4%	(64,168)	(24)%
<b>Total revenue and other income</b>	<b>8,622,714</b>		6,980,614		1,642,100	24%

In the first half of 2019, total revenue and other income of the Company amounted to RMB8.62 billion, representing a year-on-year increase of 24%. In particular, fee and commission income amounted to RMB3.39 billion, representing a year-on-year increase of 22%, which was mainly due an increase in the income from brokerage business and underwriting and sponsorship business. Interest income amounted to RMB3.04 billion, representing a year-on-year decrease of 7%, which was mainly due to the decrease in the interest income from debt instrument at fair value through other comprehensive income. Net investment gains amounted to RMB1.99 billion, representing a year-on-year increase of 196%, which was mainly due to an increase in gains from investment in financial assets. Other income and gains amounted to RMB200 million, representing a year-on-year decrease of 24%, which was mainly due to a decrease in financial supportive funds received.

## SECTION IV REPORT OF THE BOARD

Table 2 Major expenditure items

Unit: RMB'000

Item	January to June 2019	January to June 2018	Increase/decrease	
			Amount	Percentage
Fee and commission expenses	<b>519,901</b>	505,788	14,113	3%
Interest expenses	<b>2,262,748</b>	2,393,087	(130,339)	(5)%
Staff costs	<b>1,968,304</b>	1,600,465	367,839	23%
Depreciation and amortization expenses	<b>319,755</b>	192,382	127,373	66%
Tax and surcharges	<b>31,374</b>	32,366	(992)	(3)%
Provision for contingent liabilities	<b>299,938</b>	–	299,938	100%
Credit impairment losses	<b>353,621</b>	191,296	162,325	85%
Other operating expenses	<b>654,524</b>	726,937	(72,413)	(10)%
<b>Total</b>	<b>6,410,165</b>	5,642,321	767,844	14%

In the first half of 2019, total expenses amounted to RMB6.41 billion, representing a year-on-year increase of 14%. In particular, fee and commission expenses amounted to RMB520 million, representing a year-on-year increase of 3%, which was mainly due to an increase in stock and fund trading volume in brokerage business, leading to a corresponding increase in fee and commission income. Interest expenses amounted to RMB2.26 billion, representing a year-on-year decrease of 5%, which was mainly due to an increase in the scale of financial assets sold under repurchase agreement, which was partially offset by an increase in long-term bonds; Staff costs amounted to RMB1.97 billion, representing a year-on-year increase of 23%, which was mainly due to the increase in fees related to income and profit during the period; The newly accrued provision for contingent liabilities amounted to RMB300 million, which was mainly due to the increase in the relevant estimated liabilities arising from litigation; Credit impairment losses amounted to RMB350 million, representing a year-on-year increase of 85%, which was mainly due to the provision for impairment of credit business; Other operating expenses amounted to RMB650 million, representing a year-on-year decrease of 10%, which was mainly due to a decrease in rental and utility cost.

### 3. Cash flows

In the first half of 2019, the cash and cash equivalents of the Company recorded a net increase of RMB14.7 billion, of which:

- (1) Net cash generated from operating activities amounted to RMB31.76 billion, mainly due to a decrease in financial assets held under resale agreements and financial assets at fair value through profit or loss.
- (2) Net cash used in investing activities amounted to RMB3.95 billion, mainly due to an increase in equity investments and investments classified as receivables.
- (3) Net cash used in financing activities amounted to RMB13.11 billion, mainly due to repayment of certain debt financing instruments for the period.



## SECTION IV REPORT OF THE BOARD

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

Unit: RMB'000

Item	June 30, 2019		December 31, 2018		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
<b>Non-current assets</b>	<b>34,744,249</b>		35,480,727		(736,478)	(2.08)%
Property and equipment	872,636	0.42%	800,043	0.39%	72,593	9.07%
Right-of-use asset	755,055	0.37%	–	–	755,055	100.00%
Goodwill	1,261,973	0.61%	1,257,046	0.61%	4,927	0.39%
Other intangible assets	352,171	0.17%	436,214	0.21%	(84,043)	(19.27)%
Interest in associates and joint ventures	1,092,875	0.53%	1,096,310	0.53%	(3,435)	(0.31)%
Financial assets at amortized cost	6,658,385	3.23%	7,606,011	3.70%	(947,626)	(12.46)%
Equity instruments at fair value through other comprehensive income	5,167,537	2.51%	4,848,015	2.36%	319,522	6.59%
Debt instruments at fair value through other comprehensive income	9,377,686	4.56%	7,945,473	3.86%	1,432,213	18.03%
Financial assets held under resale agreements	1,327,373	0.64%	3,554,278	1.73%	(2,226,905)	(62.65)%
Refundable deposits	3,942,007	1.92%	3,186,808	1.55%	755,199	23.70%
Deferred income tax assets	1,068,094	0.52%	1,235,048	0.60%	(166,954)	(13.52)%
Finance lease receivables	2,387,825	1.16%	3,362,252	1.63%	(974,427)	(28.98)%
Long term receivables arising from sale-and-leaseback arrangements	326,680	0.16%	–	–	326,680	100.00%
Other non-current assets	153,952	0.07%	153,229	0.07%	723	0.47%
<b>Current assets</b>	<b>171,103,074</b>		170,298,311		804,764	0.47%
Accounts receivable	3,352,747	1.63%	3,211,112	1.56%	141,635	4.41%
Finance lease receivables	1,779,406	0.86%	1,934,578	0.94%	(155,172)	(8.02)%
Long term receivables arising from sale-and-leaseback arrangements	181,249	0.09%	–	–	181,249	100.00%
Other current assets	2,336,644	1.14%	2,596,349	1.26%	(259,705)	(10.00)%
Margin accounts	32,553,319	15.81%	30,337,928	14.74%	2,215,391	7.30%
Debt instruments at fair value through other comprehensive income	1,790,767	0.87%	453,406	0.22%	1,337,361	294.96%
Financial assets held under resale agreements	10,152,839	4.93%	30,154,510	14.65%	(20,001,671)	(66.33)%
Financial assets at amortized cost	848,898	0.41%	296,870	0.14%	552,028	185.95%
Financial assets at fair value through profit or loss	50,711,788	24.64%	57,649,338	28.02%	(6,937,550)	(12.03)%
Derivative financial assets	40,100	0.02%	26,720	0.01%	13,380	50.07%
Clearing settlement funds	2,384,330	1.16%	1,475,419	0.72%	908,911	61.60%
Cash held on behalf of brokerage clients	41,201,429	20.02%	33,234,544	16.15%	7,966,885	23.97%
Cash and bank balances	23,769,558	11.55%	8,927,537	4.34%	14,842,021	166.25%
<b>Total assets</b>	<b>205,847,323</b>		205,779,038		68,285	0.03%

## SECTION IV REPORT OF THE BOARD

Item	June 30, 2019		December 31, 2018		Increase/decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
<b>Current liabilities</b>	<b>112,209,833</b>		99,205,014		13,004,819	13.11%
Loans and borrowings	3,912,313	2.51%	4,769,266	3.04%	(856,953)	(17.97)%
Short-term debt instruments issued	6,776,097	4.35%	14,109,673	8.99%	(7,333,576)	(51.98)%
Placements from other financial institutions	4,302,277	2.76%	5,609,349	3.57%	(1,307,072)	(23.30)%
Financial liabilities at fair value through profit or loss	1,377,309	0.88%	287,616	0.18%	1,089,693	378.87%
Accounts payable to brokerage clients	46,585,815	29.91%	35,965,897	22.91%	10,619,918	29.53%
Employee benefits payable	1,929,820	1.24%	1,496,243	0.95%	433,577	28.98%
Other payables and accruals	10,391,782	6.67%	11,436,334	7.28%	(1,044,552)	(9.13)%
Current tax liabilities	379,517	0.24%	403,306	0.26%	(23,789)	(5.90)%
Financial assets sold under repurchase agreements	17,688,758	11.36%	15,953,819	10.16%	1,734,939	10.87%
Derivative financial liabilities	130,555	0.08%	492,824	0.31%	(362,269)	(73.51)%
Lease liabilities due within one year	276,189	0.18%	-	-	276,189	100.00%
Contract liabilities	73	-	-	-	73	100.00%
Long-term bonds due within one year	18,459,328	11.85%	8,680,687	5.53%	9,778,641	112.65%
<b>Total assets less current liabilities</b>	<b>93,637,490</b>		106,574,024		(12,936,534)	(12.14)%
<b>Non-current liabilities</b>	<b>43,540,550</b>	-	57,816,169	-	(14,275,619)	(24.69)%
Loans and borrowings	9,748,275	6.26%	10,212,460	6.50%	(464,185)	(4.55)%
Long-term bonds	28,879,028	18.54%	40,837,158	26.01%	(11,958,130)	(29.28)%
Deferred income tax liabilities	108,974	0.07%	101,436	0.06%	7,538	7.43%
Employee benefits payable	-	-	998	-	-	-
Estimated liabilities	1,699,938	1.09%	1,400,000	0.89%	299,938	21.42%
Lease liabilities	466,943	0.30%	-	-	466,943	100.00%
Other non-current liabilities	2,637,392	1.69%	5,264,117	3.35%	(2,626,725)	(49.90)%
<b>Total liabilities</b>	<b>155,750,383</b>		157,021,183		(1,270,800)	(0.81)%
<b>Net assets</b>	<b>50,096,940</b>		48,757,855		1,339,085	2.75%

*Non-current assets:* As of June 30, 2019, the non-current assets of the Company amounted to RMB34.7 billion, representing a decrease of 2% as compared with that of the beginning of the year. Such decrease was mainly due to the decrease in financial assets at amortized cost, financial assets held under resale agreements and finance lease receivables, partially offset by the increase in debt instruments at fair value through other comprehensive income and refundable deposits.

*Current assets:* As of June 30, 2019, the current assets of the Company amounted to RMB171.1 billion, which maintained roughly the same level with that of the beginning of the year, which was mainly due to the increase in bank balances and cash held on behalf of customers, partially offset by the decrease in Financial assets held under resale agreements and financial assets at fair value through profit or loss.

*Current liabilities:* As of June 30, 2019, the current liabilities of the Company amounted to RMB112.2 billion, representing an increase of 13% as compared with that of the beginning of the year. Such increase was mainly due to the increase in the accounts payable to brokerage clients and long-term bonds due within one year, partially offset by the decrease in short-term debt instruments issued and placements from other financial institutions.

## SECTION IV REPORT OF THE BOARD

*Non-current liabilities:* As of June 30, 2019, the non-current liabilities of the Company amounted to RMB43.5 billion, representing a decrease of 25% as compared with that of the beginning of the year, which was mainly due to the decrease in long-term bonds.

### *Borrowings and bond financing*

Unit: RMB' 000

Item	June 30, 2019	December 31, 2018
Loans and borrowings	<b>13,660,588</b>	14,981,726
Short-term debt instruments issued	<b>6,776,097</b>	14,109,673
Long-term bonds	<b>47,338,356</b>	49,517,845
<b>Total</b>	<b>67,775,041</b>	78,609,244

For details of interest rate and maturity profiles of borrowings and bond financing, please refer to Notes 42, 43 and 51 of the consolidated financial statements.

As of June 30, 2019, the Company's gearing ratio was 68.54%. The Company's long-term bonds due within one year, loans and borrowings and short-term debt instruments issued amounted to RMB29.1 billion, and the Company's net current assets, net of the above liabilities, amounted to RMB142.0 billion. Therefore, the liquidity risk exposure of the Company was immaterial.

### (III) Analysis of investments

#### 1. Overall analysis of external equity investment

As at the end of Reporting Period, the interest in associates and joint ventures of the Company amounted to RMB1.093 billion, representing a decrease of RMB3 million or 0.31%, as compared with that of the beginning of the period, which was mainly due to loss on investment into associate under equity method. For details, please refer to the disclosure in the Financial Report.

##### (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.

### (IV) Major assets and equity sales

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

### (V) Structured entities under the control of the Company

As of June 30, 2019, the Group consolidated 20 structured entities, including asset management plans and partnerships. For asset management plans and partnerships that the Company acts as the manager and the general partner or investment manager respectively, the Group is of the view that it has control over certain asset management plans and partnerships after taking into account various factors including its right to make investment decisions and the exposure to variable returns, and therefore incorporates them into the scope of consolidation. As of June 30, 2019, the net assets of the above structured entities within the scope of consolidation amounted to RMB12.2 billion.

## SECTION IV REPORT OF THE BOARD

### (VI) Use of proceeds

In August 2016, the Company issued a total of 704,088,800 overseas listed foreign shares (H Shares), and raised effective proceeds amounting to HK\$8,926,855,727.40 (equivalent to RMB7,631,224,758.25 calculated based on the central parity rate of the HKD to RMB exchange rate announced by the People's Bank of China on the actual settlement date). The net proceeds amounted to RMB7,380,333,967.67 after deducting the listing expenses.

The Company undertook that all such proceeds would be used in the ways as set out in the H Shares prospectus. The Proposal on the Change in the Use of Proceeds from the Issuance of H Shares was reviewed and approved by the 30th meeting of the fourth session of the Board and the 3rd extraordinary general meeting in 2017. The approved change in the percentage of the use of proceeds from the issuance of H Shares is as follows: approximately 59% of the proceeds were used for developing capital intermediary business, approximately 11% of the proceeds were used for funding operations of overseas business and inorganic expansion of onshore and offshore platforms, approximately 20% of the proceeds were used for developing wealth management business and institutional securities services businesses, and approximately 10% of the proceeds were used for funding working capital and establishing back office systems and other purposes.

As at June 30, 2019, the use of proceeds from the Company's issuance of H Shares is as follows: RMB4.527 billion was used to develop capital intermediary business, RMB868 million was used to expand overseas business, RMB1.46 billion was used to develop wealth management and institutional securities services business, RMB825 million was used for funding working capital, establishing back-office systems and other general corporate purposes, and the remaining amount was RMB1.74 million (the used proceeds from the issuance of H Shares denominated in RMB were calculated at the effective exchange rate; the used proceeds from the issuance of H Shares denominated in Hong Kong dollars were calculated at the current exchange rate; the exchange rate of the unused proceeds from the issuance of H Shares were calculated based on the exchange rate on June 30, 2019. Based on the translation at above exchange rates, the net proceeds from the issuance of H Shares amounted to RMB7.682 billion).

For details of the use of proceeds from all the bonds issued by the Company, please refer to "III. Use of Proceeds Raised from Issuance of Corporate Bonds" under "Relevant Information on Corporate Bonds".

## II. Potential risk exposure

### (1) Market risk

Market risk exposure of the Company refers to the future potential loss of value of 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 various 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 management and internal control 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 once a specific limit approaches or exceeds the pre-determined risk limit. In this case, the relevant business department shall put forward an analysis report and corresponding countermeasures. Stress testing is an integrated part of the Company's market risk management, therefore the Company has established a stress testing mechanism to timely assess the potential loss that the Company may suffer under the stress scenario according to its business development and changes in market and provide a basis for the Company's management to make decisions.

## SECTION IV REPORT OF THE BOARD

In view of its overseas expansion and business development, the Company may be exposed to foreign exchange risks. In terms of sources and use of proceeds, the Company's potential foreign exchange risks are mainly entailed in investment in foreign currency assets through onshore RMB financing and investment in RMB assets through foreign currency financing. As of the end of the Reporting Period, the Company has not commenced any of the above businesses. Proceeds from foreign currency financing by offshore subsidiaries will be all specifically used for investment in the local market to achieve natural hedging of foreign exchange risks. Looking forward, the Company will mitigate foreign exchange risks through a range of hedging measures based on the actual situation so as to support its overseas expansion and business development.

### (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 securities and futures trading on behalf of 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.

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 and credit status of the bond issuer. For the credit business, the credit risk is controlled and managed through conducting 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 applies 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 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.

## SECTION IV REPORT OF THE BOARD

### (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 objective, strategy, governance structure and reporting system relating to the liquidation risk management. According to overall risk management policies, the Company has developed a tolerance and borrowing or lending management mechanism for the overall liquidation risks including leverage ratio, liquidity coverage ratio and net stable funding ratio by adopting a proactive management approach, and established a supporting alerting system for liquidation risk limit management and monitoring based on the different characteristics of businesses. The Company has set up a well-established liquidation risk emergency and capital supplement mechanism by reserving sufficient assets of good quality and prudently and actively managing the structure of liabilities' maturity. Meanwhile, the Company also proactively extends the financing channels and methods and continues to establish a sound and comprehensive liquidation risk management system. The planning and finance department is authorized by the Company to take charge of the overall liquidation risk management, implement overall control 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 and internal control department of the Company is responsible for monitoring the implementation of limit system for overall liquidation risk of the Company.

### (5) Information technology risk

**Business continuity risk:** The Company's principal businesses including brokerage and securities proprietary trading heavily rely on the real-time processing of data via electronic information system, and storing enormous data on trading business and operating activities on electronic devices. 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, computer room infrastructure as well as communication failure, in turn affecting the Company's reputation and service quality or leading to economic losses and legal disputes.

**Information security risk:** With the deepening application of financial technology, the ongoing expansion and extension of securities business channels, the network security of the application system of businesses that provide services on the Internet is facing increasing challenges, including Internet security risks such as malicious cyber attack, fake site, tampering information or virus and Trojan horse, which may result in serious threaten to Golden Sunshine APP, online trading system, online business system and internal application system provided for Internet, and may even cause economic loss or reputation damage to the Company.

**Data leakage risk:** As financial technology has been rapidly developing in recent years, various data analysis platforms including the big data system are widely used. Consequently, data coverage is getting wider and data concentration is getting higher, thus posing a greater security risk of data leakage.

## SECTION IV REPORT OF THE BOARD

During the Reporting Period, the Company continued to deepen the reform of information technology and enhance its support to information technology. It continuously consolidated the technical service mode with an emphasis on "front office, front-end service and full cooperation", enhanced the institutional management model and promoted the deep integration between technology and business. Adhering to the requirement of "safety first, risks under control, demand driver and technology orientation" and strengthening the work philosophy of "prevention first, contingency plan as secondary measure, continuous improvement and pursuit of excellence", the Company continuously pushed forward adopting standard operation and maintenance management and setting up of standards, improving operation and maintenance tools, and refining and reconstructing the operation and maintenance platform and system. In order to manage and control information technology risks effectively, the Company has achieved "offering standard services, adopting process automation, leveraging digital management and promoting intelligent decision-making" by solidifying its core trading systems, implementing ISO20000 System construction achievements and actively promoting the construction of unified platform of monitoring, management and control. The Company continued to improve the network security system, optimize operational procedures of safety and standard and promote the transformation of security management mode from passive defense to active prevention and management by constructing mobile system related to security situation awareness, so as to improve the network security management level of the Company.

### (6) Reputation risk

Reputation risk refers to the risk resulting from negative feedback from securities company shareholders, employees, customers, third-party partner, regulatory agencies, the media and the public due to the operation, management or other acts of the Company or external events.

The Company continued to carry out appropriate and effective reputation risk management, established a standardized management system, a scientific organizational structure and complete management and control system, and successively formulated and amended the "Management Measures of Everbright Securities Company Limited on Information Release" (光大證券股份有限公司信息發佈管理辦法), "Management Measures of Everbright Securities Company Limited on Reputation Risk Prevention and Control and Crisis Public Relations" (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), "Management Measures of Everbright Securities Company Limited on Reporting of Major Incidents" (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 Plans 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), Management Rules of Everbright Securities Company Limited on WeChat Public Account(光大證券股份有限公司微信公眾號管理細則) and other relevant internal measures. The Company set up a Media Affairs Management Working Group and an Emergency Response Leading Group for the coordination and unification of reputation risk management at the company and department levels. In addition, the Company has designated a special position to take charge of public opinion monitoring and the maintenance of relations with external media, and also hired consultancy firms and law firms to assist in reputation risk management. At present, the Company has realized full coverage of its subsidiaries' reputation risk prevention and control systems. All subsidiaries have established measures for the prevention and mitigation of reputation risk in accordance with their own actual conditions.

### (7) Compliance risk

Compliance risk refers to the risk of legal liability, being subjected to regulatory proceedings, disciplinary action, or loss of property or business reputation arising from violation of laws, regulations and rules due to the operation and management or practices of the Company or its personnel.

In order to effectively control compliance risk, the Company, through establishing a practicable compliance management system, has realized effective identification, assessment and management of compliance risks and develops long-term compliance assessment accountability and training mechanisms, providing effective support and supervision for lawful and compliant operations of the Company.

## SECTION IV REPORT OF THE BOARD

### III. Risk management, compliance and internal control work

#### (I) Risk management

In the first half of 2019, the Company attached great importance to the risk management and control, actively conducted self-reflection and faced up to its shortcomings. In order to prevent and defuse risks through "strengthening the supervision over people and the flow of capital and securing the firewall of the system", the Company organized a comprehensive risk investigation within its various departments, branches and subsidiaries to conduct an overall analysis of the risks and hidden dangers, and promote the rectification of problems one by one within a prescribed time limit.

In order to effectively manage and control risks, and under the guiding ideology of "based on the original source of business, consolidating the foundation, steady and compliance operation and strictly sticking to the bottom line", the Company has taken the opportunity of investigation and rectification to stress the Party leadership, strengthen the construction of the "three defense lines of marketing, approval and supervision, and strategic firewall, professional firewall, system firewall and information firewall" (三線四牆) system, consolidate the foundation of risk management and enhance active management capabilities. The Company has implemented various initiatives in the reform of the risk management mechanism: First, the Company has comprehensively tightened up the business authorization for subsidiaries, and strictly examined the project application of subsidiaries. Second, the Company has put emphasis on strengthening the risk management and control of subsidiaries, and implemented the unified risk management and control requirements on the parent company and subsidiaries. Third, the Company has highlighted the implementation of risk preferences, and established a regular monitoring and re-inspection mechanism for the risk preferences of the parent company and subsidiaries. Fourth, the Company has formulated the blacklist of debtors and unified credit granting mechanism with respect to the credit risk control to strictly control the risk. Fifth, the Company has comprehensively strengthened the assessment and accountability of risks to directly link the assessment results with the risk cost and promptly carry out the identification of responsibility.

While actively dealing with risk projects, the Company has steadily promoted business expansion, with abundant liquidity and various core risk control indicators performing well.



## SECTION IV REPORT OF THE BOARD

### (II) Compliance

In the first half of 2019, the Company actively promoted the construction of the institutional and cultural system, fulfilled the functions of compliance management, and strengthened the prevention and control of compliance risks in key areas. Firstly, it carried out compliance inspection in key business areas, and urged the improvement of the regulatory mechanism. The Company has optimized the compliance inspection mechanism in an all-round way, actively explored new ideas, mechanisms and technologies, and vigorously enhanced the effectiveness of compliance inspection. The company has carried out a total of 18 compliance inspections, including on-site inspections of branch offices, inspections over the sales and management of financial products, inspections over bond trading business, inspections over the management and control of subsidiaries, simulated on-site anti-money laundering inspections, etc. Second, the Company attached great importance to investment banking business, especially to the business from the Sci-tech Innovation Board, established a balanced and effectively supervised internal control system with reasonable division of labor and well defined power and responsibility, strengthened exit management and back-end risk control, and enhanced the professionalism and prudence in the internal control of investment banking business. Thirdly, the Company further consolidated the basic management of branch offices, stuck to the bottom line of compliance, and complied with relevant compliance management requirements to promote the compliance management in an orderly manner and form a dual-line management and control model with the parallel management and supervision of business lines and compliance personnel based on the "matrix" management model of retail business. Fourth, the Company further improved the internal control mechanism of subsidiaries, and continuously urged and instructed subsidiaries to improve their internal control mechanism and standardize their organizational structure, so as to achieve full coverage of compliance management of subsidiaries. Fifth, the Company has continuously strengthened the management of anti-money laundering to initially establish an anti-money laundering system, complete the overall upgrading and operation of the anti-money laundering system, and enhance response capacity and practical skills for the anti-money laundering inspection.

### (III) Internal control

In the first half of 2019, the Company strengthened supervision and inspection in key business areas and over subsidiaries, actively prevented and defused risks, and carried out 45 audits and internal control actions, including routine audits of subsidiaries, off-duty audits of directly affiliated departments, special audits, and branch office audits. The Company has promptly checked and rectified the existing main risks and problems identified in the audits and internal control actions to further raise the awareness of risk prevention, enhance internal management and improve the construction of internal control.

## SECTION V SIGNIFICANT EVENTS

### I. Introduction to General Meetings

Meeting	Date of meeting	Websites designated for publication of the resolutions	Date of disclosure of publishing the resolutions
2018 annual general meeting	May 28, 2019	http://www.sse.com.cn http://www.hkexnews.hk	May 29, 2019 (A Shares) May 28, 2019 (H Shares)

### II. Profit Distribution

#### (I) The profit distribution proposal during the Reporting Period

According to the 2018 profit distribution proposal considered and approved at the 2018 annual general meeting of the Company convened on May 28, 2019, 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, 2018, a cash dividend of RMB1.00 per 10 shares (tax inclusive) was distributed to all holders of A Shares and H Shares, with a total cash dividend amounting to RMB461,078,763.90. 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 five business days prior to the 2018 annual general meeting of the Company (i.e. RMB0.878834=HKD1.00). Accordingly, a cash dividend of HKD1.137871 per 10 H Shares (tax inclusive) was distributed.

The Company published relevant announcements in relation to the 2018 profit distribution proposal on the websites of the SSE, the Hong Kong Stock Exchange and the Company, and the Company's 2018 profit distribution proposal was completed in July 2019.

#### (II) Profit distribution proposal and proposal for conversion of capital reserve fund into capital for the half year

The Company had no profit distribution proposal or proposal for conversion of capital reserve fund into capital for the first half of 2019.

### III. Performance of Undertakings

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

### IV. Material Litigation and Arbitration Matters

During the Reporting Period, the Company was not involved in any material litigation or arbitration that involves claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets, which shall be disclosed in accordance with the requirements of the SSE Listing Rules. For details of other litigations, please refer to "XIII. Other Significant Events and Subsequent Events".

### V. 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 pay off debts overdue with a relatively large amount.

## SECTION V SIGNIFICANT EVENTS

### VI. Material Related Party Transactions

The 13th meeting of the fifth session of the Board and the 2018 annual general meeting considered and approved the Proposal for Estimates of the Related Party/Connected Transactions in the Ordinary Course of Business of the Company in 2019. During the Reporting Period, the Company carried out transactions strictly within the scope of the related party/connected transactions determined in the Proposal for Estimates of the Related Party/Connected Transactions in the Ordinary Course of Business of the Company in 2019.

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 2019 (RMB Ten Thousand)	Actual amount during the Reporting Period (RMB Ten Thousand)
Property leasing	Income from property leasing	600	348
	Expense for property leasing	4,000	712

#### (II) Securities and financial products transactions

Nature of transaction	Classification of transaction	Estimated amount in 2019 (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	2,300	409
	Total cash outflows for securities and financial products transactions	2,300	598

#### (III) Securities and financial services

Nature of transaction	Classification of transaction	Estimated amount in 2019 (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 for the members of Everbright Group	95,000	11,906
	Expense: the Company's acceptance of securities and financial services provided by the members of Everbright Group	25,000	7,532

## SECTION V SIGNIFICANT EVENTS

### (IV) Non-financial services

Nature of transaction	Classification of transaction	Estimated amount in 2019 (RMB Ten Thousand)	Actual amount during the Reporting Period (RMB Ten Thousand)
Non-financial services	Income: the Company provided certain non-financial miscellaneous services to members of Everbright Group	300.00	–
	Expense: the Company accepted non-financial miscellaneous services provided by members of Everbright Group	6,900.00	40.00

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

### VII. Guarantees

*Unit: 100 million Currency: RMB*

#### External guarantees provided by the Company (excluding guarantees provided for subsidiaries)

Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)	–
Total amount of guarantees outstanding at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)	–

#### Guarantees provided by the Company for subsidiaries

Total amount of guarantees provided for subsidiaries during the Reporting Period	3.34
Total amount of guarantees provided for subsidiaries outstanding at the end of the Reporting Period (B)	127.79

## SECTION V SIGNIFICANT EVENTS

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

Total amount of guarantees (A+B)	127.79
Proportion of the total amount of guarantees to the Company's net assets (%)	25.51
Including:	
Guarantees provided for shareholders, de facto controller and their related parties (C)	-
Debt guarantees provided directly or indirectly for guaranteed objects with a gearing ratio of over 70% (D)	-
The guarantees whose total amount exceeds 50% of the net assets (E)	-
Total amount of the above three guarantees (C+D+E)	-
Description of guarantees outstanding that may be involved in joint and several liabilities	-
Description of guarantees	

1. During the Reporting Period, the Company has provided the following guarantees: net capital guarantee for the wholly-owned subsidiary Everbright Asset Management, and counter-guarantee to the guarantor for the loan of the overseas commercial bank of the wholly-owned subsidiary EBSHK. As of June 30, 2019, the balance of such guarantees was approximately RMB5.317 billion. The guarantees of the Company's holding subsidiaries mainly include: the wholly-owned subsidiary EBSHK and its subsidiaries provided loan guarantees and financing guarantees for its subsidiaries, to facilitate their business operation. As of June 30, 2019, the balance of such guarantees was approximately RMB7.462 billion.
2. The guarantee amount incurred was the amount increased during the period, excluding the amount decreased during the period.

## SECTION V SIGNIFICANT EVENTS

### VIII. POVERTY ALLEVIATION WORK OF LISTED COMPANIES

#### (I) Targeted Poverty Alleviation Plan

The Company earnestly followed the central government's strategic plan for poverty alleviation and proactively fulfilled its social responsibility. Everbright Securities has a poverty alleviation leading committee to coordinate and lead its poverty alleviation work. Yan Jun, the party secretary and chairman of the Board of Directors of the Company, serves as the leader of the poverty alleviation leading committee and has visited the areas in person receiving one-on-one assistance from the Company many times for research and inspection. Liu Jiping, the deputy party secretary and chairman of the Supervisory Committee of the Company, is in charge of facilitating the implementation of and conducting daily poverty alleviation work. The poverty alleviation office is responsible for the daily organization and coordination of the Company's poverty alleviation work.

In the spirit of the Circular of the State Council on Printing and Distributing the 13th Five-year Plan for Poverty Alleviation and according to the requirements under the Opinions of the CSRC on Playing the Role of the Capital Market in Serving the Country's Poverty Alleviation Strategy and Everbright Group's requirements on poverty alleviation, the Company earnestly implemented the one-on-one assistance initiatives of "One Company, One County" (一司一縣) and "One County, One Enterprise" (一縣一企) as a securities firm with a basic strategy of investing resources (including its proprietary funds) to realize targeted poverty alleviation, an overall objective of promoting common prosperity with win-win cooperation, and a main task of leveraging its professional strengths to accelerate industrial upgrading.

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

During the first half year of 2019, the Company continued to intensify its poverty alleviation efforts by exploring new modes of assistance that are in line with the characteristics of the industry and local conditions, deepening the comprehensive, innovative modes of poverty alleviation featuring "securities +", such as poverty alleviation through industries, finance, consumption, infrastructure, education, medical treatment and public welfare, which developed quite well. And the Company provided modular, multi-dimensional, group-based, differentiated and targeted poverty alleviation services, to broaden and deepen its poverty alleviation efforts.

The Company has signed one-on-one assistance agreements featuring "One Company, One County" with 5 state-level impoverished counties including Xintian County of Hunan, making it among the front rank of industry peers having the greatest number of assistance objects. The Company actively communicated with the CSRC, the Securities Association of China, China Securities Internet System Co., Ltd. and the China Foundation for Poverty Alleviation to report the progress of its poverty alleviation efforts. It also communicated and coordinated with the 5 counties and 3 schools receiving one-on-one assistance from it, and facilitated the successful implementation of 39 poverty alleviation projects, including the infrastructure construction in Xintian County. It also conducted survey, investigation, communication and coordination to make preliminary preparations for new poverty alleviation projects, such as Labor Incentive Program, "Securities + Futures + Insurance" Poverty Alleviation Project for Agricultural Products, Sunshine Physician Training Program, Sunshine Teacher Training Program and Everbright Loving Summer Camp.

## SECTION V SIGNIFICANT EVENTS

### (III) Achievements of Targeted Poverty Alleviation during the Reporting Period

Unit: 0'000 Currency: RMB

Index	Amount/Status
I. General information	
Including: 1. Cash	370.25 + fee of renewal of critical illness insurance
2. Cash converted from materials	
3. Number of registered impoverished individuals who were having cast off poverty (person)	2878
II. Breakdown	
1. Poverty alleviation through industrial development	Poverty alleviation through agriculture and forestry, photovoltaic power generation
Including: 1.1 types of industrial development poverty alleviation projects	Poverty alleviation through agriculture and forestry Others
1.2 Number of industrial development poverty alleviation projects	2
1.3 Invested amount to industrial development poverty alleviation projects	340
1.4 Number of registered impoverished individuals who were having cast off poverty (person)	2878
2. Poverty alleviation through shift of occupation	
Including: 2.1 Investment in vocational skills training (person/time)	0
2.2 Number of person for vocational skills training	0
2.3 Number of registered impoverished individuals who were employed (person)	
3. Poverty alleviation through relocation	
Including: 3.1 Number of individuals employed after relocation (person)	0
4. Poverty alleviation through education	Everbright Loving Summer Camp
Including: 4.1 Investment in sponsoring poor students	50
4.2 Number of sponsored poor students in need (person)	60
4.3 Invested amount to improve the educational resources of poor areas	
5. Poverty alleviation through improvement in health	Maintaining critical illness insurance
Including: 5.1 Healthcare resource investment in poverty-stricken regions	192.8
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of projects	Others
6.2 Invested amount	

## SECTION V SIGNIFICANT EVENTS

Index	Amount/Status
7. Protection for the most impoverished people	
Including: 7.1 Subsidies to “three types of left-behind” individuals	0
7.2 Number of subsidized “three types of left behind” individuals (person)	0
7.3 Subsidies to the impoverished disabled	0
7.4 Number of the subsidized disabled (person)	0
8. Social poverty alleviation	
Including: 8.1 Invested amount of east-west cooperation for poverty alleviation	0
8.2 Invested amount to targeted poverty alleviation tasks	0
8.3 Invested amount of public poverty alleviation fund	0
9. Other projects	
Including: 9.1 Number of projects	1
9.2 Invested amount	13.28
9.3 Number of registered impoverished individuals having cast off poverty (person)	0
9.4 Explanation on other items	Settlement of the collective debt of Xiaoshuigan Village, Xintian County, Hunan Province

### (IV) Substantive Progress of Fulfilling the Social Responsibility of Targeted Poverty Alleviation

The Company has successfully implemented 39 poverty alleviation projects including infrastructure construction in Xintian County, and prepared for and implemented newly established poverty alleviation projects such as the Labor Incentive Program, “Securities + Futures + Insurance” Poverty Alleviation Project for Agricultural Products, Sunshine Physician Training Program, Sunshine Teacher Training Program and Everbright Loving Summer Camp.

### (V) Subsequent Targeted Poverty Alleviation Plan

The Company will actively adopt a variety of measures to help enterprises in poor areas to finance, and endeavor to provide comprehensive financing services in respect of IPOs, NEEQ, green bonds (including asset securitization products) and corporate bonds of innovative startups. The Company will continue to carry out the “One Company, One County” targeted poverty alleviation mission by promoting 39 poverty alleviation projects in Xintian County including infrastructure construction projects, consumption projects and industrial projects. Moreover, the Company will explore new poverty alleviation projects such as labor incentive programs and agricultural products-based “securities + futures + insurance” programs.

## IX. 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). During the Reporting Period, 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 protect the interests of Shareholders.



## SECTION V SIGNIFICANT EVENTS

### X. 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

The changes in the Company's major accounting policies during the Reporting Period are detailed in the notes to the condensed consolidated financial statements "2. basis of preparation and changes on accounting policies".

##### 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, 2019, and has no objection against matters including the accounting policies and practices adopted by the Company.

#### 3. Corporate Governance

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 and 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.

### XI. Other Significant Events and Subsequent Events

#### 1. Events related to branches

In order to optimize resource allocation, the Company plans to selectively adjust the layout of securities brokerage outlets in certain regions. According to the Reply on Approving for the Cancellation of the Securities Brokerage Branch Located at Qixing Road, Xinchang, Shaoxing by Everbright Securities Company Limited" (Zhe Zheng Jian Xu Ke [2019] No. 12) from the Zhejiang Bureau of the CSRC, the Company was approved to cancel the securities brokerage branch Located at Qixing Road, Xinchang, Shaoxing. As of the end of the Reporting Period, the Company has 14 branch companies and 267 securities brokerage branches.

During January 1, 2017 to June 30, 2018, Guangdong Branch of the Company failed to report the suspicious transactions with 79 clients involved according to the requirements of anti-money laundering, which constituted the violation of laws. On May 24, 2019, the PBOC Guangzhou branch issued a Written Decision of Administrative Penalty (Guangzhou Yin Fa Zi [2019] No. 12) to the Guangdong Branch of the Company with a fine of RMB300,000.

#### 2. Events already disclosed in the overseas regulatory announcements with no subsequent progress

For details on the Company's case against surnamed Zheng and surnamed Zhan, customers of stock pledge, please refer to the "Announcement on Litigation" (details of which were set out in the announcement No. Lin 2019-041 issued by the Company on the website of the Shanghai Stock Exchange and the overseas regulatory announcement issued by the Company on the website of the Hong Kong Stock Exchange) disclosed by the Company on July 13, 2019.

For details on the Company's case against surnamed Zhang and surnamed Ma, customers of stock pledge, please refer to the "Announcement on Litigation" (details of which were set out in the announcement No. Lin 2019-045 issued by the Company on the website of the Shanghai Stock Exchange and the overseas regulatory announcement issued by the Company on the website of the Hong Kong Stock Exchange) disclosed by the Company on August 10, 2019.

## SECTION V SIGNIFICANT EVENTS

### 3. Relevant events of litigations disclosed and in progress during the Reporting Period

The Company's case against surnamed Wu, a customer of financing and securities bonds, has been disclosed in "XII. Other significant events and subsequent events" of Section V "Significant events" in the interim report of the Company for 2018 and "VII. Other significant events and subsequent events" of Section V "Significant events" in the annual report of the Company for 2018. Currently, the first trial judgment regarding the case has been issued, demanding surnamed Wu to return the Company's financing principal of RMB41,230,000 and pay the accrued interests, overdue penalties, attorney's fees, notary fees and other fees. Surnamed Wu has appealed the judgment.

The Company's case against its stock pledge client CEFC Shanghai International Group Limited (上海華信國際集團有限公司) has been disclosed in "XII. Other Significant Events and Subsequent Events" in Section V "Significant Events" of the Company's 2018 Interim Report. Currently, the first trial judgment regarding the case has been issued with the court ordering CEFC Shanghai International Group Limited (上海華信國際集團有限公司) to repay the Company's principal of RMB629,580,000 and accrued interests, and bear other costs.

The Company's case against its stock pledge client surnamed Yin has been disclosed in the section headed "III. Significant Events" of the Company's 2018 Third Quarterly Report. Currently, the first trial judgment regarding the case has been issued with the court ordering surnamed Yin to repay the financing principal of RMB97,900,000 and accrued interests, and bear other costs.

The Company's case against its margin financing and securities lending client surnamed Ma has been disclosed in the section headed "III. Significant Events" of the Company's 2018 Third Quarterly Report. The case has been withdrawn and closed by the Company.

The case, of which surnamed Wang filed a lawsuit against the Company and surnamed Wu over the implementation of the dispute by outsiders, has been disclosed in the section headed "VII. Other significant events and subsequent events" of Section V "Significant events" in the annual report of the Company for 2018. Currently, the case has been withdrawn and closed.

The case, of which Everbright Fortune filed a lawsuit against Wuyang Construction Group Co., Ltd. (五洋建設集團股份有限公司) ("Wuyang Construction"), has been disclosed in "XII. Other significant events and subsequent events" of Section V "Significant events" in the interim report of the Company for 2018. On November 27, 2018, Shanghai Second Intermediate People's Court ruled to terminate the execution procedure. At present, Wuyang Construction entered into bankruptcy proceedings and Everbright Fortune is declaring bankruptcy claims.

The case, of which Everbright Leasing filed a lawsuit against Hainan Yinding Industrial Company (海南寅鼎實業公司), has been disclosed in "XII. Other significant events and subsequent events" of Section V "Significant events" in the interim report of the Company for 2018. Currently, the company has received a second trial judgment regarding the case, judging the defendant to pay rent, retention price, liquidated damages and attorney fees, totaling RMB139,000,000, while continuing to pay liquidated damages on the unpaid part, other defendants bear joint and several liability for liquidation.

### 4. New relevant events of litigations

On May 24, 2019, the Company filed a lawsuit with the Jing'an Court of Shanghai requesting the court to order the Company's stock pledge client surnamed Shi to repay the principal and accrued interest its financing in an aggregate amount of approximately RMB45,990,000 and bear the litigation cost, property preservation fee and other costs of the lawsuit, and applied for property preservation. The case has been accepted by the Jing'an Court of Shanghai and has not yet been tried.

On July 12, 2019, the Company filed a lawsuit with the Jing'an Court of Shanghai requesting the court to order the Company's margin financing and securities lending client surnamed Yin to repay the principal and accrued interest its financing in an aggregate amount of approximately RMB25,830,000 and bear the litigation cost, property preservation fee and other costs of the lawsuit, and applied for property preservation. The case has been accepted by the Jing'an Court of Shanghai and has not yet been tried.

## SECTION V SIGNIFICANT EVENTS

### 5. Important events in relation to wholly-own subsidiaries

Everbright Jinhui Asset Management Co., Ltd. (Shanghai) Co., Ltd. (referred to as “Everbright JinHui”) is a subsidiary of Everbright Capital, a wholly-owned subsidiary of the Company engaged in fund management. The investment project of Shanghai JinXin Investment Consultancy Partnership Enterprise (Limited Partnership) (上海浸鑫投資諮詢合夥企業(有限合夥)) (“JinXin Fund”), of which Everbright JinHui serves as the executive partner, faced with overdue risk and failed to exit as originally planned. Everbright Capital contributed RMB60 million as one of the junior partners. After the expiry of JinXin Fund, the Company have made provision for the impairment of RMB60 million.

Each of the relevant stakeholders of two senior partners of Jinxin Fund presented a Shortfall Makeup Letter affixed with the seal of Everbright Capital, specifying the event that Everbright Capital shall have the obligation to make up the corresponding shortfall to the extent the senior partners are unable to exit their investments with indicated returns. Having considered various factors and based on the principle of prudence, the Company have made provision for the estimated liabilities and assets impairment. As at the end of June 2019, the total provision made for estimated liabilities amounted to RMB1,699,938,000 while the provision for assets impairment of the corresponding equity investments and receivables RMB120,862,600.

During the Reporting Period, Everbright JinHui and JinXin Fund filed a civil lawsuit with the Beijing Higher People’s Court, demanding that Baofeng Group and Jinxin Fund for certain loss caused by non-fulfillment of their obligation to repurchase, totaling approximately RMB751,188,000. China Merchants Bank filed a lawsuit against Everbright Capital for disputes related to the Shortfall Makeup Letter, with an amount involved of approximately RMB3.489 billion. At present, the two cases are at the stage of filing and acceptance, and the impact on Everbright Capital cannot be accurately estimated. (for details, please refer to the announcements (No. Lin 2019-008, 012, 016 and 037) issued by the Company on the website of the SSE and announcements dated February 1, 2019, March 2, 2019, March 20, 2019 and May 31, 2019, respectively, on the website of the Hong Kong Stock Exchange.

During the Reporting Period, the Company organized various departments, branches and subsidiaries to conduct a comprehensive risk investigation, carry out a comprehensive analysis of the potential risks, and promote the rectification of problems one by one within a prescribed time limit. Meanwhile, the Company has further strengthened the vertical management and control of subsidiaries, including tightening the business authorization of subsidiaries, strictly standardizing the management of trademark font and size, focusing on pre-control of subsidiary business risks, strengthening risk assessment and accountability, etc. The Company carried out comprehensive compliance investigations in various departments and subsidiaries, covering strategic management, information disclosure, compliance risk control, human resources and finance, information technology and other internal control matters.

The Company has established an ad hoc working group to duly perform risk disposal work and proactively protect the legal rights and interests of the Company and all its shareholders. Meanwhile, the Company has implemented strict accountabilities on the relevant responsible persons of MPS in accordance with the rules and regulations, and will take further measures depending on the risk disposal progress.

### 6. Transfer of preference shares

Reference is made to the announcement dated August 1, 2019 in relation to the entering into of the preference shares transfer agreement between China Everbright Securities International Structured Finance Company Limited (中國光大證券國際結構融資有限公司) (an indirectly wholly-owned subsidiary of the Company) and Luckfield Global Limited (運暉環球有限公司) (a wholly-owned subsidiary of the Everbright Limited), pursuant to which, China Everbright Securities International Structured Finance Company Limited (中國光大證券國際結構融資有限公司) transferred 32,714,641 class C preference shares in ESR Cayman Limited held by it to Luckfield Global Limited (運暉環球有限公司) at a total consideration of US\$44,746,624. The completion of the transaction under the preference shares transfer agreement took place on 1 August 2019, and upon the completion of the transaction, the Company achieved a total internal rate of return of 11% on the subscription price per class C preference share, with a total investment return of US\$11,244,158. Based on the carrying amount of those preferred shares as at the date of completion of the transaction and the consideration for the transfer transaction, it is expected that the gain or loss recorded by the Company as a result of the transactions under the preference share transfer agreement would be US\$0.

## 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 109,858, of which 109,673 were holders of A Shares and 185 were registered holders of H Shares.

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

*Unit: shares*

Name of shareholders (Full name)	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Nature of shareholders
China Everbright Group Ltd.	0	1,159,456,183	25.15%	State-owned legal person
China Everbright Limited	0	982,250,000	21.30%	Foreign legal person
HKSCC Nominees Limited	(5,280)	703,637,700	15.26%	Unknown
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	0	147,518,447	3.20%	Others
China Securities Finance Corporation Limited	0	137,863,472	2.99%	Others
China Great Wall Asset Management Corporation	0	54,978,619	1.19%	State-owned legal person
Central Huijin Asset Management Ltd.	0	37,568,900	0.81%	State-owned legal person
HKSCC Limited	1,050,507	29,718,085	0.64%	Others
ICBC Credit Suisse Fund – Agricultural Bank of China – CSI Financial Asset Management Plan	0	24,431,977	0.53%	Others
E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	0	23,174,586	0.50%	Others

#### Shareholding of top ten shareholders without selling restrictions

Name of shareholders	Number of tradeable 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	982,250,000	RMB ordinary shares	982,250,000
HKSCC Nominees Limited	703,637,700	Overseas listed foreign shares	703,637,700
Pingan Dahua Fund – Pingan Bank – Ping An Bank Company Limited	147,518,447	RMB ordinary shares	147,518,447
China Securities Finance Corporation Limited	137,863,472	RMB ordinary shares	137,863,472
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
HKSCC Limited	29,718,085	RMB ordinary shares	29,718,085
ICBC Credit Suisse Fund – Agricultural Bank of China – CSI Financial Asset Management Plan	24,431,977	RMB ordinary shares	24,431,977
E Fund – Agricultural Bank of China – E Fund CSI Financial Asset Management Plan	23,174,586	RMB ordinary shares	23,174,586

## SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

### 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. HKSCC Limited is the nominee holder of the Shanghai Connect shares.

### (III) Substantial shareholders and other persons' interests and short positions in the shares and underlying shares

As of June 30, 2019, 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 shareholders <sup>8</sup>	Type of share	Nature of interests	Number of corresponding shares of the Company held <sup>7</sup> (share)	Percentage of total issued shares of the Company <sup>7</sup> (%)	Percentage of total issued A Shares/ H Shares of the Company <sup>7</sup> (%)	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 <sup>1</sup>	37,568,900	0.81	0.96	Long position
		A Share	Interests in controlled corporation <sup>2</sup>	2,141,706,183	46.45	54.82	Long position
		A Share		<u>2,179,275,083</u>	<u>47.26</u>	<u>55.78</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 <sup>3</sup>	982,250,000	21.30	25.14	Long position
		A Share		<u>2,141,706,183</u>	<u>46.45</u>	<u>54.82</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 <sup>3</sup>	982,250,000	21.30	25.14	Long position
5	Datten Investments Limited	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
6	Honorich Holdings Limited	A Share	Interests in controlled corporation <sup>3</sup>	982,250,000	21.30	25.14	Long position
7	China Everbright Limited (中國光大控股有限公司)	A Share	Beneficial owners	982,250,000	21.30	25.14	Long position
8	China State Construction Engineering Corporation	H Share	Interests in controlled corporation <sup>4</sup>	138,812,800	3.01	19.72	Long position

## SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of substantial shareholders <sup>8</sup>	Type of share	Nature of interests	Number of corresponding shares of the Company held <sup>7</sup> (share)	Percentage of total issued shares of the Company <sup>7</sup> (%)	Percentage of total issued A Shares/ H Shares of the Company <sup>7</sup> (%)	Long position/ short position
9	China State Construction Engineering Corporation Limited (中國建築股份有限公司)	H Share	Interests in controlled corporation <sup>4</sup>	138,812,800	3.01	19.72	Long position
10	CSCEC Capital (Hong Kong) Limited	H Share	Beneficial owners	138,812,800	3.01	19.72	Long position
11	China Shipbuilding Capital Limited (中國船舶資本有限公司)	H Share	Beneficial owners	138,588,800	3.01	19.68	Long position
12	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
13	Guangdong Hengjian Investment Holding Co., Ltd (廣東恒健投資控股有限公司)	H Share	Interests in controlled corporation <sup>5</sup>	131,344,200	2.85	18.65	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.
- 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.
- As of June 30, 2019, the total issued shares of the Company were 4,610,787,639, of which 3,906,698,839 were A Shares and 704,088,800 were H Shares.
- 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. Information set out in the above table is based on the disclosure of interests forms submitted by the relevant shareholders.

## SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

Save as disclosed above, as of June 30, 2019, 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 shares, underlying shares or debentures of the Company and its associated corporations**

As of June 30, 2019, Mr. Yin Lianchen, a non-executive Director of the Company, had personal interest of 26,000 shares of Everbright Limited, representing 0.00% of the total issued share capital of Everbright Limited. Everbright Limited and Everbright International are associated corporations of the Company.

Save as disclosed above, as of June 30, 2019, 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 Reporting Period 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.

### **(VI) Preference Shares**

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

## 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
Xue Feng (薛峰)	Chairman, Executive Director	Resignation
Yan Jun (閆峻)	Chairman, Executive Director	Election
Meng Xiangkai (孟祥凯)	Non-executive Director	Election
Wang Yong (王勇)	Chief Risk Officer	Resignation

On April 28, 2019, the Board of Directors received the resignation letter of Mr. Xue Feng. Mr. Xue Feng resigned from his positions as a Chairman of the Company and an Executive Director.

Mr. Yan Jun was elected to be the vice chairman (executive director) of the fifth session of the Board of Directors at the 11th Meeting of the fifth session of Board of Directors of the Company. On April 28, 2019, the company received the Reply in Relation to the Approval of the Qualification of Yan Jun as a Chairman-level Officer of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 19) issued by Shanghai Securities Regulatory Bureau, Mr. Yan Jun's appointment as the vice chairman of securities company became effective from April 28, 2019. Mr. Yan Jun was elected to be the chairman (executive director) of the fifth session of the Board of Directors of the Company at the 14th Meeting of the fifth session of Board of Directors of the Company. Since July 3, 2019, Mr. Yan Jun is the chairman (executive director) of the company and ceased to be vice chairman of the Company.

Mr. Meng Xiangkai was elected as a non-executive Director of the fifth session of the Board of Directors of the Company at the first extraordinary general meeting of 2018. In accordance with the Reply of Approval on Qualification of Meng Xiangkai as Director of Securities Company (Hu Zheng Jian Xu Ke [2019] No. 14), Mr. Meng Xiangkai's appointment took effect on March 15, 2019.

On August 1, 2019, the Board of Directors received the resignation letter of Mr. Wang Yong. Mr. Wang Yong resigned from his position as a Chief Risk Officer of the Company.



## SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Yan Jun (閔峻) (Chairman, Executive Director)

Mr. Ju Hao (居昊) (Non-executive Director)

Mr. Song Bingfang (宋炳方) (Non-executive Director)

Mr. Yin Lianchen (殷連臣) (Non-executive Director)

Mr. Chan Ming Kin (陳明堅) (Non-executive Director)

Mr. Xue Keqing (薛克慶) (Non-executive Director)

Mr. Meng Xiangkai(孟祥凱) (Non-executive Director)

Mr. Xu Jingchang (徐經長) (Independent Non-executive Director)

Mr. Xiong Yan (熊焰) (Independent Non-executive Director)

Mr. Li Zheping (李哲平) (Independent Non-executive Director)

Mr. Au Sing Kun (區勝勤) (Independent Non-executive Director)

Mr. Wang Yong (王勇) (Independent Non-executive Director)

## SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### III. SIGNIFICANT CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

During the Reporting Period, employment changes in current Directors, Supervisors and senior management of the Company were as follow:

In April 2019, Mr. Li Zheping, an independent non-executive Director, resigned as an independent director of AVIC Securities Co., Ltd.

In May 2019, Mr. Song Bingfang, a non-executive Director, acted as a director of CYTS Group.

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.

### 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 9,090 employees (including 2,703 brokers), among which, the parent company had 7,112 employees and first-level wholly-owned and holding subsidiaries had 1,978 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, performance and benefits. Wages are determined based on the MD rank where a staff is at, his/her qualifications, competencies, performance, etc. Performance is determined based on individual, departmental and corporate levels. The Company provides its 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 quality lives.

The Company implements a risk reserve system with both incentives and constraints to control risks and thus promote continuous and steady operation of the company. The Company follows industry direction and adjusts salary structure and level in a timely manner, 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 Company are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Company 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 requirement of deepen reform of the Group and the strategic plans of the company, adhering to the guidance of the Party building and the direction of value creation, focusing on the development of talent pool and organizational capacity and in consideration of the characteristics of employee career development. Content combined with party building, leadership, innovative thinking for the training courses to enhance strategic adjustment acumen and rapid response capabilities to the business changes of the company and build an experience-sharing platform between headquarters and branches to improve the professional competence and comprehensive quality of employees in all aspects. The Company made full use of internal and external and Internet resources to enrich staff learning opportunities and 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: RMB100 million Yuan

Bond name	Abbreviation	Code	Issue date	Date of expiry	Balance of bonds	Interest rate (%)	Principal and interest payment method	Places of transaction
1606 EBS Non-public Offering Corporate Bonds (Third Tranche) (Type 2)	16 EVERBRIGHT SECURITIES 06	145072	October 24, 2016	October 24, 2019	30	3.2	Payment of interest on a yearly basis	SSE
1704 EBS Non-public Offering Corporate Bonds (Second Tranche) (Type 2)	17 EVERBRIGHT SECURITIES 04	145337	February 14, 2017	February 14, 2020	20	4.45	Payment of interest on a yearly basis	SSE
1706 EBS Non-public Offering Corporate Bonds (Third Tranche) (Type 2)	17 EVERBRIGHT SECURITIES 06	145507	April 26, 2017	April 26, 2020	40	5	Payment of interest on a yearly basis	SSE
17G1 EBS Public Offering Corporate Bonds (First Tranche) (Type 1)	17 EVERBRIGHT SECURITIES G1	143154	July 4, 2017	July 4, 2020	30	4.58	Payment of interest on a yearly basis	SSE
17G2 EBS Public Offering Corporate Bonds (First Tranche) (Type 2)	17 EVERBRIGHT SECURITIES G2	143155	July 4, 2017	July 4, 2022	15	4.7	Payment of interest on a yearly basis	SSE
17G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1)	17 EVERBRIGHT SECURITIES G3	143325	October 13, 2017	October 16, 2020	41	4.8	Payment of interest on a yearly basis	SSE
17G4 EBS Public Offering Corporate Bonds (Second Tranche) (Type 2)	17 EVERBRIGHT SECURITIES G4	143326	October 13, 2017	October 16, 2022	16	4.9	Payment of interest on a yearly basis	SSE
1802 EBS Non-public Offering Corporate Bonds (First Tranche) (Type 2)	18 EVERBRIGHT SECURITIES 02	150094	January 18, 2018	January 18, 2020	20	5.55	Payment of interest on a yearly basis	SSE
18G1 EBS Public Offering Corporate Bonds (First Tranche) (Type 1)	18 EVERBRIGHT SECURITIES G1	143575	April 18, 2018	April 18, 2020	27	4.68	Payment of interest on a yearly basis	SSE
18G2 EBS Public Offering Corporate Bonds (First Tranche) (Type 2)	18 EVERBRIGHT SECURITIES G2	143576	April 18, 2018	April 18, 2021	33	4.78	Payment of interest on a yearly basis	SSE
1805 EBS Non-public Offering Corporate Bonds (Third Tranche) (Type 1)	18 EVERBRIGHT SECURITIES 05	150584	July 30, 2018	July 30, 2020	10	4.55	Payment of interest on a yearly basis	SSE
1806 EBS Non-public Offering Corporate Bonds (Third Tranche) (Type 2)	18 EVERBRIGHT SECURITIES 06	150585	July 30, 2018	July 30, 2021	40	4.67	Payment of interest on a yearly basis	SSE
18G3 EBS Public Offering Corporate Bonds (Second Tranche) (Type 1)	18 EVERBRIGHT SECURITIES G3	143652	September 26, 2018	September 26, 2021	28	4.3	Payment of interest on a yearly basis	SSE
18C1 EBS Non-public Offering Corporate Bonds (First Tranche)	18 EVERBRIGHT SECURITIES C1	150942	December 13, 2018	December 13, 2021	30	4.3	Payment of interest on a yearly basis	SSE
1901 EBS Non-public Offering Corporate Bonds (First Tranche)	19 EVERBRIGHT SECURITIES 01	151115	January 22, 2019	January 22, 2022	30	3.88	Payment of interest on a yearly basis	SSE
1902 EBS Non-public Offering Corporate Bonds (Second Tranche)	19 EVERBRIGHT SECURITIES 02	162002	August 22, 2019	August 22, 2022	30	3.75	Payment of interest on a yearly basis	SSE

## **SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS**

The principal and interest on 18 EVERBRIGHT SECURITIES 01 were paid on January 18, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2019-002 for details. The principal and interest on 17 EVERBRIGHT SECURITIES 03 were paid on February 14, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2019-009 for details.

The principal and interest on 18 EVERBRIGHT SECURITIES D1 were paid on March 19, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2019-018 for details.

The principal and interest on 17 EVERBRIGHT SECURITIES 05 were paid on April 26, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2019-028 for details.

The principal and interest on 18 EVERBRIGHT SECURITIES 03 were paid on May 7, 2019 and delisted from the SSE Integrated Electronic Platform for Fixed-income Securities. Please refer to the Company's announcement No. 2019-032 for details.

17 EVERBRIGHT SECURITIES G1, 17 EVERBRIGHT SECURITIES G2, 17 EVERBRIGHT SECURITIES G3, 17 EVERBRIGHT SECURITIES G4, 18 EVERBRIGHT SECURITIES G1, 18 EVERBRIGHT SECURITIES G2 and 18 EVERBRIGHT SECURITIES G3 are targeted at accredited investors for public offering.

The remaining bonds for each tranche are targeted at qualified investors for non-public offering.

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

### II. Contact Persons and Contact Methods of Bonds Trustee, Contact Methods of Credit Rating Agency

<b>Credit rating agency</b>	<b>Name</b> <b>Office address</b>	China Chengxin Securities Rating Co. Ltd. Room 113, Zone C, Level 1, Building 3, No. 7 Zhengyi Industrial Zone, Industrial Park, Qingpu District, Shanghai
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<b>Abbreviation</b>	<b>Code</b>	<b>Trustee manager</b>	<b>Credit rating agency</b>
16 EVERBRIGHT SECURITIES 06	145072.SH	Industrial Securities	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES 04	145337.SH	China Galaxy	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES 06	145507.SH	China Galaxy	No rating required for non-public offering of bonds
17 EVERBRIGHT SECURITIES G1	143154.SH	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G2	143155.SH	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G3	143325.SH	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
17 EVERBRIGHT SECURITIES G4	143326.SH	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
18 EVERBRIGHT SECURITIES G1	143575.SH	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
18 EVERBRIGHT SECURITIES G2	143576.SH	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
18 EVERBRIGHT SECURITIES G3	143652.SH	Guotai Junan	China Chengxin Securities Rating Co., Ltd.
18 EVERBRIGHT SECURITIES 02	150094.SH	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES 05	150584.SH	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES 06	150585.SH	Industrial Securities	No rating required for non-public offering of bonds
18 EVERBRIGHT SECURITIES C1	150942.SH	China Galaxy	No rating required for non-public offering of bonds
19 EVERBRIGHT SECURITIES 01	151115.SH	Industrial Securities	No rating required for non-public offering of bonds
19 EVERBRIGHT SECURITIES 02	162002.SH	Industrial Securities	No rating required for non-public offering of bonds

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

The contact persons and contact methods of the above trustee managers are set out as follows:

Bond trustee manager	Name	Industrial Securities Co., Ltd.
	Office address	No. 36 Changliu Road, Pudong New Area, Shanghai
	Contact person	Yang Lingshan
	Contact number	021-20370733
Bond trustee manager	Name	China Galaxy Securities Co., Ltd.
	Office address	Level 2-6, No. 35 Financial Street, Xicheng District, Beijing
	Contact person	Chen Qu
	Contact number	010-83574504
Bond trustee manager	Name	CSC Financial Co., Ltd.
	Office address	No. 188 Chaoyangmen Inner Street, Dongcheng District, Beijing
	Contact person	Zhao Ye
	Contact number	010-85130421
Bond trustee manager	Name	Guotai Junan Securities Co., Ltd.
	Office address	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone
	Contact person	Cao Ning
	Contact number	021-38032079

### III. Use of Proceeds Raised from Issuance of Corporate Bonds

#### (1) Use of proceeds

The proceeds raised from the issuance of "16 EVERBRIGHT SECURITIES 06" and "17 EVERBRIGHT SECURITIES 04", after deducting issuance expenses and other related expenses, were all used in the replenishment of working capital of the Company.

The proceeds raised from the issuance of "17 EVERBRIGHT SECURITIES 06", "17 EVERBRIGHT SECURITIES 07", "17 EVERBRIGHT SECURITIES G1", "17 EVERBRIGHT SECURITIES G2", "17 EVERBRIGHT SECURITIES G3", "17 EVERBRIGHT SECURITIES G4", "18 EVERBRIGHT SECURITIES G1", "18 EVERBRIGHT SECURITIES G2", "18 EVERBRIGHT SECURITIES 02", "18 EVERBRIGHT SECURITIES 05", "18 EVERBRIGHT SECURITIES 06" and "18 EVERBRIGHT SECURITIES G3", after deducting issuance expenses and other related expenses, will all be used in the replenishment of working capital of the Company; or be used for adjusting the Company's debt structure and improving its financial structure.

The proceeds raised from the issuance of "18 EVERBRIGHT SECURITIES C1", "19 EVERBRIGHT SECURITIES 01" and "19 EVERBRIGHT SECURITIES 02", after deducting issuance expenses and other related expenses, will all be used for repayment of due, redeemed or sell-backed debt financing instruments.

As at the date of disclosure of this report, the balance of the special accounts for the proceeds from the above corporate bonds was 0. The utilization of the proceeds was consistent with the purposes specified in the prospectus, the plans for the utilization and other stipulations.

#### (2) Approval procedures for the utilization of proceeds

The proceeds from the bonds issued by the Company were utilized according to the approved or stipulated purposes in the prospectus for each period, and the corresponding purposes were carried out with authorization at different levels as determined in accordance with the approval of the Company's Asset and Liability Committee and the rules governing proprietary funds. A set of decision-making procedures was in place. The procedures for the approval of large-amount payments met the relevant requirements.

## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

### (3) Operation of special accounts

The Company entered into a Tripartite Agreement on the Supervision of Special Accounts for Proceeds with the banks and trustee managers that supervise the proceeds, pursuant to which the Company set up a special account for the proceeds raised from bond issuance for each period. The special proceeds account was used exclusively for taking, saving and transferring the proceeds from the corporate bonds issued by the Company.

As at the date of this report, the special proceeds account of the Company was under normal operation.

### IV. Information on Credit Rating Agency of Corporate Bonds

On May 27, 2019, China Chengxin Securities Rating Co., Ltd. conducted track ratings of the credit status of the corporate bonds publicly offered by the Company: "17 EVERBRIGHT SECURITIES G1", "17 EVERBRIGHT SECURITIES G2", "17 EVERBRIGHT SECURITIES G3", "17 EVERBRIGHT SECURITIES G4", "18 EVERBRIGHT SECURITIES G1", "18 EVERBRIGHT SECURITIES G2" and "18 EVERBRIGHT SECURITIES G3", and issued a Track Rating Report (2019) on the Corporate Bonds (First Tranche and Second Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2017 and the Corporate Bonds (First Tranche and Second Tranche) Publicly Offered in 2018, in which the Company was maintained at AAA corporate credit rating; the outlook for the rating was stable; and the aforesaid corporate bonds were maintained at AAA credit rating. The full text of the Track Rating Report on the Corporate Bonds (First Tranche and Second Tranche) Publicly Offered by Everbright Securities Co., Ltd. in 2017 and the Corporate Bonds (First Tranche and Second Tranche) Publicly Offered in 2018 is available on the website of the SSE (<http://www.sse.com.cn>).

### V. Credit Enhancement Mechanism, Debt Repayment Plan and Other Information Related to Corporate Bonds during the Reporting Period

As at the date of this report, the Company adopted the method of unsecured issuance to its existing bonds. No changes were made in the debt repayment plan and other safeguard measures regarding debt repayment.

The Company performs its obligations in respect of annual interest payment and principal repayment with interest upon expiry of each term of bonds in a timely manner. The Company enjoys good solvency, and the Company's funds for debt repayment will be financed by accumulated profits generated from the ordinary course of business and cash flows generated from the Company's operating activities. The Company's income scale and accumulated profits basically ensures the capability of the Company of repaying the principal amount and the corresponding interest on time. During the Reporting Period, relevant plans and measures of the Company were carried out in line with the relevant commitments in the prospectus.

### VI. Performance of Trustee Managers of Corporate Bonds

Industrial Securities Co., Ltd. was engaged as the bond trustee manager of "16 EVERBRIGHT SECURITIES 06", "18 EVERBRIGHT SECURITIES 02", "18 EVERBRIGHT SECURITIES 03", "18 EVERBRIGHT SECURITIES 05", "18 EVERBRIGHT SECURITIES 06", "19 EVERBRIGHT SECURITIES 01" and "19 EVERBRIGHT SECURITIES 02". On January 11, March 25 and June 10, 2019, Industrial Securities Co., Ltd. issued five Temporary Trustee Management Reports of Industrial Securities Co., Ltd. Regarding the Corporate Bonds of Everbright Securities Company Limited. On June 28, 2019, Industrial Securities Co., Ltd. issued the Trustee Management Reports on the Corporate Bonds of Everbright Securities Company Limited (2018). The announcements mentioned above were disclosed on the website of the SSE (<http://www.sse.com.cn>) for the attention of investors.

China Galaxy Securities Co., Ltd. was engaged as the bond trustee manager of "17 EVERBRIGHT SECURITIES 04", "17 EVERBRIGHT SECURITIES 05", "17 EVERBRIGHT SECURITIES 06" and "18 EVERBRIGHT SECURITIES C1". On January 15, February 18, March 8, March 28, April 2, May 8 and June 10, 2019, China Galaxy Securities Co., Ltd. issued the Temporary Trustee Management Reports of China Galaxy Securities Co., Ltd. Regarding the Material Matters of Everbright Securities Company Limited (First time in 2019) – Temporary Trustee Management Reports of China Galaxy Securities Co., Ltd. Regarding the Material Matters of Everbright Securities Company Limited (Seventh time in 2019). On June 28, 2019, China Galaxy Securities Co., Ltd. issued the Trustee Management Reports on the Corporate Bonds of Everbright Securities Company Limited (2018). The announcements mentioned above were disclosed on the website of the SSE (<http://www.sse.com.cn>) for the attention of investors.



## SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS

Guotai Junan Securities Co., Ltd. was engaged as the bond trustee manager of "17 EVERBRIGHT SECURITIES G1", "17 EVERBRIGHT SECURITIES G2", "17 EVERBRIGHT SECURITIES G3", "17 EVERBRIGHT SECURITIES G4", "18 EVERBRIGHT SECURITIES G1", "18 EVERBRIGHT SECURITIES G2" and "18 EVERBRIGHT SECURITIES G3. On February 20, March 8, March 25 and June 10, 2019, Guotai Junan Securities Co., Ltd. issued the 2019 Temporary Trustee Management Reports of Guotai Junan Securities Co., Ltd. Regarding the Corporate Bonds of Everbright Securities Company Limited (I), 2019 Temporary Trustee Management Reports of Guotai Junan Securities Co., Ltd. Regarding the Corporate Bonds of Everbright Securities Company Limited (II), 2019 Temporary Trustee Management Reports of Guotai Junan Securities Co., Ltd. Regarding the Corporate Bonds of Everbright Securities Company Limited (III) and 2019 Temporary Trustee Management Reports of Guotai Junan Securities Co., Ltd. Regarding the Corporate Bonds of Everbright Securities Company Limited (IV), respectively. On June 21, 2019, Guotai Junan Securities Co., Ltd. issued the Trustee Management Reports on the Corporate Bonds of Everbright Securities Company Limited (2018). The announcements mentioned above were disclosed on the website of the SSE (<http://www.sse.com.cn>) for the attention of investors.

The Company entered into the respective Bond Trustee Management Agreements with the above bond trustee managers. During the Reporting Period, the bond trustee managers performed their duties according to the Bond Trustee Management Agreements.

### VII. Accounting Data and Financial Indicators as at the End of the Reporting Period and the End of Last Year

Unit: Yuan Currency: RMB

Main indicator	As at the end of the Reporting Period	As at the end of last year	Increase/decrease for the end of Reporting Period over the end of last year (%)	Reason for the change
	During the Reporting Period (January to June)	During the same period of last year	Increase/decrease for the Reporting Period over the same period of last year (%)	
Current ratio	3.26	3.03	7.59	
Quick ratio	2.06	1.57	31.21	Increase in quick assets
Gearing ratio (%)	68.60	71.32	Decreased by 2.72 percentage points	
EBITDA interest coverage ratio	2.98	2.20	35.45	Increase in EBITDA
Interest payment ratio (%)	131.41	116.32	Increased by 15.09 percentage points	

Note: The above financial indicators are based on calculation in accordance with the PRC GAAP. The impact of estimated liabilities is excluded from EBITDA.

## **SECTION VIII RELEVANT INFORMATION ON CORPORATE BONDS**

### **VIII. Interest Payment of Other Bonds and Debt Financing Instruments of the Company**

During the Reporting Period, the Company's other debt financing instruments included structured notes, margin refinancing from CSFC, inter-bank borrowings, gold options, gold leasing, lendings and swaps, asset-backed plans backed by margin account debts and commercial papers. The principle and interest of the financing instruments were all paid in a timely manner.

In addition, the Company issued the second tranche of 2018 commercial papers (Bond Connect) "18 EVERBRIGHT SECURITIES CP002BC" of Everbright Securities Co., Ltd on November 14, 2018, and paid the principal and interest on February 14, 2019; the Company issued the first tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP001BC" of Everbright Securities Co., Ltd, on February 19, 2019 and paid the principal and interest on May 22; the Company issued the second tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP002BC" of Everbright Securities Co., Ltd, on April 17, 2019 and paid the principal and interest on July 16; the Company issued the third tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP003BC" of Everbright Securities Co., Ltd, on May 15, 2019 and paid the principal and interest on August 15; the Company issued the fourth tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP004BC" of Everbright Securities Co., Ltd, on July 3, 2019 and issued the fifth tranche of 2019 commercial papers (Bond Connect) "19 EVERBRIGHT SECURITIES CP005BC" of Everbright Securities Co., Ltd, on August 6, 2019, the aforementioned commercial papers of securities company are targeted to the qualified institutional investors for public offering in the inter-bank market.

### **IX. Banking Facilities of the Company during the Reporting Period**

As at June 30, 2019, the total amount of banking facilities of the Company amounted to approximately RMB250 billion, among which the amount of approximately RMB49 billion were used and the remaining amount of approximately RMB201 billion were available for use.

The Company has a good reputation. During the Reporting Period, the Company's liabilities were repaid on time without extension or remission.

### **X. Performance of the Company regarding the Fulfilment of Relevant Stipulations or Commitments in the Prospectus for Corporate Bonds during the Reporting Period**

During the Reporting Period, the Company stringently fulfilled the relevant stipulations or commitments in the prospectus for corporate bonds. The application of the proceeds was consistent with the stipulations in the prospectus. The Company stringently fulfilled the responsibility for information disclosure and paid the bond interest on time to protect the legitimate rights and interests of investors.

During the Reporting Period, there was no default in the redemption of, or payment of interest on, the bonds issued by the Company. The Company's operations were stable; profitability was good; and no risk that could lead to failure in future payments on schedule was found.

During the Reporting Period, the Company did not default when it had business dealings with major customers, and there was no violation of the relevant stipulations or commitments in the prospectus.

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

### I. Relevant information on the significant administrative permission items of the Company

Date	Work unit	Document Number	Title of Document
March 5, 2019	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Xu Ke [2019] No. 14	Reply Letter in Relation to the Appointment of Meng Xiangkai as a Director of a Securities Company
March 18, 2019	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Ji Gou Zi [2019] No. 76	Advance Notice on Administrative Supervision Measures of Ordering Everbright Securities Co., Ltd. to Increase the Number of Internal Compliance Inspections and Submit Compliance Inspection Reports
March 18, 2019	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Decision [2019] No. 25	Decision on the Adoption of Regulatory Measures to Correct the Order against Everbright Capital Investment Co., Ltd
March 18, 2019	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Decision [2019] No. 24	Decision on Implementation of Measure of Regulatory Talk with Xue Feng
April 8, 2019	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Decision [2019] No. 32	Notice on Administrative Regulatory Measures – Decision on Issuing a Warning Letter to Everbright JinHui Investment Management (Shanghai) Co., Ltd. (光大浸輝投資管理(上海)有限公司)
April 10, 2019	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Decision [2019] No. 37	Notice on Administrative Regulatory Measures – Decision on Administrative Supervision Measures of Ordering Everbright Securities Co., Ltd. to Increase the Number of Internal Compliance Inspections
April 26, 2019	Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Xu Ke [2019] No. 19	Reply of Approval on Qualification of Yan Jun as a Chairman-level Officer of a Securities Company
July 4, 2019	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)	Zhong Guo Jie Suan Hu Han Zi [2019] No. 40	Decision on Issuing a Written Warning to Everbright Securities
July 25, 2019	Zhejiang Securities Regulatory Bureau of the China Securities Regulatory Commission	Zhe Zheng Jian Decision [2019] No. 12	Reply on Approving for the Cancellation of the Securities Brokerage Branch Located at Qixing Road, Xinchang, Shaoxing by Everbright Securities Company Limited

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

### II. Classification Results of the Company from Regulatory Authorities

In 2019, the Company was awarded a regulatory classification rating for securities firms of Grade A of Category A.

### III. Qualifications of Each of the Businesses of the Company and Its Subsidiaries

#### (I) Business Qualifications of the Company

Approving Authority	Business Qualification
People's Bank of China	Qualification for proprietary trading business (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81)
	Investment consultancy and financial advisory businesses (Reply on the Establishment of Everbright Securities Limited, Yin Fu [1996] No. 81)
	Underwriting of commercial papers (Notice of the People's Bank of China on Engaging in Underwriting of Commercial Papers by Everbright Securities Limited and Haitong Securities Co., Ltd., Yin Fa [2005] No. 173)
	Proprietary trading and leasing of gold (Notice on Delivery of Filing Materials, Yin Shi Huang Jin Bei [2015] No. 31)
	Member of the national inter-bank market (inter-bank lending and trading of bonds, spot bonds transactions and bond repurchase businesses) (Notice on Approving the Admission of Some Securities Companies into the National Inter-bank Market, Yin Ban Fa [1999] No. 147)
CSRC and its branch offices	Qualification for proxy sales of financial products (Hu Zheng Jian Ji Gou Zi [2012] No. 547)
	Qualification for proxy sales of open-ended securities investment funds (Zheng Jian Ji Jin Zi [2004] No. 49)
	Qualification for intermediary introduction for futures (Hu Zheng Jian Ji Gou Zi [2010] No. 121)
	Integrated custody for private funds (pilot) (Letter of No Objection on Carrying Out Integrated Custody for Private Funds (Pilot) by Everbright Securities Company Limited, CSRC Ji Gou Bu Bu Han [2013] No. 21)
	Sponsor, underwriting and merger and acquisition businesses
	Agency for spot precious metal (including gold) contracts and proprietary trading of spot gold contracts (Letter of No Objection on Carrying Out the Businesses of Agency for Precious Metals (including Gold) Spot Contract and Proprietary Trading of Spot Gold Contract by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2015] No. 280)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
	Qualification for equity securities returns swap business (Letter of No Objection on Engaging in Equity Securities Returns Swap Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2013] No. 30)
	Market making for options (Reply on Approving the Qualification of Everbright Securities Company Limited in Market Making for Stock Options, Zheng Jian Xu Ke [2015] No. 164)
	Qualification for margin financing and securities lending businesses (Zheng Jian Xu Ke [2010] No. 314)
	Securities transactions under repurchase agreements (pilot), (Ji Gou Bu Bu Han [2012] No. 459)
	Qualification for entrusted investment management (Reply on Approving Qualification of Everbright Securities Limited in Entrusted Investment Management, Zheng Jian Ji Gou Zi [2002] No. 127)
	Carrying out of direct investment business (pilot) (Letter of No Objection on Carrying Out Direct Investment Business by Everbright Securities Company Limited, Ji Gou Bu Bu Han [2008] No. 446)
	Notice on Supporting the Carrying out of Credit Derivatives by Securities Companies and Serving Private Enterprises in Bond Financing (Hu Zheng Jian Ji Gou Zi [2019] No. 41)
Securities Association of China	Qualification for nominated advisers and brokers engaged in agency share transfer business (Notice on Granting Qualification for Nominated Advisers and Brokers Engaged in Agency Share Transfer Business, Zhong Zheng Xie Fa [2003] No. 94)
	Qualification for stock quotation and transfer business (Letter on Granting Qualification for Quotation and Transfer Business to Everbright Securities Company Limited, Zhong Zheng Xie Han [2006] No. 3)
	Become a secondary dealers for OTC options business to carry out related OTC options business (Letter on Unifying the Filing of Secondary Dealers for OTC Options Businesses, Zhong Zheng Xie Han [2018] No. 657)
	Underwriting of SME private placement bonds (Zhong Zheng Xie Han [2012] No. 374)
SSE	Market making for options (Qualification for Lead Market Maker of SSE 50ETF Options, Shang Zheng Han [2016] No. 152)
	Qualification for participant of stock options transactions of Shanghai Stock Exchange (stock options brokerage, transaction authority for proprietary trading business) (Notice on Everbright Securities Company Limited Becoming a Participant of Stock Options Transactions of Shanghai Stock Exchange, Shang Zheng Han [2015] No. 63)

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
	<p>Qualifications for A-share trading unit transactions under Southbound Trading (Shang Zheng Han [2014] No. 650)</p> <p>Authority for securities transactions under repurchase agreements (Shang Zheng Hui Zi [2012] No. 176)</p> <p>Authority for collateralized stock repurchase transactions (Shang Zheng Hui Zi [2013] No. 67)</p>
Shenzhen Stock Exchange	<p>Authority for securities transactions under repurchase agreements (Shen Zheng Hui [2013] No. 15)</p> <p>Authority for collateralized stock repurchase transactions (Shen Zheng Hui [2013] No. 58)</p> <p>Financing for exercise of options under share options incentive schemes of listed companies (pilot) (Shen Zheng Han [2014] No. 320)</p> <p>Authority for transactions under Southbound Trading of Shenzhen Connect (Shen Zheng Hui [2016] No. 330)</p>
Other Institutions	<p>Market making for National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2014] No. 772)</p> <p>Filing as outsourcing services institution for private funds (Asset Management Association of China Filing Number: A00037)</p> <p>Qualification for commercial paper transactions of Shanghai Commercial Paper Exchange (Piao Jiao Suo [2017] No. 9)</p> <p>Attempts for market making in the inter-bank bond market (Notice on Business Rules of Attempts for Market Making in the Inter-bank Bond Market and Related Matters, Zhong Hui Jiao Fa [2014] No. 132)</p> <p>Qualification for underwriting of book-entry government bonds (2015-2017) (Announcement of the Ministry of Finance of the People's Republic of China, 2014 No. 93)</p> <p>Qualification for underwriting of book-entry government bonds (2018-2020) (Announcement of the Ministry of Finance of the People's Republic of China, 2017 No. 167)</p> <p>Qualification for inter-bank gold bilateral transactions (Reply on Approving the Carrying Out of Interbank Gold Bilateral Transactions by Everbright Securities Company Limited, Shang Jin Jiao Fa [2017] No. 68)</p> <p>Interest rate swaps</p> <p>Pooled settlement of and quotation for credit default swaps (Notice on Approval of Becoming a Member of the Group for Pooled Settlement of and Quotation for Credit Default Swaps)</p>

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
	Margin refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 124)
	Refinancing (pilot) (Zhong Zheng Jin Han [2012] No. 115)
	Securities lending refinancing (pilot) (Zhong Zheng Jin Han [2013] No. 45)
	Adjusting the credit limit of refinancing (Zhong Zheng Jin Han [2014] No. 278, Zhong Zheng Jin Han [2016] No. 28)
	License for operating foreign exchange operation for securities business (foreign currency negotiable securities underwriting, foreign currency negotiable securities brokerage and foreign currency lending) (Reply on Approving the Change of Company Name of Everbright Securities Company Limited on the Licence for Operating Foreign Exchange Operation for Securities Business, Shang Hai Hui Fu [2005] No. 72)
	Lead Underwriter for Debt Financing Instruments of Non-financial Enterprises (Announcement of National Association of Financial Market Institutional Investors, [2012] No. 19)
	Special membership qualification of Shanghai Gold Exchange: No. T009 (April 3, 2015)
China Securities Registration and Settlement Co., Ltd.	Qualification for account opening agency
	Qualification for class A clearing participant (Zhong Guo Jie Suan Han Zi [2008] No. 12)
	Qualification for participation in multilateral net amount guarantee settlement (Zhong Guo Jie Suan Fa Zi [2014] No. 28)
	Qualification for digital certificate service agency
	Qualification for securities pledge registration agency
	Qualification for settlement of options (Zhong Guo Jie Suan Han Zi [2015] No. 28)
	Qualification for remote account opening for special institutions and products
	Inter-bank Market Clearing House Co., Ltd.
Qualification for remote account opening for special institutions and products	
Notice on Matters regarding Participation in the Centralized Clearing Business of Credit Default Swap (2018 Bian Han No. 355)	

## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Approving Authority	Business Qualification
	Key dealer of credit risk mitigation tool, December 21, 2018 <a href="http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74478.html">http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74478.html</a>
	Creator of credit risk mitigation warrant, December 21, 2018 <a href="http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74477.html">http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74477.html</a>
	Creator of credit-linked notes, December 21, 2018 <a href="http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74476.html">http://www.nafmii.org.cn/zlgl/xyfx/jgzz/201812/t20181221_74476.html</a>

### (II) Business Qualifications of Subsidiaries

Name of Subsidiary	Business Qualification
Everbright Asset Management	License for carrying out securities futures business in the People's Republic of China (serial number: 000000000653)  Qualified domestic institutional investor engaging in overseas securities investment management business (Reply on Approving the Establishment of Securities Asset Management Subsidiaries by Everbright Securities Company Limited (Zheng Jian Xu Ke [2011] No.1886)  Entrusted insurance fund management <a href="http://www.gov.cn/gzdt/2012-10/12/content_2242366.htm">http://www.gov.cn/gzdt/2012-10/12/content_2242366.htm</a>
Everbright Asset Management	License for carrying out securities futures business (securities asset management) in the People's Republic of China (CSRC, Zheng Jian Xu Ke [2011] No.1886)
Everbright Futures and its subsidiaries	Commodity futures brokerage (CSRC)  Financial futures brokerage (CSRC Zheng Jian Qi Huo Zi [2017] No. 297)  Qualification for IB business (CSRC Shanghai Bureau, Hu Zheng Jian Qi Huo Zi [2010] No. 74)  Futures investment consultancy (CSRC Zheng Jian Xu Ke [2011] No. 1770)  Asset management (CSRC Zheng Jian Xu Ke [2012] No. 1499)  Public offering of securities and sales of investment funds (CSRC Shanghai Bureau, Hu Zheng Jian Xu Ke [2017] No. 10)  Qualification for the comprehensive settlement of financial futures (Zheng Jian Qi Huo Zi [2007] No.298)  Stock options (Shanghai Stock Exchange Shang Zheng Han [2015] No. 168)



## SECTION IX INFORMATION DISCLOSURE OF SECURITIES FIRMS

Name of Subsidiary	Business Qualification
	Business qualification of Everbright Photon Investment Management Co., Ltd.: warehouse receipt service, cooperation hedging, pricing service (currently updated as over-the-counter derivatives business), basis transaction (currently updated as basis trading), third-party risk management service (currently updated as other businesses regarding risk management service) (Zhong Qi Xie Han Zi [2014] No.364)
	Business qualification of Everbright Photon Investment Management Co., Ltd.: Market making (Zhong Qi Xie Bei Zi [2018] No.56)
Everbright Capital	Private funds (Public notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch)
Everbright Development	Private funds (Public notice of Securities Association of China on the List of Regulatory Platforms Including Securities Companies and Their Private Funds Subsidiaries (4th Batch)
Everbright Leasing	ABS letter of no objection (Shang Zheng Han [2017] No. 1312) PPN registration notice (Zhong Shi Xie Zhu [2017] No. PPN111) SCP registration notice (Zhong Shi Xie Zhu [2018] No. SCP119) Business Permit for Medical Devices(Hu Pu Shi Yao Jian Xie Jing Ying Xu 20150229)
Everbright Fortune	Member of alternative investment subsidiaries (4th Batch of Private Investment Funds Subsidiaries and Member of Alternative Investment Subsidiaries of Securities Association of China)
Everbright Pramerica	License for carrying out securities futures business in the People's Republic of China Specific business (Reply on Approving the Carrying Out of Asset Management for Specific Clients by Everbright Pramerica Fund Management Co., Ltd., Zheng Jian Xu Ke [2008] No. 1077) Qualified domestic institutional investor (Reply on Approving the Carrying Out of Overseas Securities Investment Management by Everbright Pramerica Fund Management Co., Ltd. as a Qualified Domestic Institutional Investor, Zheng Jian Xu Ke [2008] No. 1044) Entrusted insurance fund management

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

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019



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## INDEPENDENT REVIEW REPORT

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

### **Introduction**

We have reviewed the interim financial information set out on pages 2 to 93, which comprises the condensed consolidated statement of financial position of Everbright Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the related 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  
27 August 2019

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	Notes	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
<b>Revenue</b>			
Fee and commission income	4	3,391,741	2,783,586
Interest income	5	3,039,856	3,259,977
Net investment gains	6	1,990,667	672,433
<b>Total revenue</b>		8,422,264	6,715,996
Other income and gains	7	200,450	264,618
<b>Total revenue and other income</b>		8,622,714	6,980,614
Fee and commission expenses	8	(519,901)	(505,788)
Interest expenses	9	(2,262,748)	(2,393,087)
Staff costs	10	(1,968,304)	(1,600,465)
Depreciation and amortisation expenses	11	(319,755)	(192,382)
Tax and surcharges		(31,374)	(32,366)
Other operating expenses	12	(654,524)	(726,937)
Provision for contingent liabilities	13	(299,938)	-
Credit loss expense	14	(353,621)	(191,296)
<b>Total expenses</b>		(6,410,165)	(5,642,321)
<b>Operating profit</b>		2,212,549	1,338,293
Share of profits of associates and joint ventures		21,734	35,107
<b>Profit before income tax</b>		2,234,283	1,373,400
Income tax expense	15	(552,164)	(332,711)
<b>Profit for the period</b>		1,682,119	1,040,689
Attributable to:			
Shareholders of the Company		1,609,065	968,792
Non-controlling interests		73,054	71,897
<b>Total</b>		1,682,119	1,040,689
Basic and diluted earnings per share (in RMB per share)	17	0.3490	0.2101

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>1,682,119</b>	<b>1,040,689</b>
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Debt instruments at fair value through other comprehensive income		
-Net changes in fair value	(50,679)	90,932
-Provision for ECL allowance	56,072	700
-Reclassified to profit or loss	(21,593)	(45,293)
Share of other comprehensive income of associates	7,203	994
Exchange differences on translation of financial statements in foreign currencies	9,339	15,398
Income tax impact	4,114	(11,585)
Total items that may be reclassified subsequently to profit or loss	<u>4,456</u>	<u>51,146</u>
Items that will not be reclassified subsequently to profit or loss:		
Equity instruments at fair value through other comprehensive income		
-Net changes in fair value	258,836	(281,709)
-Income tax impact	(64,709)	70,427
Total items that will not be reclassified subsequently to profit or loss	<u>194,127</u>	<u>(211,282)</u>
<b>Total other comprehensive income for the period, net of tax</b>	<u>198,583</u>	<u>(160,136)</u>
<b>Total comprehensive income for the period</b>	<u>1,880,702</u>	<u>880,553</u>
Attributable to:		
Shareholders of the Company	1,803,524	803,591
Non-controlling interests	77,178	76,962
<b>Total</b>	<u>1,880,702</u>	<u>880,553</u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2019</u> (Unaudited)	<u>31 December 2018</u> (Audited)
<b>Non-current assets</b>			
Property and equipment	18	872,636	800,043
Right-of-use assets	19	755,055	-
Goodwill	20	1,261,973	1,257,046
Other intangible assets	21	352,171	436,214
Interests in associates and joint ventures	23	1,092,875	1,096,310
Financial assets measured at amortized cost	35	6,658,385	7,606,011
Equity instruments at fair value through other comprehensive income	24	5,167,537	4,848,015
Debt instruments at fair value through other comprehensive income	25	9,377,686	7,945,473
Financial assets held under resale agreements	26	1,327,373	3,554,278
Refundable deposits	27	3,942,007	3,186,808
Deferred tax assets	28(c)	1,068,094	1,235,048
Finance lease receivables	29	2,387,825	3,362,252
Long term receivable arising from sale-and-leaseback arrangements	30	326,680	-
Other non-current assets	31	153,952	153,229
<b>Total non-current assets</b>		<u>34,744,249</u>	<u>35,480,727</u>
<b>Current assets</b>			
Accounts receivable	32	3,352,747	3,211,112
Finance lease receivables	29	1,779,406	1,934,578
Long term receivable arising from sale-and-leaseback arrangements	30	181,249	-
Other current assets	33	2,336,644	2,596,349
Margin accounts receivable	34	32,553,319	30,337,928
Debt instruments at fair value through other comprehensive income	25	1,790,767	453,406
Financial assets held under resale agreements	26	10,152,839	30,154,510
Financial assets measured at amortized cost	35	848,898	296,870
Financial assets at fair value through profit or loss	36	50,711,788	57,649,338
Derivative financial assets	37	40,100	26,720
Clearing settlement funds	38	2,384,330	1,475,419
Cash held on behalf of brokerage clients	39	41,201,429	33,234,544
Cash and bank balances	40	23,769,558	8,927,537
<b>Total current assets</b>		<u>171,103,074</u>	<u>170,298,311</u>
<b>Total assets</b>		<u>205,847,323</u>	<u>205,779,038</u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2019</u> (Unaudited)	<u>31 December 2018</u> (Audited)
<b>Current liabilities</b>			
Loans and borrowings	42	3,912,313	4,769,266
Short-term debt instruments	43	6,776,097	14,109,673
Placements from other financial institutions	44	4,302,277	5,609,349
Financial liabilities at fair value through profit or loss	45	1,377,309	287,616
Accounts payable to brokerage clients	46	46,585,815	35,965,897
Employee benefits payable	47	1,929,820	1,496,243
Other payables and accruals	48	10,391,782	11,436,334
Current tax liabilities	28(a)	379,517	403,306
Financial assets sold under repurchase agreements	49	17,688,758	15,953,819
Derivative financial liabilities	37	130,555	492,824
Lease liabilities due within one year	50	276,189	-
Contract liabilities		73	-
Long-term bonds due within one year	51	18,459,328	8,680,687
<b>Total current liabilities</b>		<u>112,209,833</u>	<u>99,205,014</u>
<b>Net current assets</b>		<u>58,893,241</u>	<u>71,093,297</u>
<b>Total assets less current liabilities</b>		93,637,490	106,574,024
<b>Non-current liabilities</b>			
Loans and borrowings	42	9,748,275	10,212,460
Long-term bonds	51	28,879,028	40,837,158
Deferred tax liabilities	28(c)	108,974	101,436
Employee benefits payable	47	-	998
Provision	13	1,699,938	1,400,000
Lease liabilities	50	466,943	-
Other non-current liabilities	52	2,637,392	5,264,117
<b>Total non-current liabilities</b>		<u>43,540,550</u>	<u>57,816,169</u>
<b>Net assets</b>		<u><u>50,096,940</u></u>	<u><u>48,757,855</u></u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
30 June 2019

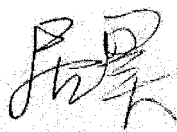
(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>30 June 2019</u> (Unaudited)	<u>31 December 2018</u> (Audited)
<b>Equity</b>			
Share capital	53	4,610,788	4,610,788
Reserves	54	32,692,002	32,458,990
Retained profits	54	<u>11,248,772</u>	<u>10,133,250</u>
Total equity attributable to shareholders of the Company		48,551,562	47,203,028
Non-controlling interests		<u>1,545,378</u>	<u>1,554,827</u>
<b>Total equity</b>		<u>50,096,940</u>	<u>48,757,855</u>

Approved and authorised for issue by the Board of Directors on 27 August 2019.



Director



Director

The accompanying notes form an integral part of the interim condensed consolidated financial statements.



EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	Attributable to shareholders of the Company								Non-controlling interests	Total equity
	Share capital (Note 53)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 54)	Total profits		
As at 31 December 2018	4,610,788	23,388,073	2,893,340	6,475,731	(68,611)	(229,543)	10,133,250	47,203,028	1,554,827	48,757,855
Impact of adopting IFRS 16	-	-	-	-	-	-	-	-	-	-
As at 1 January 2019	4,610,788	23,388,073	2,893,340	6,475,731	(68,611)	(229,543)	10,133,250	47,203,028	1,554,827	48,757,855
Profit for the period	-	-	-	-	-	-	1,609,065	1,609,065	73,054	1,682,119
Other comprehensive income	-	-	-	-	189,244	5,215	-	194,459	4,124	198,583
Total comprehensive income	-	-	-	-	189,244	5,215	1,609,065	1,803,524	77,178	1,880,702
Other movements in capital reserve	-	6,089	-	-	-	-	-	6,089	-	6,089
Other comprehensive income that has been reclassified to retained profits	-	-	-	-	(4,370)	-	4,370	-	-	-
Appropriation to general reserve	-	-	-	36,834	-	-	(36,834)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(461,079)	(461,079)	(86,627)	(547,706)
As at 30 June 2019 (unaudited)	4,610,788	23,394,162	2,893,340	6,512,565	116,263	(224,328)	11,248,772	48,551,562	1,545,378	50,096,940

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)  
For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	Attributable to shareholders of the Company							Non-controlling interests	Total equity	
	Share capital (Note 53)	Capital reserve	Surplus reserves	General reserve	Fair value reserve	Translation reserve	Retained profits (Note 54)			Total profits
As at 1 January 2018	4,610,788	23,559,011	2,846,529	6,229,441	428,870	(262,584)	11,246,749	48,658,804	1,442,208	50,101,012
Profit for the period	-	-	-	-	-	-	968,792	968,792	71,897	1,040,689
Other comprehensive income	-	-	-	-	(175,533)	10,332	-	(165,201)	5,065	(160,136)
Total comprehensive income	-	-	-	-	(175,533)	10,332	968,792	803,591	76,962	880,553
Other movements in capital reserve	-	(17,840)	-	-	-	-	-	(17,840)	-	(17,840)
Other comprehensive income that has been reclassified to retained profits	-	-	-	-	2,242	-	(2,242)	-	-	-
Appropriation to general reserve	-	-	-	18,155	-	-	(18,155)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(922,158)	(922,158)	(61,959)	(984,117)
As at 30 June 2018 (unaudited)	4,610,788	23,541,171	2,846,529	6,247,596	255,579	(252,252)	11,272,986	48,522,397	1,457,211	49,979,608

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	<u>Notes</u>	<u>Six months ended 30 June</u>	
		<u>2019</u>	<u>2018</u>
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>			
Profit before income tax		2,234,283	1,373,400
Adjustments for:			
Interest expenses		1,813,744	1,616,714
Share of profits of associates and joint ventures		(21,734)	(35,107)
Loss on disposal of associates and joint ventures		467	-
Depreciation and amortisation expenses		319,755	192,382
Credit loss expense	14	353,621	191,296
Losses/(gains) on disposal of property and equipment and other intangible assets		13	(167)
Provision for contingent liabilities		299,938	-
Foreign exchange (gains)/losses		(2,289)	137
Dividend income and net realised gains from investments for investment purposes		(429,316)	(262,630)
Dividend income from equity instruments at fair value through other comprehensive income		(180)	-
Unrealised fair value changes of financial instruments at fair value through profit or loss		(1,008,479)	(513,408)
Unrealised fair value changes of derivative financial instruments		9,785	(44,005)
		<u>3,569,608</u>	<u>2,518,612</u>
Operating cash flows before movements in working capital			

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>		
<b>(continued)</b>		
<i>Changes in operating assets</i>		
Increase in refundable deposits	(755,199)	(282,526)
(Increase)/decrease in margin accounts receivable	(2,176,297)	1,558,374
Decrease in finance lease receivables	1,137,425	666,837
Increase in long term receivable arising from sale-and-leaseback arrangements	(510,477)	-
Decrease in accounts receivable and other current assets	496,800	952,493
Decrease/(increase) in financial assets held under resale agreements	22,115,733	(2,367,324)
Decrease in financial instruments at fair value through profit or loss	9,513,651	3,463,680
(Increase)/decrease in derivative financial instruments	(385,747)	490,651
Decrease/(increase) in restricted bank deposits	(18,882)	(34,161)
Increase in cash held on behalf of brokerage clients	(7,969,191)	(478,632)
Decrease/(increase) in other investments	279,082	(6,041,080)
<i>Changes in operating liabilities</i>		
Increase in accounts payable to brokerage clients	10,619,918	1,775,333
Decrease in other payables and accruals	(4,105,925)	(447,834)
Increase/(decrease) in employee benefits payable	432,579	(615,453)
Increase in financial assets sold under repurchase agreements	1,734,939	1,521,740
Decrease in placements from other financial institutions	(1,307,072)	(1,180,560)
Cash generated from operations	32,670,945	1,500,150
Income taxes paid	(462,056)	(793,646)
Interest paid for operating activities	(452,385)	(868,189)
Net cash flows from/(used in) operating activities	<u>31,756,504</u>	<u>(161,685)</u>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

	Notes	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property and equipment and other intangible assets		7,457	17,511
Net realized gain, dividends and interest received from financial assets at fair value through other comprehensive income and other investments for investment purposes		336,816	20,042
Purchases of property and equipment, other intangible assets and other non-current assets		(178,923)	(73,077)
Proceeds from disposal/(purchase) of associates and joint ventures		32,083	(80,423)
Purchases of financial assets at fair value through other comprehensive income and other investments for investment purposes		(2,916,534)	(134,361)
Proceeds from (purchase)/disposal of investments classified as receivables and other investments		(1,231,737)	1,694,888
Net cash flows (used in)/from investing activities		(3,950,838)	1,444,580
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term bonds		3,200,000	8,235,196
Proceeds from issuance of short-term debt instruments		15,637,850	14,325,999
Proceeds from bank loans		3,628,375	7,527,069
Long-term bonds repaid		(5,684,925)	(10,000,000)
Short-term debt instruments repaid		(22,658,630)	(10,512,817)
Bank loans repaid		(5,069,988)	(6,271,636)
Interest paid on loans, bonds and debt instruments		(1,891,949)	(1,519,013)
Payment of lease liabilities		(173,992)	-
Dividends paid		(92,820)	(76,534)
Net cash flows (used in)/from financing activities		(13,106,079)	1,708,264
Net increase in cash and cash equivalents		14,699,587	2,991,159
Cash and cash equivalents at the beginning of the period		5,759,960	6,158,066
Effect of foreign exchange rate changes		6,793	(137)
Cash and cash equivalents at the end of the period	41	20,466,340	9,149,088

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

(All amounts expressed in 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 established 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 and 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 2019, the Company’s registered capital was RMB4,610,787,639 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 2019 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 unaudited interim condensed consolidated financial statements do 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 for the year ended 31 December 2018.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16	<i>Leases</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except as described below, the application of the new and revised IFRSs does has had no significant impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

*New definition of a lease*

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

IFRS 16 Leases (continued)

*New definition of a lease (continued)*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

*Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of buildings, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other current assets and other payables and accruals, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

• Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

IFRS 16 Leases (continued)

*Impacts on transition*

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;

(1) Impact on the condensed consolidated statement of financial position as at 1 January 2019:

	As at 31 December 2018	Adjustments	As at 1 January 2019
<b>Assets:</b>			
Right-of-use assets	-	826,197	826,197
Other current assets	2,596,349	1,350	2,597,699
<b>Liabilities:</b>			
Other payables and accruals	11,436,334	16,705	11,453,039
Lease liabilities	-	810,842	810,842
<b>Equity:</b>			
Retained profits	10,133,250	-	10,133,250
Non-controlling interests	1,554,827	-	1,554,827

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

IFRS 16 Leases (continued)

*Impacts on transition (continued)*

(2) The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	931,158
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.4246%</u>
Less:	
Commitments relating to short-term leases	(22,253)
Commitments relating to leases with a remaining lease term ending on or before 31 December 2019	(25,531)
Commitments relating to leases of low-value assets	(4,137)
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	-
Other adjustment	<u>902</u>
Operating lease commitments as at 1 January 2019 under IFRS 16	880,139
Discounted operating lease commitments as at 1 January 2019	<u>(69,297)</u>
Lease liabilities as at 1 January 2019	<u>810,842</u>

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

(All amounts expressed in RMB thousands unless otherwise specified)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principal accounting policies (continued)

Summary of new accounting policies (continued)

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the first adoption date or the commencement date and do not contain a purchase option). It also applies the lease of low-value asset recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Sale-and-leaseback transactions*

IFRS 16 requires sale-and-leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted for as a sale.

Upon application of IFRS 16, the Group applies the requirements of IFRS 15 to assess whether sale-and-leaseback transaction constitutes a sale by a seller - lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as long term receivables arising from sale-and-leaseback arrangements within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale-and-leaseback transactions entered into before the date of initial application were not reassessed but the new requirements would partially impact the Group's sale-and-leaseback transactions entered into on or after the date of initial application.

(All amounts expressed in RMB thousands unless otherwise specified)

### 3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

The significant judgments made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2018 except for determining the lease term of contracts with renewal options as follows:

#### *Determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, considering all relevant factors that create an economic incentive for it to exercise the renewal and include significant event or change in circumstances between the commencement date of the lease and exercise date of the renewal option.

### 4. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Income arising from		
- Securities brokerage and investment advisory business	1,819,569	1,607,120
- Asset management business	620,622	609,641
- Underwriting and sponsorship business	755,682	321,587
- Futures brokerage business	115,268	127,397
- Financial advisory business	68,857	106,671
- Others	11,743	11,170
	<u>3,391,741</u>	<u>2,783,586</u>
Total		

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

5. INTEREST INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest income arising from		
- Margin financing and securities lending	1,196,806	1,134,449
- Deposit in financial institutions	774,175	799,148
- Securities-backed lending and stock repurchases	494,561	565,577
- Debt instruments at fair value through other comprehensive income	222,993	361,211
- Financial assets measured at amortized cost	186,107	236,917
- Finance lease	130,401	128,807
- Long term receivable arising from sale-and-leaseback arrangements	9,570	-
- Financial assets held under resale agreements	7,682	7,060
- Others	17,561	26,808
Total	<u>3,039,856</u>	<u>3,259,977</u>

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Net realized gains/(losses) from		
- Financial instruments at fair value through profit or loss	36,049	(1,039,729)
- Derivative financial instruments	32,265	233,184
- Debt instruments at fair value through other comprehensive income	15,972	46,012
- Financial assets measured at amortized cost	(9,314)	(69)
Dividend and interest income from		
- Financial instruments at fair value through profit or loss	916,821	866,845
- Equity instruments at fair value through other comprehensive income	180	8,777
Unrealised fair value changes of		
- Financial instruments at fair value through profit or loss	1,008,479	513,408
- Derivative financial instruments	(9,785)	44,005
Total	<u>1,990,667</u>	<u>672,433</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Government grants	138,620	192,281
Income from the agent business	24,412	52,116
Income from bulk commodity trading	11,246	-
Rental income	9,796	6,191
Exchange gains/(losses)	2,289	(137)
Income from the advisory business	143	282
Others	13,944	13,885
Total	<u>200,450</u>	<u>264,618</u>

8. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Expenses arising from		
- Securities brokerage and advisory business	485,574	429,129
- Underwriting and sponsorship business	25,065	65,956
- Futures brokerage business	9,262	10,703
Total	<u>519,901</u>	<u>505,788</u>

9. INTEREST EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest expenses for		
Debt financing expenses		
- Long-term bonds	1,439,755	1,305,902
- Loans and borrowings	265,735	177,609
- Short-term debt instruments	91,731	133,203
- Placements from other financial institutions	84,844	84,417
- Lease liabilities	16,523	-
Subtotal	<u>1,898,588</u>	<u>1,701,131</u>
- Financial assets sold under repurchase agreements	221,577	512,406
- Other structured entities' holders	87,336	106,652
- Accounts payable to brokerage clients	49,224	48,101
- Others	6,023	24,797
Total	<u>2,262,748</u>	<u>2,393,087</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

10. STAFF COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	1,675,318	1,337,447
Contributions to pension schemes	124,264	125,605
Other social welfare	168,722	137,413
Total	<u>1,968,304</u>	<u>1,600,465</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 pension schemes are defined contribution plans and contributions to the plans are expensed as incurred.

11. DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Amortization of right-of-use assets	137,543	-
Amortisation of other intangible assets	105,837	102,094
Depreciation of property and equipment	55,971	65,016
Amortisation of leasehold improvements and long-term deferred expenses	20,404	25,272
Total	<u>319,755</u>	<u>192,382</u>

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Fund and asset management plan distribution and custodian expenses	122,316	104,343
IT expenses	113,211	99,316
Rental expenses and utilities	72,672	196,901
Business travel expenses	68,941	70,983
Promotion and entertainment expenses	65,011	68,648
Postal and communication expenses	37,772	37,466
Securities/futures investor protection funds	33,983	20,578
Miscellaneous expenses	20,779	28,005
Stock exchange management fees	16,185	10,616
Cost of bulk commodity trading	11,212	-
Auditors' remuneration	5,646	5,011
Others	86,796	85,070
Total	<u>654,524</u>	<u>726,937</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

13. PROVISION FOR CONTINGENT LIABILITIES

(a) Provision

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Provision	<u>1,699,938</u>	<u>1,400,000</u>

(b) Provision for contingent liabilities

	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
At the beginning of the period/year	1,400,000	-
Provision for the period/year	<u>299,938</u>	<u>1,400,000</u>
At the end of the period/year	<u><u>1,699,938</u></u>	<u><u>1,400,000</u></u>

Everbright Capital Investment Co., Ltd. (hereinafter referred to as "Everbright Capital"), a wholly-owned subsidiary of the Company, is principally engaged in the private equity investment fund business. Everbright Jinhui Asset Management Co., Ltd., (Shanghai) (hereinafter referred to as "Everbright Jinhui") is a wholly-owned subsidiary of Everbright Capital. In 2016, Everbright Jinhui, together with Baofeng (Tianjin) Investment Management Co., Ltd, a wholly-owned subsidiary of Baofeng Group Co., Ltd., (hereinafter referred to as "Baofeng Group") and Shanghai Qunchang Financial Services Co., Ltd., established Jinxin Investment Consultancy Partnership Enterprise (Limited Partnership) (hereinafter referred to as "Jinxin Fund") with the proposition to directly or indirectly acquire 65% equity interests in an overseas company, MP & Silva Holding S.A. (hereinafter referred to as "MPS") through the incorporation of a special purpose vehicle held by Jinxin Fund. Everbright Capital contributed RMB60 million as one of the junior-tranche limited partners of Jinxin Fund. On 23 May 2016, Jinxin Fund completed the acquisition of 65% equity interests in MPS. However, MPS subsequently encountered difficulties in its operations, as a result of which Jinxin Fund failed to exit as originally planned which exposed the fund to relatively significant risks.

Each of the senior-tranche limited partners which contributed a total of RMB3.2 billion to Jinxin Fund presented a "Letter of Makeup of Shortfall" with the seal of Everbright Capital affixed, the main contents of which are that Everbright Capital shall have the obligation to make up the corresponding shortfall to the extent the senior-tranche limited partners are unable to exit their investments with indicated returns. On 25 February 2019, the investment period of Jinxin Fund expired and Everbright Capital failed to exit as originally planned. As at the date of Jinxin Fund's expiry, the two senior-tranche limited partners had claims on Everbright Capital for about RMB3.5 billion, calculated on the basis of principal of RMB3.2 billion and accrued interest.

In addition, on 22 October 2018, Shanghai Hua Rui Bank Co., Ltd. (hereinafter referred to as "Hua Rui Bank"), one of the senior-tranche limited partners initiated arbitration proceedings against Everbright Jinhui, to recover investment principal, investment return, penalty, legal and arbitration costs amounting to RMB452.37 million. On 15 November 2018, Hua Rui Bank also filed a civil lawsuit with the Shanghai Financial Court against Everbright Capital over the same case with claims amounting to approximately RMB431.36 million. Hua Rui Bank also initiated preservative measures requesting the Shanghai Financial Court to freeze Everbright Capital's basic deposit account and related partnership shares. As of the date of this report, the arbitration against Everbright Jinhui has not been adjudicated while the trial of the civil lawsuit against Everbright Capital has been suspended.



(All amounts expressed in RMB thousands unless otherwise specified)

13. PROVISION FOR CONTINGENT LIABILITIES (continued)

(b) Provision for contingent liabilities (continued)

In May 2019, Everbright Capital received the notice of responding to prosecution ((2019) Hu 74 Min Chu No. 601) from the Shanghai Financial Court. A stakeholder of one of senior-tranche limited partners of JinXin Fund, China Merchants Bank Co., Ltd., initiated a civil lawsuit as plaintiff against Everbright Capital, requesting Everbright Capital to fulfil the obligation of making up the shortfall according to the "Letter of Makeup of Shortfall". The suit amount was about RMB3,489 million for principal of RMB2.8 billion, accrued interest, penalties and other claims. As of the date of this report, the trial of this lawsuit has not commenced.

On 14 November 2018, Shenzhen Hengxiang Equity Investment Fund LLP (limited partnership) (hereinafter referred to as "Shenzhen Hengxiang"), a participant of the intermediate tranche of Jinxin Fund initiated arbitration proceedings against Everbright Jinhui with the Shanghai International Economic and Trade Arbitration Commission over disputes involving certain partnership agreements and supplementary agreements, with an amount of approximately RMB167.81 million involved. The People's Court of Jing'an district of Shanghai has frozen the relevant equity and partnership assets of Everbright Jinhui at the request of Shenzhen Hengxiang. Arbitration proceedings are still ongoing at the date of this report.

Based on an assessment of the current situation and considering the professional advices provided by the attorneys engaged, the Group is of the view that there may be irregularities over the issuance of the "Letter of Makeup of Shortfall" and thus uncertainty when determining ensuing obligations; as such, the specific eventual responsibility will need to be ascertained through legal proceedings or other necessary procedures. Based on the above circumstances, the Group made a provision for contingent losses amounting to RMB1.7 billion as at 30 June 2019 (31 December 2018: RMB1.4 billion), in accordance with relevant provisions of the "IAS 37 Provisions, Contingent Liabilities and Contingent Assets". The Group will continue to assess and revise the amount of provision required based on the developments of the situation.

The provision was made based on an assessment and estimate of probable loss, after considering the repurchase agreement for Baofeng Group and its controlling shareholder Feng Xin to repurchase equity interests in MPS from Jinxin Fund as contractually agreed. In this regard, on 13 March 2019, Everbright Jinhui, in its capacity as the executive partner of Jinxin Fund, together with Jinxin Fund jointly pursued civil legal action against Baofeng Group and Feng Xin at Beijing Higher People's Court, seeking compensation for losses arising from the non-fulfilment of their obligations to repurchase and other costs, totalling RMB751.1188 million. In addition, the provision was made after taking into consideration a "Letter of undertaking" issued by Feng Xin to Everbright Capital and Everbright Jinhui, and the market value of Feng Xin's shares pledged to the senior-tranche limited partners, as well as measures being taken to recover the investment in MPS.

Please refer to the Group's announcements of No. Lin 2019-008, No. Lin 2019-012, No. Lin 2019-016 and No. Lin 2019-037 for more details.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

14. CREDIT LOSS EXPENSE

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Provision for/(reversal of) credit losses against		
- Financial assets measured at amortized cost	208,372	20,228
- Financial assets held under resale agreements	112,843	184,092
- Debt instruments at fair value through other comprehensive income	57,293	3,233
- Other receivables	241	(15)
- Accounts receivable and other non-current assets	19,680	-
- Accounts receivable of finance lease	(7,826)	2,874
- Long term accounts receivable of sale-and-leaseback arrangements	2,548	-
- Margin accounts receivable	(38,780)	(10,558)
- Factoring receivables	(750)	(8,558)
Total	<u>353,621</u>	<u>191,296</u>

15. INCOME TAX EXPENSE

Taxation in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Current tax		
- Mainland China income tax	397,446	232,405
- Hong Kong profits tax	28,457	2,479
	<u>425,903</u>	<u>234,884</u>
Adjustment in respect of prior years		
- PRC income tax	10,906	6,254
Deferred tax		
- Origination and reversal of temporary differences	115,355	91,573
Total	<u>552,164</u>	<u>332,711</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

16. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Proposed and paid dividends	461,079	922,158

17. BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per share amount is calculated by dividing the profit for the period 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	
		2019	2018
		(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company		1,609,065	968,792
Weighted average number of ordinary shares in issue (thousands)	(a)	4,610,788	4,610,788
Basic and diluted earnings per share attributable to equity shareholders (in RMB per share)		0.3490	0.2101

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

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Number of the ordinary shares as at 1 January	4,610,788	4,610,788
Increase in weighted average number of ordinary shares	-	-
Weighted average number of ordinary shares in issue	4,610,788	4,610,788

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

18. PROPERTY AND EQUIPMENT

Cost	Buildings	Transportation machines	Electric equipment	Furniture and fixtures	Construction in progress	Total
As at 31 December 2017 (Audited)	914,993	24,460	558,799	305,555	667	1,804,474
Additions	-	2,378	53,300	28,464	15,236	99,378
Transfers during the year	-	-	103	155	(1,419)	(1,161)
Disposals and others	-	(1,769)	(13,692)	(11,234)	-	(26,695)
As at 31 December 2018 (Audited)	914,993	25,069	598,510	322,940	14,484	1,875,996
Additions	-	89,496	17,733	15,218	6,278	128,725
Disposals and others	-	(387)	(4,251)	(1,991)	-	(6,629)
As at 30 June 2019 (Unaudited)	914,993	114,178	611,992	336,167	20,762	1,998,092
Accumulated depreciation						
As at 31 December 2017 (Audited)	(270,036)	(20,506)	(447,216)	(236,437)	-	(974,195)
Charge for the year	(23,746)	(1,703)	(75,117)	(22,775)	-	(123,341)
Disposals and others	-	1,769	8,938	10,876	-	21,583
As at 31 December 2018 (Audited)	(293,782)	(20,440)	(513,395)	(248,336)	-	(1,075,953)
Charge for the period	(11,873)	(1,788)	(30,490)	(11,820)	-	(55,971)
Disposals and others	-	387	4,251	1,830	-	6,468
As at 30 June 2019 (Unaudited)	(305,655)	(21,841)	(539,634)	(258,326)	-	(1,125,456)
Carrying amount						
As at 30 June 2019 (Unaudited)	609,338	92,337	72,358	77,841	20,762	872,636
As at 31 December 2018 (Audited)	621,211	4,629	85,115	74,604	14,484	800,043

As at 30 June 2019 and 31 December 2018, included in buildings are items with carrying amounts of RMB1,306 thousand and RMB1,343 thousand, respectively, for which the Group has yet to obtain the relevant land or building certificates.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

19. RIGHT-OF-USE ASSETS

	<u>Buildings</u>	<u>Other</u>	<u>Total</u>
Unaudited			
Cost			
As at 31 December 2018	-	-	-
Effects of adoption of IFRS 16	823,884	2,313	826,197
As at 1 January 2019	823,884	2,313	826,197
Additions	73,601	243	73,844
Disposals and others	<u>(7,749)</u>	<u>-</u>	<u>(7,749)</u>
As at 30 June 2019	<u>889,736</u>	<u>2,556</u>	<u>892,292</u>
Accumulated depreciation			
As at 31 December 2018	-	-	-
Effects of adoption of IFRS 16	-	-	-
As at 1 January 2019	-	-	-
Charge for the period	(136,909)	(634)	(137,543)
Disposals and others	<u>306</u>	<u>-</u>	<u>306</u>
As at 30 June 2019	<u>(136,603)</u>	<u>(634)</u>	<u>(137,237)</u>
Net carrying amount			
As at 30 June 2019	<u>753,133</u>	<u>1,922</u>	<u>755,055</u>
As at 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

20. GOODWILL

	<u>As at 30 June 2019 (Unaudited)</u>	<u>As at 31 December 2018 (Audited)</u>
Cost	1,504,201	1,504,201
Effect of exchange rate changes for cost	162,415	155,897
Less: Provision for impairment losses	(383,212)	(383,212)
Effect of exchange rate changes for impairment provision	<u>(21,431)</u>	<u>(19,840)</u>
Carrying amount	<u>1,261,973</u>	<u>1,257,046</u>

(All amounts expressed in RMB thousands unless otherwise specified)

20. GOODWILL (continued)

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 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Futures brokerage	9,380	9,380
Wealth management, investment banking and brokerage	<u>1,657,236</u>	<u>1,650,718</u>
Total	<u>1,666,616</u>	<u>1,660,098</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 the aforementioned CGU into the wealth management, investment banking and brokerage CGU.

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 five-year period and a discount rate of 19.16%, 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.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

21. OTHER INTANGIBLE ASSETS

	Customer relationship	Software and others	Total
<b>Cost</b>			
As at 31 December 2017 (Audited)	863,520	651,691	1,515,211
Additions	-	90,514	90,514
Disposals and others	(3,650)	(2,003)	(5,653)
As at 31 December 2018 (Audited)	859,870	740,202	1,600,072
Additions	-	21,859	21,859
Disposals and others	(65)	-	(65)
As at 30 June 2019 (Unaudited)	<u>859,805</u>	<u>762,061</u>	<u>1,621,866</u>
<b>Accumulated amortisation</b>			
As at 31 December 2017 (Audited)	(431,046)	(526,462)	(957,508)
Charge for the year	(141,709)	(66,490)	(208,199)
Disposals and others	-	1,849	1,849
As at 31 December 2018 (Audited)	(572,755)	(591,103)	(1,163,858)
Charge for the period	(72,510)	(33,327)	(105,837)
Disposals and others	-	-	-
As at 30 June 2019 (Unaudited)	<u>(645,265)</u>	<u>(624,430)</u>	<u>(1,269,695)</u>
<b>Carrying amount</b>			
As at 30 June 2019 (Unaudited)	<u>214,540</u>	<u>137,631</u>	<u>352,171</u>
As at 31 December 2018 (Audited)	<u>287,115</u>	<u>149,099</u>	<u>436,214</u>

(All amounts expressed in RMB thousands unless otherwise specified)

22. 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.

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.

(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, wealth management products and others 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 statement 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 below:

	As at 30 June 2019 (Unaudited)		
	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	-	11,202,784	11,202,784
Wealth management products	-	13,533,591	13,533,591
Others	4,574,421	3,907,240	8,481,661
Total	4,574,421	28,643,615	33,218,036



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

22. INTERESTS IN STRUCTURED ENTITIES (continued)

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

	As at 31 December 2018 (Audited)		Total
	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	
Funds	-	11,770,934	11,770,934
Wealth management products	-	12,370,357	12,370,357
Others	4,278,226	3,867,196	8,145,422
Total	4,278,226	28,008,487	32,286,713

- (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 statement 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 below:

	As at 30 June 2019 (Unaudited)
	Financial assets at fair value through profit or loss
Funds	395,132
Wealth management products	1,768,929
Total	2,164,061
	As at 31 December 2018 (Audited)
	Financial assets at fair value through profit or loss
Funds	228,770
Wealth management products	1,524,791
Total	1,753,561

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

22. INTERESTS IN STRUCTURED ENTITIES (continued)

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

As at 30 June 2019 and 31 December 2018, the net assets of these unconsolidated structured entities in which the Group acted as asset manager but did not have any interests amounted to RMB357,723,282 thousand and RMB357,340,598 thousand, respectively.

During the six months ended 30 June 2019 and 2018, the Group recognised the income from the wealth management business of RMB620,622 thousand and RMB609,641 thousand, respectively. As at 30 June 2019 and 31 December 2018, the corresponding remuneration receivables totalled RMB144,106 thousand and RMB139,231 thousand, respectively.

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Share of net assets	<u>1,092,875</u>	<u>1,096,310</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following list contains 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 2019	As at 31 December 2018	
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.* 光大雲付互聯網股份有限公司	Shanghai	RMB 200,000,000	40%	40%	Financial data processing
Everbright Eascreate Internet Co., Ltd.* 光大易創網路科技股份有限公司	Shanghai	RMB 100,000,000	40%	40%	Financial data processing
Everbright Ivy Investment Management (Shanghai) Co., Ltd.* <sup>(1)</sup> 光大常春藤投資管理(上海)有限公司	Shanghai	RMB 10,000,000	51%	51%	Investment management
Everbright LeadBank Assets Management (Shanghai) Co., Ltd.* <sup>(1)(5)</sup> 光大利得資產管理(上海)有限公司	Shanghai	RMB 10,000,000	95%	95%	Investment management
Everbright Ivy (Shanghai) Investment Center (Limited partnership)* <sup>(3)</sup> 光大常春藤(上海)投資中心(有限合夥)	Shanghai	RMB 185,000,000	27.03%	27.03%	Fund management
Shanghai Everbright Sports & Culture Equity Fund (Limited partnership)* 上海光大體育文化投資合夥企業(有限合夥)	Shanghai	RMB 201,922,000	24.76%	24.76%	Fund management
Sun Hung Kai Forex Limited <sup>(1)</sup> 新鴻基外匯有限公司	Hong Kong	HKD 75,166,707	51%	51%	Foreign exchange dealing
Tribridge Capital Management (Cayman) Limited <sup>(4)</sup>	Cayman Islands	USD 1,001	N/A	20.13%	Fund management

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2019	As at 31 December 2018	
Jiaying Everbright BoPu Investment LLP (Limited Partnership)* <sup>(3)</sup>					
嘉興光大礪璞投資合夥企業(有限合夥)	Jiaying	RMB 100,000,000	24.90%	24.90%	Investment management
EBS Fund Management Co., Ltd.* <sup>(1)</sup>		RMB			
上海光大光證股權投資基金管理有限公司	Shanghai	20,000,000	75.50%	75.50%	Investment management
Jiaying Everbright Meiyin Investment Management Co., Ltd.* <sup>(1)</sup>		RMB			
嘉興光大美銀投資管理有限公司	Jiaying	2,000,000	51%	51%	Investment management
Jiaying Everbright Meiyin No. 1 Investment LLP* <sup>(3)</sup>		RMB			
嘉興光大美銀壹號投資合夥企業(有限合夥)	Jiaying	500,000,000	25%	25%	Investment management
Shenzhen Qianhai Tunlan Investment Co., Ltd.* <sup>(1)</sup>		RMB			
深圳前海光大瞰瀾投資管理有限公司	Shenzhen	5,000,000	51%	51%	Investment management
Hangzhou Everbright Tunlan Investment LLP * <sup>(3)</sup>		RMB			
杭州光大瞰瀾投資合夥企業(有限合夥)	Hangzhou	200,000,000	47.65%	47.17%	Investment management
Beijing Wenzhi Guangda Cultural and Creative Industries Investment Management Co., Ltd.* <sup>(4)</sup>		RMB			
北京文資光大文創產業投資管理有限公司	Beijing	5,000,000	N/A	66%	Investment management
Shanghai Everbright Fortune Jingsheng Investment Center (Limited Partnership)* <sup>(2)</sup>		RMB			
上海光大富尊璟晟投資中心(有限合夥)	Shanghai	63,700,000	16.80%	16.80%	Investment management
Shanghai Everbright Fortune Jingtian Investment Center (Limited Partnership)* <sup>(2)</sup>		RMB			
上海光大富尊璟園投資中心(有限合夥)	Shanghai	52,350,000	0.19%	0.19%	Investment management
CRECG & EB Private Equity Fund Management (Shanghai) Co., Limited*		RMB			
中鐵光大股權投資基金管理(上海)有限公司	Shanghai	50,000,000	30%	30%	Investment management

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2019	As at 31 December 2018	
Xinglu Dingtai Big Data Equity Investment Fund L.P.*					
星路鼎泰(桐鄉)大資料產業股權投資基金合夥企業(有限合夥)	Jiaxing	RMB 200,000,000	28.52%	28.52%	Investment management
Beijing Everbright Wudaokou Investment Fund Management Co., Ltd.* <sup>(4)</sup>	Beijing	RMB 10,000,000	N/A	51%	Investment management
Shanghai JinXin Investment Consultancy LLP (Limited Partnership)* <sup>(2)(3)</sup>	Shanghai	RMB 5,203,000,000	1.15%	1.15%	Fund management
上海浸鑫投資諮詢合夥企業(有限合夥)					
Beijing BCID-EBS Cultural & Innovation No.2 Investment Fund (Limited Partnership)* <sup>(1)(3)</sup>	Beijing	RMB 97,550,000	99.90%	99.90%	Fund management
北京文資光大文創貳號投資基金管理中心(有限合夥)					
Jingning She Autonomous Country-Everbright ECO Fund Management Co., Ltd.* <sup>(1)</sup>	Lishui	RMB 5,000,000	51%	51%	Investment management
景甯侖族自治縣光大生態經濟產業基金管理有限公司					
Jingning-Everbright ECO Investment Fund L.P.* <sup>(2)</sup>	Lishui	RMB 55,500,000	9.01%	9.01%	Funds management
景甯光大生態壹號投資管理中心(有限合夥)					

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2019	As at 31 December 2018	
Jingning Everbright Zhetong No.1 Investment Fund L.P.* <sup>(2)</sup> 景甯光大浙通壹號投資管理合夥企業(有限合夥)	Lishui	RMB 65,600,000	15.24%	15.24%	Fund management
Gansu Duzhe Everbright Fund Management Co., Ltd.* <sup>(1)</sup> 甘肅讀者光大基金管理有限公司	Lanzhou	RMB 5,000,000	51%	51%	Fund management
Rizhao Rui Xiang Flight Training Co., Ltd.* 日照銳翔飛行培訓有限公司	Rizhao	RMB 46,000,000	39.13%	39.13%	Flight training
Tianjin Everbright Zhongji Investment Management Co., Ltd.* 天津光證中麗投資管理有限公司	Tianjin	RMB 20,000,000	30%	30%	Investment management
Hangzhou Jingxing Investment L.P.* 杭州璟星投資合夥企業(有限合夥)	Hangzhou	RMB 10,000,000	40%	40%	Investment management
Jiaying Zizhuo Private Equity Investment Fund L.P.* <sup>(2)(3)</sup> 嘉興資卓股權投資基金合夥企業(有限合夥)	Jiaying	RMB 2,400,000,000	12.49%	12.49%	Fund management
Gansu Reader Everbright Emerging Industry M&A Fund* <sup>(2)</sup> 甘肅讀者光大新興產業並購基金(有限合夥)	Lanzhou	RMB 75,000,000	19.87%	19.87%	Fund management
Beijing Everbright 360 Investment Management Center* <sup>(2)</sup> 北京光大三六零投資管理中心(有限合夥)	Beijing	RMB 680,800,000	0.05%	0.07%	Investment management

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

Name of associates and joint ventures	Place of incorporation	Registered capital (RMB Yuan)	Equity interest held		Principal activities
			As at 30 June 2019	As at 31 December 2018	
Renqiu Jiyin Equity Investment Fund* <sup>(2)</sup> 任丘市冀股權投資基金合夥企業	Renqiu	RMB 480,000,000	0.02%	0.03%	Investment management
Hohhot Haotian Construction Co., Ltd. * <sup>(2)</sup> 呼和浩特市昕天環建設有限公司	Hohhot	RMB 100,000,000	19%	19%	Investment management
Gui'an Everbright Securities Investment Management Co., Ltd. * 貴安新區光證投資管理有限公司	Gui'an	RMB 10,000,000	30%	30%	Investment management
Zhongnengjian Fund Management Co., Ltd. * 中能建基金管理有限公司	Beijing	RMB 50,000,000	30%	N/A	Investment management

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

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

<sup>(1)</sup> The Group's shareholdings of these investees are 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.

<sup>(2)</sup> The Group's shareholdings of these investees are 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.

<sup>(3)</sup> At 30 June 2019, the Group's shareholdings of these investees have been restricted by the judicial department. Please refer to note 13(b) for details.

<sup>(4)</sup> At 30 June 2019, these entities have been dissolved.

<sup>(5)</sup> At 31 December 2018, the entity's registered capital was RMB2,000,000. On 6 March 2019, the registered capital has been increased to RMB10,000,000.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

23. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of the Group's material associates, reconciled to the carrying amounts in the interim condensed consolidated financial statements, is disclosed below:

Dacheng Fund Management Co., Ltd.

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Gross amounts of the associate:		
Assets	3,544,597	3,295,234
Liabilities	(1,135,247)	(1,047,494)
Net assets	<u>2,409,350</u>	<u>2,247,740</u>
	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Revenue	541,782	530,580
Profit for the period/year	148,420	139,590
Other comprehensive income	28,810	3,978
Total comprehensive income	177,230	143,568
Dividend received from the associate	<u>-</u>	<u>-</u>
	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Reconciled to the Group's interest in the associate:		
Net assets attributable to shareholders of the parent company	2,409,350	2,247,740
The Group's effective interest	25%	25%
The Group's share of net assets of the associate	602,338	561,935
Other adjustment	<u>-</u>	<u>(3,905)</u>
Carrying amount in the consolidated financial statements	<u>602,338</u>	<u>558,030</u>



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

23. 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	
	2019	2018
	(Unaudited)	(Unaudited)
Aggregate amounts of the Group's share of those associates and joint ventures' net (losses)/profits	(15,371)	8,509
Total comprehensive income	(15,371)	8,509
	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	490,537	656,391

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Non-current		
Equity securities	593,116	569,789
Contribution to designated accounts at China Securities Finance Corporation Limited	4,574,421	4,278,226
Total	5,167,537	4,848,015
Analysed as:		
Unlisted	5,167,537	4,848,015
Total	5,167,537	4,848,015

As at 30 June 2019, the non-current financial assets at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC") have been classified as equity instruments at fair value through other comprehensive income since 1 January 2018. As at 30 June 2019, the cost and fair value of the Company's contribution were RMB4,380.00 million and RMB4,574.42 million based on the investment account statement provided by CSFC.

As at 30 June 2019, there were no equity securities in the equity investments at fair value through other comprehensive income with lock-up periods held by the Group.

In the opinion of the directors of the Company, the non-current equity investments at fair value through other comprehensive income are expected to be realised or restricted for sale beyond one year from the end of the reporting period.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Non-current		
Debt securities	9,377,686	7,945,473
Total	<u>9,377,686</u>	<u>7,945,473</u>
Analysed as:		
Listed outside Hong Kong	681,080	635,397
Unlisted	8,696,606	7,310,076
Total	<u>9,377,686</u>	<u>7,945,473</u>
Current		
Debt securities	1,790,767	453,406
Total	<u>1,790,767</u>	<u>453,406</u>
Analysed as:		
Listed outside Hong Kong	40,735	14,546
Unlisted	1,750,032	438,860
Total	<u>1,790,767</u>	<u>453,406</u>

As at 30 June 2019, the debt instruments at fair value through other comprehensive income which were pledged as collateral were RMB5,508,649 thousand.

(a) Analysis of the movements of allowance for ECLs:

	Six months ended 30 June 2019 (Unaudited)	2018 (Audited)
At the beginning of the period/year	84,750	27,838
Charge for the period/year	57,293	69,613
Amounts written off	(1,221)	(12,701)
At the end of the period/year	<u>140,822</u>	<u>84,750</u>

(b) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2019	<u>3,309</u>	<u>37,897</u>	<u>99,616</u>	<u>140,822</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Non-current		
Equity securities	1,330,129	3,574,474
Less: Allowance for ECLs	<u>(2,756)</u>	<u>(20,196)</u>
Total	<u>1,327,373</u>	<u>3,554,278</u>
Current		
Debt securities	568,925	13,156,490
Equity securities	10,121,108	17,404,931
Less: Allowance for ECLs	<u>(537,194)</u>	<u>(406,911)</u>
Total	<u>10,152,839</u>	<u>30,154,510</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(b) Analysed by market:

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Non-current		
Shenzhen Stock Exchange	502,233	2,268,152
Shanghai Stock Exchange	827,896	1,306,322
Less: Allowance for ECLs	<u>(2,756)</u>	<u>(20,196)</u>
Total	<u>1,327,373</u>	<u>3,554,278</u>
Current		
Interbank market	-	2,051,715
Shenzhen Stock Exchange	5,600,086	12,744,889
Shanghai Stock Exchange	5,089,947	15,764,817
Less: Allowance for ECLs	<u>(537,194)</u>	<u>(406,911)</u>
Total	<u>10,152,839</u>	<u>30,154,510</u>

(c) Analysis of the movements of allowance for ECLs :

	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
At the beginning of the period/year	427,107	29,258
Charge for the period/year	208,931	397,849
Reversal for the period/year	<u>(96,088)</u>	<u>-</u>
At the end of the period/year	<u>539,950</u>	<u>427,107</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(d) Analyzed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2019	<u>48</u>	<u>19,048</u>	<u>520,854</u>	<u>539,950</u>

27. REFUNDABLE DEPOSITS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Deposits with stock exchanges and clearing house		
- China Securities Depository and Clearing Corporation Limited	171,612	339,645
- Shanghai Stock Exchange	328,637	-
- The Stock Exchange of Hong Kong Limited	13,552	3,200
- Hong Kong Securities Clearing Company Limited	<u>11,771</u>	<u>10,488</u>
	<u>525,572</u>	<u>353,333</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	888,771	653,016
- Dalian Commodity Exchange	701,775	522,405
- Shanghai Futures Exchange	909,096	562,646
- Zhengzhou Commodity Exchange	705,513	453,171
- Shanghai International Energy Exchange	72,854	67,952
- Hong Kong Futures Exchange	<u>11,097</u>	<u>7,886</u>
	<u>3,289,106</u>	<u>2,267,076</u>
Deposits with other institutions		
- CSFC	48,659	477,915
- Shanghai Clearing House	71,837	69,807
- Securities & Futures Commission of Hong Kong	1,759	-
- Shanghai Gold Exchange	2,920	2,820
- Other institutions	<u>2,154</u>	<u>15,857</u>
	<u>127,329</u>	<u>566,399</u>
Total	<u>3,942,007</u>	<u>3,186,808</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

28. INCOME TAX

(a) Current taxation

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Current tax liabilities	<u>379,517</u>	<u>403,306</u>
	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
At the beginning of the period/year	403,306	800,644
Provision for the period/year	436,809	602,363
Increase/(decrease) through the sale of equity instruments at fair value through other comprehensive income	1,458	(521)
Tax paid	<u>(462,056)</u>	<u>(999,180)</u>
At the end of the period/year	<u>379,517</u>	<u>403,306</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

28. 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:	Allowance for ECLs	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	Financial assets at fair value through other comprehensive income	Intangible assets recognised in the acquisition	Others	Total
As at 1 January 2018 (Audited)	119,898	201,943	243,893	(6,655)	(132,482)	(61,538)	61,320	426,379
Recognised in profit or loss	485,118	(49,292)	99,148	10,750	-	19,150	(24,105)	540,769
Recognised in reserves	(14,258)	-	-	-	180,722	-	-	166,464
As at 1 January 2019 (Audited)	590,758	152,651	343,041	4,095	48,240	(42,388)	37,215	1,133,612
Recognised in profit or loss	150,670	6,558	(276,387)	466	-	10,934	(7,596)	(115,355)
Recognised in reserves	(14,024)	-	-	-	(45,113)	-	-	(59,137)
As at 30 June 2019 (Unaudited)	727,404	159,209	66,654	4,561	3,127	(31,454)	29,619	959,120

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

28. INCOME TAX (continued)

(c) Reconciliation to the statement of financial position

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	1,068,094	1,235,048
Net deferred tax liabilities recognised in the consolidated statement of financial position	(108,974)	(101,436)
Total	<u>959,120</u>	<u>1,133,612</u>

(d) Recognised in other comprehensive income

	Six months ended 30 June 2019 (Unaudited)		
	Before tax	Tax benefit	Net of tax
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	(50,679)	12,740	(37,939)
- Provision for ECL allowance	56,072	(14,024)	42,048
- Reclassified to profit or loss	(21,593)	5,398	(16,195)
Equity instruments at fair value through other comprehensive income			
- Net changes in fair value	258,836	(64,709)	194,127
Share of other comprehensive income of associates	7,203	-	7,203
Exchange differences on translation of financial statements in foreign currencies	9,339	-	9,339
Total	<u>259,178</u>	<u>(60,595)</u>	<u>198,583</u>
	Six months ended 30 June 2018 (Unaudited)		
	Before tax	Tax benefit	Net of tax
Debt instruments at fair value through other comprehensive income			
- Net changes in fair value	90,932	(22,733)	68,199
- Provision for ECL allowance	700	(175)	525
- Reclassified to profit or loss	(45,293)	11,323	(33,970)
Equity instruments at fair value through other comprehensive income			
- Net changes in fair value	(281,709)	70,427	(211,282)
Share of other comprehensive income of associates	994	-	994
Exchange differences on translation of financial statements in foreign currencies	15,398	-	15,398
Total	<u>(218,978)</u>	<u>58,842</u>	<u>(160,136)</u>



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

28. INCOME TAX (continued)

(e) Deferred tax assets not recognised

As at 30 June 2019 and 31 December 2018, the Group has not recognised deferred tax assets in respect of cumulative tax losses, allowance for ECLs, impairment losses against margin accounts and impairment losses against goodwill with timing difference amounting to RMB727,632 thousand and RMB609,150 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.

29. FINANCE LEASE RECEIVABLES

(a) Analysed by nature:

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Minimum lease payments to be received	4,633,636	5,916,342
Less: unrealised finance income	<u>(377,456)</u>	<u>(522,737)</u>
Balance of finance lease receivables	4,256,180	5,393,605
Less: allowance for ECLs	<u>(88,949)</u>	<u>(96,775)</u>
Finance lease receivables, net	<u>4,167,231</u>	<u>5,296,830</u>
Analysis for presentation purposes:		
Current assets	1,779,406	1,934,578
Non-current assets	<u>2,387,825</u>	<u>3,362,252</u>
Total	<u>4,167,231</u>	<u>5,296,830</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

29. FINANCE LEASE RECEIVABLES (continued)

(a) Analysed by nature: (continued)

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

	As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Within 1 year	2,021,955	1,816,868	2,223,666	1,969,985
1 to 2 years	1,482,609	1,377,302	1,881,360	1,729,656
2 to 3 years	873,966	827,711	1,241,031	1,164,971
Over 3 years	255,106	234,299	570,285	528,993
<b>Total</b>	<b>4,633,636</b>	<b>4,256,180</b>	<b>5,916,342</b>	<b>5,393,605</b>
Unrealised finance income	(377,456)	-	(522,737)	-
Balance of finance lease receivables	4,256,180	4,256,180	5,393,605	5,393,605
Allowance for ECLs	(88,949)	(88,949)	(96,775)	(96,775)
Finance lease receivables, net	<u>4,167,231</u>	<u>4,167,231</u>	<u>5,296,830</u>	<u>5,296,830</u>

(b) Analysis of the movements of allowance for ECLs :

	Six months ended	
	30 June 2019 (Unaudited)	2018 (Audited)
At the beginning of the period/year	96,775	94,379
Charge for the period/year	18	33,007
Reversal of impairment	(7,844)	(27,123)
Amounts written off	-	(3,488)
At the end of the period/year	<u>88,949</u>	<u>96,775</u>

(c) Analysed by stages of ECLs :

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2019	<u>31,400</u>	<u>57,549</u>	<u>-</u>	<u>88,949</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

30. LONG TERM RECEIVABLE ARISING FROM SALE-AND-LEASEBACK ARRANGEMENTS

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Minimum lease payments to be received	564,972	-
Less: unrealised finance income	<u>(54,495)</u>	<u>-</u>
Balance of finance lease receivables	510,477	-
Less: allowance for ECLs	<u>(2,548)</u>	<u>-</u>
Finance lease receivables, net	<u>507,929</u>	<u>-</u>
Analysis for presentation purposes:		
Current assets	181,249	-
Non-current assets	<u>326,680</u>	<u>-</u>
Total	<u>507,929</u>	<u>-</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

30. LONG TERM RECEIVABLE ARISING FROM SALE-AND-LEASEBACK ARRANGEMENTS  
 (continued)

(a) Analysed by nature: (continued)

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

	As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Within 1 year	209,213	182,157	-	-
1 to 2 years	190,661	174,396	-	-
2 to 3 years	130,084	121,923	-	-
Over 3 years	35,014	32,001	-	-
<b>Total</b>	<b>564,972</b>	<b>510,477</b>	<b>-</b>	<b>-</b>
Unrealised finance income	(54,495)	-	-	-
Balance of finance lease receivables	510,477	510,477	-	-
Allowance for ECLs	(2,548)	(2,548)	-	-
<b>Finance lease receivables, net</b>	<b>507,929</b>	<b>507,929</b>	<b>-</b>	<b>-</b>

(b) Analysis of the movements of allowance for ECLs :

	Six months ended	
	30 June 2019 (Unaudited)	2018 (Audited)
At the beginning of the period/year	-	-
Charge for the period/year	2,548	-
<b>At the end of the period/year</b>	<b>2,548</b>	<b>-</b>

(c) Analysed by stages of ECLs :

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2019	2,548	-	-	2,548

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

31. OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Long-term deferred expenses <sup>(1)</sup>	77,742	92,109
Deposits	28,811	32,712
Other receivables	127,789	108,798
Less: Allowance for ECLs	<u>(80,390)</u>	<u>(80,390)</u>
Total	<u>153,952</u>	<u>153,229</u>

(b) Analysis of the movements of allowance for ECLs :

	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
At the beginning of the period/year	80,390	80,390
Charge for the period/year	<u>-</u>	<u>-</u>
At the end of the period/year	<u>80,390</u>	<u>80,390</u>

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

	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
Balance at the beginning of the period/year	92,109	101,817
Additions	6,037	37,533
Transfer from property and equipment	-	1,161
Amortisation	<u>(20,404)</u>	<u>(48,402)</u>
Balance at the end of the period/year	<u>77,742</u>	<u>92,109</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

32. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Accounts receivable of		
- Brokers and dealers	2,258,681	2,040,380
- Settlement	747,410	864,309
- Fee and commission	384,433	316,840
- Investees	21,735	21,735
- Others	9,223	16,903
Less: Allowance for ECLs	<u>(68,735)</u>	<u>(49,055)</u>
Total	<u><u>3,352,747</u></u>	<u><u>3,211,112</u></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 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Within 1 year	3,341,765	3,187,624
1 to 2 years	9,918	23,132
2 to 3 years	1,041	280
Over 3 years	<u>23</u>	<u>76</u>
Total	<u><u>3,352,747</u></u>	<u><u>3,211,112</u></u>

(c) Analysis of the movements of allowance for ECLs :

	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
At the beginning of the period/year	49,055	-
Charge for the period/year	<u>19,680</u>	<u>49,055</u>
At the end of the period/year	<u><u>68,735</u></u>	<u><u>49,055</u></u>

(d) Accounts receivable that are not impaired

Accounts receivable 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.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

33. OTHER CURRENT ASSETS

(a) Analysed by nature:

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Other receivables <sup>(1)</sup>	1,692,240	1,553,655
Factoring receivables	301,519	613,587
Dividend receivables	157,151	159,544
Interest receivable	60,081	108,037
Bulk commodity trading inventories	3,864	-
Prepayments <sup>(1)</sup>	989	2,402
Others	148,417	187,250
Less: Allowance for ECLs	<u>(27,617)</u>	<u>(28,126)</u>
Total	<u><u>2,336,644</u></u>	<u><u>2,596,349</u></u>

(1) The balance of other current assets 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 allowance for ECLs:

	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
At the beginning of the period/year	28,126	93,737
Charge for the period/year	494	26,785
Reversal of impairment	(1,003)	(12,004)
Others	<u>-</u>	<u>(80,392)</u>
At the end of the period/year	<u><u>27,617</u></u>	<u><u>28,126</u></u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

34. MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Individuals	26,541,113	23,945,830
Institutions	6,231,971	6,650,957
Less: Allowance for ECLs	<u>(219,765)</u>	<u>(258,859)</u>
Total	<u>32,553,319</u>	<u>30,337,928</u>

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

	Six months ended 30 June 2019 <u>(Unaudited)</u>	2018 <u>(Audited)</u>
At the beginning of the period/year	258,859	304,742
Charge for the period/year	9,026	23,653
Reversal of impairment	(47,806)	(5,126)
Amounts written off	-	(70,724)
Others	<u>(314)</u>	<u>6,314</u>
At the end of the period/year	<u>219,765</u>	<u>258,859</u>

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

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Fair value of collateral:		
- Equity securities	88,021,341	87,245,315
- Cash	4,665,711	2,776,941
- Funds	1,583,675	1,499,328
- Debt securities	3,647,329	5,119,029
- Others	<u>436,169</u>	<u>365</u>
Total	<u>98,354,225</u>	<u>96,640,978</u>

(d) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2019	<u>30,442</u>	<u>7,968</u>	<u>181,355</u>	<u>219,765</u>



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

35. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Non-current		
Debt securities	6,894,189	7,638,034
Others	110,771	-
Less: Allowance for ECLs	(346,575)	(32,023)
Total	<u>6,658,385</u>	<u>7,606,011</u>
Analysed as:		
Listed inside Hong Kong	133,978	-
Listed outside Hong Kong	191,463	227,209
Unlisted	6,332,944	7,378,802
Total	<u>6,658,385</u>	<u>7,606,011</u>
	As at	As at
	30 June	31 December
	2019	2018
Current	(Unaudited)	(Audited)
Debt securities	849,269	403,274
Less: Allowance for ECLs	(371)	(106,404)
Total	<u>848,898</u>	<u>296,870</u>
Analysed as:		
Listed outside Hong Kong	3,794	133,803
Unlisted	845,104	163,067
Total	<u>848,898</u>	<u>296,870</u>

As at 30 June 2019, the financial assets measured at amortized cost which were pledged as collateral were RMB2,767,461 thousand.

(a) Analysis of the movements of allowance for ECLs:

	Six months ended 30 June 2019	2018
	(Unaudited)	(Audited)
At the beginning of the period/year	138,427	12,334
Charge for the period/year	208,372	123,083
Amounts written off	(274)	(704)
Others	421	3,714
At the end of the period/year	<u>346,946</u>	<u>138,427</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

35. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (continued)

(b) Analysed by stages of ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 30 June 2019	<u>4,576</u>	<u>6,094</u>	<u>336,276</u>	<u>346,946</u>

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Held for trading:		
- Debt securities	16,481,617	24,232,448
- Equity securities	3,422,495	3,654,842
- Funds	11,597,916	11,999,703
- Wealth management products	15,302,520	13,895,148
- Others	<u>3,907,240</u>	<u>3,867,197</u>
Total	<u>50,711,788</u>	<u>57,649,338</u>

(b) Analysed as:

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Held for trading:		
- Listed outside Hong Kong	8,180,107	4,614,775
- Listed inside Hong Kong	186,387	168,129
- Unlisted	<u>42,345,294</u>	<u>52,866,434</u>
Total	<u>50,711,788</u>	<u>57,649,338</u>

As at 30 June 2019 and 31 December 2018, 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 RMB248,868 thousand and RMB394,686 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 34(c) together with the fair value of collateral of the margin financing business.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

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

(b) Analysed as: (continued)

As at 30 June 2019 and 31 December 2018, there were no fund investments with lock-up periods included in the financial assets at fair value through profit or loss.

As at 30 June 2019, there were no equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group. As at 31 December 2018, the equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group were RMB126,837 thousand.

37. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2019 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	27,170,000	-	(5,676)
Equity derivatives			
- Stock index futures	68,464	102	(16,277)
- Stock options	120,501	1,733	(22)
- OTC stock index options	3,814,425	38,367	(130,422)
- Embedded option instruments	12,880	-	(17)
Others			
- Commodity futures	12,901	-	(1)
- Commodity option	39,812	-	(94)
Total	<u>31,238,983</u>	40,202	(152,509)
Less: Cash (received)/paid as settlement		(102)	21,954
Net position		<u>40,100</u>	<u>(130,555)</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

37. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2018 (Audited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
- Interest rate swaps	24,520,000	-	(7,370)
- Treasury bond futures	578,443	-	(10,171)
Equity derivatives			
- Stock index futures	56,611	980	-
- Equity return swaps	50,000	882	-
- Stock option	1,212	17	(5)
- OTC stock index options	7,041,283	25,821	(491,906)
- Embedded option instruments	472,720	-	(849)
Others			
- Commodity option	8,466	-	(65)
Total	<u>32,728,735</u>	27,700	(510,366)
Less: Cash (received)/paid as settlement		(980)	17,542
Net position		<u>26,720</u>	<u>(492,824)</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".

38. CLEARING SETTLEMENT FUNDS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Deposits with		
- China Securities Depository and Clearing Corporation Limited	328,667	118,519
- Others	<u>2,055,663</u>	<u>1,356,900</u>
Total	<u>2,384,330</u>	<u>1,475,419</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

39. 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 the 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.

40. CASH AND BANK BALANCES

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Cash on hand	96	128
Bank balances	<u>23,769,462</u>	<u>8,927,409</u>
Total	<u><u>23,769,558</u></u>	<u><u>8,927,537</u></u>

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates. As at 30 June 2019 and 31 December 2018, the Group's bank balances of RMB34,181 thousand and RMB493,438 thousand, respectively, were restricted.

41. CASH AND CASH EQUIVALENTS

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Cash on hand	96	128
Bank balances	23,769,462	8,927,409
Clearing settlement funds	2,384,330	1,475,419
Less: restricted bank deposits	(5,684,344)	(4,607,336)
- Restricted bank balance	(34,181)	(493,438)
- Time deposit of more than three months	(5,650,163)	(4,113,898)
Less: interest receivable	<u>(3,204)</u>	<u>(35,660)</u>
Total	<u><u>20,466,340</u></u>	<u><u>5,759,960</u></u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

42. LOANS AND BORROWINGS

Current

As at 30 June 2019  
 (Unaudited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.10% ~Hibor+2.10%	2019-2020	1,376,302
Secured bank loans	HKD	Hibor+0.85% ~Hibor+1.75%	2019	1,023,989
Secured bank loans	RMB	4.28%~7.50%	2019	1,258,159
Unsecured bank loans	USD	4.50%	2020	253,863
Total				<u>3,912,313</u>

As at 31 December 2018  
 (Audited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.38% ~Hibor+2.10%	2019	2,233,688
Secured bank loans	HKD	2.59%~4.50%	2019	1,699,202
Secured bank loans	RMB	4.28%-5.46%	2019	836,376
Total				<u>4,769,266</u>

Non-current

As at 30 June 2019  
 (Unaudited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.38% ~Hibor+2.10%	2020-2021	8,189,824
Secured bank loans	RMB	4.28%~6.70%	2020-2023	1,558,451
Total				<u>9,748,275</u>

As at 31 December 2018  
 (Audited)

	Currency	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	HKD	Hibor+1.38% ~Hibor+2.10%	2020-2021	8,247,963
Secured bank loans	RMB	4.28%~6.41%	2021	1,714,035
Unsecured bank loans	USD	4.50%	2020	250,462
Total				<u>10,212,460</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

43. SHORT-TERM DEBT INSTRUMENTS

(Unaudited)	Nominal interest rate	Book value as at 1 January 2019	Issuance	Redemption	Book value as at 30 June 2019
Structured notes and short-term bonds	0.00%-6.20%	14,109,673	15,848,078	(23,181,654)	6,776,097
(Audited)	Nominal interest rate	Book value as at 1 January 2018	Issuance	Redemption	Book value as at 31 December 2018
Structured notes and short-term bonds	0.00%-7.00%	18,491,732	25,990,564	(30,372,623)	14,109,673

During the six months ended 30 June 2019, the Group has issued 133 tranches of structured notes, and repaid 68 tranches of structured notes during the period.

In 2018, the Group issued 337 tranches of structured notes, and repaid 333 tranches of structured notes during the year.

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Placements from CSFC	-	2,001,315
Interbank lending	4,302,277	3,608,034
Total	4,302,277	5,609,349

As at 30 June 2019, the interbank lending is unsecured and bears interest at a rate ranging from 0.60% to 2.70% per annum, with maturity ranging from 1 day to 332 days. As at 31 December 2018, the interbank lending is unsecured and bears interest at a rate ranging from 0.60% to 4.35% per annum, with maturity ranging from 1 day to 362 days.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Held for trading		
- Debt securities	547,725	-
- Structured entities	829,584	287,616
Total	<u>1,377,309</u>	<u>287,616</u>

The financial liabilities at fair value through profit or loss were resulted from the 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.

46. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Clients' deposits for margin financing and securities lending	7,507,921	6,524,167
Clients' deposits for other brokerage business	39,077,894	29,441,730
Total	<u>46,585,815</u>	<u>35,965,897</u>

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.

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.



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

47. EMPLOYEE BENEFITS PAYABLE

	Salaries, bonuses and allowance	Contributions to pension schemes	Other social welfare	Total
Current				
As at 1 January 2018 (Audited)	1,973,567	4,567	52,919	2,031,053
Accrued for the year	2,507,327	247,399	291,304	3,046,030
Payments made	(3,036,415)	(247,031)	(297,394)	(3,580,840)
As at 31 December 2018 (Audited)	1,444,479	4,935	46,829	1,496,243
Accrued for the period	1,675,318	124,264	168,722	1,968,304
Payments made	(1,238,191)	(124,235)	(173,299)	(1,535,725)
Transfer in	998	-	-	998
As at 30 June 2019 (Unaudited)	<u>1,882,604</u>	<u>4,964</u>	<u>42,252</u>	<u>1,929,820</u>
Non-current				
As at 1 January 2018 (Audited)	2,051	-	-	2,051
Payments made	(1,053)	-	-	(1,053)
As at 31 December 2018 (Audited)	998	-	-	998
Transfer out	(998)	-	-	(998)
As at 30 June 2019 (Unaudited)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

48. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Payables to interest holders of ABS	6,570,773	4,202,447
Payables to interest holders of consolidated structured entities	1,518,547	5,678,032
Temporary receipts	482,366	78,053
Dividends payable	454,886	-
Settlement payables	315,435	411,821
Distribution expenses payable	153,682	212,190
Risk reserve for the futures brokerage business	101,381	97,220
Other tax payable	96,243	178,097
Deposits for finance lease	89,967	59,577
Commission payables	64,346	38,438
Accrued expenses	44,952	53,192
Payable to the securities and futures investor protection fund	35,036	27,853
Deferred revenue	22,914	4,132
Payable for the derivative business	21,000	21,000
Payable on behalf of staff	20,953	36,930
Payable to custodian	18,916	19,075
Interest payable	8,831	12,210
Payable for construction project	7,319	8,148
Account executive commission payable	3,513	5,628
Others <sup>(1)</sup>	360,722	292,291
	<u>10,391,782</u>	<u>11,436,334</u>
Total		

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

Current

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Debt securities	15,977,953	15,953,717
Others	<u>1,710,805</u>	<u>102</u>
Total	<u><u>17,688,758</u></u>	<u><u>15,953,819</u></u>

(b) Analysed by market:

Current

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Interbank market	15,384,247	14,785,492
Stock exchanges	593,789	1,168,327
OTC market	<u>1,710,722</u>	<u>-</u>
Total	<u><u>17,688,758</u></u>	<u><u>15,953,819</u></u>

50. LEASE LIABILITIES

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Unaudited)</u>
Current		
Buildings	274,887	-
Others	<u>1,302</u>	<u>-</u>
Total	<u><u>276,189</u></u>	<u><u>-</u></u>
Non-current		
Buildings	466,255	-
Others	<u>688</u>	<u>-</u>
Total	<u><u>466,943</u></u>	<u><u>-</u></u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS

As at 30 June 2019 (Unaudited)

Name	Par value	Issue date	Maturity date	Issue	Coupon rate
	Original currency			Original currency	
16 EVERBRIGHT 06 <sup>(5)</sup>	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%
17 EVERBRIGHT Xingfu PPN001 <sup>(7)</sup>	600,000	29/03/2017	28/03/2020	600,000	5.00%
17 EVERBRIGHT Xingfu PPN002 <sup>(8)</sup>	200,000	27/04/2017	26/04/2020	200,000	5.50%
17 EVERBRIGHT 04 <sup>(11)</sup>	2,000,000	14/02/2017	14/02/2020	1,994,300	4.45%
17 EVERBRIGHT 06 <sup>(13)</sup>	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%
17 EVERBRIGHT G1 <sup>(14)</sup>	3,000,000	04/07/2017	04/07/2020	2,985,000	4.58%
17 EVERBRIGHT G2 <sup>(15)</sup>	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%
17 EVERBRIGHT G3 <sup>(16)</sup>	4,100,000	13/10/2017	16/10/2020	4,087,700	4.80%
17 EVERBRIGHT G4 <sup>(17)</sup>	1,600,000	13/10/2017	16/10/2022	1,595,200	4.90%
18 EVERBRIGHT Xingfu PPN001 <sup>(18)</sup>	200,000	07/02/2018	06/02/2021	200,000	6.80%
18 EVERBRIGHT 05 <sup>(19)</sup>	1,000,000	30/07/2018	29/07/2020	990,000	4.55%
18 EVERBRIGHT 06 <sup>(20)</sup>	4,000,000	30/07/2018	29/07/2021	4,000,000	4.67%
18 EVERBRIGHT G3 <sup>(21)</sup>	2,800,000	26/09/2018	25/09/2021	2,794,960	4.30%
EBSHKBI Corp <sup>(22)</sup>	USD200,000	21/11/2018	21/11/2021	USD200,000	5.25%
18 EVERBRIGHT C1 <sup>(23)</sup>	3,000,000	13/12/2018	12/12/2021	3,000,000	4.30%
Jinzhihu No.1062 Structured Notes <sup>(24)</sup>	2,000,000	21/12/2018	18/06/2020	2,000,000	4.00%
Dingfu No.204 Structured Notes <sup>(25)</sup>	200,000	25/12/2018	28/06/2020	200,000	4.00%
Jinzhihu No.1057 Structured Notes <sup>(26)</sup>	500,000	25/12/2018	25/03/2020	500,000	4.10%
18 EVERBRIGHT 02 <sup>(27)</sup>	2,000,000	18/01/2018	17/01/2020	1,990,000	5.55%

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

As at 30 June 2019 (Unaudited)

Name	Par value	Issue date	Maturity date	Issue	Coupon rate
	Original currency			Original currency	
18 EVERBRIGHT G1 <sup>(28)</sup>	2,700,000	18/04/2018	17/04/2020	2,686,500	4.68%
18 EVERBRIGHT G2 <sup>(29)</sup>	3,300,000	18/04/2018	17/04/2021	3,283,500	4.78%
19 EVERBRIGHT 01 <sup>(33)</sup>	3,000,000	22/01/2019	22/01/2022	3,000,000	3.88%
Dingfu No.205 Structured Notes <sup>(34)</sup>	200,000	31/01/2019	21/04/2020	200,000	3.90%

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

For the six months ended 30 June 2019 (Unaudited)

Name	Book value as at 1 January 2019 (Audited)	Increase	Amount of amortisation	Decrease	Foreign exchange impact 2019 (Unaudited)	Book value as at 30 June 2019 (Unaudited)
16 EVERBRIGHT 06 <sup>(5)</sup>	3,017,095	47,869	625	-	-	3,065,589
17 EVERBRIGHT Xingfu PPN001 <sup>(7)</sup>	620,754	15,928	(2,107)	(30,000)	-	604,575
17 EVERBRIGHT Xingfu PPN002 <sup>(8)</sup>	207,255	5,841	(225)	(11,000)	-	201,871
17 EVERBRIGHT 03 <sup>(10)</sup>	2,075,251	10,511	238	(2,086,000)	-	-
17 EVERBRIGHT 04 <sup>(11)</sup>	2,075,984	44,518	950	(89,000)	-	2,032,452
17 EVERBRIGHT 05 <sup>(12)</sup>	3,099,626	47,436	1,438	(3,148,500)	-	-
17 EVERBRIGHT 06 <sup>(13)</sup>	4,131,314	99,519	2,000	(200,000)	-	4,032,833
17 EVERBRIGHT G1 <sup>(14)</sup>	3,058,943	69,130	2,500	-	-	3,130,573
17 EVERBRIGHT G2 <sup>(15)</sup>	1,528,916	35,471	750	-	-	1,565,137
17 EVERBRIGHT G3 <sup>(16)</sup>	4,133,649	98,135	2,050	-	-	4,233,834
17 EVERBRIGHT G4 <sup>(17)</sup>	1,612,692	39,095	480	-	-	1,652,267
18 EVERBRIGHT Xingfu PPN001 <sup>(18)</sup>	190,254	7,220	457	(13,600)	-	184,331
18 EVERBRIGHT 05 <sup>(19)</sup>	1,011,335	22,868	2,500	-	-	1,036,703
18 EVERBRIGHT 06 <sup>(20)</sup>	4,078,871	93,367	-	-	-	4,172,238
18 EVERBRIGHT G3 <sup>(21)</sup>	2,827,176	60,146	840	-	-	2,888,162
EBSHKVI Corp <sup>(22)</sup>	1,373,112	-	37,196	(36,091)	1,892	1,376,109
18 EVERBRIGHT C1 <sup>(23)</sup>	3,006,589	64,500	(9,867)	-	-	3,061,222
Jinzhishu No.1062 Structured Notes <sup>(24)</sup>	2,002,192	39,826	-	-	-	2,042,018
Dingfu No.204 Structured Notes <sup>(25)</sup>	200,132	3,989	-	-	-	204,121
Jinzhishu No.1057 Structured Notes <sup>(26)</sup>	500,337	10,222	-	-	-	510,559
18 EVERBRIGHT 02 <sup>(27)</sup>	2,100,208	55,679	2,500	(111,000)	-	2,047,387

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

For the six months ended 30 June 2019 (Unaudited)

Name	Book value as at 1 January 2019 (Audited)	Increase	Amount of amortisation	Decrease	Foreign exchange impact 2019 (Unaudited)	Book value as at 30 June 2019 (Unaudited)
18 EVERBRIGHT G1 <sup>(28)</sup>	2,779,677	63,180	3,375	(126,360)	-	2,719,872
18 EVERBRIGHT G2 <sup>(29)</sup>	3,397,768	78,870	2,750	(157,740)	-	3,321,648
19 EVERBRIGHT 01 <sup>(33)</sup>	-	3,051,629	-	-	-	3,051,629
Dingfu No.205 Structured Notes <sup>(34)</sup>	-	203,226	-	-	-	203,226
Guangxin No.514 Structured Notes <sup>(30)</sup>	31,098	382	-	(31,480)	-	-
Dingfu No.588 Structured Notes <sup>(31)</sup>	82	2	-	(84)	-	-
18 EVERBRIGHT Xingfu SCP001 <sup>(32)</sup>	457,535	16,444	924	(474,903)	-	-
Total	49,517,845	4,285,003	49,374	(6,515,758)	1,892	47,338,356

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

As at 31 December 2018 (Audited)

Name	Par value	Issue date	Maturity date	Issue	Coupon rate
	Original currency			Original currency	
16 EVERBRIGHT 06 <sup>(5)</sup>	3,000,000	24/10/2016	24/10/2019	2,996,250	3.20%
17 EVERBRIGHT Xingfu PPN001 <sup>(7)</sup>	600,000	29/03/2017	28/03/2020	600,000	5.00%
17 EVERBRIGHT Xingfu PPN002 <sup>(8)</sup>	200,000	27/04/2017	26/04/2020	200,000	5.50%
17 EVERBRIGHT 03 <sup>(10)</sup>	2,000,000	14/02/2017	14/02/2019	1,996,200	4.30%
17 EVERBRIGHT 04 <sup>(11)</sup>	2,000,000	14/02/2017	14/02/2020	1,994,300	4.45%
17 EVERBRIGHT 05 <sup>(12)</sup>	3,000,000	26/04/2017	26/04/2019	2,991,000	4.95%
17 EVERBRIGHT 06 <sup>(13)</sup>	4,000,000	26/04/2017	26/04/2020	3,988,000	5.00%
17 EVERBRIGHT G1 <sup>(14)</sup>	3,000,000	04/07/2017	04/07/2020	2,985,000	4.58%
17 EVERBRIGHT G2 <sup>(15)</sup>	1,500,000	04/07/2017	04/07/2022	1,492,500	4.70%
17 EVERBRIGHT G3 <sup>(16)</sup>	4,100,000	13/10/2017	16/10/2020	4,087,700	4.80%
17 EVERBRIGHT G4 <sup>(17)</sup>	1,600,000	13/10/2017	16/10/2022	1,595,200	4.90%
18 EVERBRIGHT Xingfu PPN001 <sup>(18)</sup>	200,000	07/02/2018	06/02/2021	200,000	6.80%
18 EVERBRIGHT 05 <sup>(19)</sup>	1,000,000	30/07/2018	29/07/2020	990,000	4.55%
18 EVERBRIGHT 06 <sup>(20)</sup>	4,000,000	30/07/2018	29/07/2021	4,000,000	4.67%
18 EVERBRIGHT G3 <sup>(21)</sup>	2,800,000	26/09/2018	25/09/2021	2,794,960	4.30%
EBSHKBI Corp <sup>(22)</sup>	USD200,000	21/11/2018	21/11/2021	USD200,000	5.25%
18 EVERBRIGHT C1 <sup>(23)</sup>	3,000,000	13/12/2018	12/12/2021	3,000,000	4.30%
Jinzhishu No.1062 Structured Notes <sup>(24)</sup>	2,000,000	21/12/2018	18/06/2020	2,000,000	4.00%
Dingfu No.204 Structured Notes <sup>(25)</sup>	200,000	25/12/2018	28/06/2020	200,000	4.00%
Jinzhishu No.1057 Structured Notes <sup>(26)</sup>	500,000	25/12/2018	25/03/2020	500,000	4.10%
18 EVERBRIGHT 02 <sup>(27)</sup>	2,000,000	18/01/2018	18/01/2020	1,990,000	5.55%



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

As at 31 December 2018 (Audited)

Name	Par value	Issue date	Maturity date	Issue	Coupon rate
	Original currency			Original currency	
18 EVERBRIGHT G1 <sup>(28)</sup>	2,700,000	18/04/2018	17/04/2020	2,686,500	4.68%
18 EVERBRIGHT G2 <sup>(29)</sup>	3,300,000	18/04/2018	17/04/2021	3,283,500	4.78%
Guangxin No.514 Structured Notes <sup>(30)</sup>	30,000	13/04/2018	16/04/2019	30,000	5.10%
Dingfu No.588 Structured Notes <sup>(31)</sup>	80	27/04/2018	10/05/2019	80	4.50%
18 EVERBRIGHT Xingfu SCP001 <sup>(32)</sup>	500,000	20/09/2018	17/06/2019	500,000	7.00%

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

For the year ended 31 December 2018 (Audited)

Name	Book value as at 1 January 2018 (Audited)	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 31 December 2018 (Audited)
15 EVERBRIGHT 01 <sup>(1)</sup>	3,999,364	234,000	636	(4,234,000)	-	-
15 EVERBRIGHT 04 <sup>(2)</sup>	5,997,956	342,000	2,044	(6,342,000)	-	-
EVBSF Corp <sup>(3)</sup>	2,934,615	-	-	(2,934,615)	-	-
16 EVERBRIGHT 05 <sup>(4)</sup>	999,493	31,300	507	(1,031,300)	-	-
16 EVERBRIGHT 06 <sup>(5)</sup>	2,997,750	114,095	1,250	(96,000)	-	3,017,095
Dingfu No.9 Structured Notes <sup>(6)</sup>	50,000	-	-	(50,000)	-	-
17 EVERBRIGHT Xingfu PPN001 <sup>(7)</sup>	598,432	52,248	74	(30,000)	-	620,754
17 EVERBRIGHT Xingfu PPN002 <sup>(8)</sup>	199,674	18,322	259	(11,000)	-	207,255
17 EVERBRIGHT 02 <sup>(9)</sup>	1,997,493	82,000	2,507	(2,082,000)	-	-
17 EVERBRIGHT 03 <sup>(10)</sup>	1,997,862	161,489	1,900	(86,000)	-	2,075,251
17 EVERBRIGHT 04 <sup>(11)</sup>	1,995,962	167,122	1,900	(89,000)	-	2,075,984
17 EVERBRIGHT 05 <sup>(12)</sup>	2,994,063	249,563	4,500	(148,500)	-	3,099,626
17 EVERBRIGHT 06 <sup>(13)</sup>	3,990,722	336,592	4,000	(200,000)	-	4,131,314
17 EVERBRIGHT G1 <sup>(14)</sup>	2,987,151	204,192	5,000	(137,400)	-	3,058,943
17 EVERBRIGHT G2 <sup>(15)</sup>	1,493,145	104,771	1,500	(70,500)	-	1,528,916
17 EVERBRIGHT G3 <sup>(16)</sup>	4,088,549	237,800	4,100	(196,800)	-	4,133,649
17 EVERBRIGHT G4 <sup>(17)</sup>	1,595,399	94,733	960	(78,400)	-	1,612,692
18 EVERBRIGHT Xingfu PPN001 <sup>(18)</sup>	-	189,748	506	-	-	190,254
18 EVERBRIGHT 05 <sup>(19)</sup>	-	1,009,085	2,250	-	-	1,011,335
18 EVERBRIGHT 06 <sup>(20)</sup>	-	4,078,871	-	-	-	4,078,871
18 EVERBRIGHT G3 <sup>(21)</sup>	-	2,826,732	444	-	-	2,827,176

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

For the year ended 31 December 2018 (Audited)

Name	Book value as at 1 January 2018 (Audited)	Increase	Amount of amortisation	Decrease	Foreign exchange impact	Book value as at 30 June 2018 (Audited)
EBSHKBVI Corp <sup>(22)</sup>	-	1,370,727	8,801	(8,083)	1,667	1,373,112
18 EVERBRIGHT C1 <sup>(23)</sup>	-	3,006,589	-	-	-	3,006,589
Jinzhishu No.1062 Structured Notes <sup>(24)</sup>	-	2,002,192	-	-	-	2,002,192
Dingfu No.204 Structured Notes <sup>(25)</sup>	-	200,132	-	-	-	200,132
Jinzhishu No.1057 Structured Notes <sup>(26)</sup>	-	500,337	-	-	-	500,337
18 EVERBRIGHT 02 <sup>(27)</sup>	-	2,095,450	4,758	-	-	2,100,208
18 EVERBRIGHT G1 <sup>(28)</sup>	-	2,774,952	4,725	-	-	2,779,677
18 EVERBRIGHT G2 <sup>(29)</sup>	-	3,393,918	3,850	-	-	3,397,768
Guangxin No.514 Structured Notes <sup>(30)</sup>	-	31,098	-	-	-	31,098
Dingfu No.588 Structured Notes <sup>(31)</sup>	-	82	-	-	-	82
18 EVERBRIGHT Xingfu SCP001 <sup>(32)</sup>	-	456,959	576	-	-	457,535
Total	40,917,630	26,367,099	57,047	(17,825,598)	1,667	49,517,845

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Long-term bonds due within one year	18,459,328	8,680,687
Long-term bonds due after one year	<u>28,879,028</u>	<u>40,837,158</u>
Total	<u>47,338,356</u>	<u>49,517,845</u>

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

- (1) 3-year subordinated bond amounting to RMB4 billion on 29 January 2015. 15 EVERBRIGHT 01 was repaid on 29 January 2018.
- (2) 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. 15 EVERBRIGHT 04 was early redeemed on 27 April 2018.
- (3) Double Charm Limited, the Company's indirectly-owned subsidiary registered in the British Virgin Islands, issued a 3-year redeemable bond with a par value of USD0.45 billion in August 2015. EVBSF Corp was repaid on 27 August 2018.
- (4) 2-year corporate bond amounting to RMB1 billion on 24 October 2016. 16 EVERBRIGHT 05 was repaid on 24 October 2018.
- (5) 3-year corporate bond amounting to RMB3 billion on 24 October 2016.
- (6) 2-year structured note amounting to RMB50 million on 9 September 2016. Dingfu No.9 Structured notes was repaid on 9 September 2018.
- (7) Everbright Fortune International Leasing Co., Ltd., the Company's subsidiary registered in Shanghai, 3-year private publication notes amounting to RMB600 million on 29 March 2017.
- (8) Everbright Fortune International Leasing Co., Ltd., the Company's subsidiary registered in Shanghai, 3-year private publication notes amounting to RMB200 million on 27 April 2017.
- (9) 18-month corporate bond amounting to RMB2 billion on 11 January 2017. 17 EVERBRIGHT 02 was repaid on 11 July 2018.
- (10) 2-year corporate bond amounting to RMB2 billion on 14 February 2017. 17 EVERBRIGHT 03 was repaid on 14 February 2019.
- (11) 3-year corporate bond amounting to RMB2 billion on 14 February 2017.
- (12) 2-year corporate bond amounting to RMB3 billion on 26 April 2017. 17 EVERBRIGHT 05 was repaid on 26 April 2019.
- (13) 3-year corporate bond amounting to RMB4 billion on 26 April 2017.
- (14) 3-year corporate bond amounting to RMB3 billion on 4 July 2017.
- (15) 5-year corporate bond amounting to RMB1.5 billion on 4 July 2017.

EVERBRIGHT SECURITIES COMPANY LIMITED  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

51. LONG-TERM BONDS (continued)

- (16) 3-year corporate bond amounting to RMB4.1 billion on 13 October 2017.
- (17) 5-year corporate bond amounting to RMB1.6 billion on 13 October 2017.
- (18) Everbright Fortune International Leasing Co., Ltd., the Company's subsidiary registered in Shanghai, issued 3-year corporate bond amounting to RMB200 million on 7 February 2018.
- (19) 2-year corporate bond amounting to RMB1 billion on 30 July 2018.
- (20) 3-year corporate bond amounting to RMB4 billion on 30 July 2018.
- (21) 3-year corporate bond amounting to RMB2.8 billion on 26 September 2018.
- (22) Everbright Securities Financial Holdings Limited, the Company's directly-owned subsidiary registered in Hong Kong, issued a 3-year corporate bond with a par value of USD200 million on 21 November 2018.
- (23) 3-year corporate bond amounting to RMB3 billion on 13 December 2018.
- (24) 18-month structured notes amounting to RMB2 billion on 21 December 2018.
- (25) 18-month structured notes amounting to RMB200 million on 25 December 2018.
- (26) 15-month structured notes amounting to RMB500 million on 25 December 2018.
- (27) 2-year corporate bond amounting to RMB2 billion on 18 January 2018.
- (28) 2-year corporate bond amounting to RMB2.7 billion on 18 April 2018.
- (29) 3-year corporate bond amounting to RMB3.3 billion on 18 April 2018.
- (30) 1-year structured notes amounting to RMB30 million on 13 April 2018. Guangxin No.514 Structured Notes was repaid on 16 April 2019.
- (31) 1-year structured notes amounting to RMB0.08 million on 27 April 2018. Dingfu No.588 Structured Notes was repaid on 10 May 2019.
- (32) Everbright Fortune International Leasing Co., Ltd., the Company's subsidiary registered in Shanghai, issued a 9-month corporate bond amounting to RMB500 million on 20 September 2018. 18 EVERBRIGHT Xingfu SCP001 was repaid on 17 June 2019.
- (33) 3-year corporate bond amounting to RMB3 billion on 22 January 2019.
- (34) 15-month structured notes amounting to RMB200 million on 31 January 2019.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

52. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Put right liabilities arising from business combination <sup>(1)</sup>	2,003,865	2,010,879
Payables to interest holders of ABS	302,431	2,875,602
Deposits for finance lease	275,872	284,579
Deferred revenue	28,003	65,943
Club membership and trading payable	16,547	16,482
Others	10,674	10,632
Total	<u>2,637,392</u>	<u>5,264,117</u>

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

53. SHARE CAPITAL

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

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Registered, issued and fully paid (at RMB1 per share)	<u>4,610,788</u>	<u>4,610,788</u>

54. 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 par 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.

(All amounts expressed in RMB thousands unless otherwise specified)

54. RESERVES AND RETAINED PROFITS (continued)

(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.

In accordance with the requirements of the CSRC Circular regarding Guidance on Regulating the Asset Management Business of Financial Institutions in 2018 (Zhengjian Announcement [2018] No. 39), the Company appropriates 10% of the income from the large aggregate asset management business to the risk reserve.

(d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of equity instruments at fair value through other comprehensive income until the assets are derecognised and the cumulative net changes in fair values of debt instruments at fair value through other comprehensive income 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 28 May 2019, the Company distributed cash dividends of RMB1.00 yuan for every 10 shares (tax included) amounting to RMB461,079 thousand in total for the year ended 31 December 2018.

55. COMMITMENTS

Capital commitments

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Contracted but not provided for	<u>192,072</u>	<u>207,561</u>

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

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

56. CONTINGENCIES

As at 30 June 2019, the Group's pending litigations refer to note 13(b) for details.

57. 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. The share percentages in the Company are as follows:

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
China Everbright Group Ltd.	25.15%	25.15%
China Everbright Limited	21.30%	21.30%

(ii) Associates and joint ventures of the Company

The detailed information of the Company's associates and joint ventures is set out in Note 23.

(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 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Balances at the end of the period/year:		
Accounts receivable	440	438
Other payables and accruals	<u>265</u>	<u>264</u>



EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions and balances (continued)

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

	As at 30 June 2019 <u>(Unaudited)</u>	As at 31 December 2018 <u>(Audited)</u>
Balances at the end of the period/year:		
Cash and bank balances	7,316,712	7,058,160
Loans and borrowings	2,008,913	2,174,479
Other non-current liabilities	2,003,865	2,010,879
Financial assets at fair value through profit or loss	311,826	2,144,342
Other current assets	199,210	234,324
Other payables and accruals	494,435	528,502
Right-of-use asset	20,145	-
Lease liability	19,427	-
Accounts receivable	<u>3,140</u>	<u>1,876</u>
	Six months ended 30 June 2019 <u>(Unaudited)</u>	Six months ended 30 June 2018 <u>(Unaudited)</u>
Transactions during the period:		
Transaction amount for financial assets sold under repurchase agreements	34,967,140	17,955,394
Placements from other financial institutions borrowed	2,000,173	-
Interest income	78,660	89,513
Fee and commission income	51,281	26,006
Interest expenses	49,096	21,208
Other operating expenses	39,297	44,700
Other income and gains	11,097	4,896
Fee and commission expenses	5,174	3,534
Net investment (losses)/gains	(17,802)	123
Loans (returned)/borrowed	<u>(165,566)</u>	<u>595,000</u>

(All amounts expressed in RMB thousands unless otherwise specified)

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Key management personnel's 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 2019 <u>(Unaudited)</u>	Six months ended 30 June 2018 <u>(Unaudited)</u>
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	13,043	40,779
Post-employment benefits		
- Contributions to pension schemes	<u>321</u>	<u>384</u>
Total	<u>13,364</u>	<u>41,163</u>

58. SEGMENT REPORTING

Management commenced to allocate resources and assessed 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.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

58. SEGMENT REPORTING (continued)

(a) Business segments

For the six months ended 30 June 2019 (Unaudited)

	Brokerage and wealth management	Credit business	Institutional securities services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	1,250,462	42,146	1,005,512	616,819	439,516	37,286	3,391,741
- Inter-segment	9,034	-	-	-	-	-	9,034
Interest income							
- External	336,857	1,574,143	421,836	231,494	353,034	122,492	3,039,856
- Inter-segment	-	-	2,129	10,794	-	207,082	220,005
Net investment gains							
- External	27,529	128,702	935,739	274,694	74,202	549,801	1,990,667
- Inter-segment	-	-	-	-	-	(157)	(157)
Total revenue							
- External	1,614,848	1,744,991	2,363,087	1,123,007	866,752	709,579	8,422,264
- Inter-segment	9,034	-	2,129	10,794	-	206,925	228,882
Other income and gains							
- External	20,707	1,642	189	29,224	37,833	110,855	200,450
- Inter-segment	-	-	-	-	-	-	-
Segment revenue and other income							
- External	1,635,555	1,746,633	2,363,276	1,152,231	904,585	820,434	8,622,714
- Inter-segment	9,034	-	2,129	10,794	-	206,925	228,882
Segment expenses							
- External	(1,121,286)	(1,171,443)	(993,953)	(979,705)	(840,762)	(1,303,016)	(6,410,165)
- Inter-segment	(4,742)	(2,129)	(24)	(211,321)	-	(270,716)	(488,932)
Segment operating profit/(loss)							
- External	514,269	575,190	1,369,323	172,526	63,823	(482,582)	2,212,549
- Inter-segment	4,292	(2,129)	2,105	(200,527)	-	(63,791)	(260,050)
Share of profits of associates and joint ventures							
- External	-	-	-	19,910	1,824	-	21,734
- Inter-segment	-	-	-	-	-	-	-
Profit/(loss) before income tax							
- External	514,269	575,190	1,369,323	192,436	65,647	(482,582)	2,234,283
- Inter-segment	4,292	(2,129)	2,105	(200,527)	-	(63,791)	(260,050)
Interest income	336,857	1,574,143	421,836	231,494	353,034	122,492	3,039,856
Interest expenses	(47,594)	(1,041,776)	(284,053)	(117,531)	(232,823)	(538,971)	(2,262,748)
Reversal of (provision for) credit loss expense	6	(73,588)	(154,689)	(126,611)	338	923	(353,621)

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

58. SEGMENT REPORTING (continued)  
 (a) Business segments (continued)

For the six months ended 30 June 2018 (Unaudited)

	Brokerage and wealth management	Credit business	Institutional securities services	Investment management	Overseas business	Others	Segment total
Fee and commission income							
- External	1,049,400	46,705	635,481	604,646	414,308	33,046	2,783,586
- Inter-segment	2,105	-	-	-	-	-	2,105
Interest income							
- External	335,337	1,842,973	578,896	84,412	283,003	135,356	3,259,977
- Inter-segment	-	-	-	11,114	-	65,323	76,437
Net investment gains/(losses)							
- External	3,570	(89,791)	(614,975)	562,653	56,400	754,576	672,433
- Inter-segment	-	-	-	(17)	-	(91)	(108)
Total revenue	1,388,307	1,799,887	599,402	1,251,711	753,711	922,978	6,715,996
- External	2,105	-	-	11,097	-	65,232	78,434
- Inter-segment	18,412	(2,171)	212	15,404	62,143	170,618	264,618
Other income and gains							
- External	-	-	-	-	2,155	-	2,155
- Inter-segment	-	-	-	-	-	-	-
Segment revenue and other income	1,406,719	1,797,716	599,614	1,267,115	815,854	1,093,596	6,980,614
- External	2,105	-	-	11,097	2,155	65,232	80,589
- Inter-segment	-	-	-	-	-	-	-
Segment expenses							
- External	(1,096,114)	(1,197,659)	(568,460)	(605,849)	(764,356)	(1,409,883)	(5,642,321)
- Inter-segment	-	(2,736)	-	(64,584)	-	(13,269)	(80,589)
Segment operating profit/(loss)	310,605	600,057	31,154	661,266	51,498	(316,287)	1,338,293
- External	2,105	(2,736)	-	(53,487)	2,155	51,963	-
- Inter-segment	-	-	-	-	-	-	-
Share of profits of associates and joint ventures							
- External	-	-	-	32,660	2,447	-	35,107
- Inter-segment	-	-	-	-	-	-	-
Profit/(loss) before income tax	310,605	600,057	31,154	693,926	53,945	(316,287)	1,373,400
- External	2,105	(2,736)	-	(53,487)	2,155	51,963	-
- Inter-segment	-	-	-	-	-	-	-
Interest income	335,337	1,842,973	578,896	84,412	283,003	135,356	3,259,977
Interest expenses	(39,940)	(975,061)	(156,381)	(127,126)	(182,658)	(911,921)	(2,393,087)
Reversal of (provision for) impairment losses	15	(160,539)	139	-	(7,074)	(23,837)	(191,296)

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

58. SEGMENT REPORTING (continued)

(b) Geographical segments

The following tables set 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 2019			Six months ended 30 June 2018		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Revenue from external customers	7,555,512	866,752	8,422,264	5,962,285	753,711	6,715,996
Other income and gains	162,617	37,833	200,450	202,475	62,143	264,618
Total	<u>7,718,129</u>	<u>904,585</u>	<u>8,622,714</u>	<u>6,164,760</u>	<u>815,854</u>	<u>6,980,614</u>

Specified non-current assets:

	As at 30 June 2019			As at 31 December 2018		
	Mainland China	Outside Mainland China	Total	Mainland China	Outside Mainland China	Total
Property and equipment	829,168	43,468	872,636	763,551	36,492	800,043
Goodwill	9,380	1,252,593	1,261,973	9,380	1,247,666	1,257,046
Other intangible assets	71,835	280,336	352,171	82,023	354,191	436,214
Interests in associates and joint ventures	1,051,963	40,912	1,092,875	1,057,400	38,910	1,096,310
Refundable deposits	<u>3,900,299</u>	<u>41,708</u>	<u>3,942,007</u>	<u>3,149,377</u>	<u>37,431</u>	<u>3,186,808</u>

(All amounts expressed in RMB thousands unless otherwise specified)

59. 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 to the fair values.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value. 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 mostly 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 or binomial pricing models.
- (iv) Accounts receivable, other current assets, 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 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.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

59. FAIR VALUE INFORMATION (continued)

(b) 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 the fair value.

	As at 30 June 2019 (Unaudited)			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	1,738,094	14,465,313	278,210	16,481,617
– Equity securities	3,175,074	131,901	115,520	3,422,495
– Funds	9,495,669	2,102,247	-	11,597,916
– Wealth management products	-	2,896,255	12,406,265	15,302,520
– Others	-	7,330	3,899,910	3,907,240
Debt instruments at fair value through other comprehensive income				
– Debt securities	54,701	11,048,511	65,241	11,168,453
Equity instruments at fair value through other comprehensive income				
– Equity securities	25,209	19,627	548,280	593,116
– Other investments	-	4,574,421	-	4,574,421
Derivative financial assets	1,733	38,367	-	40,100
<b>Total</b>	<b>14,490,480</b>	<b>35,283,972</b>	<b>17,313,426</b>	<b>67,087,878</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Debt securities	-	547,725	-	547,725
– Structured entities	-	473,554	356,030	829,584
Derivative financial liabilities	22	130,533	-	130,555
<b>Total</b>	<b>22</b>	<b>1,151,812</b>	<b>356,030</b>	<b>1,507,864</b>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

59. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

	As at 31 December 2018 (Audited)			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Held for trading				
– Debt securities	643,159	23,322,580	266,709	24,232,448
– Equity securities	2,932,827	434,140	287,875	3,654,842
– Funds	11,845,040	154,663	-	11,999,703
– Wealth management products	-	4,137,983	9,757,165	13,895,148
– Others	-	90,155	3,777,042	3,867,197
Debt instruments at fair value through other comprehensive income				
– Debt securities	5,815	8,318,630	74,434	8,398,879
Equity instruments at fair value through other comprehensive income				
– Equity securities	35,291	-	534,498	569,789
– Other investments	-	4,278,226	-	4,278,226
Derivative financial assets	17	26,703	-	26,720
<b>Total</b>	<b>15,462,149</b>	<b>40,763,080</b>	<b>14,697,723</b>	<b>70,922,952</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Structured entities	-	-	287,616	287,616
Derivative financial liabilities	5	492,819	-	492,824
<b>Total</b>	<b>5</b>	<b>492,819</b>	<b>287,616</b>	<b>780,440</b>

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 several previously unlisted equity investments being listed on 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)

59. FAIR VALUE INFORMATION (continued)

(b) 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 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 primary 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 measure the fair value of an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs are determined not 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.

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

59. FAIR VALUE INFORMATION (continued)

(b) 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	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2019	14,088,791	534,498	74,434	(287,616)	14,410,107
Transfer in	136,918	12,485	-	-	149,403
Transfer out	(127,974)	-	-	-	(127,974)
Gains/(losses) for the period	487,538	-	-	(55,083)	432,455
Changes in fair value recognised in other comprehensive income	-	(34,919)	(9,193)	-	(44,112)
Purchases	17,876,457	38,734	-	(13,331)	17,901,860
Sales and settlements	(15,761,825)	(2,518)	-	-	(15,764,343)
As at 30 June 2019	<u>16,699,905</u>	<u>548,280</u>	<u>65,241</u>	<u>(356,030)</u>	<u>16,957,396</u>

(b) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2018	7,303,634	569,698	-	(215,449)	7,657,883
Transfer in	293,280	292	129,480	-	423,052
Transfer out	(293,977)	-	-	-	(293,977)
Gains/(losses) for the year	228,049	-	-	(53,819)	174,230
Changes in fair value recognised in other comprehensive income	-	(128,772)	(85,046)	-	(213,818)
Purchases	44,876,088	134,361	30,000	(18,348)	45,022,101
Sales and settlements	(38,318,283)	(41,081)	-	-	(38,359,364)
As at 31 December 2018	<u>14,088,791</u>	<u>534,498</u>	<u>74,434</u>	<u>(287,616)</u>	<u>14,410,107</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

59. FAIR VALUE INFORMATION (continued)

(b) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

For financial instruments in Level III, prices are determined by using valuation techniques such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurements 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

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2018 and 30 June 2019, 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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Financial assets		
- Financial assets measured at amortized cost	7,507,283	7,902,881
Financial liabilities		
- Long-term bonds	<u>47,338,356</u>	<u>49,517,845</u>

EVERBRIGHT SECURITIES COMPANY LIMITED  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 For the six months ended 30 June 2019

(All amounts expressed in RMB thousands unless otherwise specified)

59. FAIR VALUE INFORMATION (continued)

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

Fair value:

	As at 30 June 2019 (Unaudited)			
	Level I	Level II	Level III	Total
Financial assets				
- Financial assets measured at amortized cost	83,439	7,412,435	244,234	7,740,108
Financial liabilities				
- Long-term bonds	3,402,125	41,593,715	2,956,098	47,951,938
	As at 31 December 2018 (Audited)			
	Level I	Level II	Level III	Total
Financial assets				
- Financial assets measured at amortized cost	-	7,828,219	160,923	7,989,142
Financial liabilities				
- Long-term bonds	-	47,317,767	2,775,993	50,093,760

The fair values of the financial assets and liabilities included in level II and level III 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 to their fair values.

60. GUARANTEES

During the reporting period, guarantees provided by the Company mainly included the provision of net capital guarantee for Shanghai Everbright Securities Assets Management Co., Ltd., a wholly-owned subsidiary of the Company, and counter guarantee to the guarantor for the loan of the overseas commercial bank of the wholly-owned subsidiary Everbright Securities Financial Holdings Limited. As at 30 June 2019, the balance of such guarantees was approximately RMB5.317 billion.

During the reporting period, guarantees provided by the controlling subsidiaries of the Company mainly included the loan guarantees and financing guarantees provided by EBSHK, a wholly-owned subsidiary of the Company, and its subsidiaries to their subsidiaries for the business development of such companies. As at 30 June 2019, the balance of such guarantees was approximately RMB7.462 billion.

(All amounts expressed in RMB thousands unless otherwise specified)

61. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of corporate bonds after the reporting period

On 5 July 2019, the Company issued a short-term debt instrument with an aggregate principal amount of RMB2 billion, which has a term of 81 days and bears interest at a rate of 2.48%.

On 8 August 2019, the Company issued a short-term debt instrument with an aggregate principal amount of RMB3 billion, which has a term of 90 days and bears interest at a rate of 2.71%.

On 22 August 2019, the Company issued a corporate bond with an aggregate principal amount of RMB3 billion through non-public offering, which has a term of 3 years and bears interest at a rate of 3.75%.

(b) Redemption of corporate bonds after the reporting period

On 17 April 2019, the Company issued a short-term debt instrument with an aggregate principal amount of RMB3 billion, which has a term of 3 months and bears interest at a rate of 3.00%. The redemption work of this short-term debt instrument was completed on 16 July 2019. The Company's principal amount and the total interest paid was RMB3.02 billion.

On 17 May 2019, the Company issued a short-term debt instrument with an aggregate principal amount of RMB3 billion, which has a term of 3 months and bears interest at a rate of 2.98%. The redemption work of this short-term debt instrument was completed on 15 August 2019. The Company's principal amount and the total interest paid was RMB3.02 billion.

(c) Transfer of class C preference shares of ESR Cayman Limited after reporting period

On 1 August 2019, China Everbright Securities International Structured Finance Company Limited (hereinafter referred to as "ESISF") (an indirectly wholly-owned subsidiary of the Company) entered into the Preference Shares Transfer Agreement with Luckfield, pursuant to which, ESISF agreed to transfer 32,714,641 Class C Preference Shares in the Target held by it to Luckfield at a total consideration of US\$44,746,624, and Luckfield agreed to accept the above transfer. The acquisition have been completed on 1 August 2019.

62. COMPARATIVE FIGURES

Certain comparative figures in the interim condensed consolidated financial statements have been reclassified to conform with the current period's presentation.

63. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2019.